

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 \$5.5 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: 1st or 2nd in 70% of the towns where we do business



Company Profile

As of March 31, 2010:

- Assets \$ 5.5 billion
- Loans \$ 3.1 billion
- Deposits \$ 4.0 billion
- Shareholders' Equity \$578 million
- Market Capitalization \$817 million

(at 4/30/10 closing price of \$24.67)



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

March 31, 2010 or Most Recent Data Available

		Dollars	% Shares Outstanding	# of Owners
Total Shares Outstanding	33,126	\$ 817,223	—	—
Shares Held by Institutions	20,431	\$ 504,033	61.7%	153
Insiders	1,037	\$ 25,583	3.1%	18
401(k) Plan	905	\$ 22,326	2.7%	1,700
Pension Plan	307	\$ 7,574	0.9%	1
Dividend Reinvestment Plan	850	\$ 20,970	2.6%	1,539
CBU Price at April 30, 2010:	\$ 24.67			



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 7th best in an analysis of America's best and worst large banks by Forbes Magazine.



Financial Review

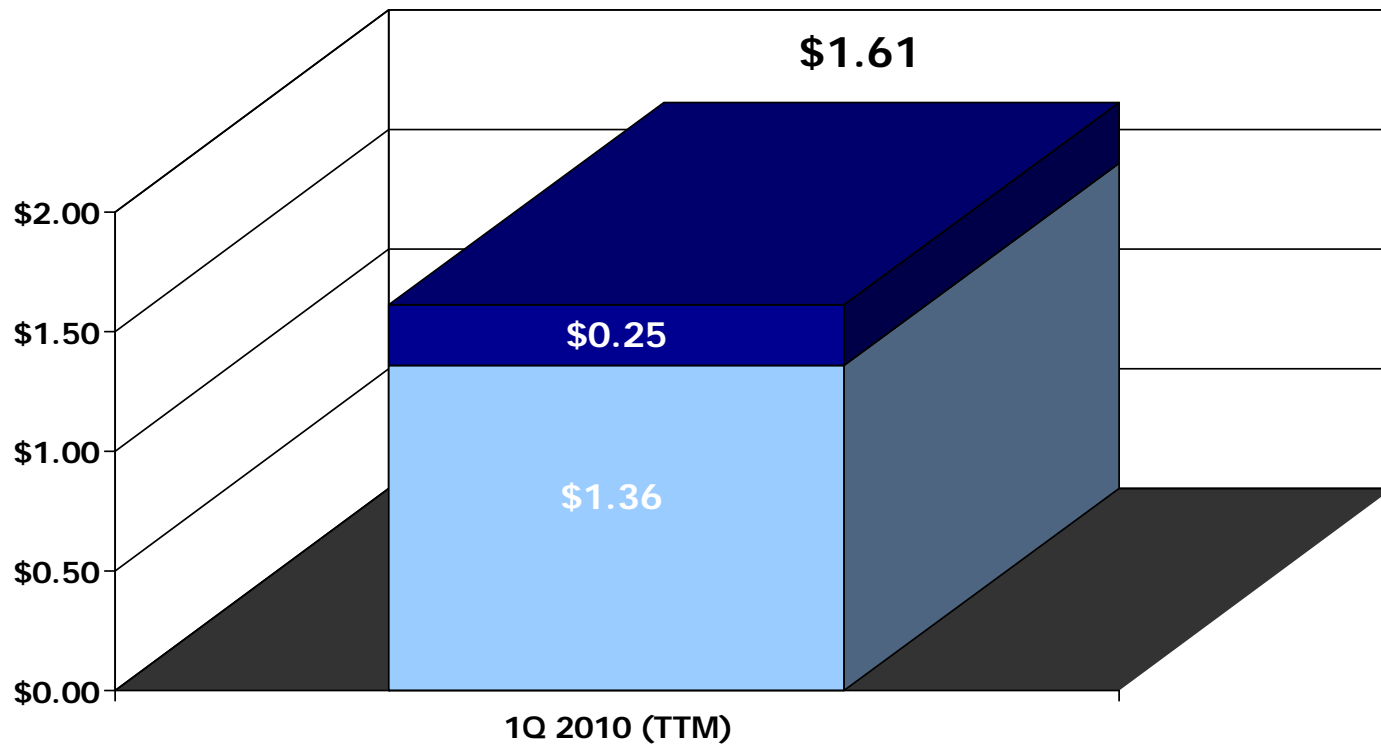
	<u>2009</u>	<u>2008</u>
Earnings per Share, reported	\$1.26	\$1.49
Addback:		
Special Charges and Acquisition Expenses, net	<u>0.09</u>	<u>0.01</u>
	\$1.35	\$1.50
Addback:		
FDIC Assessments	<u>0.20</u>	<u>0.04</u>
“Adjusted” EPS	<u>\$1.55</u>	<u>\$1.54</u>



