



FINANCIAL HIGHLIGHTS

(in thousands, except per share data)

OPERATING RESULTS - Year Ended December 31	2009	2008	% of Change
Net Interest Income	\$ 33,155	\$ 30,668	8.11%
Provision for loan losses	2,450	1,450	68.97%
Non-interest income:			
Securities gains, net	785	589	33.28%
Trust Preferred impairment writedown	-2,242	-803	179.20%
Trust & Investment Services Income	8,089	6,834	18.36%
Other operating income	9,078	10,518	-13.69%
Other operating expense	39,321	33,968	15.76%
Net income	5,233	8,354	-37.36%

At Year End:

Assets	\$ 975,919	\$ 838,318	16.41%
Loans, net of deferred fees and costs, and unearned income	595,853	565,185	5.43%
Allowance for loan losses	9,967	9,106	9.46%
Deposits	801,063	656,909	21.94%
Shareholders' equity	90,086	83,007	8.53%
Employees (full time equivalent)	327	309	5.83%

Share and Per Share Data:

Net income	1.45	2.32	-37.50%
Book value, at year end	24.97	23.14	7.91%
Tangible book value, at year end	20.64	18.96	8.86%
Dividends declared	1.00	1.00	0.00%
Shares outstanding (average)	3,603	3,594	0.25%

Ratios:

Allowance to total loans	1.67%	1.61%
Return on average assets	0.56%	1.00%
Return on average Tier I Equity	6.97%	11.45%

Trust Assets Under Administration (Market Value)

as Fiduciary	\$1,163,880	\$1,131,802	2.83%
as Custodian	468,317	446,569	4.87%
	<u>\$1,632,197</u>	<u>\$1,578,371</u>	3.41%

Market Prices of Chemung Financial Corporation Stock During Past Three Years (dollars)

	2009	2008	2007
1st Quarter	15.00 – 22.00	24.35 – 28.25	30.00 – 33.00
2nd Quarter	17.25 – 23.00	25.50 – 28.25	29.05 – 32.10
3rd Quarter	18.75 – 21.25	22.15 – 26.30	27.55 – 31.00
4th Quarter	19.55 – 23.00	19.55 – 25.10	25.49 – 30.00

Dividends Paid Per Common Share by Chemung Financial Corporation During Past Three Years

	2009	2008	2007
January 2	0.25	0.25	0.24
April 1	0.25	0.25	0.24
July 1	0.25	0.25	0.24
October 1	0.25	0.25	0.24
	<u>1.00</u>	<u>1.00</u>	<u>0.96</u>

As of December 31, 2009 there were 555 registered holders of record of the Corporation's stock. Chemung Financial Corporation common stock is inactive traded in the over-the-counter market.

The quarterly market price ranges for the Corporation's stock for the past three (3) years are based upon actual transactions as reported by brokerage firms which maintain a market or conduct trades in the Corporation's stock and other transactions known by the Corporation's management.

MISSION

The mission of Chemung Financial Corporation is to remain a strong and independent financial services organization creating value for shareholders, customers, employees and the communities where the company does business, while maintaining the highest standards of business ethics. Chemung Financial is a community-oriented, client-focused organization.

VISION

The vision of Chemung Financial Corporation is to be a high-performing community bank remaining true to our mission, and to become the company of choice for customers, employees, investors and financial services companies seeking a partner.



Ronald M. Bentley

David J. Dalrymple

TO OUR SHAREHOLDERS

We are pleased to report that 2009 was another good, albeit challenging, year for your company. While earnings were down from the previous year, our financial results were in line with our expectations after accounting for several extraordinary items which are discussed in detail below.

In May, we completed the successful acquisition and integration of the Bank of Canton, an \$80 million community bank headquartered in Canton, PA with branch offices in Troy and Towanda, PA. This merger expanded our footprint into the contiguous northern tier of Pennsylvania and was immediately accretive to earnings, excluding one-time acquisition related expenses. With the addition of these three offices in Bradford County, PA, we now operate 23 full service offices in seven counties. While our local economy has fared better than many parts of the country, the Great Recession is clearly being felt by our residents and businesses and, consequently, our bank. Our disciplined underwriting and conservative business model have prepared us well for these times. The year was also marked by a maelstrom of potential change coming out of Washington which will likely impact future results.

