



CELEBRATING OUR 180TH YEAR

CHAP. 132.

AN ACT to incorporate the president, directors and company of the Chemung canal bank.

Passed April 9, 1833.

The People of the State of New-York, represented in Senate and Assembly, do enact as follows :

§ 1. There shall be established in the village of Elmira and county of Tioga, a bank, to be called "The Chemung Canal Bank," whose operations of discount and deposit shall be carried on in the village of Elmira, and not elsewhere.

§ 2. All persons who shall become holders of the capital stock of the said bank, pursuant to this act, shall be, and they are hereby constituted a body corporate, by the name of "The President, Directors and Company of the Chemung Canal Bank;" and such corporation shall continue until the first day of January, in the year one thousand eight hundred and sixty-three.

§ 3. The said corporation shall have power to carry on the business of banking, by discounting bills, notes, and other evidences of debt; by receiving deposits; by buying and selling gold and silver bullion, foreign coins and bills of exchange; by issuing bills, notes, and other evidences of debt; and by exercising such other incidental powers as shall be necessary to carry on such business.

§ 4. The real estate which it shall be lawful for the said corporation to purchase, hold and convey, shall be,

1. Such as shall be requisite for its immediate accom-

Excerpt of legislation passed by the NYS Legislature in April 1833.

FINANCIAL HIGHLIGHTS

(in thousands, except share and per share data)

OPERATING RESULTS - Year Ended December 31	2013	2012	% of Change
Net interest income	\$ 46,361	\$ 46,842	-1.03%
Provision for loan losses	2,755	828	232.73%
Other operating income:			
Securities gains, net	(13)	301	
Wealth Management Group fee income	7,344	6,827	7.57%
Other income	10,745	10,060	6.81%
Other operating expense:			
Merger and acquisition related expenses	1,387	30	
Other expense	48,012	46,765	2.67%
Income tax expense	3,822	5,385	-29.03%
Net income	8,731	11,022	-20.79%

At Year End:

Assets	\$ 1,476,143	\$ 1,248,160	18.27%
Loans, net	995,866	893,517	11.45%
Allowance for loan losses	12,776	10,433	22.46%
Deposits	1,263,370	1,044,734	20.93%
Shareholders' equity	138,578	131,115	5.69%
Employees (full time equivalent)	390	356	9.55%

Share and Per Share Data:

Net income	1.87	2.38	-21.43%
Book value, at year end	29.67	28.20	5.21%
Tangible book value, at year end	23.63	22.40	5.49%
Dividends declared	1.04	1.00	4.00%
Shares outstanding (average)	4,659,685	4,640,912	0.40%

Ratios:

Allowance to total loans	1.28%	1.17%
Return on average assets	0.67%	0.88%
Return on average equity	6.50%	8.41%
Return on average tangible equity	8.12%	10.63%

Trust Assets Under Administration (market value)

as Fiduciary	\$1,424,491	\$1,230,111	15.80%
as Custodian	463,923	504,733	-8.09%
	<u>\$1,888,414</u>	<u>\$1,734,844</u>	8.85%

Common Stock Market Prices and Dividends Paid During Past Two Years (dollars)

December 31, 2013	High	Low	Dividends
4th Quarter	\$ 36.00	\$ 30.23	\$ 0.26
3rd Quarter	35.85	30.31	0.26
2nd Quarter	34.53	30.18	0.26
1st Quarter	33.99	28.41	-
December 31, 2012			
4th Quarter	\$ 32.50	\$ 23.51	\$ 0.50
3rd Quarter	25.70	23.55	0.25
2nd Quarter	25.99	24.76	0.25
1st Quarter	26.00	22.65	0.25

As of February 28, 2014 there were 1,226 registered holders of record of the Corporation's stock, which includes 608 Non-Objecting Beneficial Owners ("NOBO") shares held in street name.

TO OUR SHAREHOLDERS

Dear Fellow Shareholders:

2013 was an eventful and challenging year for Chemung Canal Trust Company. As expected, earnings came under pressure from net interest margin compression. In this historic low rate environment, this has become an industry-wide challenge. Simply put, we cannot lower deposit rates enough to offset the decline in loan and investment yields. The single best strategy to combat margin pressure is to grow our balance sheet so we were very pleased to announce the acquisition of six (6) Bank of America branches in November. This branch purchase expands our distribution network in Tompkins County which we have long targeted for expansion and in other contiguous markets where we enjoy brand recognition. This transaction becomes increasingly accretive to earnings as we channel the acquired deposits into loans over the next few years.



