

2021

Chemung Financial Corporation

Annual Report

Bank Anywhere, Anytime.

ALBANY

132 State St., Albany
65 Wolf Rd., Albany
581 Loudon Rd., Latham
1365 New Scotland Rd., Slingerlands

BRADFORD

5 W. Main St., Canton
159 Canton St., Troy

BROOME

127 Court St., Binghamton
100 Rano Blvd., Vestal

CAYUGA

110 Genesee St., Auburn
185 Grant Ave., Auburn

CHEMUNG

One Chemung Canal Plaza, Elmira
628 W. Church St., Elmira
100 W. McCann's Blvd., Elmira Heights
29 Arnot Rd., Horseheads
602 S. Main St., Horseheads
951 Pennsylvania Ave., Southport

CORTLAND

1094 Highway 222, Cortland

ERIE

9159 Main Street, Suite 1B, Clarence

SARATOGA

25 Park Ave., Clifton Park
3057 Route 50, Saratoga Springs

SCHENECTADY

2 Rush St., Schenectady

SCHUYLER

303 W. Main St., Montour Falls
318 N. Franklin St., Watkins Glen

SENECA

54 Fall St., Seneca Falls

STEUBEN

201 Bath Plaza, Bath
149 W. Market St., Corning

TIOGA

203 Main St., Owego
405 Chemung St., Waverly

TOMPKINS

909 Hanshaw Rd., Ithaca
304 Elmira Rd., Ithaca
806 W. Buffalo St., Ithaca

Financial Highlights

(in thousands, except per share data and employee count)

Operating Results - Year Ended December 31:

	<u>2021</u>	<u>2020</u>	<u>% of Change</u>
Net interest income	\$65,589	\$62,919	4.2%
Provision for loan losses	17	4,239	(99.6)%
Other operating income:			
Wealth Management Group fee income	11,072	9,492	16.6%
Other income	12,798	11,632	10.0%
Other operating expenses	55,682	55,935	(0.5)%
Income tax expense	<u>7,335</u>	<u>4,607</u>	59.2%
Net income	\$26,425	\$19,262	37.2%

At Year End:

Assets	\$2,418,475	\$2,279,451	6.1%
Loans, net of deferred loan fees	1,518,249	1,536,463	(1.2)%
Allowance for loan losses	21,025	20,924	0.5%
Deposits	2,155,433	2,037,774	5.8%
Shareholders' equity	211,455	199,699	5.9%
Employees (full-time equivalent)	337	341	(1.2)%

Share and Per Share Data:

Net income	5.64	4.01	40.6%
Book value, at year end	45.09	42.53	6.0%
Tangible book value, at year end	40.44	37.83	6.9%
Dividends declared	1.19	1.04	14.4%
Shares outstanding (average)	4,683	4,802	(2.5)%

Ratios:

Allowance for loan losses to total loans	1.38%	1.36%
Return on average assets	1.09%	0.94%
Return on average equity	12.94%	9.94%
Return on average tangible equity	14.49%	11.24%
Efficiency ratio (adjusted)	61.71%	65.71%

Trust Assets Under Administration (market value):

as Fiduciary	\$1,941,412	\$1,743,891	11.3%
as Custodian	<u>383,413</u>	<u>346,933</u>	10.5%
	\$2,324,825	\$2,090,824	11.2%

Common Stock Market Prices and Dividends Paid During Past Two Years:

December 31, 2021

	<u>High</u>	<u>Low</u>	<u>Dividends</u>
4th Quarter	\$48.33	\$44.29	\$0.31
3rd Quarter	48.30	42.81	0.31
2nd Quarter	46.60	42.09	0.31
1st Quarter	44.73	33.46	0.26

December 31, 2020

	<u>High</u>	<u>Low</u>	<u>Dividends</u>
4th Quarter	\$39.41	\$28.57	\$0.26
3rd Quarter	31.83	24.68	0.26
2nd Quarter	30.99	23.85	0.26
1st Quarter	42.38	23.27	0.26



2021

Annual Letter to Shareholders

We are pleased to report that Chemung Financial Corporation delivered strong financial results in 2021 for our shareholders. A solid foundation and focused commitment on our core community banking pillars helped us navigate a dynamic year. Organic loan growth, prudent expense management, and higher fee income from our Wealth Management Group all contributed to our success.

