

PUBLIC DISCLOSURE

April 8, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Elmira Savings Bank
RSSD No. 861304**

**333 East Water Street
Elmira, NY 14901**

**FEDERAL RESERVE BANK OF NEW YORK
33 LIBERTY STREET
NEW YORK, NY 10045**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION'S CRA RATING

Elmira Savings Bank ("ESB") is rated Satisfactory.

The major factors supporting the rating are:

- A substantial majority of loans were made in the assessment areas.
- ESB's loan-to-deposit ratio was more than reasonable.
- The overall distribution of loans to borrowers of different incomes and businesses of different sizes reflects reasonable distribution.
- The overall geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The level of community development loans, qualified investments and community development services demonstrates adequate responsiveness to community development needs in the assessment areas.

DESCRIPTION OF INSTITUTION

Originally founded in 1869, ESB is a New York State-chartered bank that converted from a federally-chartered savings bank effective January 1, 2012. Headquartered in Elmira, New York, ESB operates as an independent community bank serving consumers and businesses. ESB offers a variety of commercial and consumer financial products such as fixed and adjustable rate mortgages, home equity loans and lines of credit, personal and unsecured loans, and commercial loan products.

As of December 31, 2012, ESB's total assets were \$537 million, with total deposits of \$410 million and gross total loans of \$378 million. ESB operates 11 full-service branch offices, six of which are located in Chemung County, three in Tompkins County, one in Steuben County, and one in Cayuga County. The bank also operates one limited service branch in Schuyler County and two loan production offices, one each in Tompkins and Cortland Counties. The bank operates in a competitive market with branches of numerous local, regional, and international banks operating in the bank's assessment areas. Based on deposits reported to the Federal Deposit Insurance Corporation ("FDIC") on June 30, 2012, ESB has the second largest market share (26%) in the Elmira metropolitan statistical area ("MSA"), the assessment area where the bank conducts a majority of its business.

There are no financial or legal impediments preventing ESB from serving the credit needs of its assessment areas. ESB received a Satisfactory rating at the prior CRA examination, dated March 15, 2010, conducted by the Office of Thrift Supervision.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

ESB has three assessment areas located in central and southern New York State. The assessment areas are as follows:

- MSA 21300 (Elmira, NY), consisting of Chemung County.
- MSA 27060 (Ithaca, NY), consisting of Tompkins County.
- Non MSA Assessment Area, consisting of all of Schuyler and Steuben Counties and portions of Cayuga and Seneca Counties, NY, all of which are contiguous.

The assessment areas are in compliance with the requirements of Section 228.41 of Regulation BB and do not arbitrarily exclude low- and moderate-income ("LMI") geographies. A map illustrating ESB's assessment areas is in Appendix B.

SCOPE OF EXAMINATION

Procedures and Products

ESB was examined using the Federal Financial Institutions Examination Council's ("FFIEC") Interagency CRA Examination Procedures for Intermediate Small Institutions, which consists of the small bank lending test and a community development test. The examination covers the evaluation period October 1, 2010 through December 31, 2012 for the lending test. Examiners reviewed activities pertaining to the community development test for the period October 1, 2010 through March 31, 2013.

Retail loan products evaluated include home purchase, refinance, and home improvement loans reported under the Home Mortgage Disclosure Act ("HMDA") and a sample of 90 small business loans and 184 consumer loans. The loan samples were selected using the Board of Governors' sampling procedures and the integrity of the loan data was verified as part of the exam. In addition, examiners reviewed community development loans, qualified investments, and community development services.

Full scope reviews were conducted on all three of ESB's assessment areas. The weight assigned to the rating for each assessment area was based on the significance of the bank's lending and deposit activities within these assessment areas in comparison to other assessment areas. ESB's performance in MSA 21300 (Elmira, NY) received the most weight in determining the bank's overall rating because of the concentration of deposits, lending, population, and owner-occupied housing units. MSA 21300 (Elmira, NY) had 66% of the deposits of the combined assessment area and 55% of the combined HMDA, small business and consumer loan volume. See the Summary of Key Assessment Area Data Table for details.

Lending Distribution Analysis

Because of a change in CRA and HMDA reporting requirements, a separate analysis of 2011 and

2012 was used in the analysis of geographic and borrower distribution. In accordance with the reporting requirements, loans originated from January 1, 2011 through December 31, 2011, were reported and evaluated using 2000 Census data and loans originated from January 1, 2012 through December 31, 2012 were reported and analyzed using 2010 Census data.

The analysis of borrower and geographic distribution was based on the loans made in the assessment areas. To analyze the borrower characteristics of HMDA-related and consumer loans, the proportion of originations to LMI borrowers was compared with the proportion of LMI families in the assessment areas. Income estimates from the U.S. Department of Housing and Urban Development (“HUD”) were used to categorize borrower income. For small business loans, ESB’s percentage of loans to businesses with gross annual revenues (“GAR”) of \$1 million or less was compared to the percentage of all such businesses in the assessment areas. The size of the small business loan was also used as a proxy to identify lending to businesses with GAR of \$1 million or less.

To evaluate geographic distribution, the proportion of loan originations was compared to the proportion of owner-occupied housing units located in LMI geographies. For small business loans, the analysis compared the proportion of loan originations to the proportion of businesses located in LMI geographies.

ESB’s performance was also compared to the 2011 loan data of the aggregate of all HMDA-reporting lenders. Aggregate data for 2012 was not publicly available for comparison at the time of this examination. Lending performance in 2012 was evaluated for comparison to 2011 performance.

Peer data was used for the loan-to-deposit analysis and similarly situated banks were selected based on the amount of deposits and number of branches. ESB’s loan-to-deposit performance was also compared to its National Peer group. The bank’s performance in making community development loans and qualified investments was also compared with similarly-situated banks in the assessment areas.

Summary of Key Assessment Area Data				
	MSA 21300 (Elmira, NY)	MSA 27060 (Ithaca, NY)	Non MSA	Totals
Total Population⁴	88,830	101,564	147,942	338,336
Population % of AA population	26%	30%	44%	100%
Families	22,962	19,798	39,163	81,923
Families % of AA families	28%	24%	48%	100%
Total Census Tracts⁴	22	23	42	87
Tracts % AA tracts	25%	26%	48%	100%
LMI tracts	8	5	3	16
LMI tracts % all AA LMI tracts	50%	31%	19%	100%
Total Owner-Occupied Units⁴	24,121	21,157	43,990	89,268
Units % of AA units	27%	24%	49%	100%
Business Establishments⁵	3,816	4,902	6,497	15,215
Bus. est. % AA bus. est.	25%	32%	43%	100%
Number of Branches¹	6	3	3	12
Branches % all branches	50%	25%	25%	100%
Branches in LMI tracts	3	1	0	4
LMI branches % AA LMI branches	0%	0%	0%	0%
Branch Deposits (\$'000s)²	265,902	78,051	56,223	400,176
Deposits % AA deposits	66%	20%	14%	100%
Deposit Market Share (%) / Rank in Mkt.	26/2	4.4/6	2.2/13	
Home Purchase Originations³	394	253	288	935
HP originations % AA orig.	42%	27%	31%	100%
Refinance Originations³	453	138	140	731
Refi orig. % AA orig.	62%	19%	19%	100%
Home Improvement Originations³	215	29	58	302
Home Improvement orig. % AA orig.	71%	10%	19%	100%
Small Business Originations³	54	14	15	83
SB orig. % AA orig.	65%	17%	18%	100%
Consumer Loan Originations	88	17	27	132
SB orig. % AA orig.	67%	13%	20%	100%
Combined Loan Totals	1,204	451	528	2,183
% of AA Orig.	55%	21%	24%	100%

(1) Branch numbers are as of 12/31/2012. (2) Branch deposits and deposit market share are from the FDIC as of 6/30/12.
(3) Originations are loans reported under HMDA and samples of small business and consumer loans for 2011 through 2012.
(4) Demographic information was obtained from the 2010 Census. (5) Business establishments information was reported by D&B for 2011.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

ESB's overall record of meeting the credit needs of its assessment areas through lending performance is satisfactory. ESB originated a substantial majority of loans within its assessment areas and its loan-to-deposit ratio was more than reasonable. The overall distribution of loans to borrowers of different incomes and businesses of different sizes was reasonable. Geographic distribution of HMDA-related, consumer, and small business loans represented reasonable penetration among geographies of different income levels.

Loan-to-Deposit Ratio

ESB's loan-to-deposit ratio was more than reasonable given its size, financial condition, and the credit needs of its assessment areas. ESB's average loan-to-deposit ratio for the nine most recent quarters ending December 31, 2012, was 90%, based on information contained in its Consolidated Report of Condition and Income. This ratio was above the national peer average of 75% and above the average ratio of 80% for six similarly-situated banks with branches in the assessment areas, during the same time period.

Lending in the Assessment Area

ESB originated a substantial majority of its loans, 81% by both number, and by dollar amount, overall, in its assessment areas. ESB originated 81% of its HMDA-related loans, 68% of its consumer loans, and 92% of its small business loans by number, within its assessment areas, as shown in the following table.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$ ('000s)	%	#	%	\$ ('000s)	%
Home Purchase	935	80	122,153	80	238	20	30,537	20
Refinancings	731	82	86,328	81	165	18	20,071	19
Home Improvement	302	85	10,384	85	52	15	1,807	15
Total HMDA	1,968	81	218,865	81	455	19	52,415	19
Consumer	132	68	1,516	68	62	32	724	32
Small Business	83	92	11,792	89	7	8	1,420	11
All Loans	2,183	81	232,173	81	524	19	54,559	19

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

ESB's overall lending penetration among borrowers of different income levels (including LMI individuals) and businesses of different sizes was reasonable based on reasonable performance in all three assessment areas.

Geographic Distribution of Loans

ESB's geographic distribution of loans was reasonable based on reasonable penetration of geographies of different income levels, including LMI geographies, in all three assessment areas.

RESPONSE TO COMPLAINTS

ESB received no complaints relating to its CRA performance. Since becoming a state-chartered institution, there were no CRA-related complaints regarding ESB filed with the Federal Reserve Bank of New York.