Financial Results

Net income for the year was \$8.7 million and earnings per share (EPS) were \$1.87. Excluding one-time acquisition related expenses, net income was \$9.1 million and EPS were \$1.96, both in line with our expectations for the year. Our return on average assets was 0.67% and our return on average equity was 6.50%. In 2013, \$4.8 million in dividends were declared continuing our long history of uninterrupted dividend payments. Driven almost entirely by organic growth, we experienced solid growth in both loans and deposits. Commercial loans increased \$64.5 million or 14.2% and consumer and mortgage loans increased \$37.9 million or 8.6% from year earlier levels. Excluding the deposits acquired in connection with the Bank of America branch purchase, demand deposits grew \$12.4 million or 4.1% while total core deposits (demand, NOW, savings and money market) grew \$72.9 million or 9.0% from year earlier levels. With some changes to our service charges and fees to bring us more in line with competition along with a solid year in our Wealth Management Group, non-interest income was \$18.1 million, up 5.2% from the previous year.

At December 31, 2013, our balance sheet reflects total assets of \$1.5 billion, total loans of \$1.0 billion, total deposits of \$1.3 billion and total shareholders' equity of \$138.6 million. Our capital ratios remain well above those considered to be "well capitalized" by regulators. The market value of total assets under management or administration in our Wealth Management Group was \$1.9 billion at year-end.

The Bank of America Branch Acquisition

In November, we completed the acquisition of six (6) Bank of America branches. Two of these offices are located in Ithaca (The Commons and Route 13), two are located in Auburn (Genesee St. and Grant Ave.) and the remaining two are situated in Cortland and Seneca Falls. In total, we acquired \$178 million in deposits and \$1 million in commercial loans. We are prudently deploying these low-cost deposits into commercial and consumer loans. This will take some time as we will not deviate from our disciplined and conservative underwriting practices. Consequently, we expect the transaction to be slightly dilutive to EPS in 2014 but accretive in years thereafter. This transaction becomes very financially attractive as more and more of these deposits are channeled into loans. Once again, our team did an outstanding job with the systems conversion and integration. We extend a warm welcome to former Bank of America clients and staff.

Asset Quality and Reserves

Credit quality remains stable and strong. The ratio of total nonperforming assets to total assets at year end was 0.61%, a level considered very strong. The significant increase in the provision for loan losses for the year was driven primarily by the growth in the bank's loan portfolio. The allowance for loan and lease losses (ALLL) at year-end was \$12.8 million, representing an ALLL to total loans ratio of 1.28%.

Growth Strategy

Our strategy is to grow our company organically, through de novo branch expansion and by acquiring branches, banks and businesses that complement existing strengths and market niches. We have been successful on all fronts.

The Bank of America purchase represents our sixth transaction in the last seven (7) years. Mergers and acquisitions have become a core competency of our organization and we remain alert to new opportunities.

We are enjoying continued success in the Capital Region which we entered into with the acquisition of Capital Bank in April of 2011. The Albany market has proven to be fertile ground for new high-quality loans and we have been well received in this market. We continue to channel our resources into markets that offer the greatest opportunity and potential and Albany is one of the best markets in the state. Last year, we relocated our Latham office to a full service, free-standing building with a 2-bay drive-up and ATM across the street from our old storefront location. We also added a drive-up at our Slingerlands office. With a limited branch network in the region, we have crystallized our plans to expand our distribution channels in the region. We recognize, however, that technology is dramatically changing the way banking services are delivered and we believe that future banking offices will be further apart and cover a larger footprint. In other words, there are no plans to put a branch on every corner.

As previously mentioned, we also continued to grow organically. We have built a better engine for natural growth by sharpening our sales and marketing effectiveness, building long-term client relationships, bringing new products to market and delivering on our CanalCare service promise.

Other Accomplishments

Our Wealth Management Group had a very good year contributing almost \$1.9 million in pre-tax income. With so much pressure on the margin, it is important we find new sources of fee income and the preservation, creation and protection of wealth for high net worth individuals has long been a hallmark of Chemung Canal.

We continued to invest in new products and services to meet the changing needs of our clients. Mobile banking was launched in February 2013 and is very popular — nearly 10,000 clients have signed up already. Our iPad mobile banking app is also catching on quickly. Global 1.0 and 2.0, our banking program for younger clients, is meeting with similar success. We now offer a MyDesign Debit Card which is a personalized check card program that allows our cardholders to design their own card for a minimal fee. We are also upgrading our ATMs to accept cash and check deposits. All great examples of Chemung Canal meeting the needs of our clients.

