



Investor Relations Contacts:  
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**CHEMUNG FINANCIAL CORPORATION  
 CONSOLIDATED STATEMENT OF INCOME  
 UNAUDITED**

(\$ in thousands, except per share data)

	<u>Six months ending</u>		<u>Three months ending</u>	
	<u>6/30/2010</u>	<u>6/30/2009</u>	<u>6/30/2010</u>	<u>6/30/2009</u>
<b>INTEREST AND DIVIDEND INCOME</b>				
Interest and Fees on Loans	\$ 17,670	\$ 17,533	\$ 8,846	\$ 9,004
Interest and Dividends on Securities	3,922	4,156	1,969	2,085
Dividends on Federal Home Loan and Federal Reserve Bank Stock	80	75	36	44
Interest on Fed Funds Sold	-	1	-	-
Interest on Deposits	<u>82</u>	<u>49</u>	<u>35</u>	<u>26</u>
Total Interest and Dividend Income	\$ 21,754	\$ 21,814	\$ 10,886	\$ 11,159
<b>INTEREST EXPENSE</b>				
Interest on Deposits	\$ 3,117	\$ 4,341	\$ 1,452	\$ 2,144
Repurchase Agreements and Funds Borrowed	<u>1,346</u>	<u>1,492</u>	<u>655</u>	<u>726</u>
Total Interest Expense	\$ 4,463	\$ 5,833	\$ 2,107	\$ 2,870
<b>NET INTEREST INCOME</b>	\$ 17,291	\$ 15,981	\$ 8,779	\$ 8,289
Provision for Loan Losses	<u>750</u>	<u>800</u>	<u>375</u>	<u>375</u>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	\$ 16,541	\$ 15,181	\$ 8,404	\$ 7,914
Realized Gains on Security Transactions, Net	451	556	451	9
Net Impairment Loss on Investment Securities	(337)	(952)	(76)	(796)
Other Operating Income	<u>8,546</u>	<u>8,232</u>	<u>4,290</u>	<u>4,402</u>
Total Operating Income	\$ 8,660	\$ 7,836	\$ 4,665	\$ 3,615
Total Revenue	\$ 25,201	\$ 23,017	\$ 13,069	\$ 11,529
Other Operating Expense	<u>18,661</u>	<u>19,742</u>	<u>9,415</u>	<u>10,757</u>
Income Before Taxes	6,540	3,275	3,654	772
Income Taxes	<u>2,037</u>	<u>846</u>	<u>1,151</u>	<u>77</u>
<b>NET INCOME</b>	\$ 4,503	\$ 2,429	\$ 2,503	\$ 695
<b>EARNINGS PER COMMON SHARE</b>	\$ 1.25	\$ 0.67	\$ 0.69	\$ 0.19
Number of Shares Used in Calculation (Thousands)	3,606	3,600	3,605	3,603
<b>DIVIDENDS DECLARED PER SHARE</b>	\$ 0.50	\$ 0.50	\$ 0.25	\$ 0.25

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

(\$ in thousands, except per share data)

	<u>6/30/2010</u>	<u>12/31/2009</u>
<b>ASSETS</b>		
CASH AND DUE FROM BANKS	\$ 24,133	\$ 21,189
INTEREST BEARING DEPOSITS	<u>61,278</u>	<u>58,549</u>
TOTAL CASH AND CASH EQUIVALENTS	85,411	79,738
INVESTMENT SECURITIES:		
Securities Held to Maturity	9,312	12,160
Securities Available for Sale at estimated Fair Value	262,025	230,983
Federal Home Loan Bank and Federal Reserve Bank stock	<u>3,339</u>	<u>3,281</u>
TOTAL INVESTMENT SECURITIES	274,676	246,424
LOANS, NET OF DEFERRED ORIG FEES AND COSTS, AND UNEARNED INCOME	588,721	595,853
ALLOWANCE FOR LOAN LOSSES	<u>(10,447)</u>	<u>(9,967)</u>
LOANS, NET	578,274	585,886
LOANS HELD FOR SALE	97	200
PREMISES AND EQUIPMENT, NET	24,196	24,886
GOODWILL	9,872	9,872
OTHER INTANGIBLE ASSETS, NET	5,017	5,387
BANK OWNED LIFE INSURANCE	2,492	2,449
OTHER ASSETS	<u>20,945</u>	<u>20,710</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,000,980</u></b>	<b><u>\$ 975,552</u></b>
<b>LIABILITIES</b>		
DEPOSITS:		
Non-Interest Bearing	\$ 187,271	\$ 195,613
Interest-Bearing	<u>645,166</u>	<u>605,450</u>
TOTAL DEPOSITS	832,437	801,063
FEDERAL HOME LOAN BANK TERM ADVANCES	20,000	20,000
REPURCHASE AGREEMENTS	45,288	54,263
OTHER LIABILITIES	<u>8,404</u>	<u>10,140</u>
<b>TOTAL LIABILITIES</b>	906,129	885,466
<b>SHAREHOLDERS' EQUITY</b>		
COMMON STOCK: \$.01 par value per share	43	43
Authorized 10,000,000 shares; Issued 4,300,134 shares		
SURPLUS	22,802	22,807
<b>RETAINED EARNINGS</b>	90,568	87,827
TREASURY SHARES (782,429 shrs 2010; 779,781 shrs 2009)	<u>(20,019)</u>	<u>(20,025)</u>
ACCUM OTHER COMPREHENSIVE INCOME	<u>1,457</u>	<u>(566)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>94,851</u>	<u>90,086</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b><u>\$ 1,000,980</u></b>	<b><u>\$ 975,552</u></b>
Tangible Book Value Per Share	\$ 22.19	\$ 20.74
Book Value Per Share	\$ 26.32	\$ 24.97
Market Value Trust Assets (Thousands)	\$1,570,148	\$1,632,197

