



2022

CHEMUNG FINANCIAL CORPORATION

ANNUAL REPORT



Bank Anywhere, Anytime.

ALBANY

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

BRADFORD, PA

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. McCanns Blvd., Elmira Heights
29 Arnot Rd., Horseheads
602 S. Main St., Horseheads
951 Pennsylvania Ave., Southport

CORTLAND

1094 Highway 222, Cortland

ERIE

9159 Main St, 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>2022</u>	<u>2021</u>	<u>% of Change</u>
Net interest income	\$74,179	\$65,589	13.1%
Provision (credit) for loan losses	(554)	17	N/M
Other operating income:			
Wealth Management Group fee income	10,280	11,072	(7.2)%
Other income	11,156	12,798	(12.8)%
Other operating expenses	59,280	55,682	6.5%
Income tax expense	<u>8,106</u>	<u>7,335</u>	10.5%
Net income	\$28,783	\$26,425	8.9%

At Year End:

Assets	\$2,645,553	\$2,418,475	9.4%
Loans, net of deferred loan fees	1,829,448	1,518,249	20.5%
Allowance for loan losses	19,659	21,025	(6.5)%
Deposits	2,327,227	2,155,433	8.0%
Shareholders' equity	166,388	211,455	(21.3)%
Employees (full-time equivalent)	340	337	0.9%

Share and Per Share Data:

Net income	6.13	5.64	8.7%
Book value, at year end	35.32	45.09	(21.7)%
Tangible book value, at year end	30.69	40.44	(24.1)%
Dividends declared	1.24	1.19	4.2%
Shares outstanding (average)	4,693	4,683	0.2%

Ratios:

Allowance for loan losses to total loans	1.07%	1.38%
Return on average assets	1.15%	1.09%
Return on average equity	15.93%	12.94%
Return on average tangible equity	18.12%	14.49%
Efficiency ratio (adjusted)	61.71%	61.71%

Trust Assets Under Administration (market value):

as Fiduciary	\$1,639,794	\$1,941,412	(15.5)%
as Custodian	<u>413,156</u>	<u>383,413</u>	7.8%
	\$2,052,950	\$2,324,825	(11.7)%

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

December 31, 2022

	<u>High</u>	<u>Low</u>	<u>Dividends</u>
4th Quarter	\$47.99	\$41.21	\$0.31
3rd Quarter	48.38	41.80	0.31
2nd Quarter	47.48	40.88	0.31
1st Quarter	47.14	45.25	0.31

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

2022 Annual Letter to Shareholders

For nearly 190 years, Chemung Canal Trust Company has executed with conviction its community-banking model. As our country emerges from the pandemic, we are proud of the support we extended to our communities. 2022 was certainly a dynamic year. Now, as new challenges emerge, we remain committed to providing the stakeholders of Chemung Financial Corporation the same high level of assistance and service that has been the hallmark of our proud Company.

The economic environment of 2022 changed quickly as the urgency, if not the presence, of the pandemic lifted from our communities. Although a renewed sense of normalcy evolved, the ramifications of the pandemic steadily became evident. Inflation and rising interest rates created an uncertain outlook for our industry. In addition, the Russian invasion of Ukraine added to these levels of uncertainty. During the year, the consumer price index (CPI) increased 6.5 percent, primarily driven by increases in food and energy prices. As a result, the Federal Reserve Board (FRB) raised interest rates by 425 basis points to combat rising inflation.

Despite these challenges, we are pleased to report a record year for the Corporation. Earnings at year-end 2022 totaled \$28.8 million, or \$6.13 per share, representing the highest annual earnings and highest earnings per share (EPS) in the Bank's history, a year-over-year increase of 8.9 percent and 8.7 percent, respectively.

Our balance sheet growth was strong in 2022. Assets increased by 9.4 percent and totaled \$2.646 billion at year-end. In total, net loans increased 20.9 percent from the prior year, representing growth from significant activity across all lending segments. Specifically

noteworthy was production in the commercial, residential mortgage, and indirect auto business lines. Net interest income increased 13.1 percent, primarily due to increases in average loan yields and a \$101.0 million increase in average loan balances. The Bank maintained its standard of exceptional credit quality, with non-performing loans representing only 0.45 percent of the total loan portfolio. These components drove results, with return on average assets yielding 1.15 percent, along with a return on average equity of 15.93 percent, representing improvements of 5.5 percent and 23.1 percent, respectively.

