

*Balanced Approach and Consistent Performance*



Community Bank System, Inc.

**CBU**  
Listed  
**NYSE**

# Forward-looking Statement

This presentation contains certain “forward-looking statements,” within the meaning of the Private Securities Litigation Reform Act of 1995, that are based on current expectations, estimates and projections about the industry, markets and economic environment in which the Company operates.

Such statements involve risks and uncertainties that could cause actual results to differ materially from the results discussed in these statements. These risks are detailed in the Company’s periodic reports filed with the Securities and Exchange Commission.

Annualized, pro forma, projected and estimated amounts are presented for illustrative purposes only and may not reflect actual results.



# Company Profile

- Successful, growing community bank headquartered outside of Syracuse, N.Y.
- One of the largest community banks based in Upstate New York with \$5.4 billion in assets.
- More than 150 customer facilities across Upstate New York and Northeast Pennsylvania.
  - **NY: Community Bank, N.A.**
  - **PA: First Liberty Bank & Trust**
- Dominant market share: 1<sup>st</sup> or 2<sup>nd</sup> in 70% of the towns where we do business



# Company Profile

As of December 31, 2009:

- Assets \$ 5.4 billion
- Loans \$ 3.1 billion
- Deposits \$ 3.9 billion
- Shareholders' Equity \$566 million
- Market Capitalization \$741 million

*(at 3/1/10 closing price of \$22.45)*



# Company Profile

- Diversified financial services products via branches and subsidiaries:
  - Wealth Management Group
    - Personal Trust Dept.
    - Nottingham Advisors (offices in Buffalo, NY and North Palm Beach, FL)
    - Community Investment Services, Inc. (Broker Dealer)
    - CBNA Insurance Agency (Northern New York)
  - Benefit Plans Administration and Consulting
    - Benefit Plans Administrative Services, Harbridge Consulting Group, and Hand Benefits & Trust
      - Employee benefit plans administration, actuarial and consulting services, collective investment trust administration
      - Offices in Syracuse and Utica, NY; Pittsburgh and Philadelphia, PA; Houston, TX



# Shareholder Profile

December 31, 2009 or Most Recent Data Available

		Dollars	% Shares Outstanding	# of Owners
<b>Total Shares Outstanding</b>	<b>32,990</b>	<b>\$ 740,626</b>	<b>—</b>	<b>—</b>
<b>Shares Held by Institutions</b>	<b>20,533</b>	<b>\$ 460,966</b>	<b>62.2%</b>	<b>155</b>
<b>Insiders</b>	<b>988</b>	<b>\$ 22,181</b>	<b>3.0%</b>	<b>14</b>
<b>401(k) Plan</b>	<b>965</b>	<b>\$ 21,664</b>	<b>2.9%</b>	<b>1,680</b>
<b>Pension Plan</b>	<b>307</b>	<b>\$ 6,892</b>	<b>0.9%</b>	
<b>Dividend Reinvestment Plan</b>	<b>841</b>	<b>\$ 18,880</b>	<b>2.5%</b>	<b>1,518</b>
<b>CBU Price at March 1, 2010:</b>	<b>\$ 22.45</b>			



# Operating Strategy

- Market-leading branch system serving predominantly non-urban markets; decentralized decision-making; focus on core accounts.
- Investment in noninterest revenues.
- Growth model that leverages both organic and acquired opportunities.



# Consistent and Favorable Financial Results

(2001—2009)

CAGR

- |                                  |       |
|----------------------------------|-------|
| • Net income                     | 10.2% |
| • Net income per share (diluted) | 5.7%  |
| • Non-interest income            | 15.7% |
| • Dividends per share            | 6.3%  |





# 2009 Accomplishments

- Maintained solid asset quality.
- Improved our funding mix with significant gains in core deposits.
- Successfully completed the integration of 18 branch banking centers in Northern New York acquired in late 2008.
- Invested in and grew our commercial banking business.
- Enhanced our award-winning customer service model.
- Ranked 7<sup>th</sup> best in an analysis of America's best and worst large banks by Forbes Magazine.

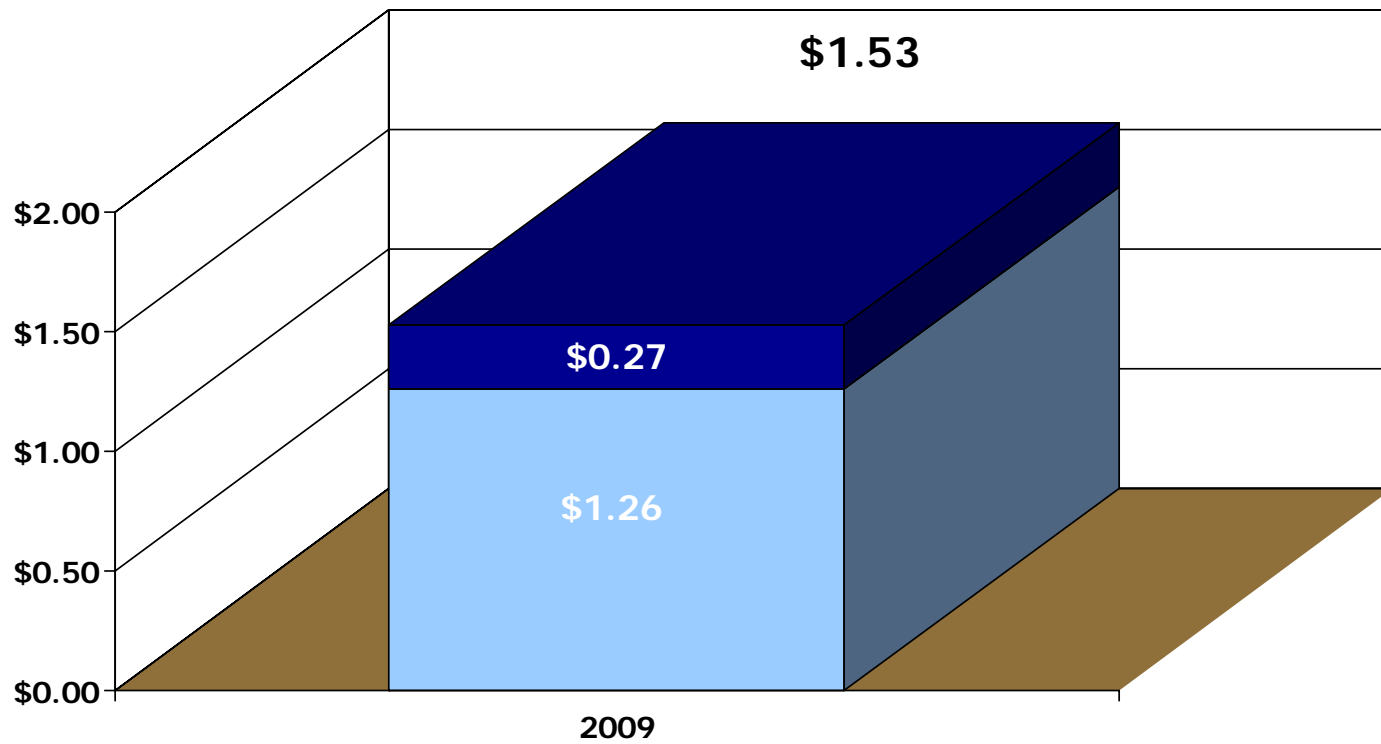


# Financial Review

	<u>2009</u>	<u>2008</u>
Earnings per Share, reported	\$1.26	\$1.49
Addback:		
Special Charges and Acquisition Expenses, net	<u>0.09</u>	<u>0.01</u>
	\$1.35	\$1.50
Addback:		
FDIC Assessments	<u>0.20</u>	<u>0.04</u>
“Adjusted” EPS	<u>\$1.55</u>	<u>\$1.54</u>