In 2021, the Corporation's net income totaled \$26.4 million, or \$5.64 per share. These totals represent year-over-year increases of 37.2 percent and 40.7 percent, respectively. In addition to producing record financial results, we grew and strengthened our Balance Sheet during the year. Overall, our Balance Sheet increased 6.1 percent to \$2.4 billion year-over-year. Furthermore, we remain recognized as a well-capitalized institution by our banking regulators.

Buoyed by strong financial results, we increased our quarterly cash dividend in May by \$0.05 per share, an increase of 19.2 percent. This continued our long history of uninterrupted dividend payments. Additionally, the Corporation's share price rose throughout the year, closing at \$46.45, an increase of nearly 37 percent from December 31, 2020.

As previously announced, The Corporation approved a Share Repurchase Plan in early 2021. Under the Plan, the Corporation may repurchase up to 250,000 shares of common stock, or approximately 5 percent of our outstanding shares. At the end of 2021, 34,921 shares had been repurchased, further enhancing value for our Shareholders.

While the COVID-19 pandemic continued to alter many business and social practices, the Corporation proceeded confidently, supported by our strong financial condition and seasoned





Business Continuity Plan. We modified business practices and work plans in response to the ever-changing pandemic environment, while adhering to our two primary objectives of providing essential financial services and maintaining safe and healthy banking environments.

We focused on delivering critical capital to eligible local businesses throughout our footprint during the second phase of the Paycheck Protection Program (PPP), and closely assisted PPP clients with the Small Business Administration's loan-forgiveness phase. At the end of the year, \$185.5 million in PPP loans were forgiven, and \$77.7 million in new PPP loans were made during the program's second phase, which ended on May 31, 2021. We are pleased to report that non-performing loans decreased throughout the year, and no pandemic-related forbearances remained at the end of the year.

As safety protocols were refined and the development of treatments made the virus

more manageable, our bankers successfully provided our complete menu of Community Banking products and services to the clients and communities we serve. Our employees' dedication was inspirational, and their efforts provided meaningful support to our stakeholders.

While we remained focused on supporting our employees and our communities, we also continued to evaluate and enhance our customer experience. In 2021, we improved our business-lending experience by adding skilled lenders to our team and revamping the former Small Business Lending program throughout our footprint. The refreshed Business Banking program features specialized professionals located throughout our markets providing comprehensive financial solutions and assisting small to mid-sized businesses.

During the year, we invested in our technology platforms, providing a superior digital-banking experience for our clients. Industry-wide, adoption and usage rates of digital-banking services accelerated. Our team implemented several upgrades to our digital experience, including online appointment scheduling, DocuSign integration, web and mobile based real-time alerts, contactless debit cards, account-to-account transfers, and personal budgeting and savings tools. Additionally, we established a Customer Experience Office with a particular focus on improving the digital customer experience, mitigating risk, and promoting efficiencies across all lines of business.

In its first full year of operation, our office in Western New York made a meaningful impact.



2021 Annual Letter to Shareholders – continued

The office, which serves the Buffalo-Niagara Falls and Rochester MSAs, originated over \$47 million in loans, meeting our first-year goal. The Corporation has secured regulatory approval for future expansion of our services, and we look forward to bringing our full complement of community banking products and services to this important market.

The Corporation has also continued to refine our physical distribution network. In November, our Bath Office was relocated within the village to a more visible and accessible location, improving the customer experience. The new facility also provides our team with the additional space needed to continue building and expanding relationships in the community.