First Quarter 2010 Performance Summary

	First Quarter 2010 Results <u>(In Millions)</u>	% Change From First Quarter 2009
• Net interest income	\$ 43.3	7.7%
• Non-interest income	\$ 21.7	6.7%
– Financial services revenue	\$ 10.3	13.7%
• Operating expenses	\$ 44.2	(0.5%)
• Provision for loan losses	\$ 1.8	(35.2%)
• Net income	\$ 14.0	33.8%
<hr/>		
• Earnings per share (diluted)	\$ 0.42	31.3%
• Return on assets	1.05%	29.6%

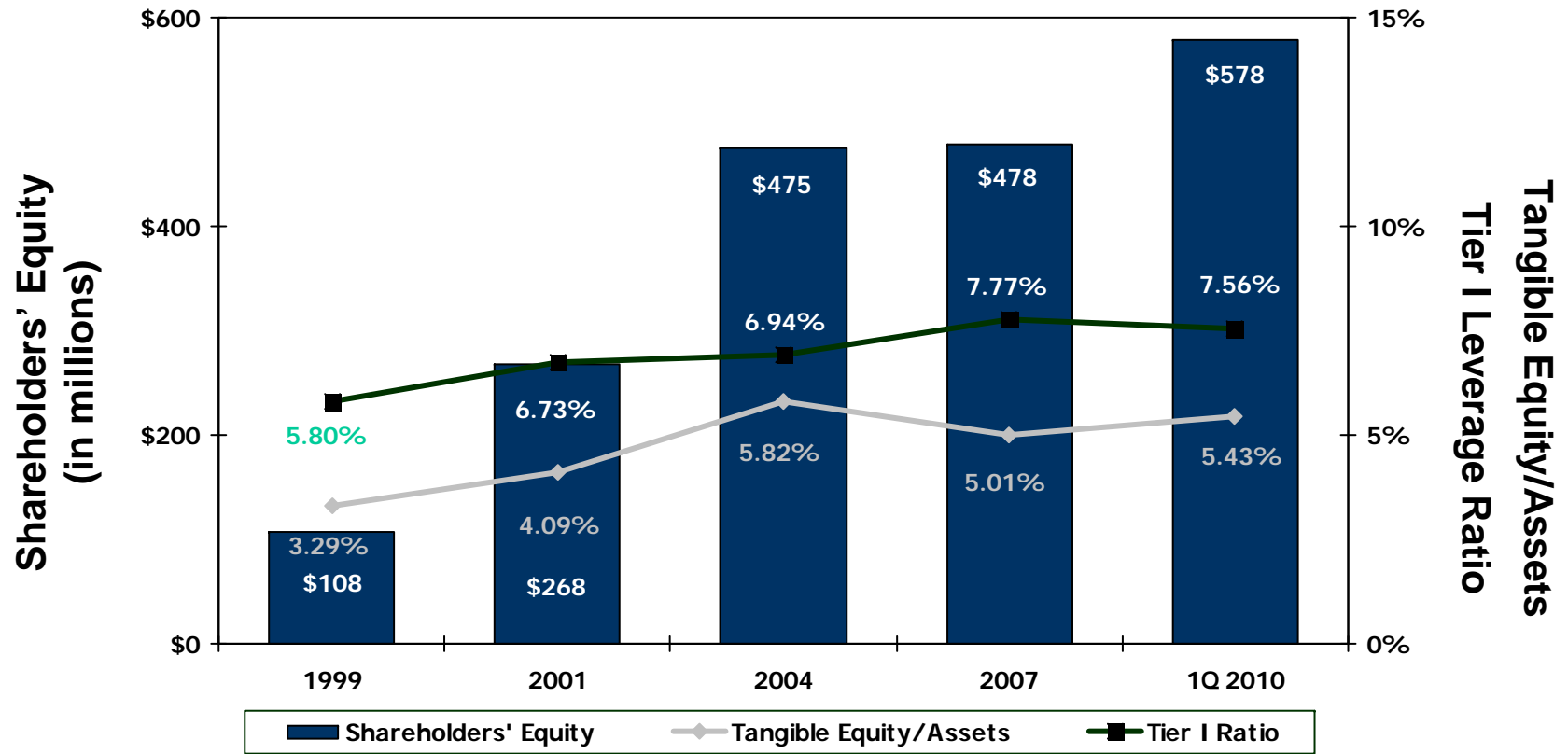
Cash Earnings Per Share



Cash Return on Total Equity (1Q 2010, TTM): 9.6%



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.