COMMUNITY DEVELOPMENT TEST

ESB's performance under the community development test was reasonable. ESB demonstrated adequate responsiveness to community development needs of its assessment areas through community development loans, qualified investments, and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities in the bank's assessment areas.

During the examination period, ESB's community development loans and qualified investments totaled \$6.7 million, of which, 91% were made within ESB's assessment areas. Additionally, three investments totaling \$623,000 were made to organizations that invest in affordable housing projects and economic development activities throughout the State of New York.

ESB's community development program was responsive to community needs. In terms of dollar amounts, affordable housing initiatives represented the majority, at 65% of total activity, while community services represented 18% of total activity, revitalization and stabilization, 12%, and economic development, 5%, of total activity. Community contacts identified affordable housing as a critical need throughout ESB's assessment areas. See the chart below for details of the bank's total community development loans and qualified investments.

Summary of Community Development Loans and Qualified Investments		
October 1, 2010 – March 31, 2013		
Designation	\$ (000)	%
Affordable Housing	\$4,330	65%
Community Services	\$1,225	18%
Economic Development	\$314	5%
Revitalize and Stabilize	\$813	12%
Total Activity	\$6,682	100.0%

**Lending activity includes new loans and investments made during the examination period as well as loans and investments with existing balances from the prior examination period that were outstanding as of 3/31/2013.*

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

ESB is in compliance with the substantive provisions of the anti-discrimination laws and regulations. No evidence of discriminatory or other illegal credit practice was identified as being inconsistent with helping to meet the credit needs of the assessment area.

METROPOLITAN AREA MSA 21300 (ELMIRA, NY)

DESCRIPTION OF OPERATIONS

ESB's banking activities within its assessment areas were primarily conducted within MSA 21300 (Elmira, NY). As of December 31, 2012, ESB operated 6 of 12 branches (50%) in this MSA. These branches generated \$266 million in deposits, which account for 66% of the bank's total branch deposits as of June 30, 2012. Of the bank's total HMDA loans (1,968) originated in the assessment areas during 2011 and 2012, 54% were originated in this MSA. Of the sample of consumer loans (132) originated in the assessment areas, 67% were originated in this MSA. Of the sample of small business loans originated in the assessment areas (83), 65% were originated in this MSA. For additional assessment area data, see Summary of Key Assessment Area Data Table.

PERFORMANCE CONTEXT

The following demographic and economic information was obtained from publicly available sources that include the U.S. Department of Commerce's Bureau of Census, the U.S. Department of Labor, and the New York Association of Realtors.

Demographic Characteristics

According to the 2010 Census, the population of MSA 21300 is 88,830. The MSA is comprised of Chemung County. The City of Elmira is the largest city in the MSA with a population of 29,200. The percentage of the population 65 and older is 16% in Chemung County compared with 14% in New York State. Older populations present challenges to some lending opportunities, such as home purchase lending, as an older population tends to be more stable and less inclined to purchase new homes. A larger percentage of census tracts were LMI in the 2010 census, when compared to the 2000 census. Of the 22 census tracts located in MSA 21300, 8 or 36%, are LMI in the 2010 Census, compared to 6 of 23, or 26%, of the census tracts in the MSA under the 2000 Census.

Income Characteristics

According to the 2010 census, MSA 21300 has 22,962 families, of which 5,082 (22%) are low-income families and 3,801 (17%) are moderate-income families. As shown in the table to the

right, the HUD-adjusted median family income for MSA 21300 was \$56,200 in 2011 and \$56,900 in 2012. These income levels are low in comparison to New York State's 2012 HUD-adjusted median family income of \$71,400.

HUD MEDIAN FAMILY INCOMES		
Area	2011	2012
MSA 21300	\$56,200	\$56,900

Housing Characteristics

Housing costs are comparatively low in the MSA, particularly in comparison to the state average median sales price as shown in the table to the right. Nonetheless, housing affordability remains difficult for low-income borrowers in the MSA. The median housing cost in the assessment area is about four times the median family income of a low-income borrower and two times the income of a moderate-income borrower. Community contacts reported, however, that due to Elmira's close proximity to Pennsylvania, where there has been an increase in drilling for natural gas, housing costs have been affected as much of the available rental housing has been taken by industry workers.

MEDIAN HOUSING SALES PRICE		
Area	2011	2012
MSA 21300	\$105,000	\$106,500
New York State	\$212,500	\$215,000
Source: NYS Assoc. of Realtors		

Labor, Employment and Economic Characteristics

Long term economic trends in the Elmira MSA indicate an increase in employment in education, health care and services. Community contacts noted, however, that many of the service jobs are low paying. In addition, during the examination period, the average annual unemployment rates for Chemung County increased from 8.0% in 2011 to 8.7% in 2012, above the state rate of 8.2%.

U.S. DEPARTMENT OF LABOR ANNUAL UNEMPLOYMENT RATES		
Area	2011	2012
MSA 21300	8.0%	8.7%
State of New York	8.2%	8.2%

According to the New York State Department of Labor, the MSA has seen limited benefits from anticipated drilling for natural gas in the Southern Tier of New York State. One firm is already constructing a \$30 million facility to supply materials and technical services to the drilling industry. Also, many New York residents have taken jobs in the natural gas industry in Pennsylvania. For additional assessment area details see the Assessment Area Demographic Report on the following page.

Assessment Area Demographics								
Assessment Area: MSA 21300								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	2	9.1	915	4.0	387	42.3	5,082	22.1
Moderate-income	6	27.3	6,103	26.6	1,144	18.7	3,801	16.6
Middle-income	9	40.9	8,878	38.7	741	8.3	4,863	21.2
Upper-income	4	18.2	7,066	30.8	417	5.9	9,216	40.1
Unknown-income	1	4.5	0	0.0	0	0.0	0	0.0
Total Assessment Area	22	100.0	22,962	100.0	2,689	11.7	22,962	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	2,494	675	2.8	27.1	1,463	58.7	356	14.3
Moderate-income	10,954	5,629	23.3	51.4	4,647	42.4	678	6.2
Middle-income	14,799	9,951	41.3	67.2	3,432	23.2	1,416	9.6
Upper-income	10,124	7,866	32.6	77.7	1,755	17.3	503	5.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	38,371	24,121	100.0	62.9	11,297	29.4	2,953	7.7
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	522	13.7	414	12.2	78	29.1	30	17.9
Moderate-income	917	24.0	800	23.7	82	30.6	35	20.8
Middle-income	1,309	34.3	1,200	35.5	54	20.1	55	32.7
Upper-income	1,068	28.0	966	28.6	54	20.1	48	28.6
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	3,816	100.0	3,380	100.0	268	100.0	168	100.0
Percentage of Total Businesses:				88.6		7.0		4.4

Based on 2010 ACS Information.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Lending performance in the assessment area relating to borrower distribution in 2011 was reasonable overall, and reflected reasonable penetration among individuals of all income levels (including LMI) and businesses of different sizes. As previously noted, while housing is generally affordable to moderate-income borrowers in the MSA, housing costs are approximately 3 to 4 times the income of low-income borrowers.

The bank's 2011 performance in lending to low- and moderate- income borrowers within each HMDA and, small business product, compared to the 2011 aggregate's performance, is summarized in the chart on the next page.

MSA 21300 (Elmira, NY)				
<i>PRODUCT</i>	Low-income Borrowers		Moderate-income Borrowers	
	ESB's Performance	2011 Aggregate Comparison	ESB's Performance	2011 Aggregate Comparison
Home Purchase	Reasonable	Above	Reasonable	Slightly Below
Refinance	Reasonable	Significantly Above	Reasonable	Slightly Above
Home Improvement	Reasonable	Slightly Below	Excellent	Similar
Consumer	Reasonable	N/A	Excellent	N/A
<i>PRODUCT</i>	Lending to Businesses with GAR <= \$1 million		2011 Aggregate Comparison	
Small Business	Reasonable		Significantly Above	

Home Purchase Loans

ESB's overall distribution of home purchase loans to LMI borrowers was reasonable based on reasonable distribution to both low- and moderate-income borrowers. In 2011, ESB made 11% of its home purchase loans to low-income borrowers while according to the 2000 Census, 18% of the families in the MSA were low income. According to the 2010 Census data, 22% of the MSA families are of low income. ESB's performance was above the market aggregate, which made 8% of its home purchase loans to low-income borrowers.

Performance in lending to moderate-income borrowers was also reasonable as 15% of ESB's home purchase loans were made to moderate-income borrowers compared to the 2000 Census data which indicated 19% of families in the MSA were of moderate-income. According to the 2010 Census data, 17% of families are of moderate income. ESB's performance was slightly below the market aggregate which made 20% of its home purchase loans to moderate-income borrowers in 2011.

ESB's overall 2012 performance was comparable.

Refinance Loans

ESB's overall distribution of refinance loans to LMI borrowers was reasonable based on reasonable distribution to both low- and moderate-income borrowers. ESB's distribution of refinance loans to low-income borrowers was reasonable as 8% of refinance loans were made to low-income borrowers, while according to the 2000 Census, 18% of all families in the MSA were of low income. According to the 2010 Census data, 22% of the MSA families are of low income. ESB's performance was significantly above the market aggregate which made 5% of its refinance loans to low- income borrowers.

ESB's distribution of refinance loans to moderate-income borrowers was reasonable as 16% of refinance loans were made to moderate-income borrowers compared to the 2000 Census data which indicated that 19% of all families in the MSA that were of moderate-income. According to the 2010 Census data, 17% of families are of moderate income. ESB's performance was slightly above the market aggregate, which made 13% of its refinance loans to moderate-income borrowers.

ESB's overall 2012 performance was comparable.

Home Improvement Loans

ESB's overall distribution of home improvement loans to LMI borrowers was excellent based on excellent distribution to moderate-income borrowers and reasonable distribution to low-income borrowers. In 2011, ESB made 9% of its home improvement loans to low-income borrowers while according to the 2000 Census, 18% of the families in the MSA are low-income. According to the 2010 Census data, 22% of the MSA families are of low income. ESB's performance was slightly below the market aggregate, which made 12% of its home improvement loans to low-income borrowers.