August 9, 2010

Dear Fellow Shareholder:

We are pleased to report second quarter 2010 unaudited net income of \$2.503 million or \$0.69 per share compared to \$695 thousand or \$0.19 per share in the second quarter of 2009. Net income for the first half of 2010 totaled \$4.503 million or \$1.25 per share compared to \$2.429 million or \$0.67 per share last year. As we reported to you at the end of the first quarter, our results are in line with our 2010 financial plan.

The significant increase in both our second quarter and year-to-date earnings were due in part to the fact that both second quarter and first half 2009 earnings were significantly affected by one-time acquisition transaction costs related to the Corporation's acquisition of Canton Bancorp, Inc. in May of last year, as well as an FDIC special assessment in the second quarter of last year imposed on all FDIC insured financial institutions. Second quarter and year-to-date 2009 acquisition transaction costs totaled approximately \$1.148 million and \$1.238 million, respectively, with the second quarter 2009 FDIC special assessment totaling \$440 thousand. The negative after-tax impact of these items on 2009 second quarter and first half earnings totaled approximately \$974 thousand or \$0.27 per share and \$1.029 million or \$0.29 per share, respectively. However, other earnings growth was also strong, driven by higher second quarter and year-to-date net interest income and non-interest income, with these increases partially offset by higher operating expenses (excluding the above mentioned acquisition transaction costs and FDIC special assessment).

Second quarter net interest income of \$8.779 million was \$490 thousand or 5.9% higher than the second quarter of 2009, while the net interest margin decreased 16 basis points to 3.84%. The increase in net interest income was principally due to an \$85.6 million increase in average earning assets and a decrease in the cost of interest bearing liabilities, somewhat offset by a decrease in the yield on average earning assets.

Second quarter non-interest income increased \$1.050 million or 29.1% primarily due to an increase in gains on the sale of securities, a decrease in other-than-temporary impairment ("OTTI") charges on trust preferred securities pools carried in the Corporation's investment portfolio, higher check card interchange fee income and an increase in revenue at CFS Group, Inc., somewhat offset by decreases in Trust and Investment Center fee income, service charges and cash management fees.

Operating expenses, excluding the above noted acquisition transaction costs and special FDIC assessment were \$247 thousand or 2.7% higher than second quarter 2009 expenses, with this increase principally due to increases in compensation and data processing costs, as well as an increase in costs associated with other real estate owned ("OREO") and higher regular quarterly FDIC insurance assessments. These increases were offset in part primarily by a decrease in the cost of employee benefit programs.

Net interest income for the first half of 2010 totaling \$17.291 million was \$1.310 million or 8.2% higher than last year, while the net interest margin was down 13 basis points to 3.84%. The increase in net interest income was due principally to a \$96.5 million increase in average earning assets and a decrease in the average cost of interest bearing liabilities, which were somewhat offset by a decline in the average yield on earning assets.

Year-to-date non interest income was up \$825 thousand or 10.5% due in large part to a decrease in OTTI charges recognized on trust preferred securities pools, as well as higher check card interchange and Trust and Investment Center fee income and an increase in revenue at CFS Group, Inc., offset in part primarily by lower cash management fee income, as well as decreases in gains on the sale of securities and service charges.

Similar to second quarter results, and for reasons noted above, operating expenses, excluding acquisition transaction costs and the FDIC special assessment, were \$597 thousand or 3.3% higher than the first six months of last year.

Since year-end 2009, total assets have increased \$25.4 million or 2.6% to \$1.0 billion, with total deposits increasing \$31.4 million or 3.9% to \$832.4 million. Despite our willingness and capacity to lend, total loans have decreased \$7.1 million or 1.2% to \$588.7 million during the first half of the year due to soft loan demand. Capital at June 30, 2010 totaled \$94.9 million, an increase of \$4.8 million since December 31, 2009, with all capital ratios in excess of those required to be considered well-capitalized.

While we are pleased with our financial performance through June and are optimistic about hitting our targets for the year, we are not planning any victory parades. The Dodd-Frank Act, recently signed into law by President Obama, represents the most sweeping financial reform we have seen since the Great Depression. Some reports suggest this legislation is community bank friendly. Not so. Our costs to comply with the myriad of new regulations will surely rise and we will likely see a reduction in debit card interchange revenue, a significant source of income. The Act also permits banks to pay interest on business checking accounts and, if past is prologue, competitive pressures will come into play and we will see margin compression. Lastly, what we fear most are the “unintended consequences” that inevitably occur with such massive regulatory change. Nevertheless, this is not the first time we have faced adversity and we are confident in our future viability and success as a community banking institution.

We remain grateful for your continued support and investment in our company.

Sincerely,

A handwritten signature in black ink, appearing to read "Ronald M. Bentley". The signature is fluid and cursive, written over a light blue horizontal line.

Ronald M. Bentley  
President & CEO



Chemung Canal  
Trust Company

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