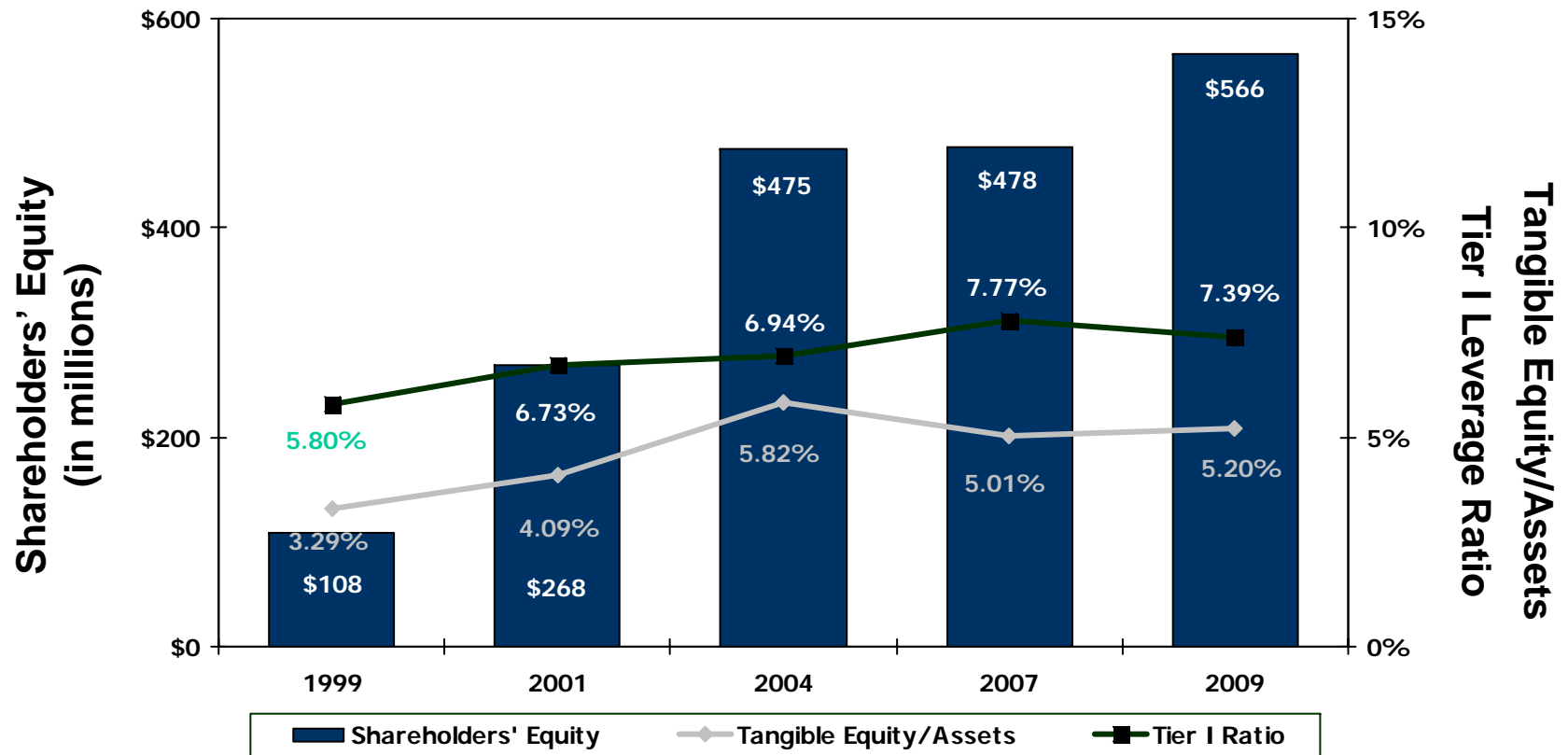
# Cash Earnings Per Share



Cash Return on Total Equity (2009): 9.1%



# Capital Stability



# Strategy Element #1

## Market-leading Branch System Focused on Core Accounts

- Emphasize responsive, local decision-making and customer support.
- Focus on generating and retaining core deposit accounts.
- Mostly non-urban markets where leadership positions can be earned.

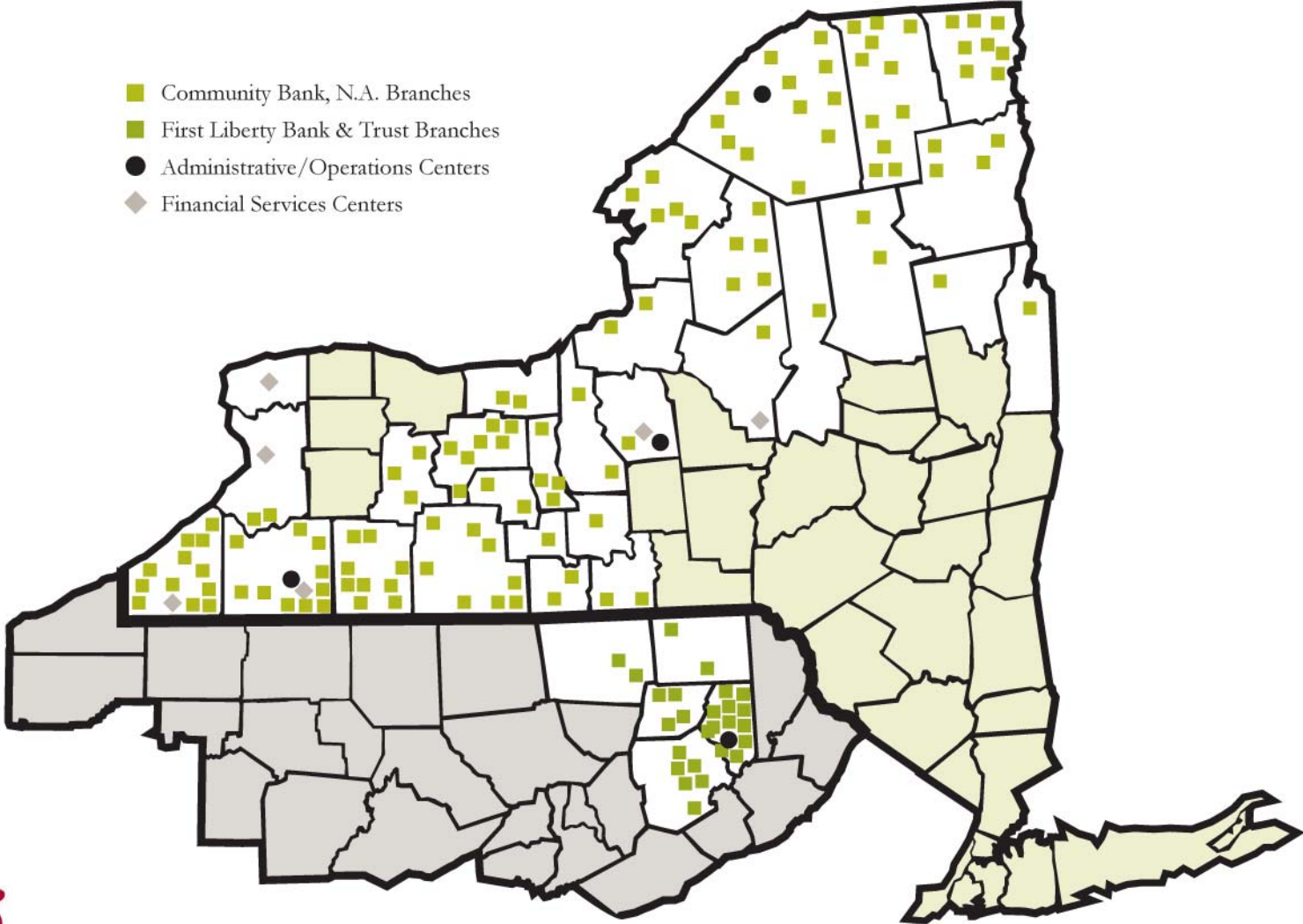


## Customer Service Focus

**Ranked in the top 10 in the ENTIRE NATION by J.D. Power & Associates for three consecutive years (2007 – 2009) in its Retail Banking Satisfaction Studies!**