Performance in lending to moderate-income borrowers was excellent as 26% of ESB's home improvement loans were made to moderate-income borrowers compared to the 2000 Census data which indicated that 19% of families in the MSA were of moderate-income. According to the 2010 Census data, 17% of families are of moderate income. ESB's performance was above the market aggregate, which made 24% of its home improvement loans to moderate-income borrowers in 2011.

ESB's overall 2012 performance was comparable.

Consumer Loans

ESB's overall distribution of consumer loans to LMI borrowers was excellent based on excellent distribution to moderate-income borrowers and reasonable distribution to low-income borrowers. In 2011, ESB made 19% of its consumer loans to low-income borrowers while, according to the 2000 Census data, 23% of all households in the MSA were low-income.

Performance in lending to moderate-income borrowers was excellent as 19% of ESB's consumer loans were made to moderate-income borrowers compared to the 2000 Census data, which indicated that 16% of all households in the MSA were of moderate-income.

ESB's overall 2012 performance was comparable.

Small Business Loans

The overall level of lending to small businesses was reasonable in 2011. During 2011, ESB made 70% of its small business loans to businesses with gross annual revenues of \$ 1 million or less, compared to 2011 D&B data, which indicated 88% of business establishments in the MSA had GAR of \$1 million or less. According to 2012 D&B data, 89% of business establishments in the MSA had GAR of \$1 million or less. Performance was significantly above the aggregate, which made 37% of its loans to businesses with GAR of \$1 million or less.

During 2011, 67% of ESB's loans were in amounts of \$100,000 or less, with an average loan size of \$129,000. ESB's performance was below the aggregate, which originated 94% of its loans in amounts of \$100,000 or less.

Overall performance in 2012 was comparable.

Geographic Distribution of Loans

ESB's overall geographic distribution of loans reflects reasonable dispersion throughout the entire assessment area, including LMI census tracts. HMDA-related lending performance was reasonable while small business lending performance was excellent. Consumer lending performance, however, was poor.

Opportunities to make HMDA-related loans and consumer loans in low-income census tracts were very limited. According to the 2000 Census, less than 1% or only 107 owner-occupied housing units and 3% of all households were located in low-income census tracts. Under the 2010 Census, 675, or 3% of owner-occupied housing units and 6% of all households were located in low-income census tracts. The limited lending opportunities were confirmed by the performance of the market aggregate, which in 2011 made only 8 HMDA-related loans in low-income census tracts.

Under the 2000 Census, 38% of the families residing in low-income census tracts had incomes below the poverty level, further limiting lending opportunities. Under the 2010 Census, this trend continued, with 42% of the families residing in low-income census tracts having incomes below the poverty level. The table below summarizes geographic distribution performance in LMI tracts in 2011.

ESB's overall performance in 2012 was comparable to its 2011 performance with regard to geographic distribution.

MSA 21300 (Elmira, NY)				
<i>PRODUCT</i>	Low-income Tracts		Moderate-income Tracts	
	ESB's Performance	2011 Aggregate Comparison	ESB's Performance	2011 Aggregate Comparison
Home Purchase	Reasonable	Similar	Reasonable	Similar
Refinance	Reasonable	Similar	Reasonable	Slightly Above
Home Improvement	Reasonable	Similar	Excellent	Above
Consumer	Reasonable	Similar	Poor	N/A
Small Business	Excellent	Significantly Above	Excellent	Significantly Above

Home Purchase Loans

ESB's overall home purchase lending distribution was considered reasonable in light of demographic and performance context challenges relating to the availability of owner-occupied housing in low-income census tracts in the assessment area.

ESB did not make any home purchase loans in low-income census tracts. However, under the 2000 Census, less than 1% (107) of all owner-occupied housing units in ESB's assessment area were located in low-income census tracts. Under the 2010 Census, 3% of owner-occupied housing units are located in low-income census tracts. This performance context consideration is confirmed by the performance of the market aggregate, which in 2011 made only 4, or less than 1%, of its home purchase loans in low-income census tracts.

ESB's performance in moderate-income census was reasonable. ESB originated 9% of its home purchase loans in moderate-income census tracts compared to the demographic of the 2000 Census, which indicated that 10% of owner-occupied housing units were located in moderate-income census tracts in the MSA. Under the 2010 Census, 23% of owner-occupied housing units were located in moderate-income census tracts. ESB's performance in moderate-income census tracts was similar to the market aggregate, which also made 9% of its home purchase loans in moderate-income geographies in 2011. Home purchase lending performance in moderate-income geographies in 2012 was comparable to performance in 2011.

Refinance Loans

ESB's overall refinance lending in LMI geographies was reasonable. ESB's refinance lending performance in low-income geographies was reasonable when considering performance context factors that make HMDA-related lending challenging in low-income geographies. Under the 2000 Census, less than 1% of owner-occupied housing units were in low-income census tracts, indicating very limited lending opportunities. While ESB did not make any refinance loans in low-income census tracts, the market aggregate made only three, or less than 1%, of its refinance

loans in low-income census tracts in 2011. Under the 2010 Census, 3% of owner-occupied housing units are located in low-income census tracts.

ESB's refinance lending performance in moderate-income census tracts was reasonable. ESB originated 7% of its refinance loans in moderate-income census tracts in 2011 compared to the demographic of the 2000 Census, which indicated that 10% of owner-occupied housing units were located in moderate-income census tracts in this MSA. Under the 2010 Census, 23% of owner-occupied housing units were located in moderate-income census tracts. ESB's performance was slightly above the market aggregate which originated 6% of its refinance loans in moderate-income census tracts. ESB's 2012 refinance lending performance exceeded 2011 performance in moderate-income census tracts.

Home Improvement Loans

ESB's overall home improvement lending performance in LMI geographies in 2011 was reasonable. ESB's home improvement lending performance in low-income geographies was reasonable when considering performance context factors that make HMDA-related lending challenging in low-income geographies. Under the 2000 Census, less than 1% of owner-occupied housing units are in low-income census tracts indicating very limited lending opportunities. Under the 2010 Census, 3% of owner-occupied housing units are located in low-income census tracts. While ESB did not make any home improvement loans in low-income census tracts, the market aggregate made only one loan in low-income census tracts in 2011.

ESB's home improvement lending performance in moderate-income census tracts was excellent. ESB originated 13% of its home improvement loans in moderate-income census tracts in 2011 compared to the demographic of the 2000 Census, which indicated that 10% of owner-occupied housing units located in moderate-income census tracts in this MSA. Under the 2010 Census, 23% of owner-occupied housing units were located in moderate-income census tracts. ESB's performance was above the market aggregate, which originated 10% of its home improvement loans in moderate-income census tracts. ESB's 2012 home improvement lending performance was comparable to its performance in 2011.

Consumer Loans

ESB's overall consumer lending performance in LMI geographies in 2011 was poor. ESB's consumer lending performance in low-income census tracts is considered reasonable in relation to the performance context factors. ESB did not make any consumer loans in low-income census tracts, however, under the 2000 Census, only 3% of all households resided in low-income census tracts and less than 1% of all owner occupied housing units were located in low-income census tracts, indicating limited lending opportunities.

ESB's consumer lending performance in moderate-income census tracts was poor. ESB originated 1 or 3% of its consumer loans in moderate-income census tracts in 2011 compared to the demographics of the 2000 Census, indicating 16% of all households resided in moderate-income census tracts in this MSA. ESB's 2012 consumer lending performance was reasonable,

exceeding 2011's performance.

Small Business Loans

ESB's overall small business lending performance in LMI geographies in 2011 was excellent. ESB's small business performance was excellent as ESB made 5 or 19% of its small business loans in low-income census tracts compared to 10% of business establishments located in low-income census tracts. ESB's performance was significantly above the market aggregate which had 8% of its small business loans in low-income census tracts.

ESB's small business performance in moderate-income census tracts was also excellent as ESB made 11 or 41% of its small business loans in moderate-income census tracts compared to 14% of business establishments located in moderate-income census tracts. ESB's performance in moderate-income census tracts was significantly above the market aggregate, which had 19% of its small business loans in moderate-income census tracts. ESB's performance in 2012 was comparable in moderate-income census tracts but below 2011's performance in low-income census tracts.

