



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

(\$ in thousands, except per share data)

| | <u>Nine months ending</u> | | <u>Three months ending</u> | |
|--|---------------------------|------------------|----------------------------|------------------|
| | <u>9/30/2011</u> | <u>9/30/2010</u> | <u>9/30/2011</u> | <u>9/30/2010</u> |
| INTEREST AND DIVIDEND INCOME | | | | |
| Interest and Fees on Loans | \$ 31,456 | \$ 26,412 | \$ 11,673 | \$ 8,742 |
| Interest and Dividends on Securities | 5,225 | 5,739 | 1,800 | 1,817 |
| Dividends on Federal Home Loan and Federal Reserve Bank Stock | 157 | 119 | 55 | 39 |
| Interest on Fed Funds Sold | - | - | - | - |
| Interest on Deposits | <u>167</u> | <u>124</u> | <u>65</u> | <u>42</u> |
| Total Interest and Dividend Income | <u>\$ 37,005</u> | <u>\$ 32,394</u> | <u>\$ 13,593</u> | <u>\$ 10,640</u> |
| INTEREST EXPENSE | | | | |
| Interest on Deposits | \$ 3,326 | \$ 4,453 | \$ 1,138 | \$ 1,336 |
| Repurchase Agreements and Funds Borrowed | <u>1,839</u> | <u>1,969</u> | <u>612</u> | <u>623</u> |
| Total Interest Expense | <u>\$ 5,165</u> | <u>\$ 6,422</u> | <u>\$ 1,750</u> | <u>\$ 1,959</u> |
| NET INTEREST INCOME | \$ 31,840 | \$ 25,972 | \$ 11,843 | \$ 8,681 |
| Provision for Loan Losses | <u>833</u> | <u>1,125</u> | <u>583</u> | <u>375</u> |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | \$ 31,007 | \$ 24,847 | \$ 11,260 | \$ 8,306 |
| Realized Gains on Security Transactions, Net | 1,108 | 451 | 429 | - |
| Net Impairment Loss on Investment Securities | (67) | (393) | (67) | (56) |
| Other Operating Income | <u>12,379</u> | <u>12,849</u> | <u>3,966</u> | <u>4,303</u> |
| Total Operating Income | <u>\$ 13,420</u> | <u>\$ 12,907</u> | <u>\$ 4,328</u> | <u>\$ 4,247</u> |
| Total Revenue | \$ 44,427 | \$ 37,754 | \$ 15,588 | \$ 12,553 |
| Other Operating Expense | <u>33,262</u> | <u>27,543</u> | <u>10,617</u> | <u>8,882</u> |
| Income Before Taxes | 11,165 | 10,211 | 4,971 | 3,671 |
| Income Taxes | <u>3,589</u> | <u>3,157</u> | <u>1,680</u> | <u>1,120</u> |
| NET INCOME | <u>\$ 7,576</u> | <u>\$ 7,054</u> | <u>\$ 3,291</u> | <u>\$ 2,551</u> |
| EARNINGS PER COMMON SHARE | <u>\$ 1.76</u> | <u>\$ 1.96</u> | <u>\$ 0.71</u> | <u>\$ 0.71</u> |
| Number of Shares Used in Calculation (Thousands) | 4,298 | 3,605 | 4,637 | 3,602 |
| DIVIDENDS DECLARED PER SHARE | <u>\$ 0.75</u> | <u>\$ 0.75</u> | <u>\$ 0.25</u> | <u>\$ 0.25</u> |

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

(\$ in thousands, except per share data)

