

PUBLIC DISCLOSURE

May 19, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Chemung Canal Trust Company
RSSD No. 884303**

**One Chemung Canal Plaza
Elmira, NY 14901**

**FEDERAL RESERVE BANK OF NEW YORK
33 LIBERTY STREET
NEW YORK, NEW YORK 10045**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION CRA RATING: Chemung Canal Trust Company is rated Satisfactory.

The following table indicates the performance level of the institution with respect to the lending, investment and service tests.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			X
High Satisfactory	X	X	
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

* The lending test is weighted more heavily than the investment and service tests in determining the overall rating.

The major factors supporting the institution’s rating follow:

- The volume of Home Mortgage Disclosure Act (“HMDA”) and small business lending reflected good responsiveness to credit needs in the bank’s assessment areas.
- A substantial majority of loans were made in the bank’s assessment areas.
- The geographic distribution of loans reflects good penetration throughout the assessment areas.
- The distribution of loans to individuals of different income levels and businesses of different sizes was good.
- The bank was a leader in making community development loans.
- The bank had a good level of qualified investments and grants.
- Retail delivery systems were readily accessible to geographies and individuals of different income levels and Chemung is a leader in providing community development services.

INSTITUTION

DESCRIPTION OF INSTITUTION

Chemung Canal Trust Company (“Chemung”) is a full-service commercial bank with 34 branches owned by Chemung Financial Corporation., a one-bank holding company also located in Elmira, New York. As of December 31, 2013, Chemung had total assets of \$1.5 billion with net loans and leases of \$1.0 billion consisting of \$596 million in domestic real estate loans, \$132 million in commercial and industrial loans, and \$183 million in consumer loans.

The bank offers a wide range of consumer-related services including retail deposit products, home mortgage, refinance, home improvement, small business and small farm loans.

Chemung has six assessment areas located in New York and Pennsylvania, consisting of the following:

Full Scope Assessment Areas in New York

- MSA 21300 (Elmira, NY), consisting of Chemung County, NY.
- New York Non-MSA Counties, consisting of Cayuga, Cortland, Schuyler, and Seneca Counties and the eastern portion of Steuben County, NY.
- MSA 10580 (Albany-Schenectady-Troy, NY), which includes all of Albany and Saratoga Counties.

Limited Scope Assessment Areas in New York

- MSA 13780 (Binghamton, NY), consisting of a portion of Broome County, which includes the City of Binghamton, and a portion of Tioga County.
- MSA 27060 (Ithaca, NY), consisting of Tompkins County, NY.

Full Scope Assessment Area in Pennsylvania

- Non-MSA Pennsylvania, consisting of all of Bradford County, the eastern portion of Tioga County, and the western portion of Sullivan County.

The full scope assessment areas were identified based on the significance of the bank’s lending and deposit activities within these assessment areas, in comparison to the limited scope assessment areas. Chemung’s performance in MSA 21300 (Elmira, NY), the NY Non-MSA assessment area and MSA 10580 (Albany-Schenectady-Troy, NY) received the most weight in determining the bank’s overall New York State rating because of the concentration of deposits, lending, population, and owner-occupied housing units in these areas. MSA 21300 (Elmira, NY), the NY non-MSA assessment area and MSA 10580 (Albany, NY) had 83% of the deposits in New York State assessment area and 76% of the combined HMDA and small business loans

in the New York State assessment area. The two limited scope assessment areas in New York State did not have a substantial effect on the overall rating. See Exhibit 2 for details of key assessment area data in New York State.

Chemung's assessment areas are in compliance with the requirements of Section 228.41 of Regulation BB and do not arbitrarily exclude low- and moderate-income ("LMI") geographies. A map illustrating Chemung's assessment areas is in Appendix C.

Chemung has no financial or legal impediments that would prevent it from fulfilling its responsibilities under CRA. The bank received a rating of *Outstanding* at its previous CRA examination as of May 29, 2012.

SCOPE OF EXAMINATION

Procedures

Chemung's CRA performance was reviewed using the Federal Financial Institutions Examination Council's ("FFIEC") Interagency CRA Procedures for Large Retail Financial Institutions, which consists of the lending, investment, and service tests.

Products

Home purchase, refinance, home improvement, small business and small farm loans were analyzed. The mortgage loans were reported under HMDA, while small business and small farm loans were reported under the CRA. Examiners verified the integrity of HMDA-related, small business and small farm loan data reported by the bank for the reporting years 2012 and 2013.

Examination Period

HMDA-related and CRA-related small business and small farm loans originated between January 1, 2012 and December 31, 2013 were analyzed. Examiners also reviewed community development loans, qualified investments and community development services from January 1, 2012 through March 31, 2013.

Lending Distribution Analysis

The analysis of borrower and geographic distribution was based on loans made in Chemung's assessment areas. To evaluate the geographic distribution of HMDA-related loans, the proportions of loan originations in LMI and non-LMI geographies were compared with the proportions of owner-occupied housing units in LMI and non-LMI geographies. With regard to small business and small farm loans, the analysis compared the proportion of loan originations with the proportions of businesses and farms located in LMI and non-LMI geographies. Performance with regard to geographic distribution in low-income geographies was analyzed separately from performance in moderate-income geographies.

In order to analyze the borrower characteristics of HMDA-related loans, the proportions of originations to LMI and non-LMI borrowers was compared with the proportions of LMI and

non-LMI families in the assessment area. Income estimates from the U.S. Department of Housing and Urban Development (“HUD”) were used to categorize borrower income. HUD-adjusted median family income figures for 2012 were used to categorize borrower income level for 2012 loans and 2013 HUD-adjusted median family income estimates were used to categorize 2013 loans. 2012 and 2013 Dun and Bradstreet data were used for demographic information relating to the proportion of businesses with gross annual revenues (“GAR”) of less than or equal to \$1 million. The sizes of the small business loans were also used as proxies to identify lending to smaller businesses.

HMDA-related, small business and small farm lending performance for 2012 was also compared with the 2012 aggregate performance of all lenders in Chemung’s assessment areas subject to HMDA and/or CRA small business and small farm reporting. Aggregate data for 2013 was not publicly available for comparison at the time of this examination.

Community Contacts

In order to learn more about community credit needs, examiners conducted interviews with one economic development agency and two non-profit agencies that are actively involved with affordable housing.

Exhibit I
Summary of Key Assessment Area Data

Key Data	New York	Pennsylvania	Totals
Total Population¹	1,148,453	88,500	1,236,953
Population % of AA population	93%	7%	100%
Families	2,818	23,959	26,777
Families % of AA families	11%	89%	100%
Total Census Tracts¹	285	20	305
Tracts % AA tracts	93%	7%	100%
LMI tracts	60	2	62
LMI tracts % all AA LMI tracts	97%	3%	100%
Total Owner-Occupied Units¹	300,625	26,282	326,907
Units % of AA units	92%	8%	100%
Business Establishments²	51,484	3,271	54,755
Bus. est. % AA bus. est.	94%	6%	100%
Number of Branches³	31	3	34
Branches % all branches	91%	9%	100%
Branches in LMI tracts	7	1	8
LMI branches % AA LMI branches	88%	13%	100%
Branch Deposits (\$'000s)⁴	982,543	75,723	1,058,266
Deposits % AA deposits	93%	7%	100%
Deposit Market Share (%) / Rank in Mkt.	4.1/6	3.9/6	na
Home Purchase Originations⁵	259	27	286
HP originations % AA orig.	91%	9%	100%
Refinance Originations⁵	566	99	665
Refi orig. % AA orig.	85%	15%	100%
Home Improvement Originations⁵	788	138	926
HI orig. % AA orig.	85%	15%	100%
Small Business Originations⁵	483	93	576
SB orig. % AA orig.	84%	16%	100%
Combined Loan Totals⁵	2,096	357	2,453
% of AA Originations	85%	15%	100%

(1) U.S. Census Data for 2010

(2) Source: 2013 Dun & Bradstreet

(3) Number of branches as of 12/31/2013

(4) Source: FDIC summary of deposit data as of 6/30/2013

(5) Originations include originations from January 1, 2012 - December 31, 2013

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Chemung's overall performance in meeting the credit needs of its assessment areas is rated *high satisfactory*.

Lending Activity

Chemung's responsiveness to the retail credit needs of its assessment areas was good given the bank's capacity to meet assessment area credit needs, overall market conditions including the state of the housing market, and weaker economic conditions. This conclusion is based on good performance in the States of New York and Pennsylvania.

Overall, 2,715 home purchase, refinance, home improvement, multi-family, small business and Small Farm loans were made during the examination period, totaling \$397 million. This represents an increase of 41% in the number of loans and an increase of \$208 million, or 110%, in the dollar volume of HMDA-related and small business loans made in this examination period, compared to the lending volume in the prior examination period.

EXHIBIT II				
SUMMARY OF LENDING ACTIVITY				
January 1, 2012 – December 31, 2013				
LOAN TYPE	#	%	\$(000s)	%
HMDA Home Purchase	331	12	\$44,499	11
HMDA Refinancings	712	26	\$87,882	22
HMDA Home Improvement	974	36	\$25,016	6
HMDA Multi Family	27	1	\$97,351	25
Total HMDA-related	2,044	75	\$254,748	64
Total Small Business	635	23	\$138,354	35
Total Small Farm	36	1	\$3,973	1
TOTAL LOANS	2,715	100	\$397,075	100

Note: This table includes bank and affiliate loans made within the examination period.

Assessment Area Concentration

A substantial majority of loans originated by Chemung were extended in the bank's assessment areas, as detailed in the chart on the next page. Overall, 92% of the loans evaluated for this examination period were originated in the assessment areas. The chart below indicates excellent distribution of HMDA, small business and small farm loans.

Exhibit III								
Lending Inside and Outside the Assessment Area								
JANUARY 1, 2012 – DECEMBER 31, 2013								
Loan Type	Inside				Outside			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Home Purchase	286	86	\$36,844	83	45	14	\$7,655	17
Refinancings	665	93	\$79,522	91	47	7	\$8,360	10
Home Improvement	926	95	\$23,497	94	48	5	\$1,519	6
Multi-Family	22	81	\$73,061	75	5	19	\$24,290	25
Total HMDA	1,899	93	\$212,924	84	145	7	\$41,824	16
Total Small Business	576	91	\$120,001	87	59	9	\$18,353	13
Total Small Farm	34	94	\$3,463	87	2	6	\$510	13
Total Loans	2,509	92	\$336,388	85	206	8	\$60,687	15

Note: This table includes only loans originated or purchased by the bank. Affiliate loans are not included.

Geographic and Borrower Distribution

The overall geographic distribution of HMDA-related and small business loans reflected good penetration in LMI geographies. Performance was good in the State of New York and excellent in the State of Pennsylvania.

The overall distribution of loans among borrowers of different income levels and businesses of different sizes was good based on good distribution in the States of New York and Pennsylvania.

Community Development Lending

Chemung was a leader in community development lending based on excellent performance in the State of New York. Performance in the State of Pennsylvania was adequate.

As depicted in the chart below, the bank extended 82 community development loans totaling \$29 million, which represents a 16% increase on an annualized basis since the prior examination. Of the total, \$21 million, or 72% of total activity, represented new loans made since the prior examination. The bank's community development lending performance exceeded or was comparable to the performance of similarly-situated banks in the assessment areas.

Community development lending was focused on community services and was responsive to identified credit needs. According to community contacts, there is a strong need in the Southern Tier of New York for supportive services. Most of Chemung's community development loans were to non-profit organizations that provide social services to LMI individuals and families.

Exhibit IV										
Community Development Loan Summary										
January 1, 2012 - March 31, 2014										
Assessment Area	#	Affordable Housing	#	Community Services	#	Economic Development	#	Revitalize and Stabilize	#	Total
MSA 21300	1	\$799	43	\$17,116	1	\$445	1	\$250	46	\$18,610
Non MSA NY	0	\$0	12	\$3,688	0	\$0	0	\$0	12	\$3,688
MSA 10580	1	\$212	8	\$3,118	2	\$170	0	\$0	11	\$3,500
MSA 13780	2	\$540	8	\$2,752	0	\$0	0	\$0	10	\$3,292
MSA 27060	0	\$0	0	\$0	1	\$11	0	\$0	1	\$11
Total NY	4	\$1,551	71	\$26,674	4	\$626	1	\$250	80	\$29,101
Non MSA PA	0	\$0	0	\$0	0	\$0	2	\$149	2	\$149
Total	4	\$1,551	71	\$26,674	4	\$626	3	\$399	82	\$29,250
Percent Total # / \$	5%	5%	87%	91%	5%	2%	4%	1%	100%	100%

INVESTMENT TEST

Chemung's investment test performance is rated high satisfactory based on good performance in the State of New York and adequate performance in the State of Pennsylvania.

As shown in the table below, Chemung's qualified community development investments were responsive to credit and community development needs. Qualified investments totaled \$13 million. Of the total, \$5 million, or 41% of total activity, represented new investments made since the prior examination. In comparison to the previous CRA examination, Chemung's qualified investment volume declined 26% on an annualized basis. Chemung's performance however, was comparable to other similarly-situated large retail banks in the bank's assessment areas.

Exhibit V										
Qualified Investment Summary										
January 1, 2012 - March 31, 2014										
Assessment Area	#	Affordable Housing (\$000s)	#	Community Services (\$000s)	#	Economic Development (\$000s)	#	Revitalize and Stabilize (\$000s)	#	Total (\$000s)
MSA 21300	2	\$2	40	\$1,761	0	\$0	11	\$1,343	53	\$3,106
Non MSA NY	0	\$0	27	\$3,466	0	\$0	15	\$3,264	42	\$6,730
MSA 10580	0	\$0	18	\$31	1	\$10	0	\$0	19	\$41
MSA 13780	1	\$1	11	\$128	0	\$0	2	\$285	14	\$414
MSA27060	1	\$1	6	\$9	0	\$0	0	\$0	7	\$10
Statewide	0	\$0	0	\$0	2	\$1,026	0	\$0	2	\$1,026
Outside AA NY	0	\$0	6	\$870	0	\$0	6	\$1,095	12	\$1,965
Total NY	4	\$4	108	\$6,265	3	\$1,036	34	\$5,987	149	\$13,292
Non MSA PA	0	\$0	5	\$8	0	\$0	0	\$0	5	\$8
Total	4	\$4	113	\$6,273	3	\$1,036	34	\$5,987	154	\$13,300
Percent Total # / \$	3%	0%	73%	47%	2%	8%	23%	45%	100%	100%

A total of \$12 million or 90% by dollar amount, of total qualified investments consisted of the purchase of municipal bonds that assisted in revitalizing LMI or underserved middle-income

census tracts. While these investments were responsive to assessment area needs, they were not particularly innovative or complex.

Qualified investments included 354 grants and contributions, totaling \$352,000, to organizations providing community services or sponsoring affordable housing and economic development activities throughout the bank's assessment areas. Additionally, \$1 million in qualified investments consisted of equity investments in limited partnerships that invest in small business development activities throughout the State of New York.

SERVICE TEST

Service test performance is rated outstanding based on excellent performance in the States of New York and Pennsylvania.

Retail Services

Chemung's branches were readily accessible to all portions of the assessment areas and to individuals of different income levels. As of December 31, 2013, the bank operated 34 branches, 8 of which, or 24%, were located in LMI tracts. This compares favorably to the 17% of the assessment area's population that resides in LMI tracts. Alternative delivery systems also enhanced the bank's performance. Chemung operated 10 off-site ATM locations across its assessment areas, 3 of which, or 30%, were located in LMI areas.

Branch changes did not adversely affect overall accessibility of delivery systems. In November 2013, Chemung acquired six branches from Bank of America in Cayuga, Cortland, Seneca, and Tompkins Counties. Additionally, since the prior examination, one branch in an upper income tract in Albany County was relocated, but it remained in an upper-income census tract.

Services do not vary in a way that inconveniences its assessment areas, particularly LMI geographies and/or LMI individuals. All branches provide similar products and services. Extended hours are available at all branches, although only 32 branches are open on Saturdays. In LMI areas, seven of the eight branches have Saturday hours. In addition, the bank offers alternative delivery systems such as bank-by-mail, on-line services, and 24-hour telephone banking.

Community Development Services

Chemung is a leader in providing community development services in its assessment areas. During the examination period, the bank conducted 22 community development service events, which consisted of financial literacy and housing seminars, as well as the provision of technical assistance to non-profits and small businesses in its assessment area.

Exhibit VI	
SUMMARY OF COMMUNITY DEVELOPMENT SERVICES	
January 1, 2012 – December 31, 2013	
Activity Type	Current Examination Total
Residential Mortgage/First-time Homebuyer Seminars	9
Technical Assistance to Community Organizations	3
Financial Literacy Events	10
TOTAL ACTIVITY	22

Bank officers and employees also served on the boards and committees of 124 community development organizations and provided financial management expertise and technical assistance to these organizations.