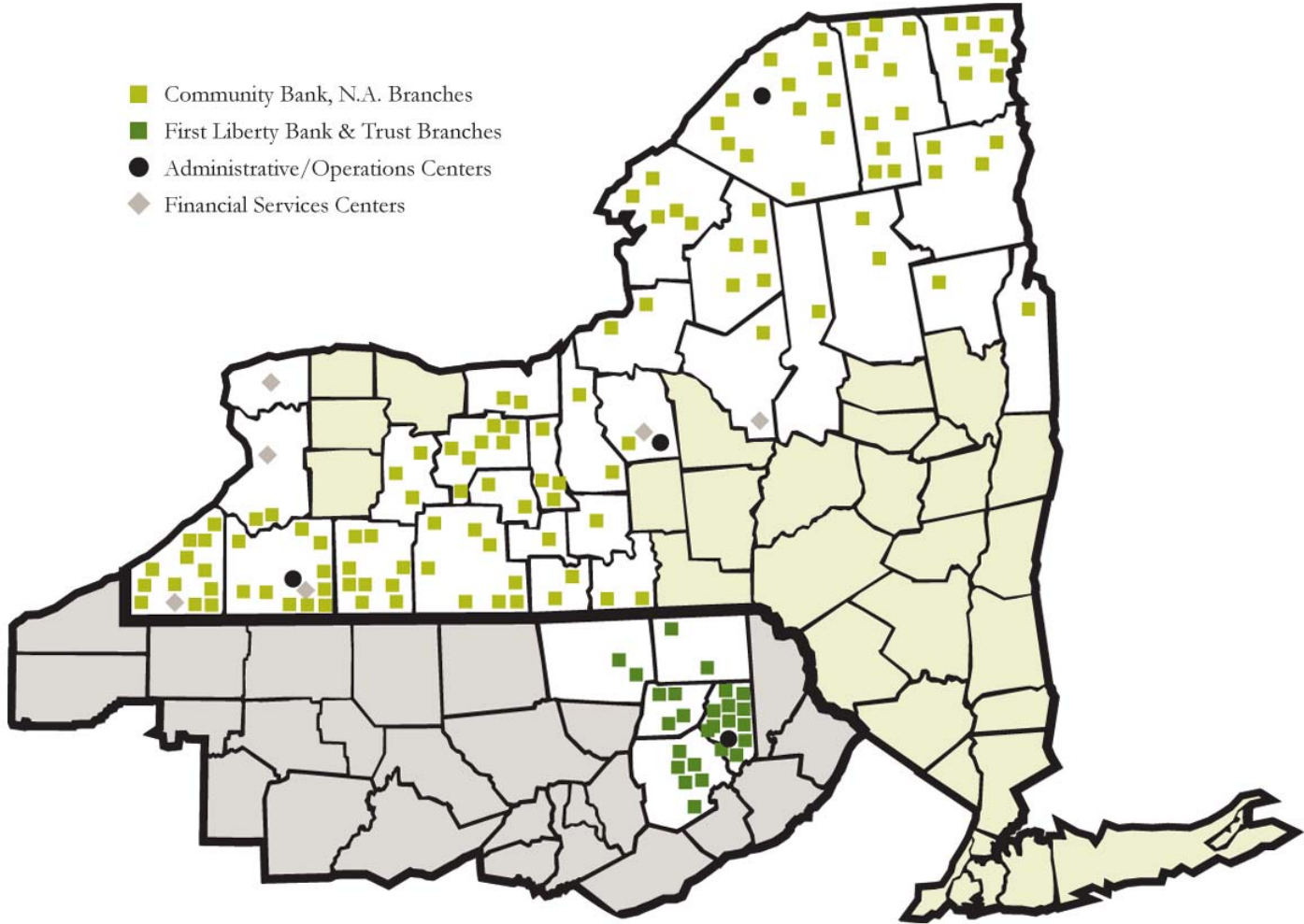


Customer Service Focus

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!