| | <u>9/30/2011</u> | <u>12/31/2010</u> |
|--|---------------------|-------------------|
| ASSETS | | |
| CASH AND DUE FROM BANKS | \$ 30,749 | \$ 16,540 |
| INTEREST BEARING DEPOSITS | <u>87,724</u> | <u>44,080</u> |
| TOTAL CASH AND CASH EQUIVALENTS | 118,473 | 60,620 |
| INVESTMENT SECURITIES: | | |
| Securities Held to Maturity | 7,586 | 7,715 |
| Securities Available for Sale at estimated Fair Value | 279,079 | 223,545 |
| Federal Home Loan Bank and Federal Reserve Bank stock | <u>5,672</u> | <u>3,329</u> |
| TOTAL INVESTMENT SECURITIES | 292,337 | 234,589 |
| LOANS, NET OF DEFERRED ORIG FEES AND COSTS, AND UNEARNED INCOME | 788,459 | 613,684 |
| ALLOWANCE FOR LOAN LOSSES | <u>(9,677)</u> | <u>(9,498)</u> |
| LOANS, NET | 778,782 | 604,186 |
| LOANS HELD FOR SALE | 74 | 487 |
| PREMISES AND EQUIPMENT, NET | 24,250 | 24,193 |
| GOODWILL | 22,157 | 9,872 |
| OTHER INTANGIBLE ASSETS, NET | 6,479 | 4,656 |
| BANK OWNED LIFE INSURANCE | 2,603 | 2,537 |
| OTHER ASSETS | <u>20,768</u> | <u>17,187</u> |
| TOTAL ASSETS | <u>\$ 1,265,923</u> | <u>\$ 958,327</u> |
| LIABILITIES | | |
| DEPOSITS: | | |
| Non-Interest Bearing | \$ 261,946 | \$ 197,322 |
| Interest-Bearing | <u>780,260</u> | <u>589,037</u> |
| TOTAL DEPOSITS | 1,042,206 | 786,359 |
| FEDERAL HOME LOAN BANK TERM ADVANCES | 43,936 | 20,000 |
| REPURCHASE AGREEMENTS | 41,454 | 44,775 |
| OTHER LIABILITIES | <u>9,639</u> | <u>9,784</u> |
| TOTAL LIABILITIES | 1,137,235 | 860,918 |
| SHAREHOLDERS' EQUITY | | |
| COMMON STOCK: \$.01 par value per share | 53 | 43 |
| Authorized 10,000,000 shares; Issued 5,310,076 shrs 2011; 4,300,134 shrs 2010 | | |
| SURPLUS | 45,710 | 22,022 |
| RETAINED EARNINGS | 98,809 | 94,409 |
| TREASURY SHARES; (742,518 shrs 2011; 749,880 shrs 2010) | (18,949) | (19,167) |
| ACCUM OTHER COMPREHENSIVE INCOME | <u>3,065</u> | <u>102</u> |
| TOTAL SHAREHOLDERS' EQUITY | <u>128,688</u> | <u>97,409</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | <u>\$ 1,265,923</u> | <u>\$ 958,327</u> |
| Tangible Book Value Per Share | \$ 21.59 | \$ 22.90 |
| Book Value Per Share | \$ 27.76 | \$ 26.92 |
| Market Value Trust Assets (Thousands) | \$1,524,800 | \$1,625,385 |

Dear Fellow Shareholders:

I am pleased to provide you with information regarding Chemung Financial Corporation's recently announced quarterly and year-to-date earnings. During the third quarter of 2011 we reported unaudited net income of \$3.291 million compared to year-earlier results of \$2.551 million, an increase of \$740 thousand or 29.0%.

Earnings per share for the quarter totaled \$0.71, unchanged from a year ago on 1,035,115 additional average shares outstanding resulting principally from the Corporation's acquisition of Fort Orange Financial Corp. ("FOFC") and its banking subsidiary Capital Bank & Trust Company ("Capital Bank") on April 8th of this year. The improvement in third quarter net income is attributed to this acquisition, as during the third quarter of this year Capital Bank contributed an estimated \$1.199 million in net income. Excluding the impact of the acquisition on net income and average shares outstanding, net income for the third quarter would have totaled \$2.092 million or \$0.58 per share, resulting in the acquisition being 22.4% accretive to earnings per share in the third quarter.

Net income for the first nine months of 2011 totaled \$7.576 million, up \$522 thousand or 7.4% compared to last year. Earnings per share for the first nine months of this year totaled \$1.76 compared to \$1.96 for the corresponding period last year, a decrease of 10.2% on 693,275 additional average shares outstanding. Included in these numbers are one-time acquisition related costs recognized this year totaling \$2.244 million. Excluding these costs, net income for the first nine months of this year would have totaled approximately \$9.031 million or \$2.10 per share with the Capital Bank acquisition contributing an estimated \$2.314 million or \$0.54 per share.