The following are examples of community development services provided by the bank:

- Five of Chemung’s officers served as members of the board of directors and/or loan committee members of industrial development agencies that promote business development in upstate New York counties.
- Four officers served on the boards of directors of agencies that promote economic development in western upstate New York.
- An officer served on the board of directors of a community based non-profit organization committed to meeting the needs of individuals with developmental disabilities.
- An officer served as a member of the finance committee of the board of directors of a non-profit organization which operates group homes, provides foster care, preventive and school based services and teaches life skills to LMI children in order for them to become productive and successful adults.
- One officer served as a member of the board of directors of a food bank committed to build and sustain hunger free communities across the southern tier of New York State.
- Three officers served as members of the Board of Directors and committee members of Habit for Humanity, a non-profit organization that is dedicated to providing affordable housing for LMI individuals and families in Chemung County.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations. No evidence of discriminatory or other illegal credit practices was identified as being inconsistent with helping to meet the community’s credit needs.

STATE of NEW YORK

CRA RATING FOR NEW YORK STATE: Satisfactory

The Lending Test is rated: *High Satisfactory*.

The Investment Test is rated: *High Satisfactory*.

The Service Test is rated: *Outstanding*.

The major factors supporting the rating include:

- An excellent level of community development lending;
- A good level of qualified investments;
- Readily accessible delivery systems to geographies and individuals of different income levels;
- Excellent responsiveness to assessment area credit needs;
- Good geographic distribution of loans in the bank's assessment areas; and,
- Good distribution of loans among individuals of different income levels and businesses of different sizes.

SCOPE OF EXAMINATION

The following assessment areas in New York received full scope evaluation:

- MSA 21300 (Elmira, NY), consisting of Chemung County, NY.
- New York Non-MSA Counties, consisting of Cayuga, Cortland, Schuyler, and Seneca Counties and the eastern portion of Steuben County, NY.
- MSA 10580 (Albany-Schenecdaty-Troy, NY), which includes all of Albany and Saratoga Counties.

As shown in the exhibit on page 15, the combined full-scope areas make up 80% of the bank's deposits and 89% of the loans in the state.

The following assessment areas in New York received limited scope evaluation:

- MSA 13780 (Binghamton, NY), consisting of portions of Broome County, including the City of Binghamton and Tioga County.
- MSA 27060 (Ithaca, NY), consisting of Tompkins County, NY.

DESCRIPTION OF INSTITUTION'S OPERATIONS

Chemung's performance in the New York State assessment areas received the most weight in deriving the bank's overall CRA performance rating. New York State accounts for 85% of the total retail and small business loans, 93% of deposits in the bank's overall assessment area, 91% of branches, and 93% of all census tracts. . Furthermore, 91% of home purchase loans, 85% of refinance loans, 85% of home improvement loans, and 84% of small business loans were originated in the New York State assessment areas during the examination period.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NEW YORK STATE

LENDING TEST

Chemung's lending test performance is rated high satisfactory based on good performance in the Non-MSA assessment area and adequate performance in MSA 21300 (Elmira, NY and MSA 10580 (Albany-Schenectady-Troy, NY).

Lending Activity

Chemung's responsiveness to the retail credit needs of its assessment areas was good, given the bank's capacity to meet assessment area credit needs, overall market conditions, including the state of the housing market and weaker economic conditions. This conclusion is based on excellent performance in MSA 21300 Elmira, NY), good performance in the Non-MSA assessment area and adequate performance in MSA 10580 (Albany-Schenectady-Troy, NY).

Geographic Distribution

The overall geographic distribution of HMDA-related and small business loans reflected good penetration throughout the New York State assessment areas. This conclusion is based on good performance in MSA 21300 (Elmira, NY) and MSA 10580 (Albany-Schenectady-Troy, NY), and adequate performance in the New York Non-MSA area (Schuyler and Steuben County, NY).

Borrower Distribution

The overall borrower distribution of HMDA-related and small business loans was good. This conclusion is based on good performance in MSA 21300 (Elmira, NY), the New York Non-MSA assessment area, and MSA 10580 (Albany-Schenectady-Troy, NY).

Community Development Lending

Chemung was a leader in community development lending performance in the State of New York. The bank extended 80 community development loans totaling \$29 million, which represents a 20% increase on an annualized basis since the prior examination. Of the total, \$21 million, or 72% of total activity, represented new loans made since the prior examination. The bank's community development lending as a percent of average assets, deposits, and Tier 1

capital exceeded or was comparable to the performance of similarly-situated banks in its assessment areas. Community development lending performance was excellent in MSA 21300 (Elmira, NY) and good in the Non-MSA assessment area and in MSA 10580 (Albany-Schenectady-Troy, NY).

INVESTMENT TEST

Chemung's investment test performance is rated high satisfactory based on good performance in MSA 21300 (Elmira, NY), good performance in the Non-MSA assessment area and adequate performance in MSA 10580 (Albany-Schenectady-Troy, NY). Chemung had an overall significant level of qualified community development investments that exhibited good responsiveness to credit and community development needs. Qualified investments totaled \$13 million or almost 100% of the bank's total qualified investments. Total investments included \$2.9 million of investments made in the broader statewide or regional area of New York State.

SERVICE TEST

Chemung's performance under the service test in the New York State assessment areas was outstanding. This conclusion is based on excellent performance in MSA 21300 (Elmira, NY), and in MSA 10580 (Albany-Schenectady-Troy, NY) and good performance in the Non-MSA assessment area.

Exhibit VII
Summary of Key Assessment Area Data - New York State

Key Data	MSA 21300	NY-Non-MSA	MSA 10580	MSA 13780	MSA 27060	Total New York State
Total Population¹	88,830	251,358	523,811	182,890	101,564	1,148,453
Population % of AA population	8%	22%	46%	16%	9%	100%
Families	22,962	64,750	129,084	45,214	19,798	281,808
Families % of AA families	8%	23%	46%	16%	7%	100%
Total Census Tracts¹	22	67	125	48	23	285
Tracts % AA tracts	8%	24%	44%	17%	8%	100%
LMI tracts	8	2	28	17	5	60
LMI tracts % all AA LMI tracts	13%	3%	47%	28%	8%	100%
Total Owner-Occupied Units¹	24,121	71,268	137,180	48,473	19,583	300,625
Units % of AA units	8%	24%	46%	16%	7%	100%
Business Establishments²	3,450	9,598	26,124	7,930	4,382	51,484
Bus. est. % AA bus. est.	7%	19%	51%	15%	9%	100%
Number of Branches³	7	9	5	6	4	31
Branches % all branches	23%	29%	16%	19%	13%	100%
Branches in LMI tracts	3	0	2	1	1	7
LMI branches % AA LMI branches	43%	0%	29%	14%	14%	100%
Branch Deposits (\$'000s)⁴	471,370	184,100	161,985	131,225	33,863	982,543
Deposits % AA deposits	48%	19%	16%	13%	3%	100%
Dep. Mkt. Shr. (%)/ Rank in Mkt.	47/1	5.7/6	.91/14	4.9/6	1.9/9	4.1/6
Home Purchase Originations⁵	119	59	34	26	21	259
HP originations % AA orig.	46%	23%	13%	10%	8%	100%
Refinance Originations⁵	229	117	73	85	62	566
Refi orig. % AA orig.	40%	21%	0%	15%	11%	87%
Home Improvement Originations⁵	376	162	25	169	56	788
HI orig. % AA orig.	48%	21%	3%	21%	7%	100%
Small Business Originations⁵	178	85	147	56	17	483
SB orig. % AA orig.	37%	18%	30%	12%	4%	100%
Combined Loan Totals⁵	902	423	279	336	156	2,096
% of AA Originations	43%	20%	13%	16%	7%	100%

(1) U.S. Census Data for 2010

(2) Source: 2013 Dun & Bradstreet

(3) Number of branches as of 12/31/2013

(4) Source: FDIC summary of deposit data as of 6/30/2013

(5) Originations include originations from January 1, 2012 - December 31, 2013

**METROPOLITAN AREA
(FULL REVIEW)**

MSA 21300 (Elmira, NY)

DESCRIPTION OF INSTITUTION’S OPERATIONS

As of December 31, 2013, Chemung operated 7 of 31 New York State branches (23%) in this MSA. These branches generated \$471 million in deposits, which accounts for 48% of the bank’s New York State branch deposits as of June 30, 2013. Of the bank’s total New York State HMDA and small business loans originated during 2012 and 2013, 43% were originated in this MSA.

Chemung ranked first in deposit market share, accounting for 47% of assessment area deposits. Other lead banks in terms of deposit market share were Elmira Savings Bank, Community Bank, NA, Five Star Bank, Manufacturers and Traders Trust Company, and Tioga State Bank. For additional assessment area data, see Summary of Key Assessment Area Data - New York State.

PERFORMANCE CONTEXT

The following demographic and economic information was obtained from publicly available sources that include the U.S. Department of Commerce’s Bureau of Census, the U.S. Department of Labor, and the National Association of Realtors.

Demographic Characteristics

According to the 2010 Census, the population of MSA 21300 is 88,830. The MSA is comprised of Chemung County. The City of Elmira is the largest city in the MSA, with a population of 28,987. The population has 16% of residents who are 65 years and older in Chemung County, compared with 14% in New York State. Of the 22 census tracts located in MSA 21300, eight or 36% are LMI tracts.

Income Characteristics

According to the 2010 census, MSA 21300 has 23,461 families, of which 5,082 (22%) are low-income families and 3,801 (17%) are moderate-income families. As shown in the table to the right, the HUD-adjusted median family income for MSA 21300 was \$56,900 in 2012 and \$58,600 in 2013. These income levels are low in comparison to New York State’s 2013 HUD-adjusted median family income of \$70,000.

HUD MEDIAN FAMILY INCOMES		
Area	2012	2013
MSA 21300	\$56,900	\$58,600

Housing Characteristics

Housing costs are comparatively low in the MSA, particularly, in comparison to the state average median sales price as shown in the table to the right. Nonetheless, housing affordability remains difficult for low-income borrowers in the MSA. The median housing cost in the assessment area is about four times the median family income of a low-income borrower and two times the income of a moderate-income borrower. Community contacts reported, however, that due to Elmira's close proximity to Pennsylvania, housing costs have been affected by the drilling for natural gas as available rental housing has been taken by industry workers.

MEDIAN HOUSING SALES PRICE		
Area	2012	2013
MSA 21300	\$106,500	\$110,000
New York State	\$215,000	\$227,000
Source: NYS Assoc. of Realtors		

Labor, Employment and Economic Characteristics

Long term economic trends in the Elmira MSA indicate an increase in employment in education, health care and services. Community contacts noted, however, that many of the service jobs in the area are low paying. In addition, during the examination period, the average annual unemployment rates for Chemung County decreased from 8.5% in 2012 to 8.2% in 2013 as the economy improved. For additional assessment area details see the Assessment Area Demographic Report on the following page.

U.S. DEPARTMENT OF LABOR ANNUAL UNEMPLOYMENT RATES		
Area	2012	2013
MSA 21300	8.5%	8.2%
State of New York	8.5%	7.7%

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Chemung's overall record of lending in MSA 21300 (Elmira, NY) was good, based on excellent lending activity, good geographic distribution of lending and good distribution of lending to borrowers of different income levels and to businesses of different sizes.

Lending Activity

Chemung demonstrated excellent responsiveness to the retail credit needs of MSA 21300 (Elmira, NY), based on market share activity and comparison to peer banks. Chemung ranked first in deposit market share, with 46% of deposits, fifth in home purchase lending (6% market share), third in refinance lending (12% market share), first in home improvement lending (7% market share), and fourth in small business lending (9% market share). Peer comparisons based on the number of loans per billion dollars of deposits indicate that the bank's performance compares favorably with the lending volume of peer banks.

In terms of the number of loans originated, Chemung's volume of HMDA-related and small business loans increased by 16% compared to the previous examination period, as small business

lending increased by 45% and home improvement lending increased by 21%. Minor increases in home purchase lending of 4% and a 1% increase in refinance lending were also evident.

Assessment Area Demographics MSA 21300 (Elmira, NY)								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	2	9.1	915	4.0	387	42.3	5,082	22.1
Moderate-income	6	27.3	6,103	26.6	1,144	18.7	3,801	16.6
Middle-income	9	40.9	8,878	38.7	741	8.3	4,863	21.2
Upper-income	4	18.2	7,066	30.8	417	5.9	9,216	40.1
Unknown-income	1	4.5	0	0.0	0	0.0	0	0.0
Total Assessment Area	22	100.0	22,962	100.0	2,689	11.7	22,962	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	2,494	675	2.8	27.1	1,463	58.7	356	14.3
Moderate-income	10,954	5,629	23.3	51.4	4,647	42.4	678	6.2
Middle-income	14,799	9,951	41.3	67.2	3,432	23.2	1,416	9.6
Upper-income	10,124	7,866	32.6	77.7	1,755	17.3	503	5.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	38,371	24,121	100.0	62.9	11,297	29.4	2,953	7.7
	Total Businesses by Tract*	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million			Over \$1 Million		Revenue Not Reported	
		#	%	#	%	#	%	#
Low-income	522	13.7	414	12.2	78	29.1	30	17.9
Moderate-income	917	24.0	800	23.7	82	30.6	35	20.8
Middle-income	1,309	34.3	1,200	35.5	54	20.1	55	32.7
Upper-income	1,068	28.0	966	28.6	54	20.1	48	28.6
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	3,816	100.0	3,380	100.0	268	100.0	168	100.0
Percentage of Total Businesses:				88.6		7.0		4.4

*Based on 2012 Dun and Bradstreet information according to 2010 ACS boundaries

Geographic Distribution of Loans

Chemung’s overall geographic distribution of loans reflects good dispersion throughout the entire assessment area, including LMI census tracts. HMDA-related lending performance was good while small business lending performance was excellent. Opportunities to make HMDA-related loans in low-income census tracts were limited. This performance context consideration is confirmed by the performance of the market aggregate, which in 2012 made only 31 HMDA-related loans in low-income geographies. Additionally, 42% of the families residing in low-income census tracts have incomes below the poverty level, further limiting lending opportunities. The table below summarizes geographic distribution performance in LMI tracts.

<i>MSA 21300 (Elmira, NY)</i>				
<i>PRODUCT</i>	Low-income Tracts		Moderate-income Tracts	
	Chemung’s Performance	2012 Aggregate Comparison	Chemung’s Performance	2012 Aggregate Comparison
Home Purchase	Good	Significantly Above	Good	Below
Refinance	Good	Slightly Below	Adequate	Slightly Below
Home Improvement	Good	Similar	Excellent	Similar
Small Business	Excellent	Significantly Above	Excellent	Slightly Above

Home Purchase Loans

Chemung’s home purchase lending distribution in MSA 21300 was considered good in light of demographic and performance context challenges relating to housing affordability and the availability of owner-occupied housing in low-income geographies in the assessment area. While Chemung made only two home purchase loans, or 4%, in low-income geographies in 2012, less than 3% of all owner-occupied housing units in the assessment area were located in low-income geographies. This performance context consideration is confirmed by the performance of the market aggregate, which in 2012 made only 9 or 1% of its home purchase loans in low-income geographies. Chemung’s 2013 home purchase lending performance in low-income geographies was comparable to its 2012 performance.

Chemung’s home purchase lending performance in moderate-income geographies was good. Chemung originated 16% of its home purchase loans in moderate-income geographies in 2012, compared to 23% of owner-occupied housing units located in moderate-income geographies in the MSA. Chemung’s performance in moderate-income geographies was below the market aggregate, which made 23% of its home purchase loans in moderate-income geographies in 2012. Home purchase lending performance in moderate-income geographies in 2013 exceeded performance in 2012, as Chemung originated 25% of its home purchase loans in moderate-income geographies.

Refinance Loans

Chemung's overall refinance lending performance in the LMI geographies of MSA 21300 was adequate. Chemung's refinance lending in low-income geographies was adequate when considering performance context factors that make HMDA-related lending challenging in low-income geographies. Less than 3% of owner-occupied housing units are in low-income census tracts, indicating very limited lending opportunities. Chemung made only one refinance loan, or less than 1%, in low-income geographies in 2012, while the market aggregate similarly made nine, or less than 1%, of its refinance loans in low-income geographies in 2012. Chemung's 2013 refinance lending performance in low-income geographies was comparable to its 2012 performance.