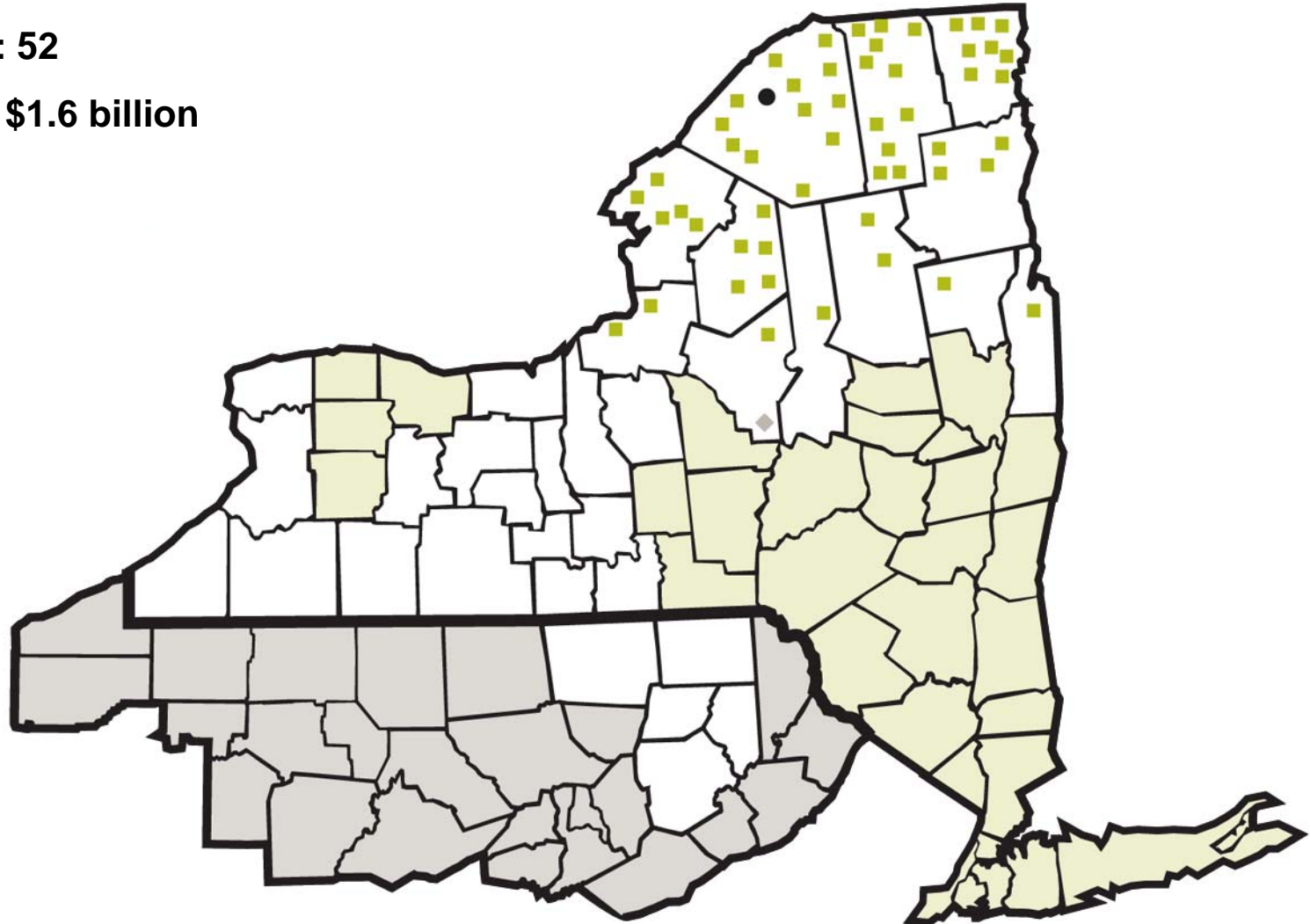
Geographic Profile



Northern New York Region

Branches: 52

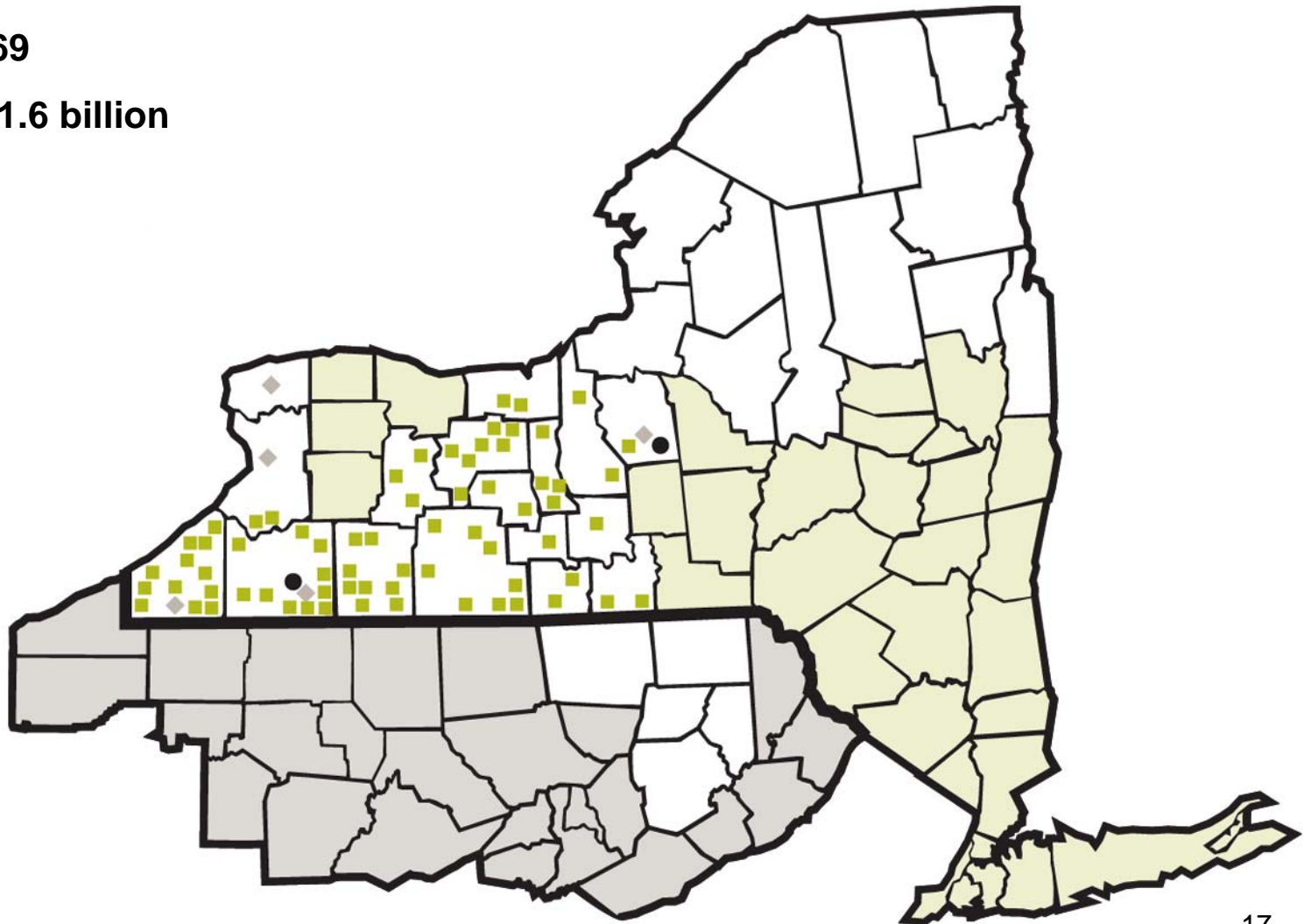
Deposits: \$1.6 billion