2011 Aggregate Comparison Loan Distribution Table
Assessment Area/Group: MSA 21300

Income Categories	HMDA									
	By Tract Income					By Borrower Income				
	Bank		Aggregate			Bank		Aggregate		
	#	%	% \$(000s)	%	% \$(000s)	#	%	% \$(000s)	%	% \$(000s)
Home Purchase										
Low	0	0.0%	0.0%	0.5%	0.2%	20	10.6%	6.3%	8.4%	4.4%
Moderate	17	9.0%	5.9%	8.7%	5.1%	29	15.4%	12.3%	20.1%	14.6%
Middle	114	60.6%	53.7%	57.4%	48.8%	55	29.3%	26.5%	26.0%	24.2%
Upper	57	30.3%	40.3%	33.4%	45.9%	79	42.0%	53.2%	39.0%	51.5%
Unknown	0	0.0%	0.0%	0.0%	0.0%	5	2.7%	1.7%	6.6%	5.2%
Total	188	100.0%	100.0%	100.0%	100.0%	188	100.0%	100.0%	100.0%	100.0%
Refinance										
Low	0	0.0%	0.0%	0.3%	0.2%	14	7.7%	3.3%	5.0%	2.5%
Moderate	12	6.6%	3.5%	5.7%	3.6%	29	16.0%	8.2%	13.0%	8.4%
Middle	101	55.8%	51.3%	54.8%	49.2%	48	26.5%	20.4%	24.8%	20.2%
Upper	68	37.6%	45.1%	39.2%	47.1%	81	44.8%	63.9%	50.2%	62.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	9	5.0%	4.2%	6.9%	6.9%
Total	181	100.0%	100.0%	100.0%	100.0%	181	100.0%	100.0%	100.0%	100.0%
Home Improvement										
Low	0	0.0%	0.0%	0.2%	0.2%	9	9.4%	3.0%	12.0%	5.0%
Moderate	12	12.5%	14.1%	9.9%	9.2%	25	26.0%	17.6%	23.5%	15.8%
Middle	66	68.8%	58.9%	62.4%	53.8%	24	25.0%	26.4%	24.7%	21.6%
Upper	18	18.8%	27.0%	27.4%	36.8%	35	36.5%	52.0%	37.3%	55.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	3	3.1%	0.9%	2.5%	2.6%
Total	96	100.0%	100.0%	100.0%	100.0%	96	100.0%	100.0%	100.0%	100.0%
Multi-Family										
Low	0	0.0%	0.0%	33.3%	36.9%	0	0.0%	0.0%	0.0%	0.0%
Moderate	0	0.0%	0.0%	33.3%	0.3%	0	0.0%	0.0%	0.0%	0.0%
Middle	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
Upper	0	0.0%	0.0%	33.3%	62.8%	0	0.0%	0.0%	0.0%	0.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	100.0%	100.0%
Total	0	0.0%	0.0%	100.0%	100.0%	0	0.0%	0.0%	100.0%	100.0%
HMDA Totals										
Low	0	0.0%	0.0%	0.4%	3.4%	43	9.2%	4.7%	7.7%	3.3%
Moderate	41	8.8%	5.4%	7.7%	4.3%	83	17.8%	10.8%	17.8%	10.9%
Middle	281	60.4%	53.0%	57.3%	45.0%	127	27.3%	23.8%	25.2%	20.3%
Upper	143	30.8%	41.7%	34.6%	47.3%	195	41.9%	57.9%	43.3%	51.5%
Unknown	0	0.0%	0.0%	0.0%	0.0%	17	3.7%	2.8%	6.0%	14.1%
Total	465	100.0%	100.0%	100.0%	100.0%	465	100.0%	100.0%	100.0%	100.0%
SMALL BUSINESS										
By Tract Income										
	#	Bank		Aggregate			Bank		Aggregate	
		%	% \$(000s)	%	% \$(000s)		%	% \$(000s)	%	% \$(000s)
Low	5	18.5%	7.8%	8.4%	8.4%					
Moderate	11	40.7%	40.9%	18.9%	34.4%					
Middle	6	22.2%	37.2%	45.8%	34.7%					
Upper	5	18.5%	14.0%	26.0%	21.6%					
Unknown	0	0.0%	0.0%	0.0%	0.0%					
Tract Unknown	0	0.0%	0.0%	1.0%	1.0%					
Total	27	100.0%	100.0%	100.0%	100.0%		100.0%	100.0%	100.0%	100.0%
By Revenue										
\$1 Million or Less	19	70.4%	72.4%	37.4%	30.1%					
By Loan Size										
\$100,000 or less	18	66.7%	25.7%	94.2%	34.9%					
\$100,001-\$250,000	5	18.5%	24.4%	2.3%	12.4%					
\$250,001-\$1 Million	4	14.8%	49.9%	3.5%	52.7%					
Total	27	100.0%	100.0%	100.0%	100.0%		100.0%	100.0%	100.0%	100.0%

Originations and Purchases

2011 Consumer Loan Distribution Table								
Assessment Area: MSA 21300								
Income Categories	By Tract Income				By Borrower Income			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Consumer Loan Totals								
Low	0	0.0%	0	0.0%	6	18.8%	33	8.9%
Moderate	1	3.1%	7	1.9%	6	18.8%	50	13.5%
Low/Moderate Total	1	3.1%	7	1.9%	12	37.5%	83	22.4%
Middle	23	71.9%	293	78.8%	10	31.3%	145	39.0%
Upper	8	25.0%	72	19.3%	10	31.3%	144	38.7%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	32	100.0%	371	100.0%	32	100.0%	371	100.1%

COMMUNITY DEVELOPMENT TEST

ESB's community development performance in MSA 21300 (Elmira, NY) demonstrated adequate responsiveness to the community development needs of the assessment area through community development loans, qualified investments and services. This assessment of ESB's performance considers the bank's capacity and the need and availability of such opportunities in MSA 21300.

Summary of Community Development Loans and Qualified Investments January 1, 2010 – March 31, 2013		
Designation	(\$000)	%
Affordable Housing	\$2,509	54%
Community Services	\$1,205	26%
Economic Development	\$100	2.0%
Revitalize and Stabilize	\$813	18%
Total Activity	\$4,627	100.0%

**Lending activity includes new loans and investments made during the examination period as well as loans and investments with existing balances from the prior examination period that were outstanding as of 3/31/2013*

The bank's overall community development loans and investment activity in MSA 21300 totaled \$4.6 million. Sixty-nine percent of ESB's overall community development loans and investments were made in MSA 21300. In addition, the MSA benefited from three qualified investments totaling \$623,000 in organizations that make qualified investments targeting affordable housing and economic development throughout the State of New York. On an annualized basis, community development loans and investments increased 58% over the levels shown at the last CRA examination. In comparison to other similarly situated banks in the assessment area ESB compared less favorably when considering annualized community development loans and qualified investments as a percentage of deposits within the MSA. ESB also provided a total of 18 community development services during the current examination period.

Community development loans in MSA 21300 totaled \$1.2 million. Community development lending was focused on the provision of community services and was responsive to identified credit needs. Ninety percent of community development loan activity went to community service activities while 8% went to economic development and 2% went to affordable housing activities. Examples of community development loans include:

- A \$392,000 loan to an organization that fights poverty, through residential and community service programs that help individuals improve their standard of living by obtaining shelter, food, and clothing. The organization is located in a low-income census tract.
- A \$345,000 construction loan to an organization that provides community services to a largely LMI population. The organization offers family counseling programs, mental health services and home health care services.
- A \$100,000 line of credit to an organization that promotes economic development in the Southern Tier of New York State.

Community development investments and donations activity in MSA 21300 consisted of \$3.3 million in qualified investments and \$106,000 in grants and donations for community service activities. Examples of qualified investments include:

- An \$813,000 industrial development bond to revitalize the Clemens Center in downtown Elmira. The center is located in a low-income census tract and is a performing art and cultural center that hosts concerts, plays, and other major events. The center serves as a catalyst to develop the downtown area.
- A \$2.5 million revenue bond to renovate a senior housing project and construct additional apartments. The home is located in a NYS Empire Development Zone and provides affordable housing for seniors. The home also provides jobs for a largely LMI population.

ESB provided three financial seminars to organizations that that furnish community development services to LMI individuals. Eight bank employees serve on the boards and committees of 17 community development organizations in MSA 21300. Examples include:

- One officer is vice chairman of the board of directors of the county's industrial development authority, which seeks to have a positive economic impact on the county through tax incentives, financing arrangements, and other related benefits to businesses.
- One employee is co-chairman of a committee that seeks to rebuild downtown Elmira, which is an LMI area.

- One bank officer serves as a board member and treasurer of an agency that administers the Elmira Empire Zone, as well as the City of Elmira's commercial loan program.
- One employee serves as a member of the board of directors of a non-profit organization that provides meals to home-bound individuals.

In terms of retail banking services, ESB's overall branch distribution provides some accessibility to the LMI population and geographies within the assessment areas. Within MSA 21300, the bank operates six branches, one of which is in a low-income tract and one is in a moderate-income tract. All branches provide a full range of financial services to the communities they serve.

METROPOLITAN AREA MSA 27060 (ITHACA, NY)

DESCRIPTION OF OPERATIONS

As of December 31, 2012, ESB operated 3 or 25% of its 12 branches in this MSA. These branches generated \$78 million in deposits, which accounts for 20% of the bank's branch deposits as of June 30, 2012. Of the bank's total HMDA originated during 2011 and 2012, 21% were originated in this MSA. Of the sample of small business and consumer loans, 17% and 13% were originated in the MSA respectively.

At 4%, ESB ranked 6th in terms of deposit market share in this MSA. Lead banks in terms of deposit market share were Tompkins Trust Co., Manufacturers and Traders Trust Company, Bank of America National Association, First Niagara Bank National Association, and First National Bank of Groton. For additional assessment area data, see Summary of Key Assessment Area Data Table.

PERFORMANCE CONTEXT

The following demographic and economic information was obtained from publicly available sources that include the U.S. Department of Commerce's Bureau of Census, the U.S. Department of Labor, and the New York Association of Realtors.

Demographic Characteristics

According to the 2010 Census, the population of MSA 27060 is 101,564. The MSA is comprised of Tompkins County. The City of Ithaca is the largest city in the MSA with a population of 30,014. Of the 23 census tracts located in MSA 27060, 5 or 22% are LMI according to the 2010 census. Five of 23 census tracts were also LMI according to the 2000 census.

Income Characteristics

According to the 2010 census, MSA 27060 has 19,798 families, of which 3,841 (19%) are low-income families and 3,748 (19%) are moderate-income families. As shown in the table to the right, the HUD-adjusted median family income for MSA 27060 was \$72,800 in 2011 and \$73,800 in 2012. These income levels are slightly above New York State's 2012 HUD-adjusted median family income of \$71,400.

HUD MEDIAN FAMILY INCOMES		
Area	2011	2012
MSA 27060	\$72,800	73,800

Housing Characteristics

Housing costs are comparatively low in the MSA, particularly, in comparison to the state average median sales price as shown in the table to the right. Nonetheless, housing affordability remains difficult for low- and moderate-income borrowers in the MSA. The median housing cost in the assessment area is about five times the median family income of a low-income borrower and three times the income of a moderate-income borrower.

MEDIAN HOUSING SALES PRICE		
Area	2011	2012
MSA 27060	\$181,850	\$180,000
New York State	\$212,500	\$215,000
Source: NYS Assoc. of Realtors		

Labor, Employment and Economic Characteristics

The local economy held up well during the recent economic recession due to the presence of Cornell University and Ithaca College. The students, faculty, and support staff all had a stabilizing effect on employment. As indicated in the table to the right, unemployment rates have remained stable and are below the rates for the state as a whole. The area is also home to high- tech and small manufacturing companies. Long term economic trends in the Ithaca MSA indicate an increase in employment in education, health care and services. For additional assessment area details, see the Assessment Area Demographic Report on the following page.