Chemung's refinance lending performance in moderate-income geographies was adequate. Chemung originated 16% of its refinance loans in moderate-income geographies in 2012 compared to 23% of owner-occupied housing units located in moderate-income geographies in this MSA. Chemung's performance was slightly below the market aggregate, which originated 19% of its refinance loans in moderate-income census tracts. Chemung's 2013 refinance lending performance was comparable to its 2012 performance in moderate-income geographies.

Home Improvement Loans

Chemung's overall home improvement lending performance in the LMI geographies of MSA 21300 was excellent. Home improvement lending in low-income geographies was good when considering performance context factors that make HMDA-related lending challenging in low-income geographies. In 2012, 3% of Chemung's home improvement loans were in low-income census tracts, while less than 3% of owner-occupied housing units are in low-income census tracts. Chemung's performance was comparable to the market aggregate which made nine loans, or less than 3%, of its home improvement loans in low-income geographies in 2012. Chemung's 2013 home improvement lending performance was comparable to its 2012 performance.

Chemung's home improvement lending performance in moderate-income census tracts was excellent. Chemung originated 24% of its home improvement loans in moderate-income census tracts in 2012, compared to 23% of owner-occupied housing units located in moderate-income census tracts in this MSA. Chemung's performance was similar to the market aggregate which also originated 24% of its home improvement loans in moderate-income census tracts. Chemung's 2013 home improvement lending performance was comparable to its 2012 performance.

2012 Aggregate Comparison Loan Distribution Table
 Assessment Area/Group: MSA 21300

Income Categories	HMDA									
	By Tract Income					By Borrower Income				
	#	Bank %	Bank % \$(000s)	Aggregate %	Aggregate % \$(000s)	#	Bank %	Bank % \$(000s)	Aggregate %	Aggregate % \$(000s)
Home Purchase										
Low	2	3.6%	0.9%	1.0%	0.4%	5	8.9%	5.1%	7.3%	4.2%
Moderate	9	16.1%	11.5%	22.5%	16.6%	7	12.5%	6.5%	22.7%	17.1%
Middle	14	25.0%	21.8%	38.3%	33.4%	16	28.6%	29.0%	27.5%	25.5%
Upper	31	55.4%	65.8%	38.2%	49.5%	26	46.4%	55.0%	33.5%	45.3%
Unknown	0	0.0%	0.0%	0.0%	0.0%	2	3.6%	4.5%	9.0%	7.8%
<i>Total</i>	<i>56</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>56</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>
Refinance										
Low	1	0.8%	0.2%	0.9%	0.3%	5	3.8%	1.4%	5.4%	2.5%
Moderate	21	16.2%	10.9%	19.0%	12.1%	17	13.1%	8.0%	14.6%	8.6%
Middle	47	36.2%	29.8%	35.0%	30.9%	39	30.0%	24.7%	23.1%	17.5%
Upper	61	46.9%	59.2%	45.1%	56.8%	63	48.5%	60.9%	50.5%	64.6%
Unknown	0	0.0%	0.0%	0.0%	0.0%	6	4.6%	5.1%	6.4%	6.8%
<i>Total</i>	<i>130</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>130</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>
Home Improvement										
Low	5	2.7%	2.4%	2.6%	1.6%	34	18.7%	9.1%	12.8%	4.7%
Moderate	44	24.2%	21.1%	24.4%	17.8%	31	17.0%	15.1%	17.8%	11.5%
Middle	82	45.1%	41.7%	38.3%	32.1%	44	24.2%	19.7%	25.9%	25.4%
Upper	51	28.0%	34.9%	34.7%	48.4%	62	34.1%	51.4%	39.3%	54.7%
Unknown	0	0.0%	0.0%	0.0%	0.0%	11	6.0%	4.8%	4.2%	3.8%
<i>Total</i>	<i>182</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>182</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>
Multi-Family										
Low	1	33.3%	0.5%	20.0%	0.5%	0	0.0%	0.0%	0.0%	0.0%
Moderate	1	33.3%	0.5%	40.0%	0.5%	0	0.0%	0.0%	0.0%	0.0%
Middle	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
Upper	1	33.3%	99.1%	40.0%	99.1%	0	0.0%	0.0%	0.0%	0.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	3	100.0%	100.0%	100.0%	100.0%
<i>Total</i>	<i>3</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>3</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>
HMDA Totals										
Low	9	2.4%	0.6%	1.3%	0.5%	44	11.9%	2.3%	7.6%	3.3%
Moderate	75	20.2%	8.2%	21.4%	13.8%	55	14.8%	5.5%	18.1%	11.9%
Middle	143	38.5%	18.7%	36.8%	30.3%	99	26.7%	16.0%	25.2%	20.5%
Upper	144	38.8%	72.4%	40.5%	55.4%	151	40.7%	36.7%	42.0%	52.2%
Unknown	0	0.0%	0.0%	0.0%	0.0%	22	5.9%	39.5%	7.1%	12.1%
<i>Total</i>	<i>371</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>371</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>
SMALL BUSINESS										
By Tract Income										
	#	Bank %	Bank % \$(000s)	Aggregate %	Aggregate % \$(000s)		Bank %	Bank % \$(000s)	Aggregate %	Aggregate % \$(000s)
Low	23	23.2%	27.0%	14.8%	22.0%					
Moderate	29	29.3%	41.3%	26.4%	38.6%					
Middle	23	23.2%	14.1%	28.2%	15.1%					
Upper	24	24.2%	17.6%	27.8%	23.0%					
Unknown	0	0.0%	0.0%	0.0%	0.0%					
Tract Unknown	0	0.0%	0.0%	2.8%	1.2%					
<i>Total</i>	<i>99</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>					
By Revenue										
\$1 Million or Less	43	43.4%	16.6%	29.2%	27.4%					
By Loan Size										
\$100,000 or less	57	57.6%	16.6%	91.9%	27.4%					
\$100,001-\$250,000	18	18.2%	17.6%	3.3%	13.4%					
\$250,001-\$1 Million	24	24.2%	65.8%	4.8%	59.2%					
<i>Total</i>	<i>99</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>					

Originations and Purchases

Small Business Loans

Overall, Chemung’s small business lending performance in MSA 21300 was excellent based on excellent performance in LMI geographies. Chemung made 23% of its small business loans in low-income geographies and 29% in moderate-income geographies, compared to 14% and 24% of business establishments located in low- and moderate-income geographies, respectively. Chemung’s performance in both low- and moderate-income geographies was above the market aggregate, which made 15% and 26% of its small business loans in low- and moderate-income geographies, respectively. Chemung’s performance in 2013 was comparable to its 2012 performance for both low- and moderate income geographies.

Distribution by Borrower Income and Revenue Size of Business

Lending performance in the assessment area relating to borrower distribution was good overall, and reflected reasonable penetration among individuals of all income levels (including LMI) and businesses of different sizes. While housing is generally affordable to moderate-income borrowers in the MSA, housing costs are generally 3 or 4 times the income of low-income borrowers.

The following table summarizes the bank’s performance in lending to LMI borrowers within each HMDA product and its lending to small businesses:

<i>MSA 21300 (Elmira, NY)</i>				
<i>PRODUCT</i>	Low-income Borrowers		Moderate-income Borrowers	
	Chemung’s Performance	2012 Aggregate Comparison	Chemung’s Performance	2012 Aggregate Comparison
Home Purchase	Adequate	Slightly Above	Good	Below
Refinance	Poor	Below	Good	Significantly Below
Home Improvement	Good	Above	Excellent	Similar
<i>PRODUCT</i>	Lending to Businesses with GAR <= \$1 million		2012 Aggregate Comparison	
Small Business	Adequate		Above	

Home Purchase Loans

Chemung’s distribution of home purchase loans to LMI borrowers in MSA 21300 was good based on adequate distribution to low-income borrowers and good distribution to moderate-income borrowers. In 2012, Chemung originated 9% of its home purchase loans to low-income borrowers, while 22% of the families in the MSA are low-income. Chemung’s performance was slightly above the market aggregate, which made 7% of its home purchase loans to low-income borrowers. Chemung’s 2013 home purchase lending performance for low-income borrowers was comparable to 2012 performance.

Performance in lending to moderate-income borrowers was good, as 13% of Chemung's home purchase loans were made to moderate-income borrowers compared to 17% of families in the MSA that were of moderate-income. Chemung's performance was below the market aggregate, which made 23% of its home purchase loans to moderate-income borrowers in 2012. Chemung's 2013 home purchase lending performance for moderate-income borrowers exceeded its 2012 performance.

Refinance Loans

Chemung's distribution of refinance loans to LMI borrowers in MSA 21300 was good based on poor distribution to low-income borrowers and good distribution to moderate-income borrowers. In 2012, Chemung's distribution of refinance loans to low-income borrowers was poor as only 4% of refinance loans were made to low-income borrowers compared to 22% of all families in the MSA that were of low-income. Chemung's performance was below the market aggregate, which made 5% of its refinance loans to low-income borrowers. Chemung's 2013 refinance lending performance for low-income borrowers was comparable to 2012 performance.

Chemung's distribution of refinance loans to moderate-income borrowers was good as 13% of refinance loans were made to moderate-income borrowers compared to 17% of all families in the MSA that were of moderate-income. Chemung's performance was significantly below the market aggregate, which made 15% of its refinance loans to moderate-income borrowers. Chemung's 2013 refinance lending performance for moderate-income borrowers was also comparable to 2012 performance.

Home Improvement Loans

Chemung's overall distribution of home improvement loans to LMI borrowers was excellent based on good distribution to low-income borrowers and excellent distribution to moderate-income borrowers. In 2012, Chemung made 19% of its home improvement loans to low-income borrowers, while 22% of the families in the MSA are low-income. Chemung's performance was above the market aggregate, which made 13% of its home improvement loans to low-income borrowers. Chemung's 2013 home improvement lending performance for low-income borrowers was less favorable than 2012 performance.

Performance in lending to moderate-income borrowers was excellent as 17% of Chemung's home improvement loans were made to moderate-income borrowers, compared to 17% of families in the MSA that were of moderate-income. Chemung's performance was similar to the market aggregate, which made 18% of its home improvement loans to moderate-income borrowers in 2012. Chemung's 2013 home improvement lending performance for moderate-income borrowers was comparable to 2012 performance.

Small Business Loans

Chemung's overall level of lending to small businesses in MSA 21300 was adequate. In 2012, Chemung made 43% of its small business loans to businesses with gross annual revenues of \$1 million or less, compared to 89% of business establishments in the MSA with GAR of \$1 million

or less. Performance was above the aggregate which made 29% of its loans to businesses with GAR of \$1 million or less. Chemung's performance in 2013 was comparable, as 33% of its small business loans were made to businesses with GAR of \$1 million or less.

In 2012, 58% of Chemung's loans were in amounts of \$100,000 or less, with an average loan size of \$199,000. Chemung performance was below the market aggregate which originated 92% of its loans in amounts of \$100,000 or less. Performance in 2013 was comparable to 2012 performance as 60% of Chemung's small business loans were in amounts of \$100,000 or less.

Community Development Lending

Chemung's level of community development lending was excellent in MSA 21300 (Elmira, NY), with 46 loans totaling \$19 million, representing 64% of the bank's total community development lending. This conclusion was supported by a comparison to similarly-situated large retail banks in the assessment area. New commitments represented \$12 million of total community development loans in the assessment area, or 67% of total activity. Community development loan performance was comparable to the last examination as it increased less than 1% on an annualized basis.

Community Development Loans		
Purpose	#	\$(000s)
Affordable Housing	1	\$799
Economic Development	1	\$445
Community Services	43	\$17,116
Revitalize and Stabilize	1	\$250
Totals	46	\$18,610

Community development lending was responsive to identified community needs, although the bank made little use of innovative lending practices. Lending targeted community service activity in the assessment area.

Examples of community development lending included:

- A \$400,000 working capital line of credit to a community based not-for-profit agency that works for social justice and providing care programs to LMI persons in western New York.
- A \$500,000 line of credit to a non-profit organization that provides social service and community action programs for LMI individuals and families. The organization operates programs such as Head Start, food banks, programs targeting youths, and family supportive service programs. The organization is located in a low-income census tract.
- A \$1.6 million line of credit to a non-profit corporation that provides services for the developmentally disabled. Programs educate, train, and provide community-like settings which aid in the socialization process of developmentally disabled persons. The majority of individuals are LMI.
- A \$300,000 line of credit to a nursing home that provides housing and health services for seniors. The majority of residents are LMI as evidenced by Medicaid being the primary source of revenues.

INVESTMENT TEST

Chemung's investment test performance was good. This conclusion was supported by a comparison to similarly-situated large retail banks in the assessment area. During the examination period, community development investments in MSA 21300 (Elmira, N.Y.) totaled \$3 million, or 23% of all community development investment activity. Qualified investments, however declined by 24% on an annualized basis compared to the last examination, as opportunities for investments in municipal securities were more limited. New commitments represented \$1 million or 32% of total community development investment in the MSA assessment area.

Community Development Investments		
Purpose	#	\$(000s)
Affordable Housing	2	2
Economic Development	0	0
Community Services	40	\$1,761
Revitalize and Stabilize	11	\$1,343
Totals	53	\$3,106

Within the MSA 21300 (Elmira, NY) assessment area, qualified investments by number and by dollar amount were targeted primarily to community service and revitalization and stabilization efforts. Examples of qualified investments included:

- The purchase of municipal bonds for infrastructure repairs in LMI areas of the City of Elmira. The bonds were issued to finance bridge repairs, park improvements and building demolition. In 2012, HUD designated the area as an entitlement community and the city will receive funds to undertake programs to help LMI people to eliminate conditions that create slums and blight areas.
- The purchase of \$221,000 in municipal bonds for repairs to village offices in the Village of Wellsburg. The repairs were necessary due to damage caused by flooding from Hurricane Irene and Tropical Storm Lee. The area was designated a disaster area by FEMA in 2011. The repairs will assist in revitalizing the community.
- Charitable grants and contributions to community groups serving LMI persons totaling \$245 thousand.

SERVICE TEST

Performance on the service test was excellent based on Chemung's branch distribution and its leadership in providing community development services in the Elmira assessment area.

Retail Services

The bank's delivery systems were readily accessible to all portions of the assessment area, including LMI areas. Overall, Chemung has 7 branches in the assessment area, of which 3, or 43%, are located in LMI areas. This compares favorably to the 33% of the MSA population that resides in LMI areas.

Alternative delivery systems enhanced the availability and effectiveness of retail credit and non-credit services in LMI geographies and to LMI individuals. There were 5 off-site ATMs in the MSA, with three located in an LMI tract.

The bank's hours and services do not vary in a way that inconveniences the assessment area, including LMI areas. Extended hours are available at all branches, with all of the 7 branches in the MSA, opened on Saturdays.

Community Development Services

Chemung is a leader in providing community development services in the MSA assessment area. The bank provided 7 first-time homebuyer seminars through local non-profit organizations, financial literacy presentations, and technical assistance events to LMI home buyers and community organizations

Chemung employees also served on numerous boards and committees of community development organizations and provide financial management expertise and technical assistance to these organizations. A total of 40 Chemung officers served as directors, advisors or committee members for 20 organizations throughout the bank's Elmira assessment area. Examples of the bank's efforts in providing such services include:

- Two of the bank's officers served as members of the Board of directors of an organization that assists people with disabilities in obtaining their optimum occupational goals.
- One officer served as a member of the Board of Directors of a regional loan fund that provides financial and technical assistance for start-ups and expanding businesses located in Chemung, Schuyler, and Steuben Counties.
- One officer served as a member of the Board of Directors of an organization that plans, promotes, and implements economic development programs for Chemung County and the southern tier of New York State.
- Three officers served as members of the Board of Directors and committee members of Habit for Humanity, a non-profit organization that is dedicated to providing affordable housing for LMI individuals and families in Chemung County.

NON-METROPOLITAN AREA (FULL REVIEW)

(Cayuga, Cortland, Schuyler, and Seneca Counties, and portions of Steuben County, NY)

DESCRIPTION OF INSTITUTION'S OPERATIONS

As of December 31, 2013, Chemung operates 9 branches in the New York Non-MSA assessment area. Twenty percent of the bank's HMDA-related and small business loans in New York State were originated in this assessment area. In November 2013, Chemung's operations expanded as the bank acquired four branches from Bank of America in Cayuga, Cortland, and Seneca Counties.

As of June 30, 2013, 19% of Chemung's deposits were held in this assessment area. With a deposit market share of 6%, Five Star was the sixth largest depository institution, behind First Niagara Bank, which had 15% of deposits, and Community Bank, NA, which had 14% of deposits. Other lead banks in terms of deposit market share were Five Star Bank, NBT National Association, Tompkins Trust Company, Manufacturers and Traders Trust Company, and Steuben Trust Company.

