

2010

STOCKHOLDERS'
REPORT

To Our Stockholders and Friends:

It was not that long ago that achieving earnings in excess of \$1,000,000 was a special occasion for Champlain National Bank. I am proud to tell you that for the third consecutive year, our earnings topped the one million dollar mark. Net earnings in 2010 totaled \$1,422,306. This was a record for our Bank as we surpassed the previous record established in 2008 of \$1,124,515. It was also an increase over the prior year of \$388,841 or 37.6%.

Our earnings were achievable by applying our disciplined approach to pricing while adhering to strong credit and operating standards. Our net interest margin, the difference between what we earn on our loans and investments and what we pay on our deposits, was 4.47%. This was an increase of 15 bps over the prior year. Deposits increased by \$8,918,053 to \$178,267,232 or 5.27%, thus permitting us to increase our investment portfolio by \$9,560,538, some 11.89% from the previous year. On the other hand, loan demand was soft. Total loans decreased last year by \$3,360,595 or 3.14% as both consumers and businesses did not seek to take on additional debt. We felt more comfortable accepting this slight decrease rather than lowering our lending standards. A quality loan portfolio is the key to any bank's success and Champlain National Bank is no different. Through our disciplined approach we have built a sound loan portfolio which should generate significant earnings for the years to come.

We have nevertheless continued to hold a very respectable loan loss reserve which, at the end of the year, was 1.79% of total loans. We have traditionally maintained a healthy reserve to ensure that any probable losses are absorbed through our reserve and not our capital – a pattern we fully intend to follow in the future.

Unlike last year, our investment portfolio was not subject to any significant write downs. It performed well and we anticipate that this trend will continue for 2011. Due to the continued low interest rate cycle, the effective yield in our portfolio decreased by 54 bps as rates for quality investments remain low – a trend that may continue in 2011. However, we will not seek higher yields by either sacrificing quality or unreasonably extending duration. As with our loans, we have built a sound investment portfolio that will produce significant earnings for years to come.

Income from service charges and fees for 2010 totaled \$1,492,874 compared to \$1,609,857 in 2009. This is a decrease over the prior year of 7.27% or \$116,983. This decrease was due primarily to a \$177,450 reduction in our overdraft fees. Our clients became more cognizant this past year of the fee thereby overdrawing their account less frequently. We expect this trend to continue through 2011.

Finally, we were able to limit the increase in our non-interest expense to just \$109,407 or 1.38%. We closely monitor this area ensuring we are maximizing current technology in our quest to become as efficient as possible.

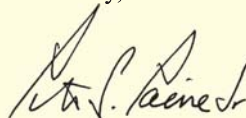
As we look ahead we are faced with implementing many of the regulatory changes mandated in the Dodd Frank Bill. This 2,200-page bill may ultimately spawn up to five thousand new regulations. While we will remain vigilant in implementing those regulations which impact our Bank, it is unfortunate that banks such as ours, which were not part of the institutions that caused our financial crisis, are now being treated as if we were and burdened with a mountain of new regulations.

In conclusion, all our stockholders should be proud of the results our Bank's team has achieved under Jon Cooper's able leadership in 2010. 2011 is off to a strong start and we look forward to another year where earnings comfortably exceed \$1,000,000.

Should you have any questions on our audited financial statements, which can be found on our website at www.champlainbank.com, please feel free to call our CEO, Jon Cooper, at 518-983-3311 or our CFO, Chuck Hughes at 518-963-4201, ext. 1124.

Our annual stockholders meeting will be held at 9:30 a.m. on Friday, June 17, 2011 to which all stockholders are warmly invited.

Sincerely,



Peter S. Paine, Jr.
Chairman of the Board

CONSOLIDATED BALANCE SHEETS

(In thousands)

	DEC 31 2010	DEC 31 2009
ASSETS		
Cash on hand, due from Federal Reserve Bank and other banks	\$ 4,441	\$ 4,066
Securities available for sale (at market)	89,029	79,986
Securities held to maturity (at amortized cost)	971	454
Federal funds sold	74	139
Federal Reserve Bank and Federal Home Loan Bank stock	1,033	973
Loans, net	103,527	106,888
Bank premises and equipment, net	3,072	3,075
Other assets	10,264	8,911
Total Assets	\$ 212,411	\$ 204,492
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits	\$ 178,267	\$ 169,349
Borrowed funds	12,500	15,000
Reserve for dividends	-	79
Other liabilities	5,623	4,696
Total Liabilities	196,390	189,124
Stockholders' Equity		
Common stock	28	28
Surplus	1,071	1,071
Treasury stock	(1,293)	(1,294)
Accumulated other comprehensive loss	(1,304)	(849)
Undivided profit	17,519	16,412
Total Stockholders' Equity	16,021	15,368
Total Liabilities and Stockholders' Equity	\$ 212,411	\$ 204,492

CONSOLIDATED STATEMENTS OF INCOME

(In thousands except Share and Per Share data)