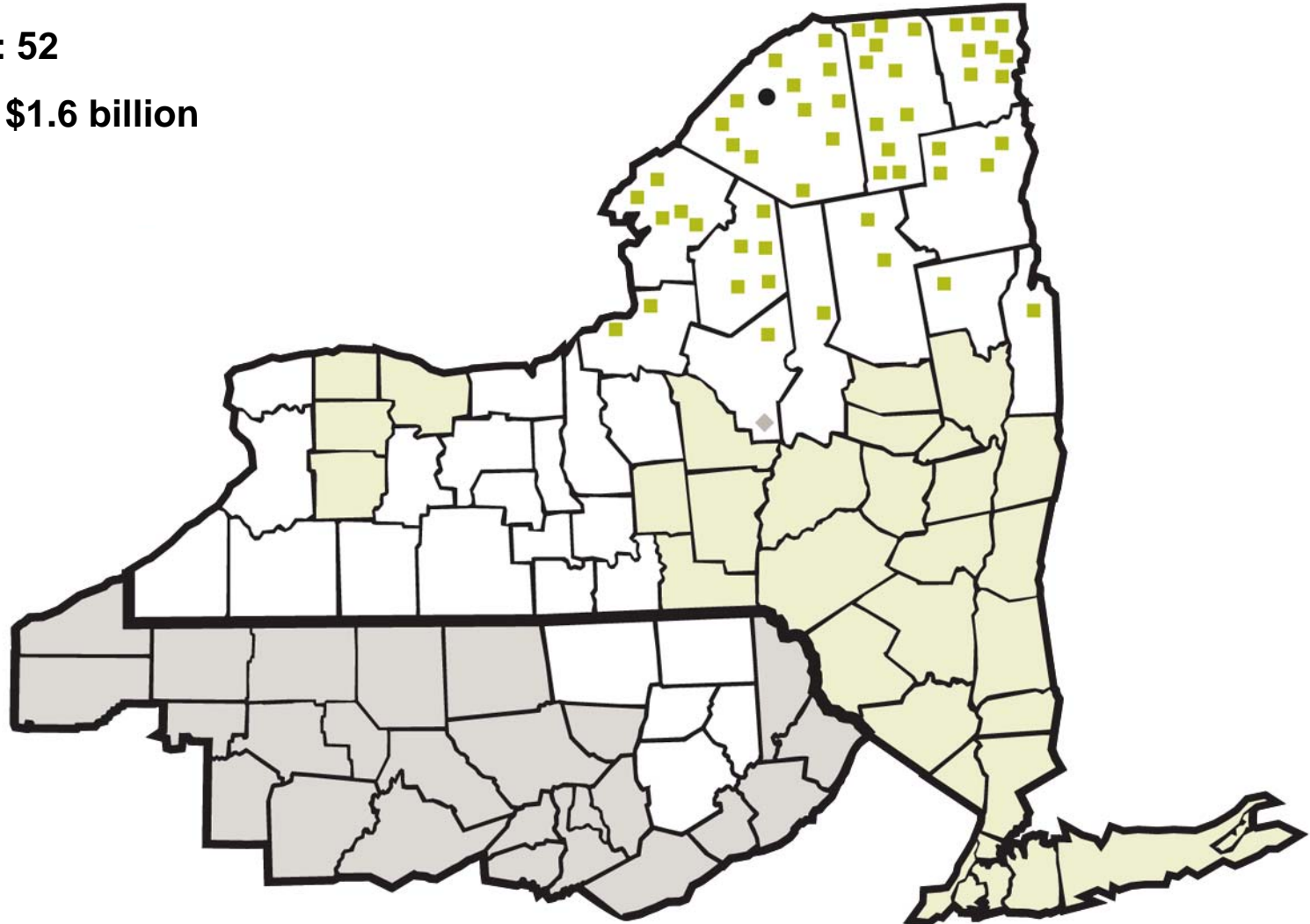
# Geographic Profile



# Northern New York Region

**Branches: 52**

**Deposits: \$1.6 billion**

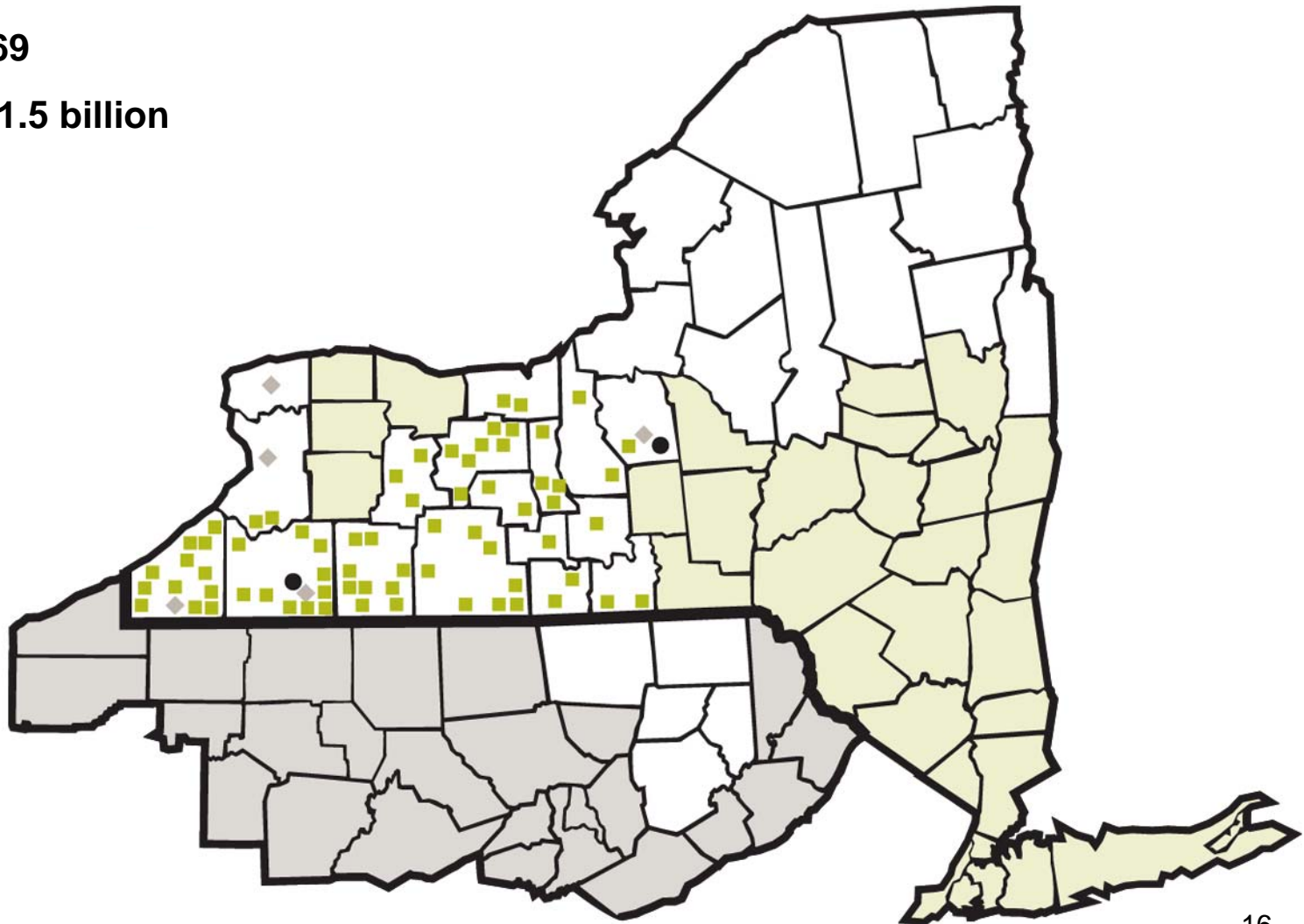




# Southern New York Region

**Branches: 69**

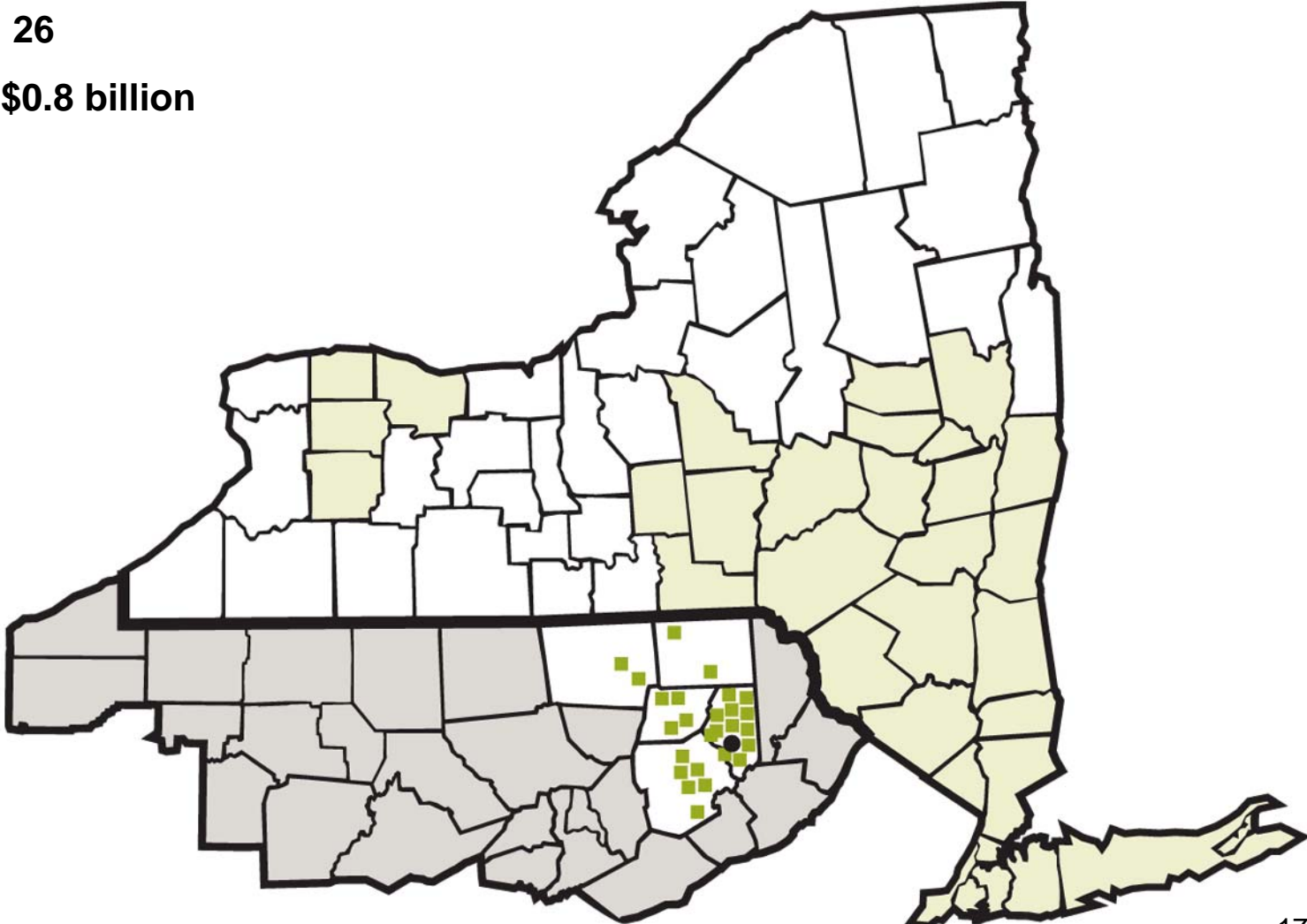
**Deposits: \$1.5 billion**



# Pennsylvania Region

**Branches: 26**

**Deposits: \$0.8 