



Investor Relations Contacts:  
 1) Jane H. Adamy, Corporate Secretary, (607) 737-3788  
 2) John Battersby, Jr., Treasurer (607) 737-3817

**CHEMUNG FINANCIAL CORPORATION  
 CONSOLIDATED STATEMENT OF INCOME  
 UNAUDITED**

(\$ in thousands, except per share data)

	<u>Three months ending</u>	<u>3/31/2010</u>	<u>3/31/2009</u>
<b>INTEREST AND DIVIDEND INCOME</b>			
Interest and Fees on Loans		\$ 8,825	\$ 8,529
Interest and Dividends on Securities		1,951	2,072
Dividends on Federal Home Loan and Federal Reserve Bank Stock		44	30
Interest on Fed Funds Sold		-	1
Interest on Deposits		<u>48</u>	<u>23</u>
Total Interest and Dividend Income		10,868	10,655
<b>INTEREST EXPENSE</b>			
Interest on Deposits		1,665	2,198
Repurchase Agreements and Funds Borrowed		<u>691</u>	<u>765</u>
Total Interest Expense		<u>2,356</u>	<u>2,963</u>
<b>NET INTEREST INCOME</b>		8,512	7,692
Provision for Loan Losses		<u>375</u>	<u>425</u>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>		8,137	7,267
Realized Gains on Security Transactions, Net		-	547
Net Impairment Loss on Investment Securities		(261)	(156)
Other Operating Income		<u>4,256</u>	<u>3,829</u>
Total Operating Income		<u>3,995</u>	<u>4,220</u>
Total Revenue		12,132	11,487
Other Operating Expense		9,246	8,985
Income Before Taxes		2,886	2,502
Income Taxes		<u>886</u>	<u>768</u>
<b>NET INCOME</b>		<b>\$ 2,000</b>	<b>\$ 1,734</b>
<b>EARNINGS PER COMMON SHARE</b>		<b>\$ .55</b>	<b>\$ .48</b>
<b>No. Shs Used in Calculation (Thousands)</b>		<b>3,606</b>	<b>3,597</b>
<b>DIVIDENDS DECLARED PER SHARE</b>		<b>\$ .25</b>	<b>\$ .25</b>

**CHEMUNG FINANCIAL CORPORATION  
 CONSOLIDATED STATEMENT OF CONDITION  
 (UNAUDITED)**

(\$ in thousands, except per share data)

	<u>3/31/2010</u>	<u>12/31/2009</u>
<b>ASSETS</b>		
CASH AND DUE FROM BANKS	\$ 20,954	\$ 21,189
INTEREST BEARING DEPOSITS	<u>66,774</u>	<u>58,549</u>
TOTAL CASH AND CASH EQUIVALENTS	87,728	79,738
INVESTMENT SECURITIES:		
Securities Held to Maturity	10,052	12,160
Securities Available for Sale at estimated Fair Value	267,294	230,983
Federal Home Loan Bank and Federal Reserve Bank stock	<u>3,282</u>	<u>3,281</u>
TOTAL INVESTMENT SECURITIES	280,628	246,424
LOANS, NET OF DEFERRED ORIG FEES AND COSTS, AND UNEARNED INCOME	586,473	595,853
ALLOWANCE FOR LOAN LOSSES	<u>(10,164)</u>	<u>(9,967)</u>
LOANS, NET	576,309	585,886
LOANS HELD FOR SALE	71	200
PREMISES AND EQUIPMENT, NET	24,447	24,886
GOODWILL	10,240	10,240
OTHER INTANGIBLE ASSETS, NET	5,198	5,387
BANK OWNED LIFE INSURANCE	2,471	2,449
OTHER ASSETS	<u>20,949</u>	<u>20,709</u>
<b>TOTAL ASSETS</b>	<b>\$ 1,008,041</b>	<b>\$ 975,919</b>
<b>LIABILITIES</b>		
DEPOSITS:		
Non-Interest Bearing	\$ 192,674	\$ 195,613
Interest-Bearing	<u>640,460</u>	<u>605,450</u>
TOTAL DEPOSITS	833,134	801,063
FEDERAL HOME LOAN BANK TERM ADVANCES	20,000	20,000
REPURCHASE AGREEMENTS	54,950	54,263
OTHER LIABILITIES	<u>7,732</u>	<u>10,507</u>
<b>TOTAL LIABILITIES</b>	915,816	885,833
<b>SHAREHOLDERS' EQUITY</b>		
COMMON STOCK: \$.01 par value per share		
Authorized 10,000,000 shares; Issued 4,300,134 shares	43	43
SURPLUS	22,774	22,807
RETAINED EARNINGS	88,944	87,827
TREASURY SHARES (773,236 shrs 2010; 779,781 shrs 2009)	<u>(19,828)</u>	<u>(20,025)</u>
ACCUM OTHER COMPREHENSIVE INCOME	292	(566)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>92,225</u>	<u>90,086</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 1,008,041</b>	<b>\$ 975,919</b>
<b>Tangible Book Value Per Share</b>	\$ 21.28	\$ 20.64
<b>Book Value Per Share</b>	\$ 25.55	\$ 24.97
<b>Market Value Trust Assets (Thousands)</b>	\$1,675,551	\$1,632,197