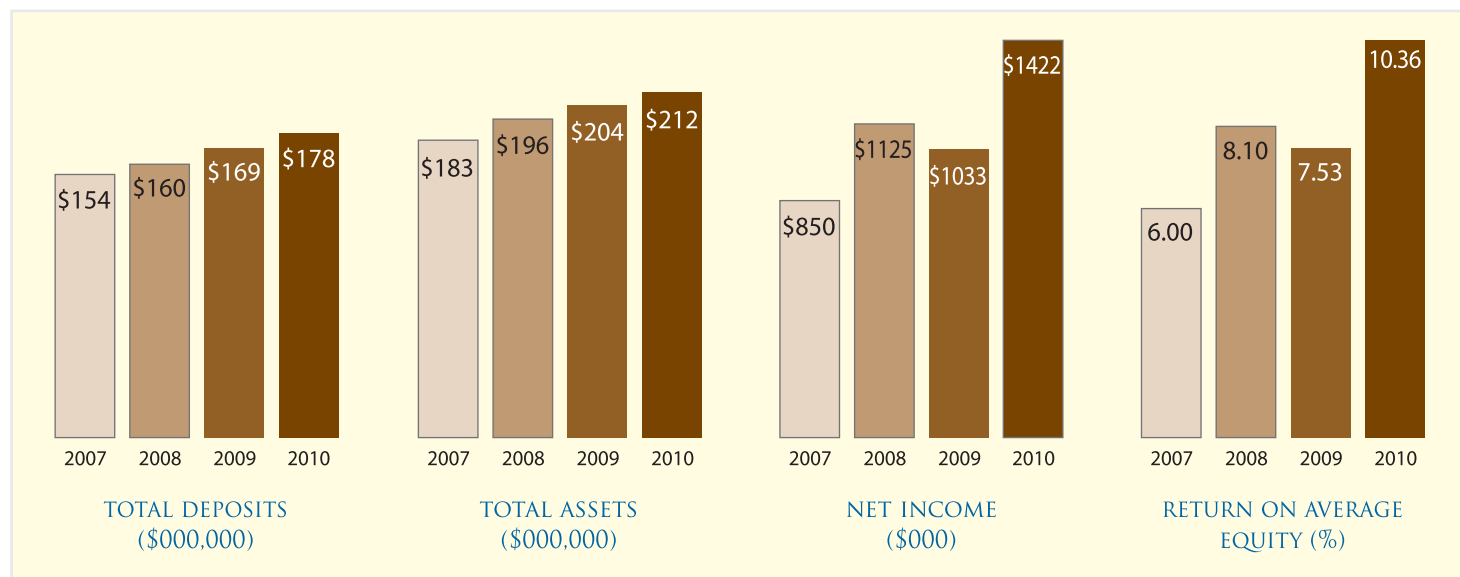
YEARS ENDED	DEC 31 2010	DEC 31 2009
Interest income	\$ 9,743	\$ 9,909
Interest expense	1,424	2,015
Net interest income	8,319	7,894
Provisions for loan losses	320	275
Net interest income after provisions for loan losses	7,999	7,619
Non interest income	1,835	1,470
Non interest expense	8,019	7,909
Net income before taxes	1,815	1,180
Income tax expense	393	147
Net Income	\$ 1,422	\$ 1,033

PER SHARE DATA

Income per average share	\$ 58.75	\$ 42.69
Average shares outstanding	24,211	24,209
Book value adjusted for other comprehensive loss - year end	\$ 715.59	\$ 669.86

OTHER DATA

Loan to deposit ratio	58.07%	63.12%
Tier 1 capital ratio	8.16%	7.93%
Return on average assets	0.71%	0.51%
Return on average equity	10.36%	7.53%



DIRECTORS

CHAIRMAN <i>Peter S. Paine, Jr.</i>	<i>Alice E. Cole</i> <i>Jon J. Cooper</i> <i>John A. Deming</i> <i>William H. Kissel</i> <i>Vincent McClelland</i> <i>David F. Meath</i> <i>Alexander G. Paine</i> <i>John S. Perley</i> <i>Peter S. Paine III</i> <i>Robert G. Thatcher</i>
VICE CHAIRMAN <i>Roderic G. Giltz</i>	

OFFICERS

CHAIRMAN <i>Peter S. Paine, Jr.</i>	ASSISTANT VICE PRESIDENT <i>Gayle A. Bridge</i> <i>Darren S. Gilbert</i> <i>Judy L. Hoskins</i> <i>Jacalyn A. Popp</i> <i>Jacqueline N. Roy</i> <i>Marilyn A. Strong</i> <i>Yana A. Tamlyn</i>
PRESIDENT & CEO <i>Jon J. Cooper</i>	ASSISTANT CASHIER <i>Michelle L. Lafountain</i> <i>Jon M. Steeves</i> <i>Lena J. Robetoy</i>
SENIOR VICE PRESIDENT <i>DaleAnn Bastian</i> <i>Lisa M. Roberts</i>	BRANCH OPERATIONS SUPERVISOR <i>Lori E. Hebert</i>
SENIOR VICE PRESIDENT, COMPTROLLER AND SECRETARY <i>Charles R. Hughes</i>	
VICE PRESIDENT <i>Kathleen A. Eppler</i> <i>Valarie M. Favaro</i> <i>Edward P. Finnerty</i> <i>Timothy J. Kononan</i> <i>Carol M. Manley</i> <i>Douglas R. Young</i>	

BANKING LOCATIONS

CHAMPLAIN	636 State Route 11 (518) 983-3314 Michelle Lafountain, Manager
CROWN POINT	2687 Main Street (518) 983-3322 Lena J. Robetoy, Manager
ELIZABETHTOWN	7558 Court Street (518) 873-6347 Carol M. Manley, Manager
KEENE	10849 NYS Route 9N (518) 576-9515 Cynthia M. Boynton, Manager
LAKE PLACID	1992 Saranac Ave., Suite 1 (518) 523-7070 Jackie N. Roy, Manager
PLATTSBURGH	32 Cornelia Street (518) 562-1785 (518) 562-1776 - Commercial Loan Department Yvonne Stafford, Manager
	500 Route 3 (518) 561-6000 Kathleen A. Eppler, Manager
WESTPORT	6478 Main Street (518) 983-3316 Melanie Porter, Manager
WILLSBORO	3900 NYS Route 22 (518) 963-4201 Jon M. Steeves, Manager

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