Regulatory Climate

As we have written in these pages in the past, there is an avalanche of new regulations coming our way. This is the environment in which we operate so we will adapt and make sure we are in compliance. But our chief concern is not the increase in “hard” costs — it is the time our management team must devote to this activity, distracting us from our main mission of profitably growing our business. And there is no relief in sight. A one-size-fits-all regulatory regime is inappropriate, costly and unnecessary. We strongly endorse a two-tier system that distinguishes between Main Street community banks and Wall Street systemically important banks.

In Memoriam: Boyd McDowell II, 1926 -2013

We mourn the passing of long-time leader of Chemung Canal, Boyd McDowell II. Boyd served in executive leadership positions for 20 years. He was elected President in 1976 and acquired the title of Chairman the following year. He served as Chairman, President and CEO from 1977 to 1988 at which time Jack Bennett was appointed President. Boyd continued to serve in his other capacities until 1991 and then served on the Board of Directors until 1997. Boyd was the great, great grandson of NYS Senator John G. McDowell who took the lead in the NYS Legislature to establish the bank in 1833 then served as its first president. Boyd was greatly admired and respected by so many at the bank and in our community. He was 87.

Our Board of Directors

This past February, our board elected two (2) new members: Tom Tranter, President of Corning Enterprises and Tom Tyrrell, Area Chairman at Arthur J. Gallagher & Co. in Albany, NY. Both bring a wealth of experience, knowledge and skills to our boardroom and will stand for election at our upcoming shareholders' meeting.

Management Changes

In October, we welcomed Karl Krebs to Chemung Canal as our Chief Financial Officer. Karl has held executive leadership positions at both regional and community banks and we look forward to his contributions to our success.

Some long-serving managers have retired. The following retired after serving for more than 25 years: Daniel Donovan, Consumer Loan Manager (42 years); Tina McGurgan, Computer Operations Manager (40 years); James Ripley, Logistical Support Manager (38 years); Pamela Kelley, Senior Relationship Manager (30 years); Jackie Stevens, Branch Manager (30 years); and Donna Coles, Branch Manager (25 years). We thank them all for their dedication and contributions, and we wish them good health and happiness in retirement. Through a combination of internal professional development and promotion and external recruitment, we have provided for seamless management succession.

The Future

Our purpose is to create value for our shareholders, clients, employees and the communities where we do business. The way to create value is to grow our earnings. With higher earnings, shareholders should see stock appreciation and continued dividends. With higher earnings, we can pay our employees competitive compensation and benefits and invest in their professional development. With higher earnings, we can invest in technology and new products and services to meet the needs of our clients. With higher earnings, we can continue to be a good and generous corporate citizen helping to improve the quality of life for many. The single best way for a banking company to increase earnings is to grow our company and balance sheet. We are proud to report that we have more than doubled the size of the bank over the past seven years and, in the process, increased value for all our stakeholders. The task ahead is to continue this momentum.

It was 180 years ago this past October that Chemung Canal opened for business just a few steps away from our current headquarters in Elmira, NY. Established by an Act of the New York State Legislature in 1833 (Andrew Jackson was President), we are the oldest locally owned and managed banking institution in the state. Our long, rich and successful history continues to inspire us today.

As always, we are grateful for the continued support of our shareholders, clients, employees and the communities we serve.



David J. Dalrymple
Chairman of the Board



Ronald M. Bentley
President and Chief Executive Officer



Sitting (l to r) E. Sneeringer, Jr., J. Updegraff, R. Dalrymple, R. Bentley, R. Storch
Standing (l to r) D. Dalrymple, W. Eggers, R. Swan, S. Lounsberry III, C. Drinkwater, L. Becker, J. Potter, and B. Boyea

BOARD OF DIRECTORS

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

Larry H. Becker
 Chief Operating Officer
 Windsor Development Group, Inc.

Bruce W. Boyea
 Chairman, President and
 Chief Executive Officer
 Security Mutual Life Insurance
 Company of New York

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

John F. Potter
 President
 Seneca Beverage Corp.

Eugene M. Sneeringer, Jr.
 Principal
 Sneeringer Monahan Provost
 Redgrave Title Agency, Inc.

Robert L. Storch
 Retired Owner
 Storchmont Dairy Farms

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

CAPITAL BANK DIVISION ADVISORY BOARD



Elizabeth T. Coco
 Entrepreneur in Residence
 University of Albany

Gerald D. Jennings
 Former Mayor
 City of Albany

Paul G. Kasselmann
 President
 Kasselmann Electric Inc.