Financial Results

Net income for the year was \$5.233 million representing a 37% decrease from 2008. Earnings per share of \$1.45 were also 37% lower than last year. Our return on average assets for 2009 was .56% and our return on average equity was 6.13%, down from 2008 levels of 1.00% and 9.36%, respectively. In 2009, \$3.522 million in dividends were declared continuing over 100 years of uninterrupted dividend payments. Our 2009 financial results were negatively impacted by several significant items including: one-time acquisition costs related to the acquisition of Canton Bancorp, Inc. in

May totaling approximately \$1.448 million; other-than-temporary impairment (OTTI) charges of \$2.242 million on trust preferred securities pools carried in the Corporation's investment portfolio; a \$1.0 million increase in the provision for loan losses; higher FDIC insurance costs of \$1.402 million which included a special assessment of \$439 thousand; and, higher pension costs totaling \$2.323 million.

Recent accounting rule changes required that we expense one-time acquisition charges at the time of acquisition in contrast to past practices where these costs could be capitalized as part of acquisition goodwill. The write-down of the trust preferred securities pools is required by current accounting rules despite the fact that we continue to receive all contractual payments on these securities. The increase in the provision for loan losses was principally due to increases in nonperforming and classified loans as well as higher net loan charge-offs. It should be noted that our allowance for loan losses as a percent of total loans at year end was 1.67%, a level considered very healthy and higher than most of our peers. The higher FDIC insurance costs are a direct result of the increase in bank failures and the need for the FDIC to replenish the deposit insurance fund. Notwithstanding another "special assessment" on top of our regular premiums, this expense will be less in 2010. The higher pension costs were driven by the equity market decline in the latter part of last year, but we are pleased to report that we have recovered most of these losses in the market value of our pension plan and the expense for 2010 will be greatly reduced. When you eliminate the one-time, non-recurring items, our results were essentially on target.

With the softening of our local economy, we have seen a rise in delinquencies and nonperforming loans, although they remain at very manageable levels. Excluding a USDA guarantee on a large portion of a large commercial credit that has been restructured and, therefore, included in our nonperforming loan figures, total nonperforming loans as a percent of total loans was 1.50%, a level consistent with other banks in the northeast.

At December 31, 2009, our balance sheet reflects total assets of \$976 million, total loans of \$596 million, total deposits of \$801 million and total shareholders' equity of \$90 million. Our capital ratios remain at levels well above those considered to be well capitalized by regulators. The market value of total assets under management or administration in our Trust & Investment Center exceeds \$1.6 billion.

Growth and Acquisitions

In the Bank of Canton acquisition, we acquired approximately \$70 million in deposits, \$59 million in loans and 9,000 accounts. The acquisition, systems conversion and integration went very smoothly and we continued to gain and refine our expertise in this area, a critical and important skill as we expect acquisitions will be a part of our future growth. Our Bank of Canton colleagues did an admirable job throughout the merger process and we are glad they are now members of our organization. Due to this acquisition, as well as organic growth, total assets grew \$138 million or 16% and total deposits climbed \$144 million or 22%. Total loans, however, only increased \$31 million or 5% as a result of weaker loan demand and our decision to sell most newly originated low fixed rate residential mortgages in the secondary market for interest rate risk management purposes. There is a popular misconception across the nation that banks are not lending. This is clearly not the case at Chemung Canal as we have the capacity and willingness to make loans to creditworthy borrowers.

In June of 2008, we purchased Cascio Financial Strategies, a long-time Elmira firm providing financial planning, investment and tax preparation services. While market conditions have hurt this line of business, we are well positioned to serve the complete financial needs of our clients as the market recovers and clients seek alternative investment opportunities. In addition, our new tax preparation service has been very well received by our clients and we expect to grow this business markedly in 2010.

In March of 2008, we acquired three branches of M&T bank; two in Broome County and one in Tioga County. This acquisition expanded our presence into a contiguous and sizeable market and we continue to be encouraged by the warm reception we have received in these communities.