PERFORMANCE CONTEXT

The following demographic and economic information was obtained from publicly available sources that include the U.S. Department of Commerce's Bureau of Census, the New York State Department of Labor, the U.S. Department of Housing and Urban Development ("HUD") and the New York Association of Realtors.

Demographic Characteristics

The Non-MSA assessment area encompasses portions of five contiguous counties located mainly in the central and Finger Lakes regions of New York State. These counties are primarily rural with towns and villages scattered across the assessment area. According to the 2010 Census, the Non-MSA assessment area's population totals 251,358. The Non-MSA assessment area contains 22% of the bank's combined assessment area population. Within the Non-MSA full scope assessment area, four middle-income census tracts in Schuyler County meet the FFIEC definition of underserved middle-income census tracts for remote rural areas.

Income Characteristics

The HUD-adjusted median family incomes for the various counties in the Non-MSA assessment area in 2012 area ranged from a low of \$55,200 in Steuben County to a high of \$62,000 in Cayuga County. Based on the 2010 Census, of the 67 census tracts included in the analysis, one or 1.5% are low-income, one or 1.5% are moderate-income, 52 or 78% are middle-income, 12 or 18% are upper-income, and one or 1.5% has no income designation. Nine percent of all families within the Non-MSA assessment area have incomes below the poverty level.

Housing Characteristics

The Non-MSA assessment area contains 250,976 housing units, of which 60% are owner-occupied. Less than one percent of owner-occupied housing units are in low-income census tracts and 6% are in the moderate-income census tracts. Owner-occupied housing units represent 30% and 41% of total housing units in low and moderate-income census tracts, respectively. According to the New York State Association of Realtors the median sales price of homes ranged from a low of \$106,000 in Seneca County in 2012 to a high of \$131,000 in Schuyler County in 2013.

In 2010, the median housing costs in the various counties comprising the Non-MSA assessment area ranged from 2 to 5 times the median family income of a low-income borrower, indicating that housing affordability may be difficult for some low-income individuals.

MEDIAN HOUSING SALES PRICE		
Area	2012	2013
Cayuga County	\$110,250	\$110,000
Cortland County	\$115,000	\$115,500
Schuyler County	\$125,000	\$131,000
Seneca County	\$106,000	\$117,000
Steuben County	\$107,000	\$108,900

Source: NYS Association of Realtors

Demographic information from the 2010 Census estimated the median age of the housing stock throughout the assessment area is 56 years. Given the age of the housing stock, community contacts have stated that there is a need for home improvement and home rehabilitation loans.

a need for home improvement and home

Labor, Employment and Economic Characteristics

According to the NYS Department of Labor, the economy of western New York has made a steady comeback from the worst U.S. economic downturn in 75 years. The wholesale and retail sector has been a leader, adding back 4,000 jobs since April 2010. Other areas of the economy showing growth include the financial sector, the leisure and hospitality sector, and manufacturing. During the examination period, average annual unemployment rates show slight declines in the five counties making up the Non-MSA assessment area.

AVERAGE ANNUAL UNEMPLOYMENT RATES		
Area	2012	2013
Cayuga County	8.0%	7.2%
Cortland County	8.7%	7.9%
Schuyler County	8.3%	7.6%
Seneca County	7.8%	6.9%
Steuben County	9.7%	8.9%

Source: NYS Department of Labor

Detailed demographic data for this assessment area is provided in the chart on the following page.

Assessment Area Demographics Non-MSA NY								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	1	1.5	770	1.2	239	31.0	11,242	17.4
Moderate-income	1	1.5	553	0.9	98	17.7	11,632	18.0
Middle-income	52	77.6	49,217	76.0	4,420	9.0	14,833	22.9
Upper-income	12	17.9	14,210	21.9	771	5.4	27,043	41.8
Unknown-income	1	1.5	0	0.0	0	0.0	0	0.0
Total Assessment Area	67	100.0	64,750	100.0	5,528	8.5	64,750	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	1,612	488	0.7	30.3	1,049	65.1	75	4.7
Moderate-income	1,291	527	0.7	40.8	603	46.7	161	12.5
Middle-income	88,820	53,843	75.6	60.6	21,496	24.2	13,481	15.2
Upper-income	23,375	16,410	23.0	70.2	4,192	17.9	2,773	11.9
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	115,098	71,268	100.0	61.9	27,340	23.8	16,490	14.3
	Total Businesses by Tract*	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	203	1.9	163	1.7	24	3.9	16	3.0
Moderate-income	138	1.3	118	1.2	14	2.3	6	1.1
Middle-income	8,081	75.0	7,229	75.2	444	71.7	408	76.3
Upper-income	2,346	21.8	2,104	21.9	137	22.1	105	19.6
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	10,768	100.0	9,614	100.0	619	100.0	535	100.0
	Percentage of Total Businesses:			89.3		5.7		5.0

*Based on 2012 Dun and Bradstreet information according to 2010 ACS boundaries

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Chemung's performance under the lending test in the Non-MSA assessment area was good, based on good lending activity, adequate geographic distribution of lending, and good

distribution of lending to borrowers of different income levels and to businesses of different sizes.

Lending Activity

Chemung demonstrated good responsiveness to the retail credit needs of the Non-MSA NY assessment area based on market share activity and comparison to peer banks. Chemung ranked fifth in deposit market share (6% deposits market share), twentieth in home purchase lending (1% market share), twelfth in refinance lending (3% market share), fourth in home improvement lending (7% market share), and twenty-first in small business lending (1% market share). Peer comparisons based on the number of loans per billion dollars of deposits indicate that the bank's performance was comparable with the lending volume of similarly-situated banks.

Chemung's number of HMDA-related and small business loans increased by 58% compared to the previous examination period. Specifically, small business lending increased by 394% and HMDA-related lending increased by 27%. Higher volume was evident in all HMDA-related products as home purchase lending increased by 41%, refinance lending increased by 16% and home improvement lending increased by 10%.

Geographic Distribution

As indicated in the chart below, the overall geographic distribution of HMDA-related and small business loans reflected adequate loan penetration across census tracts of different income levels in the NY Non-MSA. However, lending opportunities are limited as the assessment area has only one low-income and one moderate-income census tract. Both low- and moderate-income census tracts have less than 1% of owner occupied housing units in the Non-MSA assessment area, and 2% and 1% of all business establishments are located in low- and moderate-income census tracts, respectively. The lack of lending opportunities in both low- and moderate-income geographies was further confirmed by the performance of the aggregate, which, in 2012, made only 28 HMDA-related loans in low-income tracts and 63 HMDA-related loans in moderate-income tracts.

Home Purchase Loans

Chemung's performance in LMI geographies was adequate in light of demographic and performance context challenges relating to housing affordability and the availability of owner-occupied housing in the LMI geographies of the assessment area. Therefore, consideration was given to the limited opportunities for HMDA lending in LMI geographies. In 2012, Chemung did not originate any home purchase loans in low-income geographies while less than 1% of all owner-occupied housing units were located in low-income geographies. Home purchase performance in low-income geographies was significantly below the market aggregate, which made only 12 or less than 1% of its home purchase loans in low-income geographies. Chemung's 2013 home purchase lending performance in low-income geographies was comparable to its 2012 performance, as the bank also did not make any home purchase loans in low-income geographies in 2013.

<i>Non-MSA New York (Cayuga, Cortland, Schuyler, Seneca, and Steuben, Counties, NY)</i>				
<i>PRODUCT</i>	Low-income Tracts		Moderate-income Tracts	
	Chemung's Performance	2012 Aggregate Comparison	Chemung's Performance	2012 Aggregate Comparison
Home Purchase	Adequate	Significantly Below	Adequate	Significantly Above
Refinance	Adequate	Significantly Below	Adequate	Above
Home Improvement	Adequate	Significantly Below	Adequate	Similar
Small Business	Adequate	Significantly Below	Poor	Significantly Below

Chemung's performance in moderate-income geographies was also adequate considering the limited lending opportunities in moderate-income census tracts. In 2012, Chemung originated one or 3% of its home purchase loans in moderate-income geographies, while less than 1% of owner-occupied housing units in the assessment area were located in moderate-income geographies. Chemung's performance in moderate-income geographies was significantly above the market aggregate, which made 1% or 26 home purchase loans in moderate-income geographies in 2012. Chemung's 2013 home purchase lending performance in moderate-income geographies was comparable to its 2012 performance, as Chemung also made one or 3% of its home purchase performance in moderate-income geographies in 2013.

Refinance Loans

Chemung's performance in LMI geographies was adequate in light of demographic and performance context challenges relating to housing affordability and the availability of owner-occupied housing in the LMI geographies of the assessment area. Therefore, consideration was given to the limited opportunities for HMDA lending in LMI geographies. Chemung did not originate any refinance loans in low-income geographies, while less than 1% of all owner-occupied housing units were located in low-income geographies. Refinance performance in low-income geographies was significantly below the market aggregate, which made only 12 or less than 1% of its refinance loans in low-income geographies. Chemung's 2013 refinance lending performance in low-income geographies was comparable to its 2012 performance, as the bank also did not make any refinance loans in low-income geographies in 2013.

Chemung's performance in moderate-income geographies was also adequate considering the limited lending opportunities in moderate-income geographies. Chemung originated one or 1% of its refinance loans in moderate-income geographies in 2012, while less than 1% of owner-occupied housing units in the assessment area were located in moderate-income geographies. Chemung's performance in moderate-income geographies was above the market aggregate, which made less than 1% or 25 refinance loans in moderate-income geographies in 2012. Chemung's 2013 refinance lending performance in moderate-income geographies was less favorable to its 2012 performance, as the bank also did not make any refinance loans in moderate-income geographies.

Home Improvement Loans

Chemung's performance in LMI geographies was adequate in light of demographic and performance context challenges relating to housing affordability and the availability of owner-occupied housing in the LMI geographies of the assessment area. Therefore, consideration was given to the limited opportunities for HMDA lending in LMI geographies. Chemung did not originate any home improvement loans in low-income census tracts, while less than 1% of all owner-occupied housing units were located in low-income geographies. In comparison, the market aggregate made only 4 or less than 1% of its home improvement loans in low-income geographies. Chemung's 2013 home improvement lending performance in low-income geographies was comparable to its 2012 performance, as the bank also did not make any home improvement loans in low-income geographies in 2013.

Chemung's performance in moderate-income geographies was also adequate considering the limited lending opportunities in moderate-income census tracts. Chemung made one or 1% of its home improvement loans in moderate-income geographies, while less than 1% of owner-occupied housing units in the assessment area were located in moderate-income geographies. Chemung's performance in moderate-income geographies was similar to the market aggregate, which made 1% or 14 home improvement loans in moderate-income geographies in 2012. Chemung's 2013 home improvement lending performance in moderate-income geographies was less favorable to its 2012 performance, as the bank also did not make any home improvement loans in moderate-income geographies in 2013.

Small Business Loans

Small business lending performance in LMI geographies was adequate. Chemung did not make any of its small business loans in low-income geographies in 2012, while 2% of business establishments were located in low-income census tracts. Chemung's performance was significantly below the market aggregate, which originated 2% or 86 of its small business loans in low-income geographies. Chemung's performance in 2013 improved as two or 4% of total small business loans were made in low-income geographies.

2012 Aggregate Comparison Loan Distribution Table
Assessment Area: Non-MSA NY

Income Categories	HMDA									
	By Tract Income					By Borrower Income				
	Bank		Aggregate			Bank		Aggregate		
	#	%	% \$(000s)	%	% \$(000s)	#	%	% \$(000s)	%	% \$(000s)
Home Purchase										
Low	0	0.0%	0.0%	0.6%	0.3%	1	3.4%	1.9%	5.7%	3.1%
Moderate	1	3.4%	1.6%	1.2%	1.0%	2	6.9%	4.3%	19.9%	15.0%
Middle	23	79.3%	77.6%	73.2%	70.0%	10	34.5%	22.6%	25.5%	23.1%
Upper	5	17.2%	20.8%	25.0%	28.6%	15	51.7%	70.0%	36.1%	48.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	1	3.4%	1.2%	12.8%	10.8%
Total	29	100.0%	100.0%	100.0%	100.0%	29	100.0%	100.0%	100.0%	100.0%
Refinance										
Low	0	0.0%	0.0%	0.5%	0.3%	3	4.3%	1.6%	3.9%	1.9%
Moderate	1	1.4%	0.2%	1.0%	0.6%	11	15.7%	8.5%	14.0%	8.5%
Middle	62	88.6%	89.5%	71.8%	68.8%	19	27.1%	21.3%	24.2%	18.8%
Upper	7	10.0%	10.3%	26.7%	30.3%	36	51.4%	67.1%	50.7%	63.1%
Unknown	0	0.0%	0.0%	0.1%	0.0%	1	1.4%	1.4%	7.2%	7.6%
Total	70	100.0%	100.0%	100.0%	100.0%	70	100.0%	100.0%	100.0%	100.0%
Home Improvement										
Low	0	0.0%	0.0%	0.3%	0.2%	7	9.0%	1.2%	10.7%	4.1%
Moderate	1	1.3%	0.1%	1.2%	0.7%	12	15.4%	9.2%	23.3%	13.2%
Middle	68	87.2%	85.9%	76.1%	72.6%	28	35.9%	20.6%	26.9%	23.1%
Upper	9	11.5%	14.0%	22.4%	26.5%	30	38.5%	68.8%	38.0%	58.1%
Unknown	0	0.0%	0.0%	0.0%	0.0%	1	1.3%	0.2%	1.1%	1.5%
Total	78	100.0%	100.0%	100.0%	100.0%	78	100.0%	100.0%	100.0%	100.0%
Multi-Family										
Low	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
Moderate	0	0.0%	0.0%	7.7%	2.6%	0	0.0%	0.0%	0.0%	0.0%
Middle	0	0.0%	0.0%	61.5%	41.9%	0	0.0%	0.0%	0.0%	0.0%
Upper	0	0.0%	0.0%	30.8%	55.6%	0	0.0%	0.0%	0.0%	0.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	100.0%	100.0%
Total	0	0.0%	0.0%	100.0%	100.0%	0	0.0%	0.0%	100.0%	100.0%
HMDA Totals										
Low	0	0.0%	0.0%	0.5%	0.3%	11	6.2%	1.6%	5.9%	2.6%
Moderate	3	1.7%	0.5%	1.1%	0.8%	25	14.1%	7.7%	18.0%	11.5%
Middle	153	86.4%	85.7%	73.2%	69.2%	57	32.2%	21.5%	25.2%	20.7%
Upper	21	11.9%	13.7%	25.2%	29.6%	81	45.8%	68.2%	42.7%	55.5%
Unknown	0	0.0%	0.0%	0.1%	0.0%	3	1.7%	1.1%	8.2%	9.7%
Total	177	100.0%	100.0%	100.0%	100.0%	177	100.0%	100.0%	100.0%	100.0%
SMALL BUSINESS										
By Tract Income										
	#	Bank			Aggregate					
		%	% \$(000s)		%	% \$(000s)				
Low	0	0.0%	0.0%		2.4%	3.3%				
Moderate	0	0.0%	0.0%		0.7%	1.1%				
Middle	32	82.1%	82.7%		71.3%	72.7%				
Upper	7	17.9%	17.3%		21.4%	21.7%				
Unknown	0	0.0%	0.0%		0.0%	0.0%				
Tract Unknown	0	0.0%	0.0%		4.1%	1.2%				
Total	39	100.0%	100.0%		100.0%	100.0%				
By Revenue										
\$1 Million or Less	18	46.2%			39.1%	30.6%		28.4%		
By Loan Size										
\$100,000 or less	18	46.2%			12.4%	92.9%		32.7%		
\$100,001-\$250,000	10	25.6%			19.5%	3.9%		18.5%		
\$250,001-\$1 Million	11	28.2%			68.1%	3.2%		48.8%		
Total	39	100.0%			100.0%	100.0%		100.0%		

Originations and Purchases

Small business lending performance in moderate-income geographies was poor. Chemung did not originate any of its small business loans in moderate-income census tracts, while 1% of all business establishments were located in moderate-income geographies. Chemung's performance was significantly below the market aggregate, which originated 1% or 24 of its small business loans in moderate-income geographies. Chemung's 2013 small business lending performance in moderate-income geographies was comparable to its 2012 performance.