Raymond J. Kinley, Jr.
 Retired President and
 Chief Executive Officer
 Clough Harbour & Assoc.

Jim Menzies
 Founder
 Leontine Consulting LLC
 Retired Chief Executive Officer
 KeyBank, New York

Daniel P. Nolan
 President and
 Chief Executive Officer
 Hugh Johnson Advisors

Gregory F. Oberting
 President
 Interstate Commodities, Inc.

Joseph A. Reilly
 President
 Empire Broadcasting
 Corporation

Dean A. Rueckert
 President
 Rueckert Advertising and
 Public Relations

Edward J. Trombly
 Partner, Hiscock & Barclay

Thomas R. Tyrrell
 Area Chairman
 Arthur J. Gallagher & Company

OTHER INFORMATION

Dividend Reinvestment and Stock Purchase Plan: Registered shareholders of Chemung Financial Corporation, through The Dividend Reinvestment and Stock Purchase Plan, may reinvest their dividends or make quarterly cash payments to purchase additional stock of the Corporation. Shareholders not enrolled in the plan may view and print a descriptive brochure and enrollment form at www.amstock.com or receive the plan documents 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, 2014 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/proxyservices/viewmaterials.asp.

Annual Meeting

The Annual Meeting of Shareholders will be held on Thursday, May 8, 2014 at 2:00 p.m. at the downtown Holiday Inn, Elmira — Riverview.

CHEMUNG CANAL TRUST COMPANY, CAPITAL BANK & CFS GROUP, INC. OFFICERS

EXECUTIVE MANAGEMENT TEAM

Ronald M. Bentley President & Chief Executive Officer, **Richard G. Carr** Executive Vice President, Business Client Services, **Louis C. DiFabio** Executive Vice President, Retail Client Services, **Karl F. Krebs** Executive Vice President, Chief Financial Officer and Treasurer, **Karen R. Makowski** Executive Vice President, Chief Administrative & Risk Officer, **Melinda A. Sartori** Executive Vice President, Wealth Management Group, **Anders M. Tomson** Division President, Capital Bank, **Pamela D. Burns** Senior Vice President, Human Resources, **Michael J. Crimmins** Senior Vice President, Support Services, **Michael J. Wayne** Senior Vice President, Marketing, **Brendan P. McCormick** Vice President & Auditor, **Kathleen S. McKillip** Assistant Treasurer & Corporate Secretary

SENIOR VICE PRESIDENTS

Catherine B. Crandall WMG Estate Administration, **Daniel D. Fariello** Commercial Lending, **Marianne T. Kalec** Retail Lending, **Robert M. Pichette** Commercial Lending, **Timothy P. Rubery** Commercial Lending, **Thomas J. Whitaker** Finance, **Thomas W. Wirth**, CFA Investment Services

VICE PRESIDENTS

Yvonne L. Albee Regulatory Risk, **Dawn L. Aubin** Auburn Genesee St Branch, **Judy L. Barton** Bank Operations, **Michael J. Battersby** Branch Administration, **Sean Beliles** WMG Estate Administration, **Michael D. Blatt**, CFA Investment Services, **John H. Brand**, CFA Investment Services, **Marci L. Cartwright** Wealth Management Group, **Andrew C. Day** Commercial Lending, **Lucimar Foo-Siam Escudero** Commercial Credit, **Yvette M. Francisco** Loan Review, **Thomas E. Funk** Finance, **Victoria A. Harkins** Private Banking, **James S. Hartle** Branch Administration, **Craig B. Heffner** Commercial Lending, **William M. Hodel** Commercial Lending, **Christopher K. Kelly** Retirement Services Group, **Mark P. Kenjerska** Ithaca Commons Branch, **Christopher Kennedy** Commercial Lending, **John T. Kite** Commercial Lending, **Celeste D. Knickerbocker** Finance, **Michael S. Lares** WMG Estate Administration, **Ronald W. Lesch** Commercial Lending, **Christopher B. Loughridge** WMG Estate Administration, **Robert P. Luther** Commercial Lending, **Audrey Manchester** Branch Administration, **Eileen M. McCarthy** WMG Support Services, **D. Tavis McKeon** Branch Administration, **J. Edmond Morton IV** WMG Regional Manager, **Ronald W. Poole** Commercial Lending, **Chester L. Reed** Commercial Lending, **Robert A. Roemmelt Jr.** Arnot Road Branch, **John J. Sentigar** Information Technology, **Kenneth J. Wilson** Business Development