As community bankers, we embrace our corporate responsibility throughout our footprint. This responsibility requires inclusion, volunteerism, financial support, thoughtful partnerships and the responsible oversight of our environmental impact. In 2021, over 52

percent of our employees volunteered over 16,300 total hours, representing nearly 90 hours per volunteer. The Corporation also distributed over \$460,000 throughout our communities in the form of sponsorships and contributions. Over 65 percent of these contributions were made to organizations with a direct social or environmental impact. Ensuring we are a good corporate citizen is a key pillar of our success. We commend our team for the dedication they have shown.

Industry-wide, 2022 will be a challenging year. We begin 2022 with the continued uncertainty that defined the two previous years. Our nation grapples with inflation and uncertainty and devastation in Eastern Europe, while the pandemic continues to limit economic growth in certain key sectors. However, we start the year on much steadier ground than at the beginning of 2021. The Corporation benefits from a strong balance sheet, diversity of revenue and sound financial condition.



BUFFALO, NY

The prospect of rising interest rates is now a reality. The Corporation has positioned its balance sheet favorably for a rising interest rate environment, and our earnings will benefit from the ensuing expansion of the interest margin. However, rising rates alone will not be a panacea, and we will focus on the importance of expense management and non-interest income growth.



In order to grow earnings, the Bank will again look to channel excess liquidity appropriately into higher-earning assets. We will maintain our credit standards and provide particular focus on those industries acutely impacted by the pandemic and other emerging trends. As is our practice, the Bank has developed initiatives to counteract adverse conditions and take advantage of opportunities in the market.

At this year's annual meeting, Larry H. Becker will be retiring from Chemung Financial Corporation's Board of Directors. A former Director of Fort Orange Financial Corporation, Larry joined our Board in May of 2011 in connection with the Capital Bank merger. Larry has been a strong advocate of our company and had a direct and meaningful impact on our success as we expanded into the Capital Region. We extend our sincere thanks and appreciation to Larry for his efforts, advocacy, dedication, and support.

This has been a year of strong teamwork and activity yielding record financial results. Our success is a direct result of the dedication and hard work of our talented staff and the guidance of our Board of Directors. We are committed to continuing to support the well-being and prosperity of the clients, shareholders, and communities we serve. Thank you for your continued confidence and support of our company.



Anders M. Tomson
President & CEO



David J. Dalrymple
Chairman of the Board

2021 Results At A Glance

Net Income

\$26.4 million, up 37.2%

Total Assets

\$2.4 billion, up 6.1%

Return on Average Equity

12.94%, up 30.2%

Return on Average Assets

1.09%, up 16.0%

Efficiency Ratio

61.71%, improvement of 6.1%

Dividends Declared Per Share

\$1.19, up 14.4%

Current Quarterly Cash Dividend

\$0.31

Tangible Book Value Per Share

\$40.44, up 6.9%

Board of Directors

The Annual Meeting of Shareholders will be held on Tuesday, June 7, 2022, at 2:00 p.m.



Anders M. Tomson

President & CEO
Chemung Financial Corporation,
Chemung Canal Trust Company,
& CFS Group, Inc.



Raimundo C. Archibold, Jr.

Managing Director,
Schwartz Heslin Group, Inc.



Larry H. Becker

Chief Operating Officer
The Windsor Companies



Ronald M. Bentley

Retired President & CEO
Chemung Financial Corporation,
Chemung Canal Trust Company,
& CFS Group, Inc.



David M. Buicko

President & CEO
Galesi Group



David J. Dalrymple

Chairman of the Board
Chemung Financial Corporation,
Chemung Canal Trust Company,
& CFS Group, Inc.; President
Dalrymple Gravel & Contracting



Robert H. Dalrymple

Vice President & Secretary
Dalrymple Holding Corporation
President, Seneca Stone
Corporation; Vice President,
Chemung Contracting Corporation



Richard E. Forrestel, Jr.