Distribution by Borrower and Revenue Size of Business

Lending performance in the assessment area relating to borrower distribution was good overall, and reflected good penetration among individuals of all income levels (including LMI) and adequate penetration to businesses of different sizes. The following table summarizes the bank's performance in lending to LMI borrowers within each HMDA product and its lending to small businesses:

<i>Non-MSA New York (Cayuga, Cortland, Schuyler, Seneca, and Steuben, Counties, NY)</i>				
<i>PRODUCT</i>	Low-income Borrowers		Moderate-income Borrowers	
	Chemung's Performance	2012 Aggregate Comparison	Chemung's Performance	2012 Aggregate Comparison
Home Purchase	Poor	Below	Adequate	Significantly Below
Refinance	Adequate	Similar	Good	Slightly Above
Home Improvement	Adequate	Slightly Below	Good	Below
<i>PRODUCT</i>	Lending to Businesses with GAR <= \$1 million		2012 Aggregate Comparison	
Small Business	Adequate		Significantly Above	

Home Purchase Loans

Chemung's overall distribution of home purchase loans to LMI borrowers in the non-MSA assessment area was adequate based on poor distribution to low-income borrowers and adequate distribution to moderate-income borrowers. In 2012, Chemung made 3% of its home purchase loans to low-income borrowers while 17% of the families in the MSA are low-income. Chemung's performance was below the market aggregate, which made 6% of its home purchase loans to low-income borrowers. Chemung's 2013 home purchase lending performance for low-income borrowers was less favorable to 2012 performance.

Performance in lending to moderate-income borrowers was adequate, as 7% of Chemung's home purchase loans were made to moderate-income borrowers compared to 18% of families in the MSA that were of moderate-income. Chemung's performance was below the market aggregate, which made 20% of its home purchase loans to moderate-income borrowers in 2012. Chemung's 2013 home purchase lending performance for moderate-income borrowers was less favorable to 2012 performance, as 20% of home purchase loans were to moderate-income borrowers.

Refinance Loans

Chemung's overall distribution of refinance loans to LMI borrowers in the non-MSA assessment area was good based on adequate distribution to low-income borrowers and good distribution to

moderate-income borrowers. Chemung's distribution of refinance loans to low-income borrowers was adequate, as 4% of refinance loans were made to low-income borrowers compared to 17% of all families in the MSA that were of low-income. Chemung's performance was similar to the market aggregate which made 4% of its refinance loans to low-income borrowers. Chemung's 2013 refinance lending performance to low-income borrowers was comparable to 2012 performance.

Chemung's distribution of refinance loans to moderate-income borrowers in 2012 was good, as 16% of refinance loans were made to moderate-income borrowers compared to 18% of all families in the MSA that were of moderate-income. Chemung's performance was slightly above the market aggregate, which made 14% of its refinance loans to moderate-income borrowers. Chemung's 2013 refinance lending to moderate-income borrowers performance was more favorable, as 19% of refinance loans were made to moderate-income borrowers.

Home Improvement Loans

Chemung's overall distribution of home improvement loans to LMI borrowers in the non-MSA assessment area was good based on good performance to both low- and moderate-income borrowers. In 2012, Chemung made 9% of its home improvement loans to low-income borrowers, while 17% of the families in the MSA are low-income. Chemung's performance was slightly below the market aggregate, which also made 11% of its home improvement loans to low-income borrowers. Chemung's 2013 home improvement lending performance to low-income borrowers was comparable to 2012 performance.

Performance in lending to moderate-income borrowers was good as 15% of Chemung's home improvement loans were made to moderate-income borrowers, compared to 18% of families in the MSA that were of moderate-income. Chemung's performance was below the market aggregate, which made 23% of its home improvement loans to moderate-income borrowers in 2010. Chemung's 2013 home improvement performance to moderate-income borrowers was more favorable, as 26% of home improvement loans were to moderate-income borrowers.

Small Business Loans

The overall level of lending to small businesses in the non-MSA assessment area was adequate. During 2012, Chemung made 46% of its small business loans to businesses with GAR of \$1 million or less, compared to 89% of business establishments in the MSA with GAR of \$1 million or less. Performance was significantly above the aggregate, which made 31% of its loans to businesses with GAR of \$1 million or less. Chemung's performance in 2013 less favorable, as 30% of its small business loans were made to businesses with GAR of \$1 million or less.

During 2012, 46% of Chemung's loans were in amounts of \$100,000 or less, with an average loan size of \$232,000. Chemung performance was below the market aggregate, which originated 93% of its loans in amounts of \$100,000 or less. Performance in 2013 exceeded 2012's performance as 74% of its small business loans were in amounts of \$100,000 or less.

Community Development Lending

Chemung's level of community development lending in the non-MSA assessment area was good, with 12 loans totaling \$4 million, or 14% of the bank's total community development lending. This conclusion was supported by a comparison to similarly-situated large retail banks in the assessment area. New commitments represented \$3 million of total community development loans in the non-MSA assessment area or 70% of total activity.

Community Development Loans		
Purpose	#	\$(000s)
Affordable Housing	0	\$0
Economic Development	0	\$0
Community Services	12	\$3,688
Revitalize and Stabilize	0	\$0
Totals	12	\$3,688

Community development lending was responsive to identified community needs. Lending targeted community development services.

Examples of community development lending included:

- A \$500,000 line of credit to a non-profit organization that provides services for the developmentally disabled. The line of credit is for the construction, purchase and renovations of group homes with a majority of residents who are LMI.
- A \$1 million line of credit to a hospital that primarily serves the residents of Schuyler County, a designated underserved area. The line of credit will help to maintain essential services in the county. The hospital is the largest employer in Schuyler County.
- A \$300,000 loan to a health care provider that provides services to LMI individuals. The organization provides supportive housing, and services to handicapped individuals and those that are mentally ill. The majority of funding comes from Medicaid.
- A \$100,000 line of credit to a non-profit organization that provides community services for families and individuals. Programs include general counseling for individuals, after school youth programs, sexual abuse programs, and big brother and big sister programs. The majority of funding comes from Medicaid.

INVESTMENT TEST

Chemung's investment test performance in the non-MSA assessment area was good. Chemung made a significant level of qualified community development investments and grants that exhibited good responsiveness to credit and community development needs. Chemung's performance was comparable to the performance of similarly-situated large retail banks in the assessment area. Chemung was ranked third out of five banks in annualized qualified investments as a percentage of MSA deposits in the non-MSA assessment area.

Qualified investments totaled \$7 million, or 51% of Chemung’s total qualified investment activity. Forty-even percent of Chemung’s qualified investments in the Non-MSA assessment area were new investments made since the prior CRA examination. Qualified investments in the Non-MSA assessment area included:

Community Development Investments		
Purpose	#	\$(000s)
Affordable Housing	0	\$0
Economic Development	0	\$0
Community Services	27	\$3,466
Revitalize and Stabilize	15	\$3,264
Totals	42	\$6,730

- A \$235 thousand investment in municipal bonds for the village of Montour Falls, an underserved area in Schuyler County. Proceeds will assist in revitalizing the marina area.
- A \$4.4 million investment in municipal bonds for two school districts in Steuben County that have more than 51% of the student population on the free lunch program and two districts in underserved middle-income census tracts in Schuyler County. The bonds assisted in revitalizing these geographies through activities that helped to attract or retain businesses and residents. Examples of projects to be funded include construction and renovation of facilities, the acquisition of school buses, and capital improvements to enhance technological resources.
- Charitable grants and contributions to community groups serving LMI persons totaling \$27 thousand.

SERVICE TEST

Performance on the service test in the non-MSA assessment area was good as Chemung’s branch distribution was accessible to all portions of the assessment area and the bank provided a relatively high level of community development services.

Retail Services

The bank’s delivery systems were accessible to all portions of the assessment area, including LMI areas. Overall, Chemung has nine branches in the assessment area, none of which were located in the assessment area’s one moderate-income tract. However, only three percent of the population resides in this tract.

Alternative delivery systems somewhat enhanced the availability and effectiveness of retail credit and non-credit services in LMI geographies and to LMI individuals. There were 2 off-site ATMs in the MSA.

The bank’s hours and services do not vary in a way that inconveniences the assessment area, including LMI areas. Extended hours are available at all branches, with six of the nine branches in the MSA opened on Saturdays.

Community Development Services

Chemung provided an adequate level of community development services in the non-MSA assessment area. The bank provides financial literacy instruction on four occasions at several schools and through non-profit organizations, another employee conducted a first-time homebuyer's seminar through a non-profit organization and several employees provided technical assistance as tax volunteers to non-profit organizations that provide community services to LMI individuals.

In addition to the above noted services, Chemung employees also served on numerous boards and committees of community development organizations and provided financial management expertise and technical assistance to these organizations. A total of 19 Chemung officers served as directors, advisors or committee members for 11 organizations throughout the non-MSA assessment area. Examples of the bank's efforts in providing such services include:

- An officer served on a board committee of the Schuyler County Partnership for Economic Development. The organization seeks to assist in identifying the financial and professional resources needed for business expansion and creation in this upstate New York region.
- One officer served on a board committee of a community based not-for profit organization that is committed to meet the needs of individuals with developmental disabilities. The organization's goal is to foster independence and create opportunities for individual growth.
- One officer serves on the board of a Steuben County based organization that seeks to strategically plan economic and industrial development initiatives in the local communities of Corning, Big Flats, Horseheads, and Watkins Glen, NY. Programs include partnering with local community colleges for workforce development initiatives, support and guidance to municipalities to strengthen their tax base, and acquire, construct, and rehabilitate facilities for housing, economic growth and business expansion. .
- One officer is chairman of the loan committee of a revolving loan fund that provides financing for start-up and business expansion to businesses in Chemung, Schuyler, and Steuben Counties.

METROPOLITAN AREA

(FULL REVIEW)

MSA10580 (Albany-Schenectady-Troy, NY)

DESCRIPTION OF INSTITUTION'S OPERATIONS

As of December 31, 2013, Chemung operated five branches in MSA 10580 (Albany-Schenectady-Troy, NY), which accounts for 16% of its branches. The branches are operated under the name Capital Bank, a division of Chemung that was acquired by Chemung in November 2011. As of June 30, 2013, 16% of the bank's deposits in New York State were in the MSA. Chemung ranks 14th in deposit market share in this MSA, with a deposit market share of slightly less than 1%. The market is highly competitive with large depository institutions such as KeyBank National Association, First Niagara Bank NA, Trustco Bank, RBS Citizens, National Association, Bank of America, National Association, and Manufacturers and Traders Trust Co., are the lead banks in terms of deposit market share. For additional assessment area details, see Summary of Key Assessment Area Data.

PERFORMANCE CONTEXT

The following demographic and economic information was obtained from publicly available sources that include the U.S. Department of Commerce's Bureau of Census, the New York State Department of Labor, the U.S. Department of Housing and Urban Development ("HUD") and the New York Association of Realtors.

Demographic Characteristics

Chemung's MSA 10580 assessment area consists of Albany and Saratoga Counties. According to the 2010 Census, the MSA's population totals 523,811. The MSA contains 46% of the bank's combined assessment area population. Of the 125 census tracts in the assessment area, 11, or 9%, are low-income, and 17, or 14%, are moderate-income.

Income Characteristics

According to the 2010 Census, MSA 10580 has 129,084 families, of which 24,363 or 19% are low-income families and 21,892 or 17% are moderate-income families. The HUD-adjusted median family income for MSA 10580 was \$78,100 in 2012 and \$77,700 in 2013. Of the 125 census tracts in the assessment area, 11, or 9%, are low-income, and 17, or 14%, are moderate-income. Six percent of all families within the assessment area have incomes below the poverty level.

Housing Characteristics

The assessment area contains 233,963 housing units, of which 59% are owner-occupied. Eleven percent of owner-occupied housing units are in LMI census tracts. Eighteen percent of all housing units in LMI census are vacant. Demographic information from the 2010 census

estimated that the median age of the housing stock to be 46 years indicating a potential need for home improvement financing.

In 2012, housing costs in the Albany MSA were approximately 4 to 6 times the median family income of a low-and middle-income borrower respectively, making housing affordability difficult for both low- and moderate-income individuals. Housing costs in relation to family incomes may limit opportunities for home purchase lending, particularly for LMI individuals. City residents in particular might be unable to purchase homes without some sort of assistance.

Labor, Employment and Economic Characteristics

Albany is New York State’s most affluent metropolitan area outside the New York City Metropolitan region. The area's dominant industry is state government, a feature which helped cushion the area from the latest economic downturn, but, more recently, has adversely affected the local economy as public sector jobs have been reduced. The area also possesses a burgeoning high-tech industry base and this has been a source of job growth in recent years. The University at Albany is an important part of the local economy and is a leader in the field of nano-technology. More broadly, metropolitan Albany held up better than most other metro areas during the recent economic downturn, as employment fell 3.3 percent between its peak in mid-2008 and the end of 2009. However, in 2011, while private-sector employment began to recover, steep job losses in state government, a key sector, more than offset those gains. Thus, total employment in this metro area slipped to new lows at the end of 2012.

In 2013, private sector employment continued to expand, led by good job gains in the financial activities, professional and business services and health and education sectors. Detailed demographic data for this assessment area is provided in the chart on the following page.

AVERAGE ANNUAL UNEMPLOYMENT RATES		
Area	2012	2013
Albany County	7.3%	6.3%
Saratoga County	6.9%	5.9%
State of New York	8.5%	7.7%

Source: NYS Department of Labor

Assessment Area Demographics								
Assessment Area : MSA 10580								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	11	8.8	7,397	5.7	2,451	33.1	24,363	18.9
Moderate-income	17	13.6	12,983	10.1	1,323	10.2	21,892	17.0
Middle-income	61	48.8	64,520	50.0	2,753	4.3	27,880	21.6
Upper-income	35	28.0	44,184	34.2	846	1.9	54,949	42.6
Unknown-income	1	0.8	0	0.0	0	0.0	0	0.0
Total Assessment Area	125	100.0	129,084	100.0	7,373	5.7	129,084	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	18,559	3,816	2.8	20.6	10,690	57.6	4,053	21.8
Moderate-income	30,366	11,237	8.2	37.0	14,186	46.7	4,943	16.3
Middle-income	113,879	72,641	53.0	63.8	31,006	27.2	10,232	9.0
Upper-income	71,159	49,486	36.1	69.5	17,987	25.3	3,686	5.2
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	233,963	137,180	100.0	58.6	73,869	31.6	22,914	9.8
	Total Businesses by Tract*	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million			Over \$1 Million		Revenue Not Reported	
		#	%	#	%	#	%	#
Low-income	2,003	6.7	1,667	6.3	228	10.6	108	8.9
Moderate-income	3,485	11.6	2,959	11.1	330	15.3	196	16.1
Middle-income	14,562	48.7	12,971	48.8	1,039	48.3	552	45.4
Upper-income	9,878	33.0	8,962	33.7	555	25.8	361	29.7
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	29,928	100.0	26,559	100.0	2,152	100.0	1,217	100.0
	Percentage of Total Businesses:			88.7		7.2		4.1

*Based on 2012 Dun and Bradstreet information according to 2010 ACS boundaries

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Chemung’s performance in MSA 10580 under the lending test was good, based on adequate lending activity, good geographic distribution of lending, and good distribution of lending to borrowers of different income levels and to businesses of different sizes. Comparisons to the last examination were not evaluated as Chemung has only operated in this MSA since 2011.

Lending Activity

Chemung demonstrated adequate responsiveness to the retail credit needs of MSA 10580 (Albany-Schenectady-Troy, NY), based on market share activity and comparison to peer banks. Chemung ranked fourteenth in deposit market share, with 1% market share of deposits, forty-eighth in home purchase lending (less than 1% of market share), forty-second in refinance lending (less than 1% of market share), nineteenth in home improvement lending (1% of market share), and twenty-second in small business lending (1% of market share). Peer comparisons based on the number of loans per billion dollars of deposits indicate that the bank’s performance was below the performance of similar-situated institutions.

Geographic Distribution of Loans

Chemung’s overall geographic distribution of loans reflects good dispersion throughout the MSA 10580 assessment area, including LMI census tracts. HMDA-related lending performance was good, while small business lending performance was excellent. The table below summarizes geographic distribution performance in LMI tracts.

<i>MSA 10580 (Albany-Schenectady-Troy, NY)</i>				
<i>PRODUCT</i>	Low-income Tracts		Moderate-income Tracts	
	Chemung’s Performance	2012 Aggregate Comparison	Chemung’s Performance	2012 Aggregate Comparison
Home Purchase	Excellent	Significantly Above	Poor	Below
Refinance	Adequate	Significantly Below	Excellent	Significantly Above
Home Improvement	Adequate	Significantly Below	Adequate	Significantly Below
Small Business	Excellent	Significantly Above	Good	Below

Home Purchase Loans

Chemung’s overall home purchase lending distribution in MSA 10580 was considered adequate, based on excellent performance in low-income geographies and poor performance in moderate-income geographies. In 2012, Chemung made three or 16% of its home purchase loans in low-

income geographies, while 3% of all owner-occupied housing units were in low-income geographies. Chemung's performance exceeded the market aggregate, which made 2% of its total home purchase loans in low-income geographies. Chemung's 2013 home purchase lending performance in low-income geographies was comparable to 2012 performance.