Indicative of the Bank's strong credit quality, the final \$2.4 million pandemic-related portion of the allowance for loan losses was released, and we no longer hold an allowance associated with COVID-19. As previously noted, we established the specific allowance at the onset of the pandemic in anticipation of potential credit stress created by the crisis.

Our traditionally low-cost deposits remained stable during the first half of the year. However, even our very strong deposit franchise was not immune to market forces. The Bank's funding costs accelerated as the year progressed. Loan growth was funded through a combination of organic deposit growth, brokered certificates of deposit, and overnight borrowing from the Federal Home Loan Bank of New York. In spite of rising funding costs, our asset-sensitive balance sheet reacted positively to the rising rate environment, resulting in a noteworthy boost to net-interest income of 13.1 percent year-over-year.

The Corporation's Wealth Management Group again had a strong year in 2022. In spite of continued market volatility and downward pressure, investment performance remained positive on a relative basis and now exceeds seven years of benchmark assessments. Equally important, new client acquisition and client retention remained robust and our teams exceeded their targeted benchmarks in these key areas. For the second year in a row, the Corporation's brokerage arm, CFS Group, Inc., had a meaningful impact on the company, exceeding \$1 million in revenue in 2022.

The Bank continues to enhance its distribution platform to foster growth. Our office in Western New York, now in its second year of service, continues to make a significant impact on the Bank's success. Under new leadership in this market, total loans now exceed \$80 million and make a meaningful contribution to the Corporation's net interest income. Management and the Board of Directors are committed to building a solid presence in Western New York, and we look forward to making our full complement of products and services more readily available in this community in the near future.

In 2022, the Corporation maintained a strong focus on the execution of its long-term strategic plan with a particular emphasis on mitigating risk and promoting efficiency. We continue to elevate our customer service commitment to create a frictionless, efficient and secure experience, especially through the Bank's evolving digital banking platforms. Digital roadmaps for each line of business guide our implementation, execution, and investment in an effort to enhance internal and

external interaction. Digital product usage is broadly tracked to understand the digital needs of our customers and further refine those initiatives. In 2023, we continue our focus on evaluating digital products, while identifying opportunities to enable a holistic view of client relationships.

As community bankers, we embrace our corporate responsibility. This requires inclusion, volunteerism, financial support, thoughtful partnerships and the responsible oversight of our environmental impact. In 2022, over half of our employees volunteered over 8,100 hours outside of their normal workdays in our communities. The Corporation distributed more than \$540,000 to our communities in the form of sponsorships and contributions.

In 2022, we continuously reviewed our process to make banking services more accessible to the unbanked and underbanked populations in the communities we serve. In conjunction with the national organization Cities for Financial Empowerment Fund, the Bank successfully launched a new account product, BankOn Checking, aimed at breaking down barriers associated with the account-opening process. Our BankOn Checking Account is certified as meeting over 25 national requirements for a safe and affordable consumer transaction account.

We work to assist our communities through financial-literacy efforts and collaboration with small businesses. We focus on helping to provide financial services which enhance the economic opportunities for minority, women, and veteran businesses continuing our long tradition in helping to create small business and encourage entrepreneurs. We are humbled and proud of the effort and dedication of our colleagues as they assist our neighbors and raise up those in need. This year, they exhibited the same signature characteristics that have been a meaningful piece of our culture for 190 years.

At last year's annual meeting, Larry H. Becker retired from Chemung Financial Corporation's Board of Directors. Larry was a strong advocate of our ...