Southern New York Region

Branches: 69

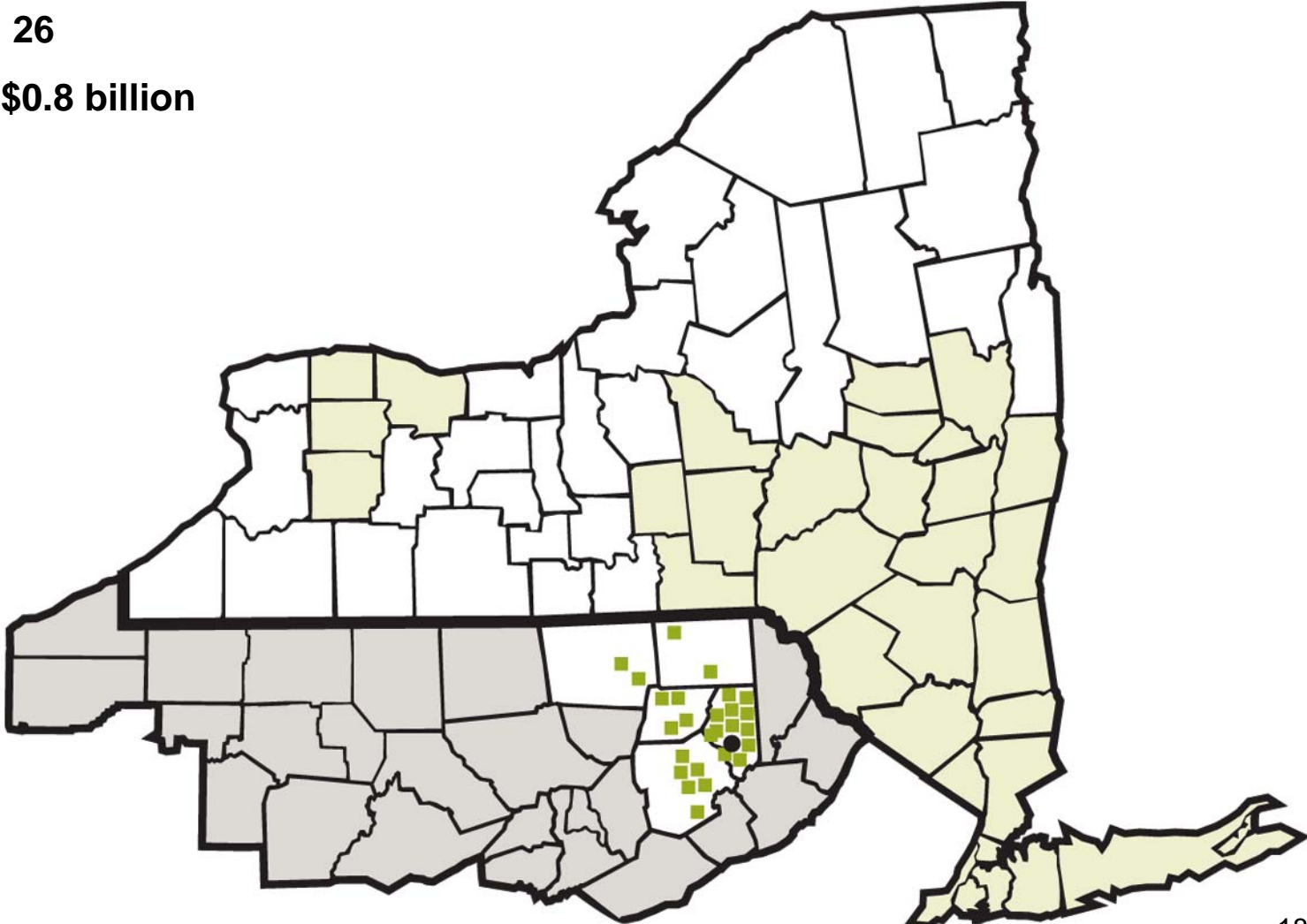
Deposits: \$1.6 billion



Pennsylvania Region

Branches: 26

Deposits: \$0.8 billion