Chemung's performance in moderate-income geographies was poor. In 2012, Chemung originated one or 5% of its home purchase loans in moderate-income geographies, compared to 8% of owner-occupied housing units located in moderate-income geographies in the MSA. Chemung's performance in moderate-income census tracts was below the market aggregate, which made 8% of its home purchase loans in moderate-income geographies in 2012. Home purchase lending performance in moderate-income geographies was comparable to 2012, as Chemung did not originate any home purchase loans in moderate-income geographies.

Refinance Loans

Chemung's overall refinance lending in MSA 10580 was excellent, based on adequate refinance lending in low-income geographies and excellent refinance lending in moderate-income geographies. Chemung did not make any refinance loans in low-income geographies, while 3% of all owner-occupied housing units were in low-income census tracts. Chemung's performance was below the market aggregate, which made 1% of its total refinance loans in low-income geographies. Performance in 2013 was more favorable, as 8% of Chemung's refinance loans were in low-income geographies.

Chemung's refinance performance in moderate-income geographies was excellent as 8% of refinance loans were in moderate-income geographies, compared to 8% of owner-occupied housing units. Chemung's performance was significantly above the market aggregate, which made 5% of its total refinance loans in moderate-income geographies. Performance in 2013 was also excellent, as 30% of Chemung's refinance loans were in moderate-income geographies.

Home Improvement Loans

Chemung's overall home improvement lending in MSA 10580 was adequate. Chemung's home improvement lending performance in low-income geographies was adequate, when considering the limited lending opportunities that make HMDA-related lending challenging in low-income geographies. Chemung did not make any home improvement loans in low-income census tracts, while 3% of owner-occupied housing units were in low-income census tracts. The limited opportunities for lending home improvement loans was confirmed by the performance of the market aggregate, which made only nineteen home improvement loans in low-income geographies in 2012. Chemung's 2013 home improvement lending performance was comparable to its 2012 performance.

Chemung's home improvement lending performance in moderate-income geographies was adequate, based primarily on more favorable performance in 2013 compared to 2012. In 2012, Chemung did not originate any of its home improvement loans in moderate-income geographies tracts. Eight percent of owner-occupied housing units were located in moderate-income census

2012 Aggregate Comparison Loan Distribution Table
Assessment Area: MSA 10580

Income Categories	HMDA									
	By Tract Income					By Borrower Income				
	Bank		Aggregate			Bank		Aggregate		
	#	%	% \$(000s)	%	% \$(000s)	#	%	% \$(000s)	%	% \$(000s)
Home Purchase										
Low	3	15.8%	14.2%	2.3%	1.4%	0	0.0%	0.0%	7.8%	4.3%
Moderate	1	5.3%	0.6%	8.1%	5.4%	2	10.5%	5.9%	22.6%	17.5%
Middle	3	15.8%	20.8%	51.9%	49.8%	5	26.3%	17.2%	25.9%	25.3%
Upper	12	63.2%	64.4%	37.7%	43.4%	11	57.9%	74.0%	32.7%	43.3%
Unknown	0	0.0%	0.0%	0.0%	0.0%	1	5.3%	2.9%	10.9%	9.6%
Total	19	100.0%	100.0%	100.0%	100.0%	19	100.0%	100.0%	100.0%	100.0%
Refinance										
Low	0	0.0%	0.0%	1.2%	0.8%	0	0.0%	0.0%	4.7%	2.6%
Moderate	3	8.3%	2.1%	5.2%	3.8%	0	0.0%	0.0%	15.2%	11.1%
Middle	16	44.4%	48.9%	52.0%	50.1%	6	16.7%	11.5%	23.9%	21.5%
Upper	17	47.2%	49.0%	41.7%	45.3%	29	80.6%	88.1%	41.4%	48.9%
Unknown	0	0.0%	0.0%	0.0%	0.0%	1	2.8%	0.4%	14.9%	15.9%
Total	36	100.0%	100.0%	100.0%	100.0%	36	100.0%	100.0%	100.0%	100.0%
Home Improvement										
Low	0	0.0%	0.0%	1.9%	1.6%	0	0.0%	0.0%	9.9%	5.1%
Moderate	0	0.0%	0.0%	8.2%	6.3%	2	20.0%	7.3%	19.8%	14.1%
Middle	5	50.0%	26.5%	55.7%	53.4%	2	20.0%	3.1%	27.0%	23.9%
Upper	5	50.0%	73.5%	34.2%	38.7%	5	50.0%	83.0%	39.0%	50.7%
Unknown	0	0.0%	0.0%	0.0%	0.0%	1	10.0%	6.6%	4.1%	6.2%
Total	10	100.0%	100.0%	100.0%	100.0%	10	100.0%	100.0%	100.0%	100.0%
Multi-Family										
Low	0	0.0%	0.0%	10.0%	0.5%	0	0.0%	0.0%	0.0%	0.0%
Moderate	3	50.0%	46.1%	23.0%	13.2%	0	0.0%	0.0%	0.0%	0.0%
Middle	2	33.3%	52.2%	39.0%	42.9%	0	0.0%	0.0%	0.0%	0.0%
Upper	1	16.7%	1.7%	28.0%	43.4%	0	0.0%	0.0%	0.0%	0.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	6	100.0%	100.0%	100.0%	100.0%
Total	6	100.0%	100.0%	100.0%	100.0%	6	100.0%	100.0%	100.0%	100.0%
HMDA Totals										
Low	3	4.2%	1.8%	1.7%	1.0%	0	0.0%	0.0%	6.0%	2.9%
Moderate	7	9.9%	30.8%	6.4%	5.3%	4	5.6%	0.8%	17.9%	12.3%
Middle	26	36.6%	47.3%	52.0%	49.3%	13	18.3%	4.6%	24.6%	20.7%
Upper	35	49.3%	20.1%	39.9%	44.3%	45	63.4%	28.4%	38.1%	42.1%
Unknown	0	0.0%	0.0%	0.0%	0.0%	9	12.7%	66.2%	13.5%	22.0%
Total	71	100.0%	100.0%	100.0%	100.0%	71	100.0%	100.0%	100.0%	100.0%
SMALL BUSINESS										
By Tract Income										
		Bank			Aggregate					
	#	%	% \$(000s)	%	% \$(000s)		%	% \$(000s)		% \$(000s)
Low	14	21.2%	21.0%	6.2%	10.5%					
Moderate	4	6.1%	3.4%	10.6%	11.4%					
Middle	27	40.9%	47.0%	47.3%	49.2%					
Upper	21	31.8%	28.6%	31.5%	27.9%					
Unknown	0	0.0%	0.0%	0.0%	0.0%					
Tract Unknown	0	0.0%	0.0%	4.4%	1.0%					
Total	66	100.0%	100.0%	100.0%	100.0%					
By Revenue										
\$1 Million or Less	33	50.0%	40.0%	28.5%	26.1%					
By Loan Size										
\$100,000 or less	23	34.8%	8.0%	93.4%	28.5%					
\$100,001-\$250,000	20	30.3%	20.7%	3.3%	16.4%					
\$250,001-\$1 Million	23	34.8%	71.4%	3.3%	55.1%					
Total	66	100.0%	100.0%	100.0%	100.0%					

Originations and Purchases

tracts in this MSA. Chemung’s 2012 performance was significantly below the market aggregate, which originated 8% of its home improvement loans in moderate-income geographies. Chemung’s 2013 home improvement lending performance was more favorable, as 13% of its home improvement loans were in moderate-income geographies.

Small Business Loans

Overall, small business lending performance in MSA 10580 was good based on excellent performance in low-income geographies and good performance in moderate-income geographies. Chemung made 21% of its small business loans in low-income geographies and 15% of its small business loans in moderate-income census geographies compared to 7% of business establishments located in both low- and moderate-income geographies. Chemung’s performance in both low- and moderate-income geographies was significantly above the market aggregate, which had 6% of its small business loans in both low- and moderate-income census tracts. Chemung’s small business lending performance in 2013 was comparable to 2012.

Distribution by Borrower Income and Revenue Size of Business

Lending performance in the assessment area relating to borrower distribution was good overall, and reflected good penetration among individuals of all income levels (including LMI) and adequate penetration to businesses of different sizes. The following table summarizes the bank’s performance in lending to LMI borrowers within each HMDA and small business product:

<i>MSA 10580 (Albany-Schenectady-Troy, NY)</i>				
<i>PRODUCT</i>	Low-income Borrowers		Moderate-income Borrowers	
	Chemung’s Performance	2012 Aggregate Comparison	Chemung’s Performance	2012 Aggregate Comparison
Home Purchase	Poor	Significantly Below	Adequate	Significantly Below
Refinance	Poor	Significantly Below	Poor	Significantly Below
Home Improvement	Poor	Significantly Below	Good	Similar
<i>PRODUCT</i>	Lending to Businesses with GAR <= \$1 million		2012 Aggregate Comparison	
Small Business	Adequate		Significantly Above	

Home Purchase Loans

Chemung’s overall distribution of home purchase loans to LMI borrowers in MSA 10580 was adequate based on poor distribution to low-income borrowers and adequate distribution to moderate-income borrowers. In 2012, Chemung did not make any home purchase loans to low-income borrowers, while 19% of the families in the MSA are low-income. Chemung’s performance was significantly below the market aggregate, which made 8% of its home purchase

loans to low-income borrowers. Chemung's 2013 home purchase lending performance for low-income borrowers was comparable to 2012.

Performance in lending to moderate-income borrowers was adequate, as 11% of Chemung's home purchase loans were made to moderate-income borrowers compared to 17% of families in the MSA that were of moderate-income. Chemung's performance was significantly below the market aggregate, which made 23% of its home purchase loans to moderate-income borrowers in 2012. Chemung's 2013 home purchase lending performance for moderate-income borrowers was comparable to 2012.

Refinance Loans

Chemung's overall distribution of refinance loans to LMI borrowers in MSA 10580 was poor. In 2012, Chemung did not make any refinance loans to low-income borrowers, while 19% of the families in the MSA are low-income. Chemung's performance was significantly below the market aggregate, which made 5% of its home improvement loans to low-income borrowers. Chemung's 2013 refinance lending performance for low-income borrowers was comparable to 2012.

In 2012, Chemung did not make any refinance loans to moderate-income borrowers, while 17% of the families in the MSA are moderate-income. Performance was significantly below the aggregate, which originated 15% of its refinance loans to moderate-income borrowers. Chemung's 2013 refinance lending performance for moderate-income borrowers was more favorable, as Chemung made one refinance loan to a moderate-income borrower in 2013.

Home Improvement Loans

Chemung's overall distribution of home improvement loans to LMI borrowers was good based on good performance to moderate-income borrowers and poor performance to low-income borrowers. In 2012, Chemung did not make any home improvement loans to low-income borrowers, while 19% of the families in the MSA are low-income. Chemung's performance was significantly below the market aggregate, which made 10% of its home improvement loans to low-income borrowers. Chemung's 2013 home improvement lending performance for low-income borrowers was comparable to 2012.

Performance in lending to moderate-income borrowers was good as 20% or two loans of Chemung's home improvement loans were made to moderate-income borrowers, compared to 17% of families in the MSA that were of moderate-income. Chemung's performance was similar to the market aggregate, which made 20% of its home improvement loans to moderate-income borrowers. Chemung's 2013 performance was more favorable, as 26% of home improvement loans were to moderate-income borrowers.

Small Business Loans

Chemung's overall level of lending to small businesses in MSA 10580 was adequate. In 2012, Chemung made 50% of its small business loans to businesses with GAR of \$ 1 million or less,

compared to 89% of business establishments in the MSA with GAR of \$1 million or less. Performance was significantly above the aggregate, which made 29% of its loans to businesses with GAR of \$1 million or less. Chemung’s performance in 2013 was also adequate, as 51% of its small business loans were made to businesses with GAR of \$1 million or less.

In 2012, 35% of Chemung’s loans were in amounts of \$100,000 or less, with an average loan size of \$271,000. Chemung performance was below the market aggregate, which originated 93% of its loans in amounts of \$100,000 or less. Performance in 2013 was comparable to 2012’s performance.

Community Development Lending

Chemung’s level of community development lending was good, with 11 loans totaling \$3.5 million, or 12% of the bank’s total community development lending. This conclusion was supported by a comparison to similarly-situated large retail banks in the assessment area. New commitments represented \$3.2 million or 95% of total community development loans in the MSA.

Community Development Loans		
Purpose	#	\$(000s)
Affordable Housing	1	\$212
Economic Development	2	\$170
Community Services	8	\$3,118
Revitalize and Stabilize	0	\$0
Totals	11	\$3,500

Community development lending was responsive to identified community needs. Lending targeted community development services.

Examples of community development lending include:

- A \$1.3 million participation, with four other banks, in a \$6.5 million term loan to construct a community center. The community center will serve a largely LMI clientele. The center will provide counseling services, before and after school programs, child care, and recreational and summer programs for youths.
- A \$400,000 line of credit to a non-profit organization that is located in a low-income area and provides alcohol and substance abuse programs to the local community. The organization largely receives funding through government agencies.
- A \$500,000 term loan to an organization that provides a home for families of seriously ill LMI children. The loan will expand the number of apartments from eight to sixteen.
- A \$212,000 loan to purchase a 6-unit multifamily property in a moderate-income area of Albany. Rents are affordable for LMI individuals.

INVESTMENT TEST

Chemung's investment test performance in MSA 10580 (Albany-Schenectady-Troy, NY) was adequate. Chemung made an adequate level of qualified community development investments and grants that exhibited adequate responsiveness to credit and community development needs in the assessment area. Qualified investments were all in the form of charitable grants and contributions to various community service non-profit organizations in the assessment area.

Community Development Investments		
Purpose	#	\$(000s)
Affordable Housing	0	\$0
Economic Development	1	\$10
Community Services	18	\$31
Revitalize and Stabilize	15	\$0
Totals	42	\$41

SERVICE TEST

Performance on the service test was excellent based on Chemung's branch distribution and its leadership in providing community development services in the MSA 10580 assessment area.

Retail Services

The bank's delivery systems were readily accessible to all portions of the assessment area, including LMI areas. Overall, Chemung has 5 branches in the assessment area, of which 2, or 40%, are located in LMI areas. This compares favorably to the 19% of the MSA population that resides in LMI areas.

Alternative delivery systems somewhat enhanced the availability and effectiveness of retail credit and non-credit services in LMI geographies and to LMI individuals. All branches have full service ATMs, however there were no off-site ATMs in the MSA.

The bank's hours and services do not vary in a way that inconveniences the assessment area, including LMI areas. Extended hours are available at all branches, with three of the 5 branches in the MSA and one of the two LMI branches, open on Saturdays.

Community Development Services

Chemung provided an adequate level of community development services in the MSA. Bank employees conducted two seminars for first-time homebuyers through non-profit organization.

Chemung employees also serve on numerous boards and committees of community development organizations and provide financial management expertise and technical assistance to these organizations. A total of seven Chemung officers served as directors, advisors or committee members for seven organizations throughout the MSA 10580 assessment area. Examples of the bank's efforts in providing such services include:

- One officer is a member of the Board of Directors of a non-profit organization that promotes sustainable community development efforts for the economically underserved

people or communities. Access to capital is provided through pooled investments and donations and re-lending it to non-profit organizations for housing and community improvement, micro businesses for business development and to individuals for home ownership and repairs.

- One officer serves as vice chairman of an organization that implements programs that create, retain and attract businesses in the city of Albany, NY.
- One officer is a committee member of a non-profit organization that promotes economic development through job creation and diversification of the tax base in Saratoga County. The organization works to retain businesses, attract new industries and promote Saratoga County.
- One officer serves on the finance committee of a non-profit organization that creates support programs that improve the health and wellbeing of children. The children are primarily from LMI families.

The following metropolitan assessment areas were reviewed using limited-scope examination procedures.

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE NEW YORK METROPOLITAN ASSESSMENT AREAS

- MSA 13780 (Binghamton, NY)
 - As of December 31, 2013, Chemung operated 6 branches in the assessment area representing 19% of all branches in New York State.
 - As of June 30, 2013, Chemung had \$131.3 million in deposits representing a market share of 4.9% and 13% of Chemung’s total deposits in New York State.
- MSA 27060 (Ithaca, NY)
 - As of December 31, 2013, Chemung operated 4 branches in the assessment area representing 13% of all branches in New York State.
 - As of June 30, 2013, Chemung had \$33.8 million in deposits representing a market share of 1.9% and 3% of Chemung’s total deposits in New York State.