billion**



# Core Account Growth

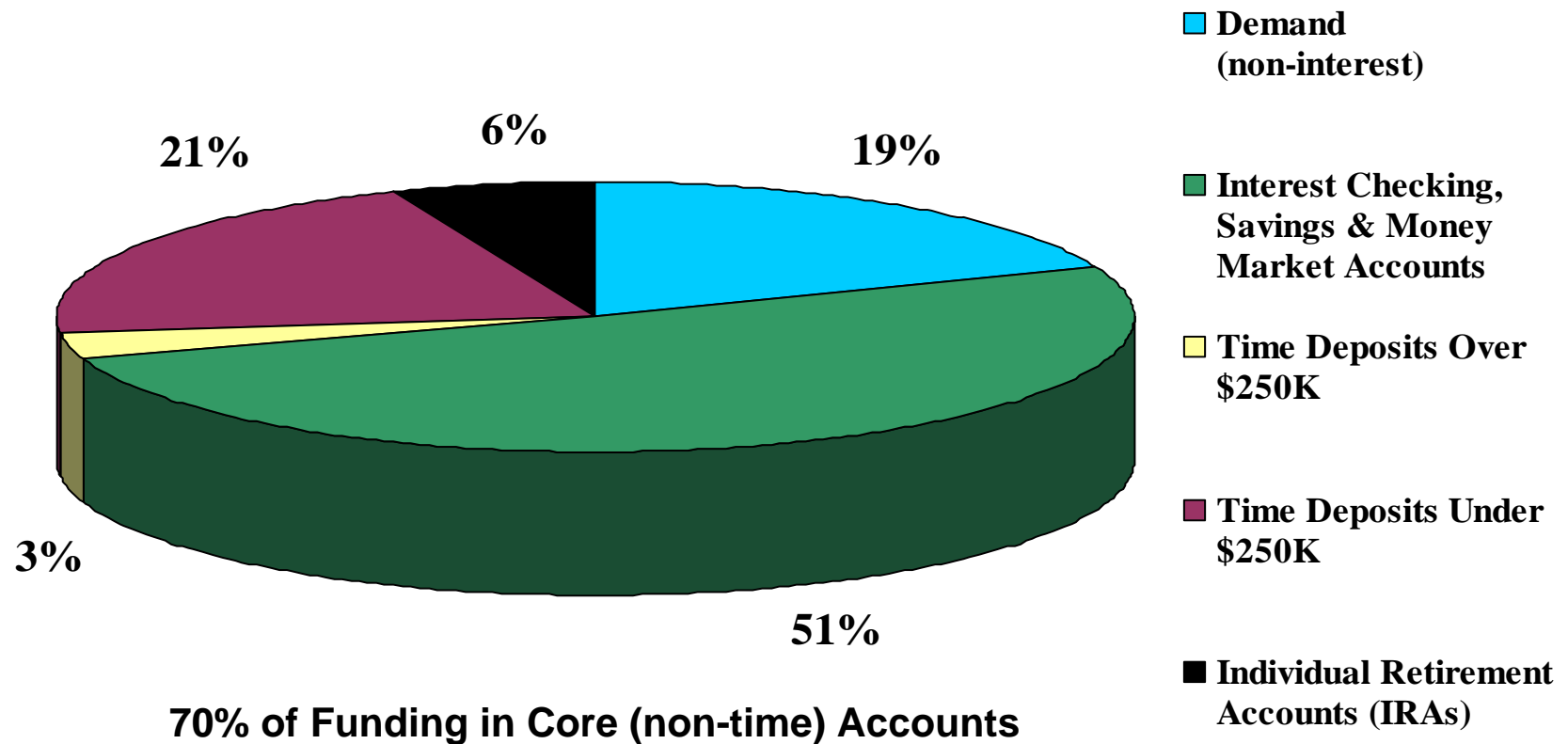
Deposit Type	4Q 2009	4Q 2008	\$ change	% change
Demand Deposits	\$714,491	\$615,540	\$ 98,951	16.1%
Interest Checking	\$665,797	\$571,540	\$ 94,257	16.5%
Savings/Money Market	\$1,303,745	\$971,916	\$331,829	34.1%
<b>Subtotal</b>	<b>\$2,684,033</b>	<b>\$2,158,996</b>	<b>\$525,037</b>	<b>24.3%</b>