Read More

2022 Annual Letter to Shareholders - Continued

Company and had a direct and meaningful impact on our success as we expanded into, and grew in, the Capital Region. We thank Larry for his years of service, wise oversight and commitment to our great Company. This year, the Board welcomed Joseph F. Meade IV, of Hammondsport, NY as a Director to the Boards of Chemung Financial Corporation and Chemung Canal Trust Company. Mr. Meade, President & CEO of Mercury Corporation, brings strong executive-level experience to our Board that will provide our company with immediate and impactful leadership.

October of 2023 will mark Chemung Canal Trust Company's 190th Anniversary. Our core banking principles, strong leadership and ability to adapt have enabled this great company to withstand every obstacle and economic anomaly since 1833. 2023 will certainly present its share of new challenges as the potential for a recession looms and the national economy continues to experience elevated levels of inflation. The FRB has committed to slowing growth in an effort to reverse broad-based inflationary pressures. Although an environment such as this may affect our Corporation's earnings and credit performance, we are confident in our ability to react prudently as these situations continue to evolve.

2023 has already produced unique events that have heightened focus on the banking industry. In March, after the shuttering of two of the country's larger banks, an immediate sense of unease permeated our communities, and our bankers reacted quickly to address the concerns of our clients and our employees. Unlike these failed banks, Chemung is well-positioned to withstand mounting inflationary pressures, rising interest rates and an inverted yield curve. The Bank continues to be considered well capitalized by our State and Federal regulators and has strong risk programs in place to manage potential market disruption. Our deposit base encompasses a diverse cross-section of customers and sources, which effectively protects us from industry-specific downturns. Further, low risk securities on our balance sheet safeguard our exposure to these exceptional conditions and provide a strong buffer against inevitable market disturbances.

Chemung Financial Corporation is poised and ready to deliver strong results for our stakeholders. We will again execute on our defined business models, build on our past successes, and confidently manage through the challenges that lie ahead. We continue to focus on our core values and support the well-being, growth and prosperity of our employees, clients, shareholders, and communities.

We thank you for your continued support of our great company.

Anders Tomson

Anders M. Tomson
President & CEO

David J. Dalrymple

David J. Dalrymple
Chairman of the Board

SCHENECTADY, NY



↑ 8.9%
\$28.8 million
Net Income

↑ 9.4%
\$2.6 billion
Total Assets

↑ 23.1%
15.93%
Return on
Average Equity

↑ 5.5%
1.15%
Return on
Average Assets

unchanged
61.71%
Efficiency Ratio

↑ 4.2%
\$1.24
Dividends Declared
Per Share

\$0.31
Quarterly Cash
Dividend

↓ 24.1%
\$30.69
Tangible Book
Value Per Share

9.53%
Five-Year
Shareholder Return

2022 by the Numbers

Over 8,100 hours

Volunteered by
our Employees

Over 50%

Of our Employees
Volunteered

Over \$540,000

To our Communities
through Sponsorships
& Contributions



Board of Directors

The Annual Meeting of Shareholders will be held on Tuesday, June 6, 2023, 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.



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
Cross Sound Concepts



Stephen M. Lounsberry, III

President
Applied Technology
Manufacturing Corporation



Joseph F. Meade, IV

President & CEO
Mercury Corporation Inc.



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, changes in law or the

Executive Management Team



Anders M. Tomson

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



L. Dale Cole

Executive Vice President
Chief Information Officer



Peter K. Cosgrove

Executive Vice President
Chief Credit Officer &
Chief Risk 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

Senior Vice President
& Chief Auditor



Monica L. Ridosh

Vice President
Director of Human Resources &
Chief Diversity Officer



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.

regulatory environment, and changes in general business and economic trends. Information concerning these and other factors can be found in the Corporation's 2022 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 28, 2023, 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