In January of 2009, we relocated our Community Corners office in Ithaca to a free-standing building with greatly improved visibility, accessibility and banking services. This investment is already paying dividends as this office has seen solid growth since the move.

Other Accomplishments

One of our major goals as an organization is to become more efficient. Naturally, leveraging our infrastructure and building our balance sheet without adding overhead makes us a more efficient company. Our recent history of organic and acquisi-

tion growth has made us more efficient. But it does not stop there. Behind the scenes, we are questioning and challenging everything we do in an effort to find a better way. It is an essential and healthy process and one producing results. Through these initiatives over the past three years, we have delivered over \$2 million in annual profit improvement. To use an overused metaphor, we are hitting a lot of singles.

This past October, we launched a Private Banking/Wealth Management practice. By combining some of our traditional core strengths and resources with some newly acquired capabilities, and staffed by professionals who understand the needs of high net worth individuals, we have a platform that can make a meaningful difference for this market segment.

With the exploration and development of the Marcellus Shale, one of the most promising natural gas reserves in the country, we collaborated with other professionals to help educate landowners on the various aspects of gas land leases and royalties. This development has the potential to create significant wealth in our region and we have positioned ourselves as a source for investment management and estate planning.

Recent events in the financial and credit markets demonstrated that many organizations lacked effective and sound risk management systems. While we believe we effectively manage major risks to our organization, we subscribe to the theory of continuous improvement and re-examined our practices. As a result, a new process that provides for overarching, umbrella oversight of major risks has been implemented. We feel this process has strengthened our risk management practices.

Capital Management

Growth remains the lifeblood of our business, any business. Our strategy has been to grow our company organically, through branch expansion and by acquiring branches, banks and businesses that complement existing strengths and market niches. Evidenced by the heated acquisition activity of the past four years, we have used our capital to accomplish this growth and believe shareholder value has been enhanced as a result.

Investing in our People

In this crowded field of financial services providers, it is the quality of our people and the service they deliver that distinguishes Chemung Canal. Banking has become a commodity business and service is the only sustainable and

defining competitive advantage. CanalCare, our service promise to both external and internal clients, remains the nucleus of our efforts to make client service the hallmark of our success and our service quality measurement systems strongly suggest we are exceeding client expectations. We also continue to invest in the professional growth and development of our “human assets.” Whether earning a degree at a local college, attending an industry-sponsored professional seminar, participating in an in-house coaching program, or training our front-line personnel to uncover the financial needs of our clients, we are committed to providing the resources to help our people be successful in their jobs.

Community Involvement and Leadership

Creating value for the communities we serve has long been an integral part of our mission and we do this in many ways besides providing credit to individuals, businesses and other organizations. Hundreds of organizations receive financial support each year in the form of direct contributions or sponsorships. Our sponsorship of the LPGA Corning Classic, the Fourth of July Celebration at Eldridge Park, the Watkins Glen Grand Prix Festival, the Clemens Center, the Arnot Art Museum and the Binghamton Tennis Challenge, are examples of Chemung Canal helping to bring quality events and entertainment to our region making this place we call home a more enjoyable place to live and work. Moreover, our employees devote thousands of hours of their personal time to community and philanthropic organizations. They are involved and play a leadership role in many worthy causes including the United Way, Susan G. Komen Race for the Cure and the Buddy Walk for individuals with Down Syndrome, just to name a few. We are proud of them and appreciate their efforts which enhance the quality of life for all.

Our Board of Directors

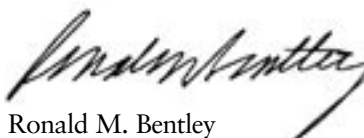
In connection with our merger with the Bank of Canton, we invited Robert Storch to join our board of directors and his election was approved by our shareholders in May. Bob is a lifelong resident of Troy, PA and was a long-time member of the Canton board. He brings to Chemung Canal extensive experience in the dairy and farming industry and, with our entry into northern Pennsylvania, adds a valued dimension to our corporate governance. We look forward to his contributions to our organization.