*(Dollars in thousands, average period balances)*

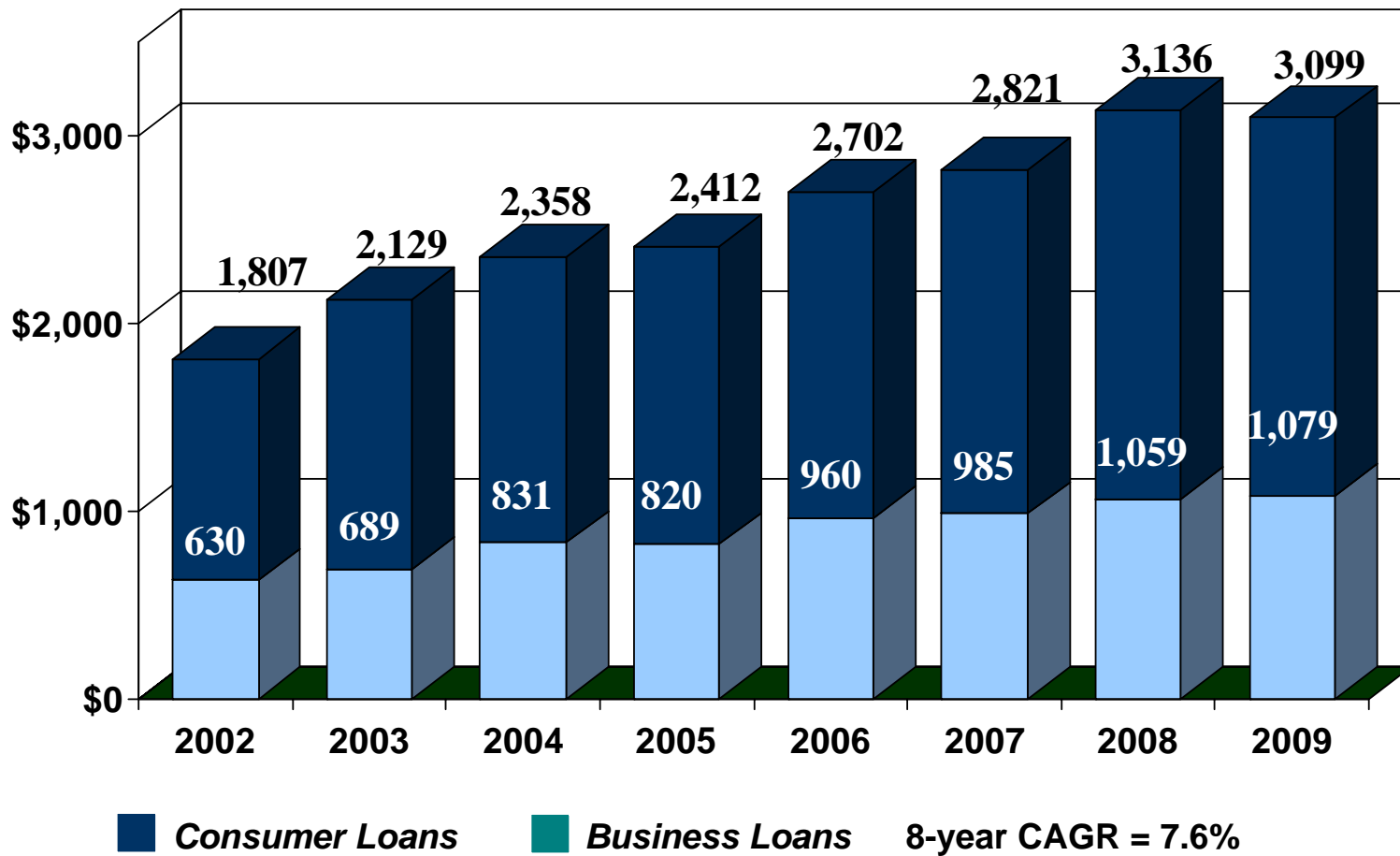
*(18% organic growth)*



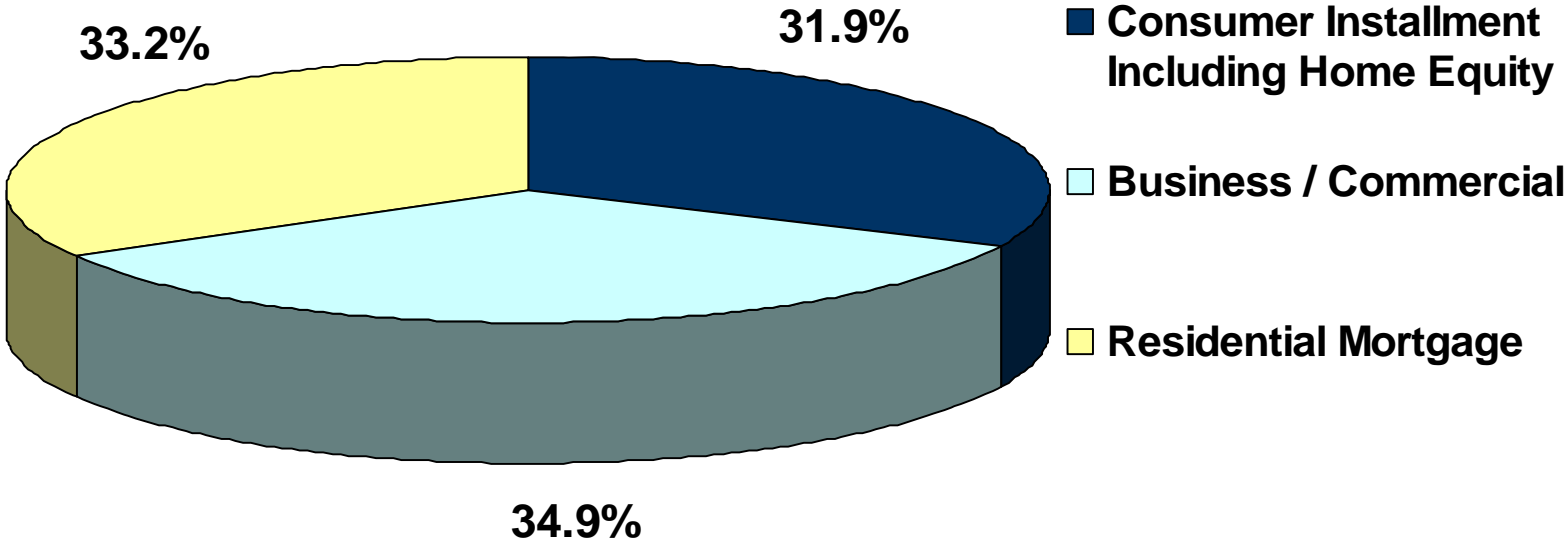
# Core Deposit Strength and Focus



# Loan Growth

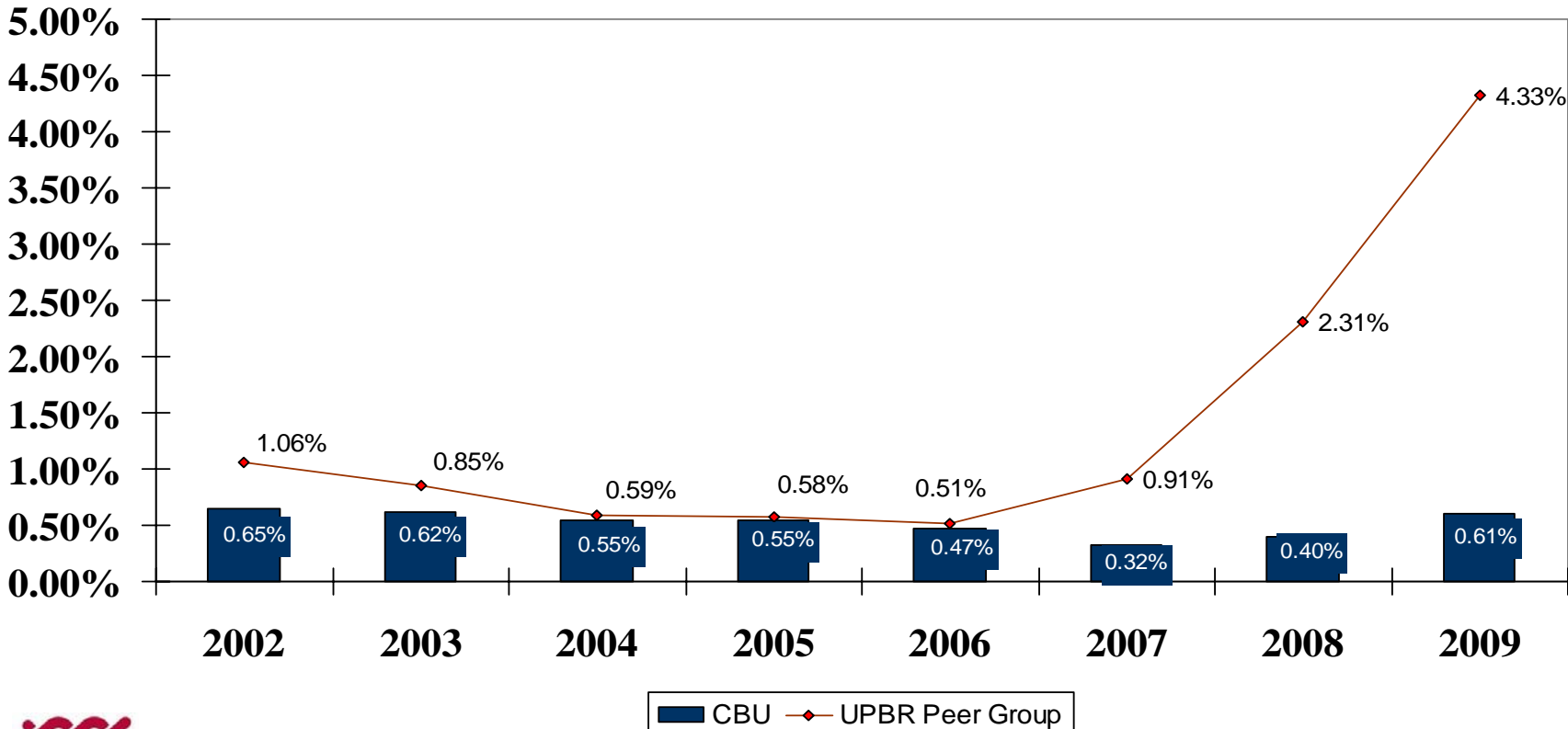