CONCLUSION WITH RESPECT TO PERFORMANCE CONTEXT

Through the use of available facts and data, including performance and demographic information, each assessment area’s performance was compared with the bank’s performance in the state. The conclusions regarding performance are provided in the tables below.

PERFORMANCE OF LIMITED SCOPE AREAS			
Assessment Area	Lending Test	Investment Test	Service Test
MSA 13780	Consistent	Not Consistent (Below)	Not Consistent (Below)
MSA 27060	Consistent	Not Consistent (Below)	Consistent

For the Lending Test, performance was consistent with the bank’s performance in the state.

For the Investment Test, performance was weaker than the bank’s performance in the state due to lower levels of qualified investments.

For the Service Test, performance was weaker than the bank’s performance in the state in MSA 13780 due to lower levels of branches in LMI geographies compared to the population in LMI geographies and fewer levels of community development services. Service Test performance in MSA 27060 was overall consistent with the bank’s performance in the state.

2012 Aggregate Comparison Loan Distribution Table
 Assessment Area/Group: MSA 13780

Income Categories	HMDA									
	By Tract Income					By Borrower Income				
	Bank		Aggregate			Bank		Aggregate		
	#	%	% \$(000s)	%	% \$(000s)	#	%	% \$(000s)	%	% \$(000s)
Home Purchase										
Low	0	0.0%	0.0%	3.4%	2.5%	2	14.3%	9.4%	9.9%	5.9%
Moderate	1	7.1%	3.4%	12.6%	8.3%	4	28.6%	20.4%	23.6%	19.0%
Middle	10	71.4%	72.7%	46.2%	41.4%	1	7.1%	11.2%	24.5%	24.6%
Upper	3	21.4%	23.9%	37.7%	47.8%	6	42.9%	51.2%	30.4%	41.6%
Unknown	0	0.0%	0.0%	0.0%	0.0%	1	7.1%	7.8%	11.6%	9.1%
Total	14	100.0%	100.0%	100.0%	100.0%	14	100.0%	100.0%	100.0%	100.0%
Refinance										
Low	0	0.0%	0.0%	1.8%	1.0%	1	2.9%	2.0%	5.8%	3.1%
Moderate	1	2.9%	1.5%	7.1%	4.4%	14	40.0%	23.1%	17.0%	11.8%
Middle	23	65.7%	58.9%	45.7%	41.1%	4	11.4%	11.9%	23.5%	19.7%
Upper	11	31.4%	39.6%	45.3%	53.5%	16	45.7%	63.0%	44.6%	55.8%
Unknown	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	9.2%	9.5%
Total	35	100.0%	100.0%	100.0%	100.0%	35	100.0%	100.0%	100.0%	100.0%
Home Improvement										
Low	1	1.1%	4.1%	2.1%	1.5%	15	16.9%	10.4%	13.4%	4.7%
Moderate	5	5.6%	2.7%	8.8%	5.1%	21	23.6%	11.5%	19.4%	12.6%
Middle	67	75.3%	67.6%	63.0%	54.8%	25	28.1%	28.0%	26.9%	21.6%
Upper	16	18.0%	25.5%	26.2%	38.6%	23	25.8%	44.7%	36.6%	56.4%
Unknown	0	0.0%	0.0%	0.0%	0.0%	5	5.6%	5.4%	3.7%	4.6%
Total	89	100.0%	100.0%	100.0%	100.0%	89	100.0%	100.0%	100.0%	100.0%
Multi-Family										
Low	1	50.0%	87.3%	17.9%	3.2%	0	0.0%	0.0%	0.0%	0.0%
Moderate	1	50.0%	12.7%	25.0%	42.9%	0	0.0%	0.0%	0.0%	0.0%
Middle	0	0.0%	0.0%	53.6%	53.0%	0	0.0%	0.0%	0.0%	0.0%
Upper	0	0.0%	0.0%	3.6%	0.9%	0	0.0%	0.0%	0.0%	0.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	2	100.0%	100.0%	100.0%	100.0%
Total	2	100.0%	100.0%	100.0%	100.0%	2	100.0%	100.0%	100.0%	100.0%
HMDA Totals										
Low	2	1.4%	10.5%	2.7%	1.9%	18	12.9%	5.2%	8.4%	4.1%
Moderate	8	5.7%	3.3%	9.8%	9.5%	39	27.9%	17.0%	20.0%	13.9%
Middle	100	71.4%	57.1%	48.0%	42.9%	30	21.4%	14.9%	24.1%	20.2%
Upper	30	21.4%	29.1%	39.6%	45.8%	45	32.1%	49.4%	37.2%	44.8%
Unknown	0	0.0%	0.0%	0.0%	0.0%	8	5.7%	13.4%	10.3%	17.0%
Total	140	100.0%	100.0%	100.0%	100.0%	140	100.0%	100.0%	100.0%	100.0%
SMALL BUSINESS										
By Tract Income										
	#	Bank			Aggregate					
		%	% \$(000s)	%	%	% \$(000s)				
Low	1		3.4%		11.5%		11.5%		15.6%	
Moderate	4		13.8%		17.1%		17.1%		16.2%	
Middle	17		58.6%		37.6%		37.6%		38.9%	
Upper	7		24.1%		32.0%		32.0%		29.0%	
Unknown	0		0.0%		0.0%		0.0%		0.0%	
Tract Unknown	0		0.0%		1.7%		1.7%		0.3%	
Total	29		100.0%		100.0%		100.0%		100.0%	
By Revenue										
\$1 Million or Less	9		31.0%		16.7%		36.0%		39.2%	
By Loan Size										
\$100,000 or less	13		44.8%		8.8%		93.7%		32.5%	
\$100,001-\$250,000	6		20.7%		13.6%		3.4%		18.5%	
\$250,001-\$1 Million	10		34.5%		77.6%		2.9%		49.1%	
Total	29		100.0%		100.0%		100.0%		100.0%	

Originations and Purchases

2012 Aggregate Comparison Loan Distribution Table
Assessment Area/Group: MSA 27060

Income Categories	HMDA									
	By Tract Income					By Borrower Income				
	Bank		Aggregate			Bank		Aggregate		
	#	%	% \$(000s)	%	% \$(000s)	#	%	% \$(000s)	%	% \$(000s)
Home Purchase										
Low	0	0.0%	0.0%	0.1%	0.1%	1	11.1%	9.3%	9.1%	5.5%
Moderate	0	0.0%	0.0%	11.4%	8.5%	3	33.3%	25.2%	25.1%	18.7%
Middle	7	77.8%	78.1%	62.4%	57.1%	2	22.2%	28.6%	24.9%	23.6%
Upper	2	22.2%	21.9%	26.1%	34.4%	3	33.3%	36.9%	35.9%	47.4%
Unknown	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	5.0%	4.8%
Total	9	100.0%	100.0%	100.0%	100.0%	9	100.0%	100.0%	100.0%	100.0%
Refinance										
Low	1	2.9%	5.5%	0.2%	0.2%	2	5.9%	2.6%	4.8%	2.2%
Moderate	2	5.9%	4.2%	11.9%	8.9%	7	20.6%	15.4%	22.5%	14.9%
Middle	27	79.4%	76.5%	61.5%	55.7%	7	20.6%	19.3%	27.3%	24.0%
Upper	4	11.8%	13.7%	26.3%	35.1%	17	50.0%	57.5%	40.3%	53.3%
Unknown	0	0.0%	0.0%	0.1%	0.1%	1	2.9%	5.2%	5.1%	5.6%
Total	34	100.0%	100.0%	100.0%	100.0%	34	100.0%	100.0%	100.0%	100.0%
Home Improvement										
Low	0	0.0%	0.0%	0.0%	0.0%	5	13.2%	4.2%	10.5%	3.2%
Moderate	9	23.7%	33.7%	12.7%	10.9%	9	23.7%	11.2%	26.4%	19.0%
Middle	27	71.1%	64.5%	70.9%	58.6%	8	21.1%	17.9%	26.7%	20.7%
Upper	2	5.3%	1.8%	16.4%	30.5%	14	36.8%	65.9%	32.6%	52.7%
Unknown	0	0.0%	0.0%	0.0%	0.0%	2	5.3%	0.8%	3.8%	4.4%
Total	38	100.0%	100.0%	100.0%	100.0%	38	100.0%	100.0%	100.0%	100.0%
Multi-Family										
Low	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
Moderate	0	0.0%	0.0%	31.3%	38.7%	0	0.0%	0.0%	0.0%	0.0%
Middle	0	0.0%	0.0%	18.8%	6.8%	0	0.0%	0.0%	0.0%	0.0%
Upper	0	0.0%	0.0%	50.0%	54.5%	0	0.0%	0.0%	0.0%	0.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	100.0%	100.0%
Total	0	0.0%	0.0%	100.0%	100.0%	0	0.0%	0.0%	100.0%	100.0%
HMDA Totals										
Low	1	1.2%	3.3%	0.1%	0.1%	8	9.9%	4.1%	7.3%	3.5%
Moderate	11	13.6%	10.5%	12.0%	10.2%	19	23.5%	16.1%	23.9%	16.1%
Middle	61	75.3%	74.0%	63.0%	54.3%	17	21.0%	20.6%	26.1%	22.5%
Upper	8	9.9%	12.3%	24.8%	35.3%	34	42.0%	55.9%	37.1%	48.4%
Unknown	0	0.0%	0.0%	0.0%	0.0%	3	3.7%	3.3%	5.5%	9.4%
Total	81	100.0%	100.0%	100.0%	100.0%	81	100.0%	100.0%	100.0%	100.0%
SMALL BUSINESS										
By Tract Income										
		Bank		Aggregate					Aggregate	
	#	%	% \$(000s)	%	% \$(000s)	%	%	% \$(000s)	%	% \$(000s)
Low	0		0.0%		0.0%		0.3%			0.0%
Moderate	4		57.1%		28.9%		21.6%			24.9%
Middle	2		28.6%		64.6%		45.1%			38.9%
Upper	1		14.3%		6.5%		26.2%			34.6%
Unknown	0		0.0%		0.0%		0.0%			0.0%
Tract Unknown	0		0.0%		0.0%		6.8%			1.6%
Total	7		100.0%		100.0%		100.0%			100.0%
By Revenue										
\$1 Million or Less	5		71.4%		61.3%		33.2%			30.4%
By Loan Size										
\$100,000 or less	4		57.1%		19.1%		93.8%			37.2%
\$100,001-\$250,000	2		28.6%		48.5%		3.5%			20.0%
\$250,001-\$1 Million	1		14.3%		32.4%		2.7%			42.8%
Total	7		100.0%		100.0%		100.0%			100.0%

Originations and Purchases

STATE OF PENNSYLVANIA

CRA RATING FOR THE STATE OF PENNSYLVANIA: SATISFACTORY

The Lending Test is rated: *High Satisfactory*

The Investment Test is rated: *Low Satisfactory*

The Service Test is rated: *Outstanding*

Major factors supporting the rating include:

- Good responsiveness to credit needs of the assessment areas;
- Good distribution of loans among borrowers of different income levels including LMI and businesses of different sizes;
- Good geographic dispersion of loans in the bank's assessment areas;
- Adequate level of community development loans considering the bank's capacity and the needs and availability of such opportunities in the assessment areas;
- Adequate level of qualified investments and grants considering the bank's capacity and the needs and availability of such opportunities for qualified investments in Chemung's assessment area;
- Readily accessible retail delivery systems to geographies and individuals of different income levels; and
- Leadership in providing community development services, including technical assistance and financial literacy training sessions to LMI individuals, community organizations, and small businesses.

SCOPE OF EXAMINATION

A full-scope review was conducted within the one assessment area located in the State of Pennsylvania. This assessment area is comprised of a Non-MSA area that consists of Bradford County, eastern Tioga County and western Sullivan County.

**NON-METROPOLITAN AREA
(FULL REVIEW)**

(Bradford, Tioga, and Sullivan, PA)

DESCRIPTION OF INSTITUTION’S OPERATIONS

As December 31, 2013, Chemung operated 3 branches in the Non-MSA assessment area of Pennsylvania. Sixteen percent of the bank’s total HMDA-related and small business loans were originated in this assessment area.

As of June 30, 2013, 7% of Chemung’s deposits were held in this assessment area. With a deposit market share of 4%, Chemung was the sixth largest depository institution in the assessment area, behind Citizens and Northern Bank, First Citizens Bank, Peoples State Bank of Wyalusing, Pennsylvania, Norwest Savings Bank, and Manufacturers and Traders Trust Company.

PERFORMANCE CONTEXT

The following demographic and economic information was obtained from publicly available sources that include the U.S. Department of Commerce’s Bureau of Census, and the U.S. Department of Housing and Urban Development (“HUD”).

Demographic Characteristics

According to the 2010 Census, the PA non-MSA assessment area’s population totals 88,500. The PA non-MSA contains 7% of the bank’s total combined assessment area population in New York State and Pennsylvania. In the PA non-MSA assessment area, 16% of the population is 65 and older, which is comparable to the state percentage. Within the PA non-MSA assessment area, one middle-income census tract in Sullivan County meets the FFIEC definition of underserved middle-income census tracts for remote rural areas.

Income Characteristics

The HUD-adjusted median family incomes for the PA non-MSA assessment area for 2012 and 2013 are shown in the table to the right. Based on the 2010 Census, two of the 20 census tracts that make up the assessment are moderate-income and 18 are middle-income. The assessment area has no low-income or upper-income census tracts. Ten percent of all families within the Non-MSA have incomes below the poverty level.

HUD MEDIAN FAMILY INCOMES		
Area	2012	2013
Bradford County	\$51,300	\$53,300
Sullivan County	\$51,100	\$51,200
Tioga County	\$50,200	\$51,400

Housing Characteristics

The Non-MSA assessment area contains 44,124 housing units, of which 60% are owner-occupied. The table to the right provides the median housing price of detached housing in Bradford, Sullivan, and Tioga Counties.

In 2012 and 2013, the median housing costs in Bradford, Sullivan and Tioga Counties were six to eight times the median family income of a low-income borrower, and one to five times the median-family income of a moderate-income borrower, indicating that housing affordability may be difficult for LMI individuals. Housing costs, including rental housing costs, have increased due to the expansion of the natural gas industry in northern Pennsylvania.

Labor, Employment and Economic Characteristics

Economic conditions in the non-MSA counties of northern Pennsylvania are improving as the economy, particularly in Bradford County, shifts from a tourist based economy to an economy driven by the natural gas industry. The unemployment rates for the assessment area are improving and generally remain below the unemployment rates for the State of Pennsylvania.

U.S. DEPARTMENT OF LABOR ANNUAL UNEMPLOYMENT RATES		
Area	2012	2013
Bradford County	6.5%	6.9%
Sullivan County	7.4%	7.7%
Tioga County	7.5%	8.3%
State of Pennsylvania	7.9%	7.4%

In 2011, the region had major devastation due to flooding caused by Hurricane Irene and Tropical Storm Lee. As a result, FEMA designated Bradford and Sullivan Counties disaster areas on September 3, 2011.

Detailed demographic data for this assessment area is provided in the chart on the next page.

Assessment Area Demographics								
Assessment Area: Non-MSA Pennsylvania								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	5,099	21.3
Moderate-income	2	10.0	2,410	10.1	353	14.6	4,901	20.5
Middle-income	18	90.0	21,549	89.9	2,136	9.9	5,567	23.2
Upper-income	0	0.0	0	0.0	0	0.0	8,392	35.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	20	100.0	23,959	100.0	2,489	10.4	23,959	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	4,205	2,426	9.2	57.7	981	23.3	798	19.0
Middle-income	39,919	23,856	90.8	59.8	7,667	19.2	8,396	21.0
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	44,124	26,282	100.0	59.6	8,648	19.6	9,194	20.8
	Total Businesses by Tract*	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	381	10.3	339	10.3	17	8.3	25	12.2
Middle-income	3,314	89.7	2,947	89.7	187	91.7	180	87.8
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	3,695	100.0	3,286	100.0	204	100.0	205	100.0
	Percentage of Total Businesses:			88.9		5.5		5.5

*Based on 2012 Dun and Bradstreet information according to 2010 ACS boundaries

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Chemung’s performance under the lending test in the non-MSA PA assessment area was good, based on good lending activity, excellent geographic distribution of lending, and good distribution of lending to borrowers of different income levels and to businesses of different sizes.

Lending Activity

Chemung demonstrated good responsiveness to the retail credit needs of the Non-MSA PA assessment area based on market share activity and comparison to peer banks. Chemung ranked sixth in deposit market share (4% of deposit market share), tenth in home purchase lending (2% market share), fourth in refinance lending (6% of market share), second in home improvement lending (19% of market share), and tenth in small business lending (3% of market share). Peer comparisons based on the number of loans per billion dollars of deposits indicate that the bank’s performance compares favorably with the lending volume of peer banks.