The Future

In response to the credit and financial crisis, there is a dizzying array of proposals coming out of Washington. Few of our elected officials fully understand that community banks were not responsible for this crisis. But once again, many will be punished for the transgressions of the few. Our regulatory burden is already stifling—we are disillusioned when we try to quantify how much we spend on compliance. Our legislators and government officials are now bent on controlling and regulating our every action from product offerings to incentive compensation programs to overdraft and interchange fees. We will continue to join forces with our industry trade associations and other community banks to advocate for balanced, sensible reform.

In this time of what promises to be dramatic change for our industry, we are consoled by the fact that our community banking philosophy and conservative business model have served us well for over 175 years. The one certainty is our unwavering dedication to our community bank mission. We will continue to build long-term relationships with our clients and play a vital role in the communities we serve. Deposits gathered locally will be channeled back into our local communities in the form of loans to businesses, individuals, organizations and other enterprises. The growth we have experienced over the past few years is compelling evidence of the peoples’ preference for a community bank.

By any measure, we are well prepared to deal with whatever comes our way and we are grateful to our staff and board of directors for building this solid foundation. We are also thankful for the continued support of our clients, employees, shareholders and the communities we serve.



Ronald M. Bentley
President and Chief Executive Officer



David J. Dalrymple
Chairman of the Board



Chemung Canal Trust Company



Sitting (l to r) R. Swan, R. Dalrymple, R. Bentley, D. Dalrymple, T. Meier, W. Eggers, Standing (l to r) C. Streeter, Jr. R. Agan, R. Meyer, J. Updegraff, C. Drinkwater, S. Lounsberry III, R. Storch and J. Potter

BOARD OF DIRECTORS

Robert E. Agan

Chairman Emeritus
Hardinge, Inc.

Ronald M. Bentley

President and Chief Executive Officer
Chemung Financial Corporation,
Chemung Canal Trust Company and
CFS Group, Inc.

David J. Dalrymple

Chairman of the Board
Chemung Financial Corporation,
Chemung Canal Trust Company and
President
Dalrymple Holding Corporation

Robert H. Dalrymple

Vice President and Secretary
Dalrymple Holding Corporation

Clover M. Drinkwater

Partner
Sayles & Evans

William D. Eggers

Senior Counsel
Nixon Peabody LLP

Stephen M. Lounsberry, III

President
Applied Technology
Manufacturing

Thomas K. Meier

President
Elmira College

Ralph H. Meyer

Retired President and Chief
Executive Officer
Guthrie Healthcare System

John F. Potter

President
Seneca Beverage Corp.

Robert L. Storch

Retired Owner
Storchmont Dairy Farms

Charles M. Streeter, Jr.

Retired President
Streeter Associates, Inc.

Richard W. Swan

Chairman of the Board
Swan and Sons-Morss Co. Inc.

Jan P. Updegraff

Retired President and
Chief Executive Officer
Chemung Financial Corporation
and Chemung Canal Trust
Company

OTHER INFORMATION

Dividend Investment and Stock Purchase Plan

Registered shareholders of Chemung Financial Corporation, through The Dividend Investment and Stock Purchase Plan, may invest their dividends or make quarterly cash payments to purchase additional stock of the Corporation. Shareholders not enrolled in the plan may receive a descriptive brochure and authorization card for the plan upon written request to the Corporation's secretary at the following address:

Chemung Financial Corporation
Attn: Corporate Secretary
P.O. Box 1522
Elmira, New York 14902-1522
www.chemungcanal.com

Form 10-K Annual Report

A copy of the Corporation's Form 10-K Annual Report is available without charge to shareholders after March 31, 2010 upon written request to the Corporation's secretary. A copy is also available on our Transfer Agent, American Stock Transfer & Trust Company's website at www.amstock.com/proxymaterials/viewmaterials.asp.

Annual Meeting

The Annual Meeting of Shareholders will be held on Wednesday, May 5, 2010 at 2:00 p.m. at the downtown Holiday Inn, Elmira — Riverview.