# Loan Portfolio Balance



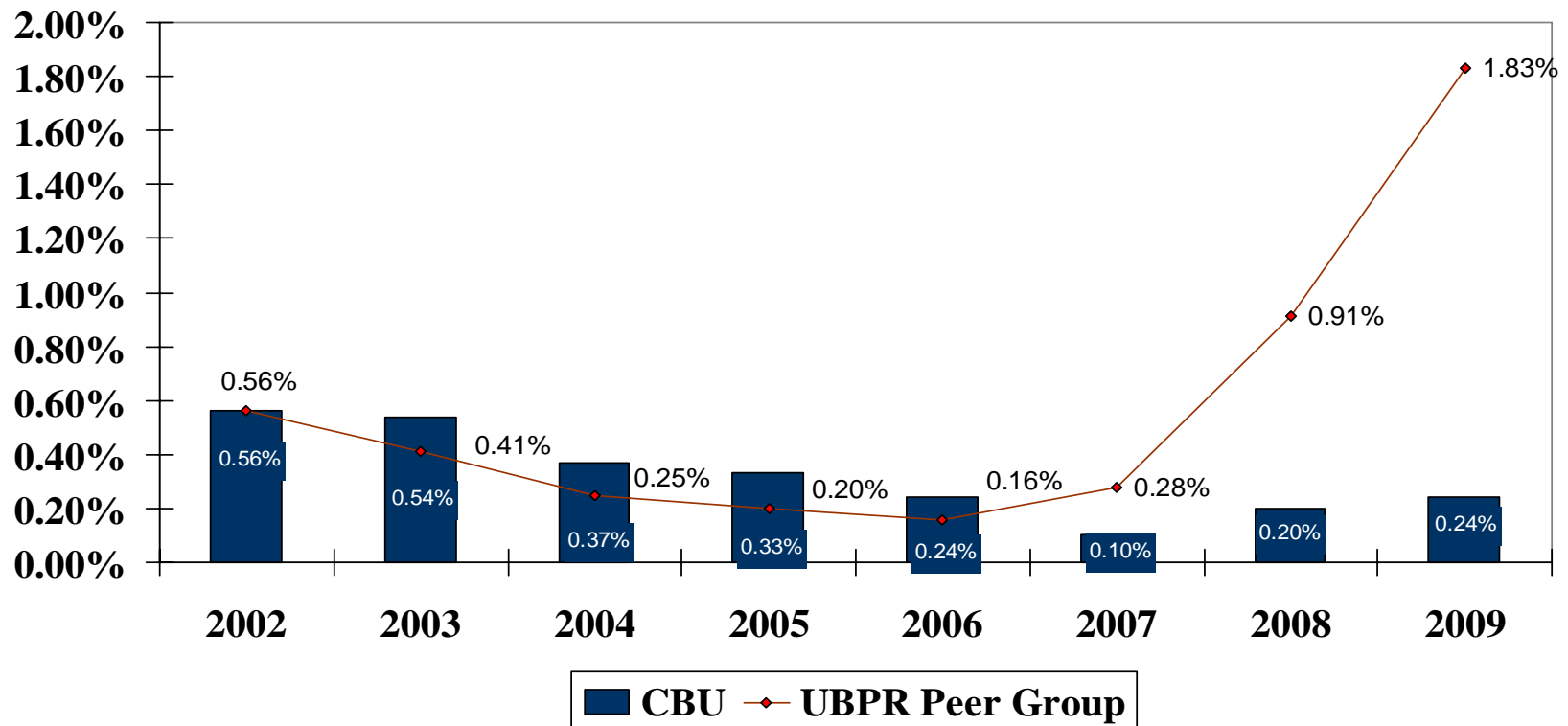
# Asset Quality

## Nonperforming Loans to Total Loans



# Asset Quality

## Net Charge-offs to Average Loans





# Strategy Element #2

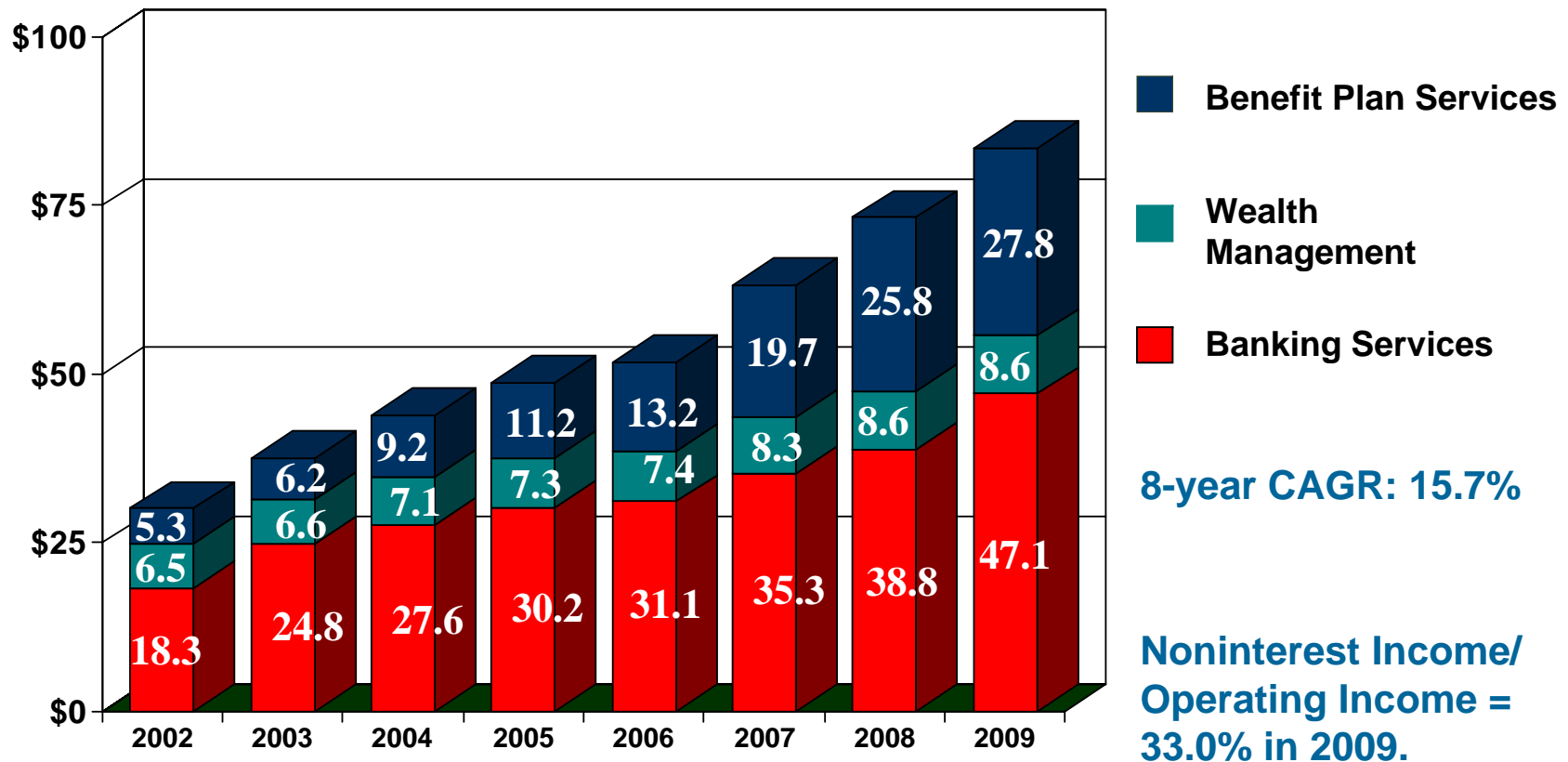
## Continue to Grow Noninterest Revenues

- Banking Services
- Benefits Administration and Consulting
- Wealth Management



# Growth In Noninterest Income

(excluding securities gains/losses and debt extinguishment)