U.S. DEPARTMENT OF LABOR ANNUAL UNEMPLOYMENT RATES		
Area	2011	2012
MSA 27060	5.9%	6.0%
State of New York	8.2%	8.2%

Assessment Area Demographics Assessment Area : MSA 27060								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	1	4.3	261	1.3	32	12.3	3,841	19.4
Moderate-income	4	17.4	3,044	15.4	335	11.0	3,748	18.9
Middle-income	11	47.8	11,860	59.9	751	6.3	4,042	20.4
Upper-income	6	26.1	4,607	23.3	174	3.8	8,167	41.3
Unknown-income	1	4.3	26	0.1	0	0.0	0	0.0
Total Assessment Area	23	100.0	19,798	100.0	1,292	6.5	19,798	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	407	52	0.2	12.8	355	87.2	0	0.0
Moderate-income	6,479	3,325	15.7	51.3	2,689	41.5	465	7.2
Middle-income	22,137	13,199	62.4	59.6	7,541	34.1	1,397	6.3
Upper-income	12,323	4,572	21.6	37.1	6,678	54.2	1,073	8.7
Unknown-income	35	9	0.0	25.7	26	74.3	0	0.0
Total Assessment Area	41,381	21,157	100.0	51.1	17,289	41.8	2,935	7.1
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	12	0.2	12	0.3	0	0.0	0	0.0
Moderate-income	1,275	26.0	1,128	25.5	93	30.4	54	30.2
Middle-income	2,440	49.8	2,243	50.8	117	38.2	80	44.7
Upper-income	1,168	23.8	1,028	23.3	96	31.4	44	24.6
Unknown-income	7	0.1	6	0.1	0	0.0	1	0.6
Total Assessment Area	4,902	100.0	4,417	100.0	306	100.0	179	100.0
Percentage of Total Businesses:				90.1		6.2		3.7

Based on 2010 ACS Information.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Distribution by Borrower Income and Revenue Size of Business

Lending performance in the assessment area relating to borrower distribution in 2011 was reasonable overall, and reflected reasonable penetration among individuals of all income levels (including LMI) and businesses of different sizes. While housing is generally affordable to moderate-income borrowers in the MSA, housing costs are generally 4 or 5 times the income of low-income borrowers.

The bank's 2011 performance in lending to LMI borrowers within each HMDA and small business product compared to the aggregate's performance is summarized in the chart below:

MSA 27060 (Ithaca, NY)				
<i>PRODUCT</i>	Low-income Borrowers		Moderate-income Borrowers	
	ESB's Performance	2011 Aggregate Comparison	ESB's Performance	2011 Aggregate Comparison
Home Purchase	Reasonable	Slightly Below	Excellent	Similar
Refinance	Reasonable	Above	Poor	Significantly Below
Home Improvement	Excellent	Significantly Above	Poor	Significantly Below
Consumer	Reasonable	N/A	Reasonable	N/A
<i>PRODUCT</i>	Lending to Businesses with GAR <= \$1 million		2011 Aggregate Comparison	
Small Business	Excellent		Significantly Above	

Home Purchase Loans

ESB's overall distribution of home purchase loans to LMI borrowers was reasonable based on reasonable distribution to low-income-income borrowers and excellent distribution to moderate-income borrowers. In 2011, ESB made 7% of its home purchase loans to low-income borrowers while under the demographics of the 2000 Census, 20% of the families in the MSA were low-income. Under the 2010 Census, 19% of families are low-income. ESB's performance was slightly below the market aggregate, which made 9% of its home purchase loans to low-income borrowers.

Performance in lending to moderate-income borrowers was excellent, as 23% of ESB's home purchase loans were made to moderate-income borrowers compared to the demographics of the 2000 Census, which indicated that 18% of families in the MSA were of moderate-income. Under the 2010 Census, 19% of families were moderate-income. ESB's performance was similar to the market aggregate, which made 22% of its home purchase loans to moderate-income borrowers in 2011.

ESB's overall 2012 LMI performance was comparable.

Refinance Loans

ESB's overall distribution of refinance loans to LMI borrowers was reasonable based on overall reasonable performance in 2012 and 2011. In 2011, ESB's distribution of refinance loans to low-income borrowers was reasonable as 10% of refinance loans were made to low-income

borrowers while under the demographics of the 2000 Census, 20% of the families in the MSA were low-income. Under the 2010 Census, 19% of families are low-income. ESB's performance was above the market aggregate, which made 7% of its refinance loans to low-income borrowers.

ESB's 2011 distribution of refinance loans to moderate-income borrowers was poor, as 7% of refinance loans were made to moderate-income borrowers compared to the demographics of the 2000 Census, which indicated that 18% of families in the MSA were of moderate-income. Under the 2010 Census, 19% of families were moderate-income. ESB's performance was significantly below the market aggregate, which made 17% of its refinance loans to moderate-income borrowers.

ESB's 2012 performance was poor to low-income borrowers as 2% of its refinance loans were made to low-income borrowers while under the 2010 Census, 19% of all families were of low-income. 2012 performance was excellent to moderate-income borrowers as 22% of refinance loans were made to moderate-income borrowers, compared to the 2012 Census demographics, which indicated 19% of all families were of moderate-income.

Home Improvement Loans

ESB's overall distribution of home improvement loans to LMI borrowers was reasonable based on excellent distribution to low-income borrowers and poor distribution to moderate-income borrowers. In 2011, ESB made 4 of 10 (40%) of its home improvement loans to low-income borrowers, while under the demographics of the 2000 Census, 20% of the families in the MSA were low-income. Under the 2010 Census, 19% of families are low-income. ESB's performance was significantly above the market aggregate, which made 13% of its home improvement loans to low-income borrowers.

Performance in lending to moderate-income borrowers was poor as ESB did not make any home improvement loans to moderate-income borrowers compared to the demographics of the 2000 Census, which indicated that 18% of families in the MSA were of moderate-income. Under the 2010 Census, 19% of families were moderate-income. The market aggregate made 28% of its home improvement loans to moderate-income borrowers in 2011.

ESB's overall 2012 performance was reasonable. ESB did not make any home improvement loans to low-income borrowers but made 6 of 19 loans (32%) to moderate-income borrowers.

Consumer Loans

ESB's overall distribution of consumer loans to LMI borrowers was reasonable based on reasonable distribution to low- and moderate-income borrowers. In 2011, ESB made 4 of 8 loans (50%) of its consumer loans to low-income borrowers while the demographics of the 2000 Census indicated that 26% of all households in the MSA were low-income. Performance in lending to moderate-income borrowers was also reasonable, as ESB's made 3 of 8 loans (38%) to moderate-income borrowers compared to the 2000 Census demographics, which indicated that

15% of all households in the MSA were of moderate-income.

ESB's 2012 performance was comparable.

Small Business Loans

The overall level of lending to small businesses was excellent in 2011. During 2011, ESB made 89% of its small business loans to businesses with gross annual revenues of \$ 1 million or less, compared to 90% of business establishments in the MSA with GAR of \$1 million or less. Performance was significantly above the aggregate, which made 44% of its loans to businesses with GAR of \$1 million or less.

During 2011 56% of ESB's loans were in amounts of \$100,000 or less, with an average loan size of \$221,000. ESB's performance was below the aggregate which originated 93% of its loans in amounts of \$100,000 or less.

Overall performance in 2012 was comparable.

Geographic Distribution of Loans

The overall geographic distribution of HMDA-related and small business loans reflected reasonable loan penetration across census tracts of different income levels in MSA 27060. Conclusions in 2011 were based on performance in moderate-income census tracts as there were no low-income tracts under the 2000 Census. Under the 2010 Census, there was only one low-income tract in the MSA. Home purchase and refinance lending in moderate-income census tracts was excellent, while home improvement, consumer and small business lending performance was reasonable. ESB's overall performance in 2012 was comparable to its 2011 performance with regard to geographic distribution. The table below summarizes geographic distribution performance in LMI tracts in 2011.

MSA 27060 (Ithaca, NY)				
<i>PRODUCT</i>	Low-income Tracts		Moderate-income Tracts	
	ESB's Performance	2011 Aggregate Comparison	ESB's Performance	2011 Aggregate Comparison
Home Purchase	N/A	N/A	Excellent	Similar
Refinance	N/A	N/A	Excellent	Significantly Above
Home Improvement	N/A	N/A	Reasonable	Significantly Above
Consumer	N/A	N/A	Reasonable	N/A
Small Business	N/A	N/A	Reasonable	Slightly Above

Home Purchase Loans

ESB's overall home purchase lending distribution was excellent. ESB originated 8% of its home purchase loans in moderate-income census tracts in 2011 compared to the demographics of the 2000 Census, which indicate that 6% of owner-occupied housing units were located in moderate-income census tracts in the MSA. Under the 2010 Census, 16% of owner-occupied housing units were located in moderate income census tracts. ESB's performance in moderate-income census tracts was similar to the market aggregate, which also made 8% of its home purchase loans in moderate-income geographies in 2011.

Home purchase lending performance in moderate-income geographies in 2012 was reasonable as 10% of home purchase loans were in moderate-income census tracts while 16% of owner occupied housing units were in moderate-income census tracts according to the 2010 census.

Refinance Loans

ESB's overall refinance lending in LMI geographies was excellent. ESB's originated 12% of its refinance loans in moderate-income census tracts in 2011 compared to the demographics of the 2000 Census, which indicate that 6% of owner-occupied housing units are in moderate-income census tracts. Under the 2010 Census, 16% of owner-occupied housing units were located in moderate income census tracts. Performance was significantly above the market aggregate, which originated 8% of its refinance loans in moderate-income census tracts.

ESB's 2012 refinance lending performance was also excellent as ESB originated 18% of its refinance loans in moderate-income geographies compared to the 2010 Census demographics of 16% of owner-occupied housing units.