ASSISTANT VICE PRESIDENTS

Kimberly A. Bailey Canton Branch, **Christopher C. Brown** Commercial Lending, **David E. Carlson** Troy Branch, **Richard W. Carroll** Watkins Glen Branch, **Alison J. Conklin-DeVita** Waverly Branch, **Joel A. Crimmins** Commercial Lending, **Gary K. Earley** WMG Estate Administration, **Constance L. English** Corning Branch, **Sandra L. Grooms** The Station (Ithaca) Branch, **Scott T. Heffner** Marketing, **Mary L. Keefe** Business Services, **Matthew T. Keefe** Information Technology, **Lorri A. Miller** Tioga Branch, **Mary Anne Narosky** Business Client Services, **Debra A. Newcomer** Main Office Branch, **Randi Richer** Loan Operations, **Sheryl J. Scott** Big Flats Branch, **Jennifer Sczepanski** Horseheads Branch, **Andrea L. Seymour** Logistical Support, **Zoran M. Smiljanic** Ithaca South Branch, **Susan L. Smith** Auburn Grant Ave. Branch, **Debra L. Stanton** Security, **Theresa A. Wagner** Deposit Operations, **David A. Wakeman** Resource Recovery, **Sheila A. Washburn** Bank Operations, **Joan M. Wittig-Smith** Audit

ASSISTANT TREASURERS

Sherry L. Armstrong Community Corners (Ithaca) Branch, **Larissa A. Benderskaya** Latham Branch, **Laura L. Bennett** Real Estate Lending, **Gregory J. Bruno** Slingerlands Branch, **Elizabeth M. Courtright** Compliance, **Cheryl A. DeBlock** Binghamton Branch, **Karen A. Dimmick** Westside (Elmira) Branch, **Stephanie L. Gibbons** Elmira Real Estate Lending, **Barbara L. Keller** Indirect Lending, **Lashonda R. Love** Washington Ave. Branch, **Sharon M. Martin** Elmira Heights Branch, **Julianne E. Meeker** Information Technology, **Christine Perlee** Wolf Rd. Branch, **Veronica S. Porter** Seneca Falls Branch, **Tina M. Sabina** Real Estate Lending, **Kenneth H. Seeber** Clifton Park Branch, **Allison A. Strife** Human Resources, **Meredith L. Tigue** Regulatory Risk, **Scott A. Townsend** Cortland Branch, **Todd N. Trencanckly** Vestal Branch, **Charolette R. Truxal** Oakdale Mall Branch, **Devin E. Wandell** WMG Estate Administration, **Linda L. Wead** Montour Falls Branch, **Jennifer L. White** Bath Branch, **Sue A. Williams** Towanda Branch, **Jean A. Wise-Wicks** Painted Post Branch