Chemung’s number of HMDA-related and small business loan originations increased by 30% compared to the previous examination period. Specifically, small business lending increased by 39% and HMDA-related lending increased by 27%. Home purchase and home improvement lending increased by 80% and 66% respectively, while refinance lending declined 10%.

Geographic Distribution of Loans

Chemung’s overall geographic distribution of loans reflects excellent dispersion throughout the Non-MSA PA assessment area, including moderate-income census tracts. HMDA-related and small business lending performances were both excellent. The table below summarizes geographic distribution performance in moderate-income tracts. There are low-income census tracts in the assessment area.

<i>Non-MSA Pennsylvania (Bradford, Sullivan, and Tioga Counties)</i>				
<i>PRODUCT</i>	Low-income Tracts		Moderate-income Tracts	
	Chemung’s Performance	2012 Aggregate Comparison	Chemung’s Performance	2012 Aggregate Comparison
Home Purchase	N/A	N/A	Good	Significantly Above
Refinance	N/A	N/A	Excellent	Significantly Above
Home Improvement	N/A	N/A	Excellent	Significantly Above
Small Business	N/A	N/A	Excellent	Significantly Above

Home Purchase Loans

Chemung's overall home purchase lending distribution in the non-MSA PA assessment area was considered excellent in the moderate-income census tracts and across tracts of different income levels. Chemung made two or 14% of its home purchase loans in moderate-income geographies in 2012, while 9% of all owner-occupied housing units were in moderate-income geographies. Chemung's performance exceeded the market aggregate which made 8% of its total home purchase loans in moderate-income geographies. Home purchase lending performance in 2013 was comparable to 2012.

Refinance Loans

Chemung's overall refinance lending in the non-MSA PA assessment area was excellent, based on excellent refinance lending in moderate-income geographies. Chemung made 22% of its refinance loans in moderate-income geographies, compared to 9% of all owner-occupied housing units located in moderate-income geographies. Chemung's performance was significantly above the market aggregate, which made 9% of its total home purchase loans in moderate-income geographies. Refinance lending performance in 2013 was comparable to 2012, as 17% of Chemung's refinance loans were in moderate-income geographies.

Home Improvement Loans

Chemung's overall home improvement lending in the non-MSA PA assessment area was excellent, based on excellent home improvement lending in moderate-income geographies. Chemung originated 32% of its home improvement loans in moderate-income geographies, while 9% of owner-occupied housing units are in moderate-income geographies. Chemung's performance was significantly above the market aggregate, which made 11% of its home improvement loans in moderate-income geographies. Chemung's 2013 home improvement lending performance was comparable to 2012.

Small Business Loans

Overall, Chemung's small business lending performance in the non-MSA PA assessment area was excellent, based on excellent performance in moderate-income geographies. Chemung made 38% of its small business loans in moderate-income geographies compared to 10% of business establishments located in moderate-income geographies. Chemung's performance in moderate-income geographies was significantly above the market aggregate, which had 9% of its small business loans in moderate-income census tracts. Chemung's small business lending performance in 2013 was comparable to 2012.

2012 Aggregate Comparison Loan Distribution Table
Assessment Area: Non-MSA Pennsylvania

Income Categories	HMDA									
	By Tract Income					By Borrower Income				
	Bank		Aggregate			Bank		Aggregate		
	#	%	% \$(000s)	%	% \$(000s)	#	%	% \$(000s)	%	% \$(000s)
Home Purchase										
Low	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	4.1%	2.2%
Moderate	2	14.3%	4.5%	8.4%	8.6%	4	28.6%	23.4%	21.3%	15.9%
Middle	12	85.7%	95.5%	91.6%	91.4%	3	21.4%	19.0%	26.4%	25.4%
Upper	0	0.0%	0.0%	0.0%	0.0%	6	42.9%	52.6%	41.5%	52.3%
Unknown	0	0.0%	0.0%	0.0%	0.0%	1	7.1%	5.1%	6.7%	4.2%
<i>Total</i>	<i>14</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>14</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>
Refinance										
Low	0	0.0%	0.0%	0.0%	0.0%	5	7.9%	4.3%	4.9%	2.3%
Moderate	14	22.2%	15.9%	9.3%	8.0%	12	19.0%	9.7%	13.0%	8.5%
Middle	49	77.8%	84.1%	90.7%	92.0%	9	14.3%	9.8%	23.6%	19.3%
Upper	0	0.0%	0.0%	0.0%	0.0%	34	54.0%	70.0%	48.2%	57.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	3	4.8%	6.2%	10.3%	12.9%
<i>Total</i>	<i>63</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>63</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>
Home Improvement										
Low	0	0.0%	0.0%	0.0%	0.0%	10	15.2%	4.2%	8.5%	2.2%
Moderate	21	31.8%	32.7%	10.7%	11.6%	18	27.3%	31.5%	16.9%	11.5%
Middle	45	68.2%	67.3%	89.3%	88.4%	22	33.3%	30.9%	29.6%	22.6%
Upper	0	0.0%	0.0%	0.0%	0.0%	13	19.7%	30.5%	42.5%	59.5%
Unknown	0	0.0%	0.0%	0.0%	0.0%	3	4.5%	2.9%	2.5%	4.1%
<i>Total</i>	<i>66</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>66</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>
Multi-Family										
Low	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
Moderate	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
Middle	0	0.0%	0.0%	100.0%	100.0%	0	0.0%	0.0%	0.0%	0.0%
Upper	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	100.0%	100.0%
<i>Total</i>	<i>0</i>	<i>0.0%</i>	<i>0.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>0</i>	<i>0.0%</i>	<i>0.0%</i>	<i>100.0%</i>	<i>100.0%</i>
HMDA Totals										
Low	0	0.0%	0.0%	0.0%	0.0%	15	10.5%	3.7%	5.3%	2.3%
Moderate	37	25.9%	17.0%	9.2%	8.4%	34	23.8%	15.3%	16.3%	11.4%
Middle	106	74.1%	83.0%	90.8%	91.6%	34	23.8%	14.6%	25.5%	21.5%
Upper	0	0.0%	0.0%	0.0%	0.0%	53	37.1%	60.9%	44.9%	54.7%
Unknown	0	0.0%	0.0%	0.0%	0.0%	7	4.9%	5.5%	8.0%	10.1%
<i>Total</i>	<i>143</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>143</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>
SMALL BUSINESS										
By Tract Income										
	#	Bank			Aggregate					
		%	% \$(000s)	%	% \$(000s)	%	% \$(000s)			
Low	0	0.0%		0.0%		0.0%		0.0%		0.0%
Moderate	15	37.5%		31.1%		9.4%		8.6%		8.6%
Middle	25	62.5%		68.9%		74.2%		86.6%		86.6%
Upper	0	0.0%		0.0%		0.0%		0.0%		0.0%
Unknown	0	0.0%		0.0%		0.0%		0.0%		0.0%
Tract Unknown	0	0.0%		0.0%		16.5%		4.8%		4.8%
<i>Total</i>	<i>40</i>	<i>100.0%</i>		<i>100.0%</i>		<i>100.0%</i>		<i>100.0%</i>		<i>100.0%</i>
By Revenue										
\$1 Million or Less	32	80.0%		67.1%		37.2%		45.0%		45.0%
By Loan Size										
\$100,000 or less	26	65.0%		18.4%		91.2%		27.6%		27.6%
\$100,001-\$250,000	8	20.0%		28.1%		4.4%		17.2%		17.2%
\$250,001-\$1 Million	6	15.0%		53.6%		4.4%		55.1%		55.1%
<i>Total</i>	<i>40</i>	<i>100.0%</i>		<i>100.0%</i>		<i>100.0%</i>		<i>100.0%</i>		<i>100.0%</i>

Originations and Purchases

Distribution by Borrower Income and Revenue Size of Business

Lending performance in the non-MSA PA assessment area relating to borrower distribution was

good overall, and reflected good penetration among individuals of all income levels (including LMI) and good penetration to businesses of different sizes. The following table summarizes the bank's performance in lending to LMI borrowers within each HMDA and small business product:

<i>Non-MSA Pennsylvania (Bradford, Sullivan, and Tioga Counties)</i>				
<i>PRODUCT</i>	Low-income Borrowers		Moderate-income Borrowers	
	Chemung's Performance	2012 Aggregate Comparison	Chemung's Performance	2012 Aggregate Comparison
Home Purchase	Poor	Significantly Above	Excellent	Above
Refinance	Adequate	Significantly Above	Excellent	Above
Home Improvement	Good	Significantly Above	Excellent	Significantly Above
<i>PRODUCT</i>	Lending to Businesses with GAR <= \$1 million		2012 Aggregate Comparison	
Small Business	Good		Significantly Above	

Home Purchase Loans

Chemung's overall distribution of home purchase loans to LMI borrowers in the non-MSA PA assessment area was good, based on poor distribution to low-income borrowers and excellent distribution to moderate-income borrowers. In 2012, Chemung did not make any home purchase loans to low-income borrowers, while 21% of the families in the Non-MSA assessment area are low-income. Chemung's performance was significantly below the market aggregate, which made 4% of its home purchase loans to low-income borrowers. Chemung's 2013 home purchase lending to low-income borrowers improved slightly 2012 as the bank made one of 13 loans to low-income borrowers.

Performance in lending to moderate-income borrowers was excellent, as 29% of Chemung's home purchase loans were made to moderate-income borrowers compared to 21% of families in the MSA that were of moderate-income. Chemung's performance was above the market aggregate which made 21% of its home purchase loans to moderate-income borrowers in 2012. Chemung's 2013 home purchase lending performance to moderate-income borrowers was comparable to 2012.

Refinance Loans

Chemung's overall distribution of refinance loans to LMI borrowers in the non-MSA PA assessment area was good. Chemung made 8% of its refinance loan to low-income borrowers, while 21% of all families are of low-income. Performance was significantly above the aggregate which originated 5% of its refinance loans to low-income borrowers. Chemung's 2013 refinance lending to low-income borrowers was slightly less favorable than 2012.

Performance in lending to moderate-income borrowers was excellent, as 19% of Chemung's refinance loans were made to moderate-income borrowers compared to 21% of families in the MSA that were of moderate-income. Chemung's performance was above the market aggregate, which made 13% of its refinance loans to moderate-income borrowers in 2012. Chemung's 2013 refinance lending to moderate-income borrowers was less favorable than 2012.

Home Improvement Loans

Chemung's overall distribution of home improvement loans to LMI borrowers in the non-MSA PA assessment area was good, based on good performance to both low- and moderate-income borrowers. In 2012, Chemung made 15% of its home improvement loans to low-income borrowers, while 21% of the families in the MSA are low-income. Chemung's performance was significantly above the market aggregate, which made 9% of its home improvement loans to low-income borrowers. Chemung's 2013 home improvement lending to low-income borrowers was comparable to 2012.

Performance in lending to moderate-income borrowers was excellent, as 27% of Chemung's home improvement loans were made to moderate-income borrowers compared to 21% of families in the MSA that were of moderate-income. Chemung's performance was significantly above the market aggregate, which made 17% of its home improvement loans to moderate-income borrowers. Chemung's 2013 home improvement lending to moderate-income borrowers was below 2012's performance although performance was good.

Small Business Loans

The overall level of lending to small businesses in the non-MSA PA assessment area was good. During 2012, Chemung made 80% of its small business loans to businesses with GAR of \$ 1 million or less, compared to 89% of business establishments in the MSA with GAR of \$1 million or less. Performance was significantly above the aggregate which made 37% of its loans to businesses with GAR of \$1 million or less. Chemung's performance in 2013 was comparable, as 70% of its small business loans were made to businesses with GAR of \$1 million or less.

During 2012, 65% of Chemung's loans were in amounts of \$100,000 or less, with an average loan size of \$44,000. Chemung performance was below the market aggregate which originated 91% of its loans in amounts of \$100,000 or less. Performance in 2013 improved as 66% of Chemung's small business loans were in amounts of \$100,000 or less.

Community Development Lending

Chemung's community development lending performance in non-MSA PA assessment area demonstrates adequate responsiveness to the community development needs of the assessment area, considering the need and availability of such opportunities for community development in the assessment area. Community development lending consisted of two loans totaling \$149,000. Both loans were to municipalities that were used for infrastructure repairs. Community

development lending was below last examination when \$324,000 in community development loans were reported.

INVESTMENT TEST

Chemung's investment test performance in the non-MSA assessment area in the State of Pennsylvania was adequate. Chemung had a total of \$8,000 in charitable grants and contributions to various community service non-profit organizations in the assessment area. Qualified investment performance was below the last examination when a total of \$78,000 in qualified investments was reported.

SERVICE TEST

Performance on the service test was excellent based on Chemung's branch distribution and its leadership in providing community development services in the non-MSA PA assessment area.

Retail Services

The bank's delivery systems were readily accessible to all portions of the assessment area, including LMI areas. Overall, Chemung had three branches in the assessment area, of which one, or 33%, is located in LMI areas. This compares favorably to the 10% of the MSA population that resides in LMI areas.

Alternative delivery systems somewhat enhanced the availability and effectiveness of retail credit and non-credit services in LMI geographies and to LMI individuals. All branches have full service ATMs; however, there were no off-site ATMs in the MSA.

The bank's hours and services do not vary in a way that inconveniences the assessment area, including LMI areas. Extended hours are available at all branches, with all three branches open on Saturdays.

Community Development Services

Chemung provided an adequate level of community development services in the assessment area. Three of Chemung's officers serve as board member for an organization in Bradford County that promotes economic development. Another officer serves on the board of directors of an organization that seeks to address the needs of low-income individuals and families and one officer is chairman of a loan committee that focuses on economic development in Bradford County.

CRA APPENDIX A

SCOPE OF EXAMINATION

CHEMUNG CANAL TRUST COMPANY		
TIME PERIOD REVIEWED		
Lending Test: January 1, 2012 - December 31, 2013 CD Loans/Investments: January 1, 2012 – March 31, 2013		
FINANCIAL INSTITUTION		
Chemung Canal Trust Company 1 Chemung Canal Plaza* Elmira, NY 14901		
PRODUCTS REVIEWED		
<ul style="list-style-type: none">• Home purchase• Refinancings• Home improvement• Small business• Small farm• Community Development		
* Branch Examined		

CRA APPENDIX B

GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Census tract: A small, relatively permanent statistical subdivision of a county or statistically equivalent entity delineated for data presentation purposes by a local group of census data users or the geographic staff of a regional census center in accordance with Census Bureau guidelines. Designed to be relatively homogeneous units with respect to population characteristics, economic status, and living conditions at the time they are established, census tracts generally contain between 1,000 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries are delineated with the intention of being stable over many decades, so they generally follow relatively permanent visible features. However, they may follow governmental unit boundaries and other invisible features in some instances; the boundary of a state or county (or statistically equivalent entity) is always a census tract boundary.

Community development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Distressed or Underserved Non-Metropolitan Middle Income Area- A middle-income, nonmetropolitan geography that is distressed due to economic factors, such as unemployment levels, poverty, or population loss, or is underserved based on population size, density and dispersion.

Family: A family is a group of two or more people related by birth, marriage, or adoption and

residing together; all such people (including related subfamily members) are considered as members of one family.

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (“HMDA”): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancings of home improvement and home purchase loans.

Household: A household consists of all the people who occupy a housing unit. A household includes the related family members and all the unrelated people, if any, such as lodgers, foster children, wards, or employees who share the housing unit. A person living alone in a housing unit, or a group of unrelated people sharing a housing unit such as partners or roomers, is also counted as a household. The count of households excludes group quarters.

Limited-scope review: Performance is analyzed using only quantitative factors.

Low-income: Individual income that is less than 50% of the area median income, or a median family income that is less than 50%, in the case of a geography.

Metropolitan Statistical Area (“MSA”): A geographic entity defined by the federal Office of Management and Budget for use by federal statistical agencies, based on the concept of a core area with a large population nucleus, plus adjacent communities having a high degree of economic and social integration with that core.

Metropolitan Division: A county or group of counties within a **Metropolitan Statistical Area** that contains a population of at least 2.5 million and represents an employment center(s) associated through commuting ties.

Middle-income: Individual income that is at least 80% and less than 120% of the area median income, or a median family income that is at least 80% and less than 120%, in the case of a geography.

Moderate-income: Individual income that is at least 50% and less than 80% of the area median income, or a median family income that is at least 50% and less than 80%, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small loan(s) to business(es): A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income ("Call Report") and the Thrift Financial Reporting ("TFR") instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Upper-income: Individual income that is more than 120% of the area median income, or a median family income that is more than 120%, in the case of a geography.