Treasurer
Cold Spring Construction Co.



Denise V. Gonick

Owner & Strategic Advisor
Crossa Sound Concepts



Stephen M. Lounsberry III

President
Applied Technology
Manufacturing Corporation



Jeffrey B. Streeter

President
Streeter Associates



G. Thomas Tranter, Jr.

Retired President
Corning Enterprises



Thomas R. Tyrrell

Vice President
NFP Corporation

Forward-looking Statements: This report contains forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act, and the Private Securities Litigation Reform Act of 1995. The Corporation intends its forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in these sections. All statements regarding the Corporation's expected financial position and operating results, the Corporation's business strategy, the Corporation's financial plans, forecasted demographic and economic trends relating to the Corporation's industry and similar matters are forward-looking statements. These statements can sometimes be identified by the Corporation's use of forward-looking words such as "may," "will," "anticipate," "estimate," "expect," or "intend." The Corporation cannot guarantee that its expectations in such forward-looking statements will turn out to be correct. The Corporation's actual results could be materially different from expectations because of various factors, including changes in economic conditions or interest rates, credit risk, difficulties in managing the Corporation's growth, competition, the impact of the COVID-19



Executive Management Team



Anders M. Tomson

President & CEO
Chemung Financial Corporation,
Chemung Canal Trust Company,
& CFS Group, Inc.



Pamela D. Burns

Senior Vice President
Director of Human Resources &
Chief Diversity Officer



L. Dale Cole

Executive Vice President
& Chief Information Officer



Peter K. Cosgrove

Executive Vice President
& Chief Credit Officer



Daniel D. Fariello

President
Capital Bank Division



Kimberly A. Hazelton

Executive Vice President
Retail Client Services



Scott T. Heffner

Senior Vice President
Director of Marketing



Jeffrey P. Kenefick

Regional President
Chemung Canal Division



Karl F. Krebs

Executive Vice President
Chief Financial Officer
& Treasurer



Kathleen S. McKillip

Vice President
Corporate Secretary



Mary E. Meisner

Senior Vice President
Senior Risk Officer



Duane W. Mittan

Vice President
& Chief Auditor



Thomas W. Wirth

Executive Vice President
Wealth Management Group

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.astfinancial.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, NY 14902-1522.

pandemic, changes in law or the regulatory environment, and changes in general business and economic trends. Information concerning these and other factors can be found in the Corporation's 2021 Annual Report on Form 10-K. These filings are available publicly on the SEC's website at <http://www.sec.gov>, on the Corporation's website at <http://www.chemungcanal.com> or by written request to: Kathleen S. McKillip, Corporate Secretary, Chemung Financial Corporation, One Chemung Canal Plaza, Elmira, NY 14901. Except as otherwise required by law, the Corporation undertakes no obligation to publicly update or revise its forward-looking statements, whether as a result of new information, future events or otherwise. Form 10-K Annual Report: A copy of the Corporation's Form 10-K Annual Report is available without charge to shareholders after April 29, 2022, 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.astproxyportal.com/ast/01079.

Capital Bank Advisory Board

Carl Becker
Vice President & Counsel
The Windsor Companies

Kenneth Brownell
Managing Director
Vanguard-Fine, LLC

Paola Horvath
Owner
Orange Theory Fitness

Gerald Jennings
Former Mayor
City of Albany

Dave Jersen
CEO
Jersen Construction Group

Spencer Jones
Executive
Dawn Homes Management

Raymond Kinley Jr.
Retired President & CEO
Clough Harbour & Associates

John Maloy
Managing Partner
James H. Maloy, Inc.