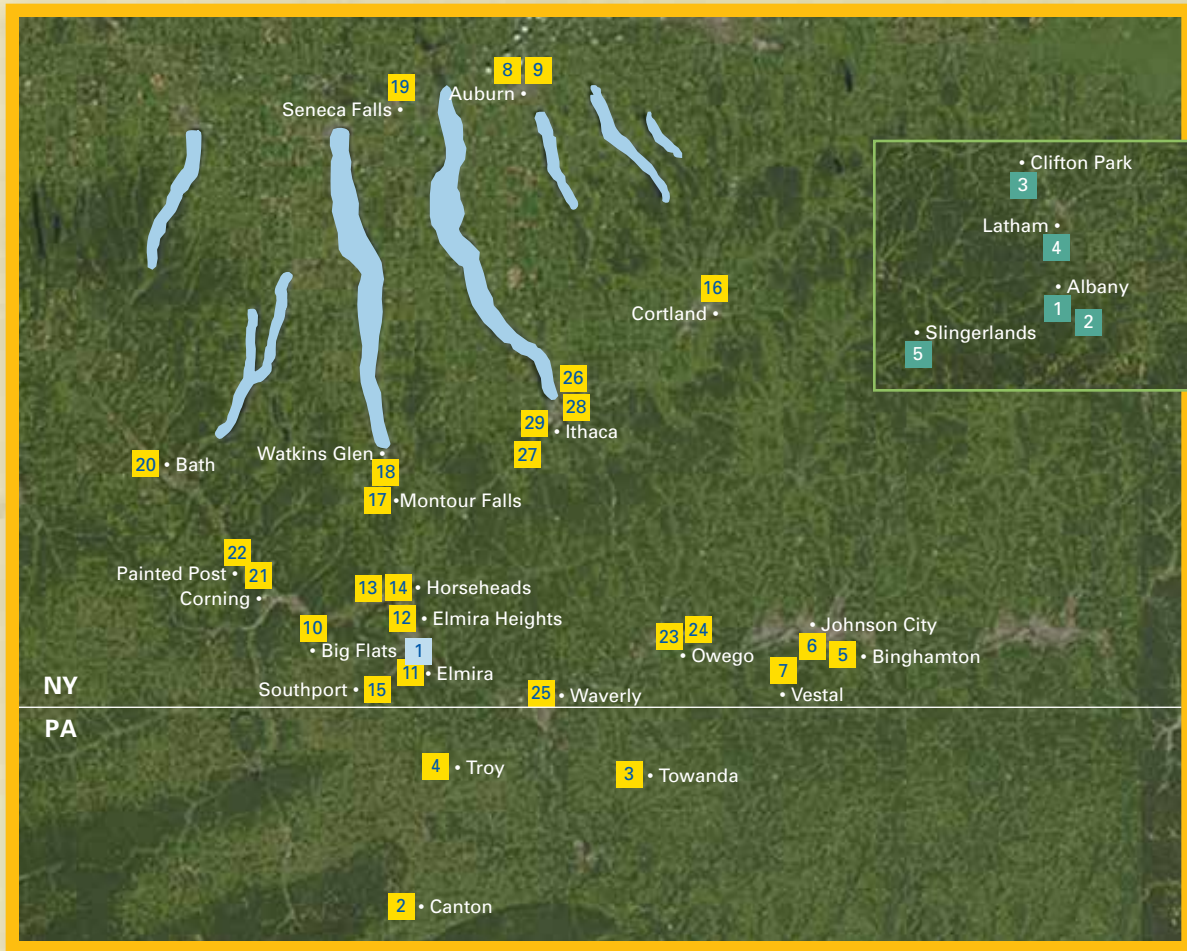
CFS GROUP, INC.

Joseph M. Cascio, Sr. Vice President

Officer listing as of March 31, 2014



Chemung Canal Trust Company and Capital Bank office locations



MAIN OFFICE

1. One Chemung Canal Plaza, Elmira

BRADFORD COUNTY

2. **Canton:** 5 West Main St.
3. **Towanda:** 304 Main St.
4. **Troy:** 159 Canton St.

BROOME COUNTY

5. **Binghamton:** 127 Court St.
6. **Johnson City:** Oakdale Mall, 601-635 Harry L. Dr.
7. **Vestal:** 100 Rano Blvd.

CAYUGA COUNTY

8. **Auburn:** 120 Genesee St.
9. **Auburn:** 185 Grant Ave.

CHEMUNG COUNTY

10. **Big Flats:** 437 Maple St.
11. **Elmira:** 628 W. Church St.
12. **Elmira Heights:** 100 W. McCanns Blvd.
13. **Horseheads:** 29 Arnot Rd.
14. **Horseheads:** 602 S. Main St.
15. **Southport:** 951 Pennsylvania Ave.

CORTLAND COUNTY

16. **Cortland:** 1094 Highway 222

SCHUYLER COUNTY

17. **Montour Falls:** 303 W. Main St.
18. **Watkins Glen:** 318 N. Franklin St.

SENECA COUNTY

19. **Seneca Falls:** 54 Fall St.

STEBEN COUNTY

20. **Bath:** 410 W. Morris St.
21. **Corning:** 149 W. Market St.
22. **Painted Post:** 243 N. Hamilton St.

TIOGA COUNTY

23. **Owego:** 203 Main St.
24. **Owego:** 1054 State Route 17C
25. **Waverly:** 405 Chemung St.

TOMPKINS COUNTY

26. **Ithaca:** Community Corners, 909 Hanshaw Rd.
27. **Ithaca:** 304 Elmira Rd.
28. **Ithaca:** 202 The Commons
29. **Ithaca:** The Station, 806 W. Buffalo St.

CAPITAL REGION

1. **Albany:** 1375 Washington Ave.
2. **Albany:** 65 Wolf Rd., Suite 107
3. **Clifton Park:** 7 Southside Dr.
4. **Latham:** 581 Loudon Rd.
5. **Slingerlands:** 1365 New Scotland Rd.

All locations offer 24-hour ATM services. For office hours and a list of all Chemung Canal Trust Company and Capital Bank ATMs, please visit our websites at chemungcanal.com and capitalbank.com.