We have been very pleased with our entry into this new market which has had a very positive impact on our third quarter and year-to-date results, with this acquisition being immediately accretive to earnings when you exclude one-time transaction costs. We are also pleased with the level of new loan opportunities coming out of this region. With the completion of this acquisition, Chemung Financial Corporation now has nearly \$1.3 billion in total assets and 28 offices located in eight New York counties, as well as Bradford County in Pennsylvania.

Third quarter net interest income of \$11.844 million was \$3.162 million or 36.4% higher than the third quarter of last year with the net interest margin increasing 33 basis points to 4.11%. This increase was due principally to the Capital Bank acquisition which resulted in a significantly higher level of average earning assets compared to the third quarter of last year, as well as a decrease in the cost of average interest bearing liabilities and an increase in the yield on average earning assets.

A \$208 thousand increase in the provision for loan losses as compared to the third quarter of last year was due to an increase in specific allocations for impaired loans, somewhat offset by improved credit quality in the remainder of the loan portfolio, as well as lower net charge-offs, and reflects 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 for the third quarter of 2011 was \$81 thousand or 1.9% higher than the third quarter of last year due principally to increases in net gains on securities transactions and check card interchange fee income, offset in part primarily by a decrease in Wealth Management Group fee income.

Operating expenses were \$1.734 million or 19.5% higher than last year impacted to a large extent by expenses at the new offices acquired. The increase in operating expenses was reflected primarily in increases in compensation and benefits, net occupancy costs, data processing and amortization of intangible assets.

Net interest income for the first nine months of 2011 totaling \$31.841 million was \$5.868 million or 22.6% higher than last year, with the net interest margin increasing 20 basis points to 4.02%. As was the case with third quarter results, we attribute this increase to an increase in average earning assets resulting from the Capital Bank acquisition, as well as to a decrease in the cost of interest bearing liabilities, somewhat offset by a decrease in the yield on average earning assets.

Despite an increase in specific allocations for impaired loans, the year-to-date provision for loan losses decreased \$292 thousand due to overall credit quality improvement in the remainder of the loan portfolio, as well as a decrease in net charge-offs.

Year-to-date non-interest income was up \$513 thousand or 4.0% due in part to increases in gains on securities transactions and revenue from our equity investment in Cephaz Capital Partners, L.P. Other factors included a decrease in other-than-temporary impairment charges on trust preferred securities pools and increases in check card interchange fee income and revenue at CFS Group, Inc., with these increases offset in part by decreases in Wealth Management Group fee income and service charges.

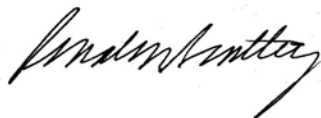
Similar to third quarter results, and for reasons noted above, excluding the previously mentioned one-time acquisition costs, all other operating expenses were \$3.475 million or 12.6% higher than last year.

Since year-end 2010, total assets have increased \$307.6 million or 32.1% to \$1.266 billion, due in large part to the Capital Bank acquisition. Total loans were up \$174.8 million, including \$173.4 million related to the Capital Bank acquisition, while total deposits increased \$255.8 million or 32.5% to \$1.042 billion, with \$177.8 million of this increase attributed to the Capital Bank acquisition. Capital at September 30, 2011 totaled \$128.7 million compared to \$97.4 million at year-end 2010. This increase is attributed principally to the issuance of 1,009,942 shares of common stock to acquire the common shares of former FOFC shareholders, resulting in an increase in common stock and additional paid-in-capital totaling \$23.7 million, as well as to increases in accumulated other comprehensive income and retained earnings. All bank capital ratios are in excess of those required to be considered well-capitalized.

In closing, your company and our Bank, Chemung Canal Trust Company, is making a significant difference within our nine county footprint. We are New York State's oldest, active independent bank and our community bank business model and philosophy is as relevant today as it was when the Bank was founded in 1833.

Thank you for your continued confidence and support of our organization.

Sincerely,

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

Ronald M. Bentley
President & CEO



Chemung Canal
Trust Company

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