Home Improvement Loans

ESB's overall home improvement lending distribution was reasonable. ESB originated 1 of 10 (10%) of its home improvement loans in moderate-income census tracts in 2011 compared to the demographics of the 2000 Census, which indicate that 6% of owner-occupied housing units were located in moderate-income census tracts in this MSA. Under the 2010 Census, 16% of owner-occupied housing units were located in moderate income census tracts. ESB's performance was above the market aggregate, which originated 6% of its home improvement loans in moderate-income census tracts.

ESB's 2012 home improvement lending performance was excellent as 21% of its home improvement loans were in moderate-income geographies compared to the 2010 Census demographic, of 16% of owner-occupied housing units.

Consumer Loans

ESB's overall consumer lending performance was reasonable. In 2011 ESB's performance was poor as ESB's did not originate any of its consumer loans in moderate-income geographies.

Under the 2000 Census demographic, seventeen percent of all households in this MSA resided in moderate-income census tracts.

ESB's 2012 consumer lending performance, however, was excellent, as ESB originated four of nine (44%) consumer loans in moderate-income census tracts, while under the 2010 Census demographic, 16% of all households reside in moderate-income census tracts.

Small Business Loans

Overall, small business lending performance was reasonable. ESB made 2 or 22% of its small business loans in moderate-income census tracts compared to 25% of business establishments located in moderate-income census tracts. ESB's performance in moderate-income census tracts was slightly below the market aggregate, which made 25% of its small business loans in moderate-income census tracts.

ESB's performance in 2012 was comparable. ESB made 2 or 40% of its small business loans in moderate-income census tracts compared to 26% of business establishments located in moderate-income census tracts.

2011 Aggregate Comparison Loan Distribution Table
Assessment Area/Group: MSA 27060

Income Categories	HMDA									
	By Tract Income					By Borrower Income				
	Bank		Aggregate			Bank		Aggregate		
	#	%	% \$(000s)	%	% \$(000s)	#	%	% \$(000s)	%	% \$(000s)
Home Purchase										
Low	0	0.0%	0.0%	0.0%	0.0%	7	7.4%	4.3%	8.7%	4.4%
Moderate	8	8.4%	6.0%	7.9%	7.8%	22	23.2%	15.5%	21.9%	16.0%
Middle	78	82.1%	82.7%	78.8%	75.9%	16	16.8%	16.2%	21.5%	20.2%
Upper	9	9.5%	11.3%	13.2%	16.2%	49	51.6%	63.3%	42.1%	53.4%
Unknown	0	0.0%	0.0%	0.0%	0.0%	1	1.1%	0.7%	5.8%	6.0%
Total	95	100.0%	100.0%	100.0%	100.0%	95	100.0%	100.0%	100.0%	100.0%
Refinance										
Low	0	0.0%	0.0%	0.0%	0.0%	4	9.5%	3.9%	6.5%	3.8%
Moderate	5	11.9%	11.4%	7.5%	7.8%	3	7.1%	4.8%	17.2%	12.3%
Middle	32	76.2%	63.0%	80.9%	76.6%	14	33.3%	27.7%	25.9%	21.4%
Upper	5	11.9%	25.6%	11.6%	15.6%	21	50.0%	63.6%	46.2%	57.5%
Unknown	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	4.2%	5.1%
Total	42	100.0%	100.0%	100.0%	100.0%	42	100.0%	100.0%	100.0%	100.0%
Home Improvement										
Low	0	0.0%	0.0%	0.0%	0.0%	4	40.0%	32.7%	12.5%	3.3%
Moderate	1	10.0%	9.2%	6.4%	8.2%	0	0.0%	0.0%	27.8%	14.3%
Middle	8	80.0%	80.4%	88.2%	79.4%	2	20.0%	10.7%	20.4%	17.6%
Upper	1	10.0%	10.4%	5.4%	12.5%	4	40.0%	56.6%	38.0%	63.8%
Unknown	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	1.3%	1.0%
Total	10	100.0%	100.0%	100.0%	100.0%	10	100.0%	100.0%	100.0%	100.0%
Multi-Family										
Low	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
Moderate	0	0.0%	0.0%	31.3%	55.9%	0	0.0%	0.0%	0.0%	0.0%
Middle	0	0.0%	0.0%	62.5%	41.9%	0	0.0%	0.0%	0.0%	0.0%
Upper	0	0.0%	0.0%	6.3%	2.2%	0	0.0%	0.0%	0.0%	0.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	100.0%	100.0%
Total	0	0.0%	0.0%	100.0%	100.0%	0	0.0%	0.0%	100.0%	100.0%
HMDA Totals										
Low	0	0.0%	0.0%	0.0%	0.0%	15	10.2%	4.6%	8.3%	3.7%
Moderate	14	9.5%	7.5%	7.7%	11.2%	25	17.0%	12.4%	20.7%	13.2%
Middle	118	80.3%	77.3%	81.1%	74.1%	32	21.8%	19.3%	23.0%	19.1%
Upper	15	10.2%	15.2%	11.2%	14.7%	74	50.3%	63.3%	42.8%	52.1%
Unknown	0	0.0%	0.0%	0.0%	0.0%	1	0.7%	0.5%	5.2%	11.8%
Total	147	100.0%	100.0%	100.0%	100.0%	147	100.0%	100.0%	100.0%	100.0%
SMALL BUSINESS										
By Tract Income										
	#	Bank			Aggregate					
		%	% \$(000s)		%	% \$(000s)				
Low	0	0.0%	0.0%		0.0%	0.0%		0.0%		
Moderate	2	22.2%	23.2%		24.6%	29.9%				
Middle	7	77.8%	76.8%		63.9%	60.4%				
Upper	0	0.0%	0.0%		6.7%	8.9%				
Unknown	0	0.0%	0.0%		0.0%	0.0%				
Tract Unknown	0	0.0%	0.0%		4.8%	0.9%				
Total	9	100.0%	100.0%		100.0%	100.0%				
By Revenue										
\$1 Million or Less	8	88.9%	78.8%		43.3%	36.4%				
By Loan Size										
\$100,000 or less	5	55.6%	8.6%		93.4%	38.2%				
\$100,001-\$250,000	1	11.1%	11.4%		3.7%	20.1%				
\$250,001-\$1 Million	3	33.3%	80.0%		2.9%	41.7%				
Total	9	100.0%	100.0%		100.0%	100.0%				

Originations and Purchases

2011 Consumer Loan Distribution Table								
Assessment Area: MSA 27060								
Income Categories	By Tract Income				By Borrower Income			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Consumer Loan Totals								
Low	0	0.0%	0	0.0%	4	50.0%	22	30.7%
Moderate	0	0.0%	0	0.0%	3	37.5%	37	53.5%
Low/Moderate Total	0	0.0%	0	0.0%	7	87.5%	59	84.2%
Middle	7	87.5%	59	84.1%	0	0.0%	0	0.0%
Upper	1	12.5%	11	15.9%	1	12.5%	11	15.9%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	8	100.0%	70	100.0%	8	100.0%	70	100.1%

COMMUNITY DEVELOPMENT TEST

ESB's community development performance in MSA 27060 (Ithaca, NY) demonstrated adequate responsiveness to the community development needs of the assessment area through community development loans, qualified investments and services. This assessment of ESB's performance considers the bank's capacity and the need and availability of such opportunities in MSA 27060.

The bank's overall community development loan and investment activity in MSA 27060 totaled \$6,000, consisting entirely of donations and grants to non-profit organizations. In addition, the MSA also benefited from three qualified investments totaling \$623,000 in organizations that make qualified investments targeting affordable housing and economic development throughout the State of New York. Comparisons to other similarly situated banks in the assessment area indicated less favorable performance in annualized community development loans and qualified investments as a percentage of deposits within the MSA.

ESB also provided a total of 4 community development services during the current examination period.

Examples include:

- One officer was a member of the chamber of commerce small business committee.
- One officer was a member of the board of directors of the Regional Economic Development Corporation and a member of the business development committee of an organization promoting economic development in Ithaca.
- One officer was president of a women's organization that promoted small business development in Ithaca.

NON-METROPOLITAN AREA (FULL REVIEW)

(Cayuga, Schuyler, Seneca, and Steuben, Counties, NY)

DESCRIPTION OF INSTITUTION'S OPERATIONS

As of December 31, 2012, ESB operates two full service and one limited service branches in the Non-MSA. Full service branches are located in Steuben and Cayuga Counties and the limited service branch is located in Schuyler County. As of June 30, 2012, 14% of ESB's deposits were held in this assessment area. With a deposit market share of 2%, ESB was the 13th largest depository institution. Lead banks in terms of deposit market share were Community Bank National Association, Five Star Bank, First Niagara Bank, Chemung Canal Trust Co., Steuben Trust Company, and Generations Bank.

Of the bank's total HMDA originated loans during 2011 and 2012, 24% were originated in this MSA. Of the sample of small business and consumer loans, 18% and 20% were originated in the MSA respectively.

PERFORMANCE CONTEXT

The following demographic and economic information was obtained from publicly available sources that include the U.S. Department of Commerce's Bureau of Census, the New York State Department of Labor, the U.S. Department of Housing and Urban Development ("HUD") and the New York Association of Realtors.

Demographic Characteristics

The Non-MSA Assessment Area encompasses portions of 4 contiguous counties located mainly in the Southern Tier and Finger Lakes regions of New York State. These counties are primarily rural with towns and villages scattered across the assessment area. According to the 2010 Census, the Non-MSA Assessment area's population totals 147,942. The Non-MSA assessment area contains 44% of the bank's combined assessment area population. Within the Non-MSA assessment area, 24 middle-income census tracts in Steuben County meet the FFIEC definition of distressed non-metropolitan middle-income census tracts due to population losses and 5 census tracts in Schuyler county meet the FFIEC definition of underserved middle-income census tracts for remote rural areas.

Income Characteristics

The HUD-adjusted median family income for the various counties in the Non-MSA assessment area ranged from \$54,400 to \$61,200 in 2011. Based on the 2010 Census, of the 42 census tracts included in the analysis, none are low-income, three or 7% are moderate-income, 34 or 81% are middle-income, 5 or 12% are upper-income. Under the 2010 Census data, nine percent of all families within the Non-MSA have incomes below the poverty level.