CHEMUNG CANAL TRUST COMPANY & CFS GROUP, INC. OFFICERS

EXECUTIVE MANAGEMENT TEAM

Ronald M. Bentley
President & Chief
Executive Officer

John R. Battersby, Jr.
Executive Vice President,
Chief Financial Officer
& Treasurer

James E. Corey, III
Executive Vice President,
Chief Risk Officer &
CanalCare Executive

Melinda A. Sartori
Executive Vice President
Trust & Investment Services

Jane H. Adamy
Senior Vice President,
Corporate Secretary &
Trust Compliance Officer

Richard G. Carr
Senior Vice President
Business Client Services

Michael J. Crimmins
Senior Vice President
Support Services

Louis C. DiFabio
Senior Vice President
Retail Client Services

Linda M. Struble
Senior Vice President
Human Resources

Norman R. Ward
Senior Vice President &
Auditor

Michael J. Wayne
Senior Vice President &
Director of Marketing

SENIOR VICE PRESIDENTS

Elizabeth T. Dalrymple
Trust & Estate Administration

Bradley S. Eaton
Regional Trust Executive

Douglas R. Johnson
Regional Trust Executive

Thomas J. Whitaker
Finance

Thomas W. Wirth, CFA
Trust Investment Services

VICE PRESIDENTS

Deborah A. Adams
Compliance & CRA

Joseph W. Ahern
Regional Trust Officer

Yvonne L. Albee
Trust Operations

Ronald E. Allison
Community Relations

Judy L. Barton
Bank Operations

Nancy J. Battersby (1)
Trust & Estate Administration

Douglas F. Bissonette
Trust & Estate Administration

Michael D. Blatt, CFA
Trust Investment Services

Rose J. Catalano
Corporate Architect

Catherine B. Crandall
Trust & Estate Administration

Larry G. Denniston
Regional Investment Officer

Leslie J. Distin
Regional Trust Officer

Daniel R. Donovan
Consumer Lending

Lucimar Foo-Siam Escudero
Loan Review & Commercial
Credit

Alex A. Gilliam
Business Development

William M. Hodel
Commercial Lending

Marianne T. Kalec
Real Estate Lending

Pamela A. Kelley
Regional Trust Officer

Celeste D. Knickerbocker
Finance

John E. Kravec
BSA/AML Officer

Michael S. Lares (1)
Trust Investment Services

Ronald W. Lesch
Regional Commercial
Loan Executive

Christopher B. Loughridge
Trust Investment Services

Audrey Manchester
Branch Administration

Brendan P. McCormick
Audit

J. Edmond Morton, IV
Private Banking

Joseph H. Perry
Ithaca Region

Robert M. Pichette
Commercial Lending Manager

Ronald W. Poole
Commercial Lending

Chester L. Reed (2)
Commercial Lending

James D. Ripley
Logistical Support

Robert A. Roemmelt, Jr.
Arnot Road Branch Manager

Larry W. Rudawsky
Retirement Services Group

John J. Sentigar
Information Technology

Jacqueline L. Stevens
Branch Administration

Kenneth L. Wilson (2)
Business Development
Executive

ASSISTANT VICE PRESIDENTS

Kimberly A. Bailey
Canton Branch Manager

Michael J. Battersby
Horseheads Branch Manager

Pamela D. Burns
Human Resources

David Carlson
Troy Branch Manager

Richard W. Carroll
Watkins Glen Branch Manager

Deborah A. Cram (1)
Southport Branch Manager

Gary K. Earley
Trust & Estate Administration

Constance L. English
Corning Branch Manager

Christopher J. Giammichele
Commercial Lending

Sandra L. Grooms
The Station (Ithaca)
Branch Manager

Craig B. Heffner
Commercial Lending

Scott T. Heffner
Marketing

Megan B. Horton
Owego Branch Manager

Mary L. Keefe
e-Business Services

Matthew T. Keefe
Information Technology

Sandra J. Martinichio