Larry Becker

Chief Operating Officer
The Windsor Companies

Kenneth Brownell

Managing Director
Vanguard-Fine, LLC

Jonathan deForest

President & Principal
BBL Construction Services, LLC

Michael Elmendorf

President & CEO
Associated General
Contractors of NYS

Paola Horvath

Owner
Orange Theory Fitness

Gerald Jennings

Former Mayor
City of Albany

Spencer Jones

Vice President of Operations
Cass Hill Development

Robert Kind

Managing Shareholder
Teal, Becker & Chiamonte
CPAs

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

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Retail Lending

Catherine Crandall

WMG Estate Administration

Christopher Kelly

WMG Retirement Services

Elizabeth Kraus

Commercial Lending

Mark Lasch

WMG Investment Services

James Morton, IV

WMG Investment Services

Joseph Tascone

WMG Investment Services

Thomas Whitaker

Finance

Vice Presidents

Roberta Bastow

Commercial Lending

Michael Battersby

Support Services

Kellea Bauda

Business Banking

Michael Blatt

WMG Investment Services

Gregory Bruno

Business Banking

Peter Capozzola

WMG Investment Services

Marci Cartwright

CFS Group, Inc.

Christopher Coletta

Commercial Lending

Christopher Conklin

Information Security

Alison Conklin-Devita

Regulatory Risk

Joshua Cukerstein

Commercial Lending

Bryce Cutler

Business Banking

Shelby Fay

WMG Investment Services

Mark Fife

Business Banking

Yvette Francisco

Loan Review

Nathan Gage

WMG Retirement Services

Kevin Harrigan

Commercial Lending

Darick Harriger

Information Technology

Michael Hart

WMG Estate Administration

James Hartle

Branch Administration

Mary Keefe

Business Services

James Kresge

Commercial Credit

Danielle Krisko

Business Banking

Sarah Manasse

Commercial Lending

Mary Anne Narosky

Business Client Services

Michael Novotny

Branch Administration

Nino Pellegrino

Business Banking

Kathryn Rayne

Finance

Jennifer Szczepanski

Branch Administration

John Stempin

Finance

Gregory Stewart

WMG Investment Services

Billie Taft-Sitler

Commercial Lending

Kristina Vaselewski

WMG Prestige Banking

Cortni Wickham

Commercial Credit

Tyler Wilson

Compliance

Assistant Vice Presidents

Kimberly Bailey

Canton & Troy

Bruce Boughton

Montour Falls & Watkins Glen

Kevin Brimmer

WMG Investment Services

Dena Carrigan

Horseheads

Pamela Colomaio

Bath & Corning

Joel Crimmins

Commercial Lending

Jennifer Cruise

WMG Support Services

Sarah Darling

Human Resources

Garrett Dawson

Wolf Road & Schenectady

Austin Farrell

WMG Estate Administration

Deborah French

Main Office

Judith Frisk

Arnot Road & Westside

Sandra Grooms

Ithaca

Tara Humphrey

Loan Operations

Tonya Johnson

Regulatory Risk

Barbara Keller

Indirect Lending

Mohammad Khan

Latham & Slingerlands

Zachary Knapp

Municipal Banking

Megan Kozdemba

Real Estate Lending

Heather Machmer

Commercial Lending

Andrea McClure

WMG Tax Services

Julianne Meeker

Information Technology

Lenora Phillips

Real Estate Lending

Kyle Reyell

Municipal Banking

Sara Soprano

WMG Retirement Services

Charolette Truxal

Binghamton & Vestal

Mary Beth Uebrecht

Real Estate Lending

Heidi Wahl

WMG Estate Administration

Patrick Ward

WMG Prestige Banking

Tracey Wardwell

Clifton Park & Wilton

Jon Wilcox

Auburn & Seneca Falls

Sue Williams

Owego & Waverly

Kristen Woodward

Digital Client Experience

Lauren Zell

WMG Retirement Services

Assistant Treasurers

Wendy Bixler

Logistical Support

Heidi Cleary

Resource Recovery

Kathleen Cook

Executive Specialist

Tonya DeLige

Account Services

Jebb Dennis

Enterprise Project
Management

Erica Gaylord

Branch Administration

Jolie Guiles

Contact Center

Daniel Hoover

Information Technology

Carol Kane

Southport

Alice Kiser

Regulatory Risk

Lyanna Liu

Audit

Jody Scott

Elmira Heights

Ashley Skiff

Account Services

Andrew Stockwell

Cortland

Sarah Williamson

Business Services

BUFFALO, NY





Chemung Financial C o r p o r a t i o n

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