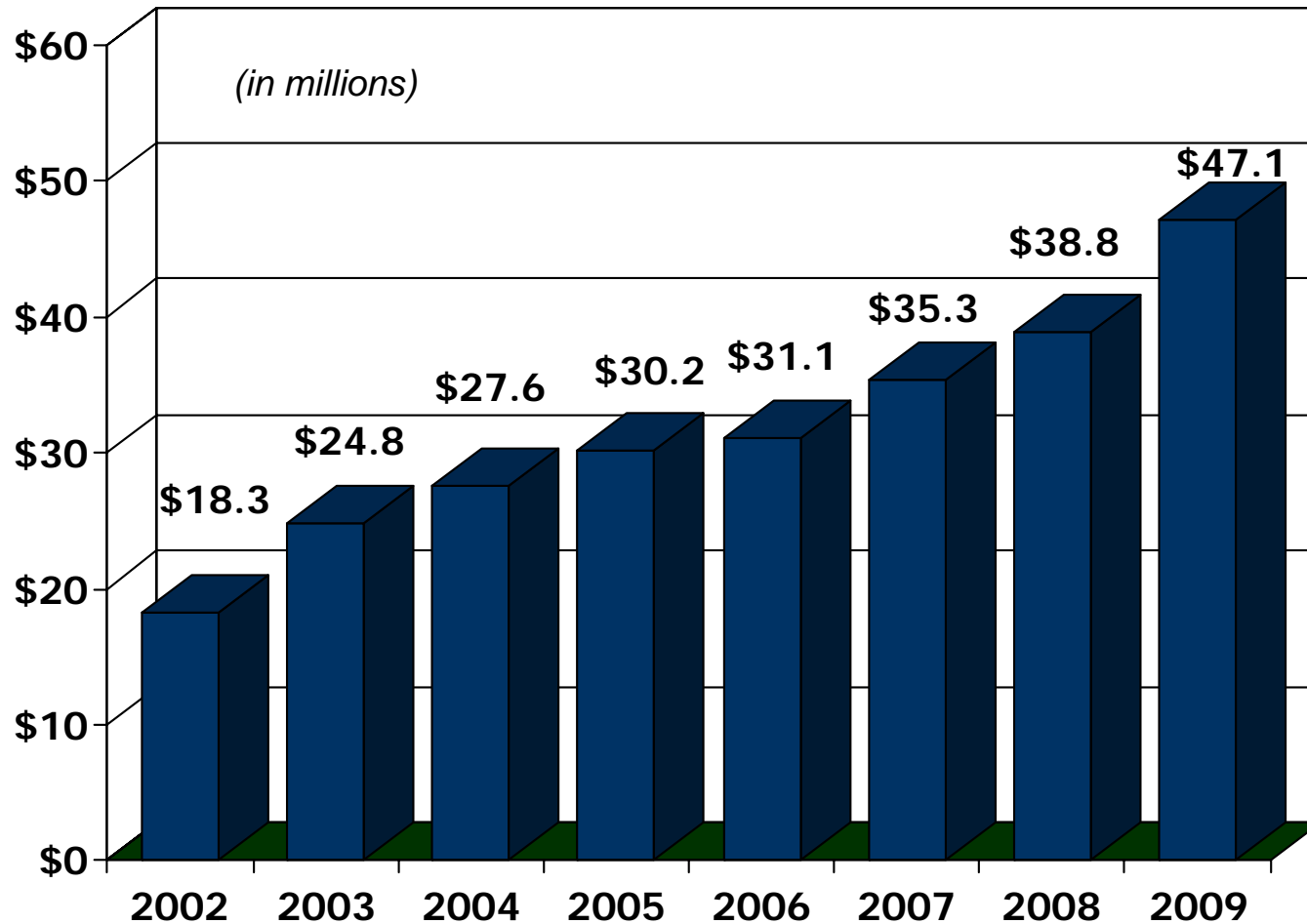


# Banking Services Revenue

- Electronic Banking
- Depository Fees
- Lending Fees
- Mortgage Banking



# Banking Services Revenue



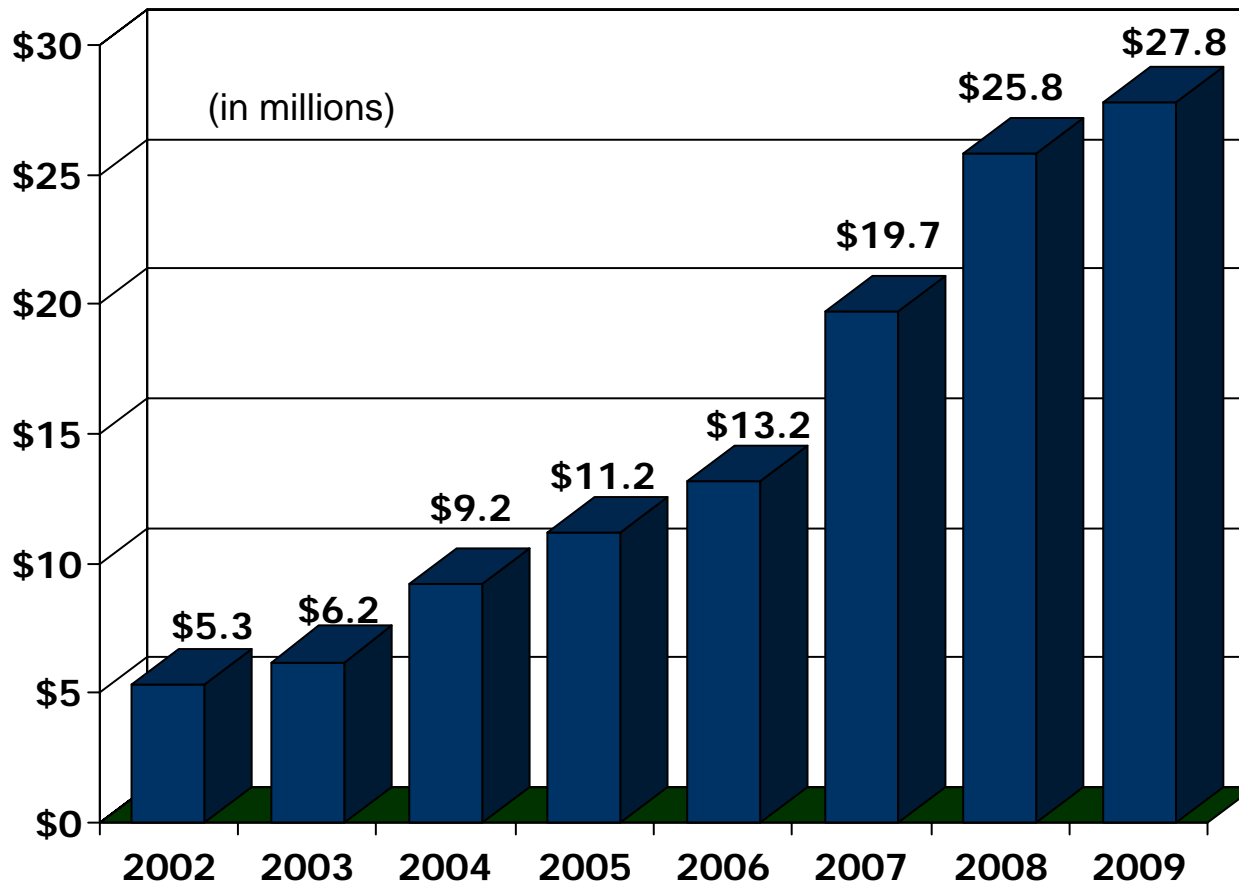
8-year CAGR: 16.6%

# Benefit Plan Administration & Consulting Revenue

- Defined Contribution Plan Benefit Administration
- Actuarial Services
- Health Care and Benefit Plan Consulting
- Collective Investment Fund Administration
- Flex Plan Administration



# Benefit Plan Administration & Consulting Revenue



8-year CAGR: 28.0%



# Strategy Element #3: Growth Model

## Banking Acquisitions

	<u># of Branches</u>	<u>Assets (in millions)</u>
<b>Branch Acquisitions</b>		
November 2008	18	\$ 575
December 2004	1	\$ 32
November 2001	36	\$ 473
<b>Whole-Bank Acquisitions</b>		
June 2007	5	\$ 100
December 2006	4	\$ 95
August 2006	2	\$ 208
May 2004	3	\$ 275
November 2003	12	\$ 280
September 2003	1	\$ 29
May 2001	13	\$ 648
January 2001	5	\$ 111



# Strategy Element #3: Growth Model

## Financial Services Acquisitions

	<u>Year</u>
• Alliance Benefit Group – MidAtlantic	2008
• CBNA Insurance Agency	2007
• Hand Benefits & Trust	2007
• Harbridge Consulting Group	2003
• Nottingham Advisors	1999
• Benefits Plans Administrative Services	1997





# Total Shareholder Returns

(Through February 28, 2010, or most recent available, Including Reinvestment of Dividends)

	1 Year	3 Years	7 Years	15 Years
<b>CBU</b>	<b>37.9%</b>	<b>6.1%</b>	<b>8.5%</b>	<b>12.6%</b>
S&P 600 Comm. Bank	28.4%	(23.0%)	(4.5%)	2.7%
NASDAQ Bank	29.1%	(16.8%)	(0.7%)	3.6%
S&P 500	53.7%	(5.7%)	6.1%	7.5%
DJIA	50.8%	(2.9%)	6.5%	8.8%

Source: Bloomberg



# Consistent Dividend Focus

- **Strong Dividend Payment**
  - \$0.88 per share annualized
- **Excellent Dividend Yield:**
  - 4.0% as of March 1, 2010
- **Outstanding Track Record of Payment Increases**
  - 16 straight years



# Investment Merits

- NYSE-listed Company with Significant Liquidity.
- Long-term Growth Focus.
- Successful and Effective Operating Strategy.
- Strong Fundamentals with Excellent Asset Quality.
- Superior Return to Shareholders.



*Balanced Approach and Consistent Performance*



**Thank You**  
**March 2010**



**Community Bank System, Inc.**