Housing Characteristics

The Non-MSA assessment area contains 70,992 housing units, of which 62% are owner-occupied. Only five percent of the owner-occupied housing units are in the moderate-income census tracts. According to the New York State Association of Realtors, the median sales price of homes ranged from a low of \$90,500 in Steuben County in 2011 to a high of \$140,000 in Schuyler County in 2011.

MEDIAN SELLING PRICES		
Area	2011	2012
Cayuga County	\$111,000	\$110,500
Schuyler County	\$140,000	\$125,000
Seneca County	\$112,000	\$105,000
Steuben County	\$90,500	\$107,000

Source: NYS Association of Realtors

In 2012, the median housing costs in the various counties comprising the Non-MSA assessment area ranged from 3 to 5 times the median family income of a low-income borrower, indicating that housing affordability may be difficult for some low-income individuals.

Demographic information from the 2010 Census estimated the median age of the housing stock throughout the assessment area to be 54 years. Given the age of the housing stock, community contacts have stated that there is a need for home improvement and home rehabilitation loans.

Labor, Employment and Economic Characteristics

According to the NYS Department of Labor the Southern Tier's economy continues to slowly recover from the economic downturn. While the region has not fully recovered, ongoing strength in higher education and dairy manufacturing industries have helped to improve the region's employment base. While private sector employment improved, budget pressures at both the state and local government levels led to employee reductions at government agencies.

U.S. DEPARTMENT OF LABOR ANNUAL UNEMPLOYMENT RATES		
Area	2011	2012
Cayuga County	7.9%	8.1%
Schuyler County	7.9%	8.4%
Seneca County	7.8%	7.9%
Steuben County	9.5%	9.8%
New York State	8.3%	8.5%

Detailed demographic data for this assessment area is provided in the following chart:

Assessment Area Demographics								
Assessment Area: Non MSA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	7,165	18.3
Moderate-income	3	7.1	2,060	5.3	342	16.6	7,346	18.8
Middle-income	34	81.0	31,366	80.1	2,698	8.6	8,981	22.9
Upper-income	5	11.9	5,737	14.6	322	5.6	15,671	40.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	42	100.0	39,163	100.0	3,362	8.6	39,163	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	4,085	2,051	4.7	50.2	1,528	37.4	506	12.4
Middle-income	57,395	35,597	80.9	62.0	10,803	18.8	10,995	19.2
Upper-income	9,512	6,342	14.4	66.7	1,842	19.4	1,328	14.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	70,992	43,990	100.0	62.0	14,173	20.0	12,829	18.1
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	406	6.2	368	6.3	26	8.4	12	3.8
Middle-income	5,205	80.1	4,699	80.1	238	76.5	268	83.8
Upper-income	886	13.6	799	13.6	47	15.1	40	12.5
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	6,497	100.0	5,866	100.0	311	100.0	320	100.0
Percentage of Total Businesses:				90.3		4.8		4.9

Based on 2010 ACS Information.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Distribution by Borrower Income and Revenue Size of Business

Lending performance in the Non MSA assessment area relating to borrower distribution in 2011 was excellent overall, and reflected reasonable penetration among individuals of all income levels (including LMI) and businesses of different sizes. While housing is generally affordable to moderate-income borrowers in the MSA, housing costs are generally 3 to 5 times the income of low-income borrowers.

Overall, ESB's performance in 2011 was similar overall to its performance in 2012. The bank's 2011 performance in lending to low- and moderate- income borrowers within each HMDA and

small business product compared to the aggregate's performance is summarized in the chart below:

Non MSA Assessment Area (Cayuga, Schuyler, Seneca and Steuben Counties, NY)				
<i>PRODUCT</i>	Low-income Borrowers		Moderate-income Borrowers	
	ESB's Performance	2011 Aggregate Comparison	ESB's Performance	2011 Aggregate Comparison
Home Purchase	Poor	Below	Excellent	Similar
Refinance	Poor	Significantly Below	Reasonable	Slightly Below
Home Improvement	Poor	Below	Excellent	Slightly Below
Consumer	Poor	N/A	Excellent	N/A
<i>PRODUCT</i>	Lending to Businesses with GAR <= \$1 million		2011 Aggregate Comparison	
Small Business	Reasonable		Slightly Above	

Home Purchase Loans

ESB's overall distribution of home purchase loans to LMI borrowers was reasonable, based on poor distribution to low-income borrowers and excellent distribution to moderate-income borrowers. In 2011, ESB made 3% of its home purchase loans to low-income borrowers while the demographics of the 2000 Census indicated that 18% of the families in the MSA were low-income. Under the 2010 Census 18% of families in the non-MSA assessment area were low-income. ESB's performance was below the market aggregate, which made 6% of its home purchase loans to low-income borrowers.

Performance in lending to moderate-income borrowers was excellent, as 22% of ESB's home purchase loans were made to moderate-income borrowers compared to the demographics of the 2000 Census, which indicate that 18% of families in the non-MSA assessment area were of moderate-income. Under the 2010 Census, 19% of families in the MSA were of moderate-income. ESB's performance was similar to the market aggregate, which made 21% of its home purchase loans to moderate-income borrowers in 2011.

ESB's overall 2012 performance was comparable.

Refinance Loans

ESB's overall distribution of refinance loans to LMI borrowers was poor based on poor distribution to low-income borrowers and reasonable distribution moderate-income borrowers.

ESB's distribution of refinance loans to low-income borrowers was poor as 2% of refinance loans were made to low-income borrowers while the demographics of the 2000 Census indicated that 18% of all families in the MSA were of low-income. Under the 2010 Census 18% of families in the non-MSA assessment area were low-income. ESB's performance was significantly below the market aggregate, which made 6% of its refinance loans to low-income borrowers.

ESB's distribution of refinance loans to moderate-income borrowers was reasonable as 13% of refinance loans were made to moderate-income borrowers compared to the demographics of the 2000 Census, which indicate that 18% of all families in the non-MSA assessment area that were of moderate-income. Under the 2010 Census, 19% of families in the MSA were of moderate-income. ESB's performance was slightly below the market aggregate, which made 14% of its refinance loans to moderate-income borrowers.

ESB's overall 2012 performance was comparable.

Home Improvement Loans

ESB's overall distribution of home improvement loans to LMI borrowers was reasonable based on poor distribution to low-income borrowers and excellent distribution to moderate-income borrowers. In 2011, ESB made 8% of its home improvement loans to low-income borrowers while the demographics of the 2000 Census indicated that 18% of the families in the non-MSA assessment area were low-income. Under the 2010 Census 18% of families in the non-MSA assessment area were low-income. ESB's performance was below the market aggregate, which made 13% of its home improvement loans to low-income borrowers.

Performance in lending to moderate-income borrowers was excellent as ESB made 20% of its home improvement loans to moderate-income borrowers compared to the demographics of the 2000 Census, which indicate that 18% of families in the non-MSA assessment area are moderate-income. Under the 2010 Census, 19% of families in the non-MSA assessment area were of moderate-income. The market aggregate made 24% of its home improvement loans to moderate-income borrowers in 2011.

ESB's overall 2012 performance was comparable.

Consumer Loans

ESB's overall distribution of consumer loans to LMI borrowers was reasonable based on poor distribution to low-income borrowers and excellent distribution to moderate-income borrowers. In 2011, ESB did not make any consumer loans to low-income borrowers while under the 2000 Census, 21% of all households in the non-MSA assessment area were low-income.

Performance in lending to moderate-income borrowers was excellent as ESB made 7 of 14 loans (50%) to moderate-income borrowers compared to the 2000 Census demographic, which indicates 17% of all households in the non-MSA assessment area are of moderate-income.

ESB's overall 2012 performance was comparable.

Small Business Loans

The overall level of lending to small businesses was reasonable. During 2011, ESB made 56% of its small business loans to businesses with gross annual revenues of \$ 1 million or less, compared to 91% of business establishments in the MSA with GAR of \$1 million or less. Performance was slightly above the aggregate which made 46% of its loans to businesses with GAR of \$1 million or less.

During 2011, 78% of ESB's loans were in amounts of \$100,000 or less, with an average loan size of \$83,000. ESB's performance was below the aggregate, which originated 94% of its loans in amounts of \$100,000 or less.

Performance overall in 2012 was comparable.

Geographic Distribution of Loans

The overall geographic distribution of HMDA-related and small business loans reflected reasonable loan penetration across census tracts of different income levels in the non-MSA assessment area, including LMI geographies. However, lending opportunities are limited as the assessment area had no low-income census tracts and only two moderate-income census tracts in four counties according to the 2000 Census. Under the 2010 Census, the non-MSA assessment area had no low-income census tracts and 3 moderate-income census tracts. HMDA-related, consumer and small business lending performance was reasonable considering the performance context and the limited opportunities for lending. ESB's performance in 2012 was comparable to its 2011 performance with regard to geographic distribution. The table below summarizes geographic distribution performance in LMI tracts in 2011.

Non-MSA (Cayuga, Schuyler, Seneca and Steuben Counties, NY)				
<i>PRODUCT</i>	Low-income Tracts		Moderate-income Tracts	
	ESB's Performance	2011 Aggregate Comparison	ESB's Performance	2011 Aggregate Comparison
Home Purchase	N/A	N/A	Reasonable	Similar
Refinance	N/A	N/A	Poor	Significantly Below
Home Improvement	N/A	N/A	Reasonable	Significantly Above
Consumer	N/A	N/A	Reasonable	N/A
Small Business	N/A	N/A	Reasonable	Slightly Above

Home Purchase Loans

ESB's overall home purchase lending distribution was reasonable. ESB originated three or 3% of its home purchase loans in moderate-income census tracts compared to 2000 Census demographic of 3% of owner-occupied housing units located in moderate-income census tracts in the non-MSA assessment area. Under the 2010 Census, 5% of owner-occupied housing units are located in moderate-income census tracts. ESB's performance in moderate-income census tracts was similar to the market aggregate, which also made 3% of its home purchase loans in moderate-income geographies in 2011. Home purchase lending performance in moderate-income geographies in 2012 was poor as ESB made only 3 or 2% of its home purchase loans in moderate-income tracts.