Trust Tax Services

Eileen M. McCarthy
Trust & Investment
Administrative Services

Tina M. McGurgan
Information Technology

Mary Anne Narosky
Business Client Services

Debra A. Newcomer
Main Office Branch Manager

Kerry L. Oetting,
CPC, QPA, QKA
Retirement Services Group

Joan M. Smith
Finance

Debra L. Stanton, CFSA
Security Officer

Theresa A. Wagner
Deposit Operations

David A. Wakeman
Resource Recovery

ASSISTANT TREASURERS

John H. Brand
Trust Investment Services

Donna M. Coles
Elmira Heights Branch Manager

Alison J. Conklin-DeVita
Waverly Branch Manager

Cheryl A. DeBlock
Vestal Branch Manager

Karen A. Dimmick
Westside (Elmira) Branch Manager

Jennifer L. White
Bath Branch Manager

Tina M. Sabina
Real Estate Lending

Sheryl J. Scott
Big Flats Branch Manager

Jennifer Sczepanski
Community Corners (Ithaca)
Branch Manager

Andrea L. Seymour
Logistical Support

Lori A. Smith
Towanda Branch Manager

Todd N. Trencansky
Tioga (Owego) Branch Manager

Charolette R. Truxal
Oakdale Mall Branch Manager

Sheila A. Washburn
Bank Operations

Linda L. Wead
Montour Falls Branch Manager

Jean A. Wise
Painted Post Branch Manager

**Joan M. Wittig-Smith, CFSA,
CFAP**
Audit

CFS GROUP, INC.

Joseph M. Cascio, Sr.
Vice President & Group Manager

(1) Promoted 1/20/2010
(2) Elected 2/17/2010

OFFICE LOCATIONS

Main Office: One Chemung Canal Plaza, Elmira, NY 14901 (800) 836-3711 (607) 737-3711
Bath: 410 W. Morris St., Bath, NY 14810 (607) 776-3361
Big Flats: 437 Maple St., Big Flats, NY 14814 (607) 562-8474
Binghamton: 127 Court St., Binghamton, NY 13901 (607) 771-6369
Canton: 5 West Main St., Canton, PA 17724 (570) 673-5127
Corning: 149 W. Market St., Corning, NY 14830 (607) 962-4668
Elmira: 628 W. Church St., Elmira, NY 14905 (607) 734-7204
Elmira Heights: 100 W. McCanns Blvd., Elmira Heights, NY 14903 (607) 734-1323
***Herkimer:** 219 N. Prospect St., Herkimer, NY 13350 (877) 457-3354
Horseheads: 602 S. Main St., Horseheads, NY 14845 (607) 739-8735
Horseheads: 29 Arnot Rd., Horseheads, NY 14845 (607) 739-0373
Ithaca: The Station, 806 W. Buffalo St., Ithaca, NY 14850 (607) 277-2609
Ithaca: Community Corners, 909 Hanshaw Road, Ithaca, NY 14850 (607) 257-2194
Johnson City: Oakdale Mall, 601-635 Harry L. Dr., Johnson City, NY 13790 (607) 729-6347
Montour Falls: 303 W. Main St., Montour Falls, NY 14865 (607) 535-7103
Owego: 203 Main St., Owego, NY 13827 (607) 687-0670
Owego: 1054 State Route 17C, Owego, NY 13827 (607) 687-5757
Painted Post: 243 N. Hamilton St., Painted Post, NY 14870 (607) 962-6811
Southport: 951 Pennsylvania Ave., Elmira, NY 14904 (607) 734-2111
Towanda: 304 Main St., Towanda, PA 18848 (570) 265-7169
Troy: 410 Canton St., Troy, PA 16947 (570) 297-0657
Vestal: 100 Rano Blvd., Vestal, NY 13850 (607) 797-1721
Watkins Glen: 318 N. Franklin St., Watkins Glen, NY 14891 (607) 535-7186
Waverly: 405 Chemung St., Waverly, NY 14892 (607) 565-8168

*Trust & Investment Office



**Chemung Canal
Trust Company**

Building relationships since 1833

All locations, except Trust & Investment offices, offer 24-hour ATM services. For office hours and a list of all Chemung Canal Trust Company ATMs, please visit our website at chemungcanal.com.

GENERAL INFORMATION 607-737-3711 800-836-3711 chemungcanal.com Member FDIC Equal Housing Lender 