April 30, 2010

To Our Shareholders:

We are pleased to report first quarter 2010 unaudited net income of \$2.000 million compared to year-earlier results of \$1.734 million, an increase of \$266 thousand. Earnings per share for the quarter totaled \$0.55 as compared with \$0.48 a year ago, an increase of 14.6%. This improvement compared to the first quarter of last year was driven in large part by an increase in net interest income as well as a reduction in the provision for loan losses, partially offset by a decrease in non-interest income and an increase in operating expenses.

Net interest income of \$8.512 million was \$820 thousand or 10.7% higher than the first quarter of 2009, while the net interest margin decreased 10 basis points from 3.93% to 3.83%. The increase in net interest income was due to a \$107.4 million increase in average earning assets and a 61 basis point decrease in the cost of interest bearing liabilities, somewhat offset by a 55 basis point decrease in the yield on average earning assets.

A \$50 thousand decrease in the first quarter provision for loan losses as compared to the first quarter of 2009 reflects lower net charge-offs, as well as management's assessment of the adequacy of the allowance for loan losses based upon a number of factors including an analysis of historical loss factors, collateral evaluations, recent charge-off experience, overall credit quality, current economic conditions and loan growth.

Non-interest income was down \$226 thousand or 5.4% compared with year-earlier results due to a \$547 thousand decrease in realized gains on the sale of securities, as during the first quarter of 2009 we had sold a U.S. Treasury bond which resulted in the above gain. Additionally, other-than-temporary ("OTTI") impairment charges on collateralized debt obligations consisting of trust preferred securities pools held in the investment portfolio were \$105 thousand higher than last year. Excluding these items, all other non-interest income increased \$426 thousand or 11.1%, principally due to increases in Trust and Investment Center fee income, check card interchange fees and service charges.

Operating expenses were \$260 thousand or 2.9% higher than first quarter 2009 expenses, with this increase principally due to increases in compensation, data processing costs and FDIC insurance assessments.

Since year-end 2009, total assets increased \$32.1 million or 3.3% to a record \$1.0 billion, with total deposits also increasing \$32.1 million or 4.0% to \$833.1 million. Due to soft loan demand during the quarter, total loans decreased \$9.4 million or 1.6% to a quarter-end total of \$586.5 million. Capital at the end of the quarter totaled \$92.2 million with all capital ratios in excess of those required to be considered well-capitalized.

This year is shaping up much like we expected and we are busy implementing our plans to deliver our 2010 growth, profitability and client service objectives. We look forward to reporting on our progress.

Sincerely,

A handwritten signature in dark ink, appearing to read "Ronald M. Bentley". The signature is written in a cursive style with a prominent initial "R".

Ronald M. Bentley  
President & CEO



Chemung Canal  
Trust Company

One Chemung Canal Plaza  
Elmira, NY 14901