Dr. Lee McElroy
Director of Athletics
& Associate Vice President
Rensselaer Polytechnic
Institute

Mark Rosen
President
Dawn Homes Management

Jacqueline Rosetti-Falvey
President
Rosetti Properties

Dean Rueckert
Past President
Rueckert Advertising

Edward Trombly
Partner
Barclay Damon

Senior Vice Presidents

Laura Bennett
Retail Lending

Catherine Crandall
WMG Estate Administration

Christopher Kelly
WMG Retirement Services
Manager

Mark Lasch
WMG Regional Manager

Michelle Maloney
Commercial Lending

James Morton IV
WMG Regional Manager

Joseph Tascone
WMG Investment Services

Thomas Whitaker
Finance

Vice Presidents

Dawn Aubin
Auburn

Roberta Bastow
Commercial Lending

Michael Battersby
Support Services

Kellea Bauda
Business Banking

Michael Blatt
WMG Investment Services

Peter Capozzola
WMG Investment Services

Marci Cartwright
CFS Group, Inc.

Christopher Coletta
Commercial Lending

Joshua Cukerstein
Commercial Lending

Bryce Cutler
Business Banking

Mark Fife
Business Banking

Yvette Francisco
Loan Review

Victoria Harkins
WMG Prestige Banking

Kevin Harrigan
Commercial Lending

Michael Hart
WMG Estate Administration

James Hartle
Branch Administration

Mary Keefe
Business Services

John Kite
Special Assets

James Kresge
Commercial Credit

Danielle Krisko
Business Banking

Koen Long
Finance

Sarah Manasse
Commercial Lending

D. Tavis McKeon
E-Retail

Mary Anne Narosky
Business Client Services

Michael Novotny
Branch Administration

Nino Pellegrino
Business Banking

Monica Ridosh
Human Resources

Jennifer Sczepanski
Branch Administration

John Shea
WMG Relationship Manager

Gregory Stewart
WMG Sr. Relationship
Manager

Billie Taft-Sitler
Commercial Lending

Frank Vassallo
Finance

Sheila Washburn
Card & ATM Services

Cortni Wickham
Commercial Credit



Assistant Vice Presidents

Kimberly Bailey
Canton & Troy

Bruce Boughton
Montour Falls & Watkins Glen

Kevin Brimmer
WMG Investment Services

Gregory Bruno
Business Banking

Pamela Colomaio
Bath & Corning

Alison Conklin-Devita
Regulatory Risk

Joel Crimmins
Commercial Lending

Jennifer Cruise
WMG Support Services

Sarah Darling
Real Estate Lending

Shelby Fay
WMG Investment Services

Judith Frisk
Arnot Road & Westside

Sandra Grooms
Ithaca

Darick Harriger
Information Technology

Tara Humphrey
Loan Operations

Tonya Johnson
Regulatory Risk

Barbara Keller
Indirect Lending

Mohammad Khan
State Street & Slingerlands

Zachary Knapp
BCSG Relationship Manager

Melissa Letts
Contact Center

Andrea McClure
WMG Tax Services

Patrick McFarland
WMG Estate Administration

Julianne Meeker
Information Technology

Kathryn Rayne
Finance

Charolette Truxal
Binghamton & Vestal

Heidi Wahl
WMG Estate Administration

Patrick Ward
WMG Prestige Banking

Tracey Wardwell
Clifton Park & Wilton

Sue Williams
Owego & Waverly

Tyler Wilson
Regulatory Risk

Kristen Woodward
Digital Client Experience

Lauren Zell
WMG Retirement Services

Assistant Treasurers

Wendy Bixler
Logistical Support

Ann Burns
Special Assets

Dena Carrigan
Elmira Heights

Tonya DeLige
Account Services

Austin Farrell
Horseheads

Erica Gaylord
Branch Administration

Daniel Hoover
Information Technology

Alice Kiser
Regulatory Risk

Lyanna Liu
Audit

Heather Machmer
Commercial Lending

Ashley Skiff
Southport

Andrew Stockwell
Cortland

Megan Thomson
Main Office

Sarah Williamson
Business Services Manager

Heidi Wood
Resource Recovery



ELMIRA, NY





chemungcanal.com
capitalbank.com
cfsgroupny.com