Refinance Loans

ESB's overall refinance lending in LMI geographies was poor. ESB's did not originate any refinance loans in moderate-income geographies in 2011. Performance was significantly below the market aggregate which originated 2% of its refinance loans in moderate-income census tracts while 3% of owner-occupied housing units are in moderate-income census tracts according to the 2000 census. ESB's 2012 refinance lending performance was comparable.

Home Improvement Loans

ESB's overall home improvement lending distribution in 2011 was reasonable. ESB originated 3 of 25 (12%) of its home improvement loans in moderate-income census tracts in 2011 compared to 3% of owner-occupied housing units located in moderate-income census tracts in the non-MSA assessment area, according to the 2000 Census. ESB's performance was significantly above the market aggregate, which originated 4% of its home improvement loans in moderate-income census tracts. ESB's 2012 home improvement lending performance was comparable.

Consumer Loans

ESB's overall consumer lending performance in 2011 was reasonable. ESB's originated 1 of its 14 (7%) consumer loans in moderate-income geographies while under the 2000 Census, 4% of all households in the non-MSA reside in moderate-income census tracts. ESB's 2012 consumer lending performance, however, was poor as ESB did not originate any consumer loans in moderate-income census tracts.

Small Business Loans

Overall, small business lending performance was reasonable. ESB made 2 of 9 loans or 22% of its small business loans in moderate-income census tracts compared to 4% of business establishments located in moderate-income census tracts. ESB's performance in moderate-income census tracts was significantly above the market aggregate, which had 3% of its small business loans in moderate-income census tracts. ESB's performance in 2012 was poor as ESB

did not originate any small business loans in moderate-income census tracts.

2011 Aggregate Comparison Loan Distribution Table
Assessment Area/Group: NonMSA

Income Categories	HMDA									
	By Tract Income					By Borrower Income				
	Bank		Aggregate			Bank		Aggregate		
	#	%	% \$(000s)	%	% \$(000s)	#	%	% \$(000s)	%	% \$(000s)
Home Purchase										
Low	0	0.0%	0.0%	0.0%	0.0%	4	3.4%	1.3%	5.8%	2.6%
Moderate	3	2.6%	1.0%	2.7%	1.5%	26	22.2%	17.0%	21.0%	14.4%
Middle	88	75.2%	75.6%	75.4%	73.8%	36	30.8%	26.0%	24.9%	19.6%
Upper	26	22.2%	23.4%	21.9%	24.6%	51	43.6%	55.7%	41.3%	57.6%
Unknown	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	7.0%	5.8%
Total	117	100.0%	100.0%	100.0%	100.0%	117	100.0%	100.0%	100.0%	100.0%
Refinance										
Low	0	0.0%	0.0%	0.0%	0.0%	1	2.1%	0.3%	5.5%	2.5%
Moderate	0	0.0%	0.0%	2.2%	1.3%	6	12.5%	5.6%	14.1%	9.1%
Middle	39	81.3%	85.6%	75.5%	74.9%	7	14.6%	8.4%	25.9%	20.7%
Upper	9	18.8%	14.4%	22.3%	23.8%	34	70.8%	85.6%	47.6%	60.6%
Unknown	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	6.8%	7.2%
Total	48	100.0%	100.0%	100.0%	100.0%	48	100.0%	100.0%	100.0%	100.0%
Home Improvement										
Low	0	0.0%	0.0%	0.0%	0.0%	2	8.0%	3.6%	13.2%	4.1%
Moderate	3	12.0%	4.2%	4.0%	2.5%	5	20.0%	8.7%	24.4%	14.5%
Middle	17	68.0%	89.6%	85.4%	87.1%	8	32.0%	29.2%	28.2%	25.0%
Upper	5	20.0%	6.2%	10.5%	10.5%	9	36.0%	57.3%	31.9%	51.3%
Unknown	0	0.0%	0.0%	0.0%	0.0%	1	4.0%	1.3%	2.3%	5.1%
Total	25	100.0%	100.0%	100.0%	100.0%	25	100.0%	100.0%	100.0%	100.0%
Multi-Family										
Low	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
Moderate	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
Middle	0	0.0%	0.0%	100.0%	100.0%	0	0.0%	0.0%	0.0%	0.0%
Upper	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	100.0%	100.0%
Total	0	0.0%	0.0%	100.0%	100.0%	0	0.0%	0.0%	100.0%	100.0%
HMDA Totals										
Low	0	0.0%	0.0%	0.0%	0.0%	7	3.7%	1.1%	7.3%	2.7%
Moderate	6	3.2%	0.9%	2.8%	1.5%	37	19.5%	13.4%	19.1%	12.1%
Middle	144	75.8%	79.1%	77.7%	75.4%	51	26.8%	21.0%	26.0%	20.5%
Upper	40	21.1%	20.0%	19.5%	23.1%	94	49.5%	64.5%	41.6%	58.3%
Unknown	0	0.0%	0.0%	0.0%	0.0%	1	0.5%	0.1%	5.9%	6.5%
Total	190	100.0%	100.0%	100.0%	100.0%	190	100.0%	100.0%	100.0%	100.0%
SMALL BUSINESS										
By Tract Income										
		Bank			Aggregate					
	#	%	% \$(000s)	%	% \$(000s)	%	% \$(000s)	%	% \$(000s)	%
Low	0		0.0%		0.0%		0.0%		0.0%	
Moderate	2		22.2%		34.7%		3.3%		1.2%	
Middle	6		66.7%		58.2%		78.5%		81.1%	
Upper	1		11.1%		7.1%		16.2%		16.7%	
Unknown	0		0.0%		0.0%		0.0%		0.0%	
Tract Unknown	0		0.0%		0.0%		2.0%		0.9%	
Total	9		100.0%		100.0%		100.0%		100.0%	
By Revenue										
\$1 Million or Less	5		55.6%		44.0%		45.8%		52.6%	
By Loan Size										
\$100,000 or less	7		77.8%		56.6%		94.4%		43.5%	
\$100,001-\$250,000	2		22.2%		43.4%		3.5%		19.7%	
\$250,001-\$1 Million	0		0.0%		0.0%		2.1%		36.8%	
Total	9		100.0%		100.0%		100.0%		100.0%	

Originations and Purchases

2011 Consumer Loan Distribution Table								
Assessment Area/Group: NonMSA - 2011								
Income Categories	By Tract Income				By Borrower Income			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	1	7.1%	19	12.7%	7	50.0%	76	51.0%
Low/Moderate Total	1	7.1%	19	12.7%	7	50.0%	76	51.0%
Middle	12	85.7%	118	79.1%	7	50.0%	73	49.3%
Upper	1	7.1%	12	8.2%	0	0.0%	0	0.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	14	100.0%	149	100.0%	14	100.0%	149	100.3%

COMMUNITY DEVELOPMENT TEST

ESB's community development performance in the non-MSA assessment area demonstrated adequate responsiveness to the community development needs of the assessment area through community development loans, qualified investments and services. This assessment of ESB's performance considers the bank's capacity and the need and availability of such opportunities in the non-MSA assessment area.

The bank's overall community development loans and investment activity in the non-MSA assessment area totaled \$1.4 million. In addition, the non-MSA assessment area also benefited from three qualified investments totaling \$623,000 in organizations that make qualified investments targeting affordable housing and economic development throughout the State of New York. Comparisons to other similarly situated banks in the assessment area indicated less favorable performance as in annualized community development loans and qualified investments as a percentage of deposits within the non-MSA assessment area.

ESB's community development activity in the non-MSA assessment area consisted of a participation in the purchase of an industrial development bond for \$1.4 million that was used to construct affordable housing at Corning Community College. Additionally, ESB made 11 grants and donations totaling \$4,000 to organizations providing community services in the non-MSA assessment area.

ESB also provided a total of two community development services during the current examination period. One officer was a board member of an organization that promoted and assisted with independent living for people with disabilities and the homeless in Cayuga County and another officer was a member of the board of directors of an organization that promoted economic development in Steuben County.

APPENDIX A

GLOSSARY

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: All agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies; or loans, investments or services that (i) Support, enable or facilitate projects or activities that meet eligible uses" criteria described in Section 2301c of the Housing and Economic Recovery Act of 2008 ("HERA"), Public Law 110-289, 122 Stat. 2654, as amended, and are conducted in designated target areas identified in plans approved by the United States Department of Urban and Development in accordance with the Neighborhood Stabilization program ("NSP"); (ii) Are provided no later than two years after the last date funds appropriated for the NSP are required to be spent by the grantees; (iii) Benefit low-, moderate- and middle-income individuals and geographies in the bank's assessment area(s) or geographies outside the bank's assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Development Financial Institution ("CDFI"): A CDFI is an organization that has been certified by the U.S. Treasury as a provider of loans and services that assist specially funded institutions that revitalize LMI areas and assist LMI persons.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: A family is a group of two people or more related by birth, marriage, or adoption and residing together; all such people (including related subfamily members) are considered as members of one family.

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (“HMDA”): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancing of home improvement and home purchase loans.

Household: A household consists of all persons who occupy a housing unit. Persons not living in households are classified as living in group quarters.

Low-income: Individual income that is less than 50% of the area median income, or a median family income that is less than 50%, in the case of a geography.

Metropolitan Area (“MA”): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80% and less than 120% of the area median income, or a median family income that is at least 80% and less than 120%, in the case of a geography.

Moderate-income: Individual income that is at least 50% and less than 80% of the area median income, or a median family income that is at least 50% and less than 80%, in the case of a geography.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Small loan(s) to business (es): A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (“Call Report”) and the Thrift Financial Reporting (“TFR”) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR

as nonmortgage, commercial loans.

Upper-income: Individual income that is more than 120% of the area median income, or a median family income that is more than 120%, in the case of a geography.

APPENDIX B

Elmira Savings Bank

Assessment Area

Jan. 1, 2012 - Dec. 31, 2012