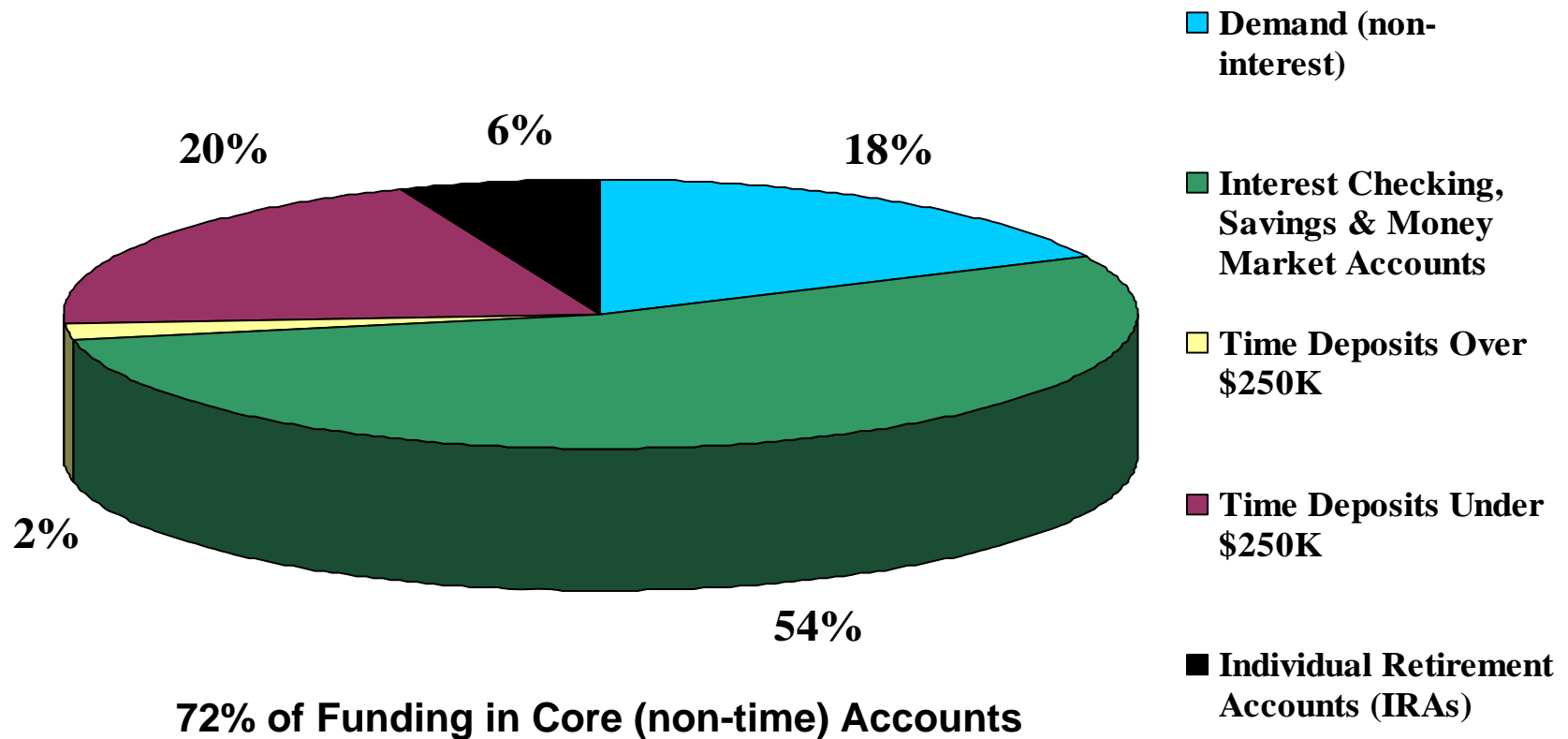
Core Account Growth

Deposit Type	1Q 2010	1Q 2009	\$ change	% change
Demand Deposits	\$716,172	\$651,298	\$ 64,874	10.0%
Interest Checking	\$689,513	\$609,750	\$ 79,763	13.1%
Savings/Money Market	\$1,406,256	\$1,081,397	\$324,859	30.0%
Subtotal	\$2,811,941	\$2,342,445	\$469,496	20.0%

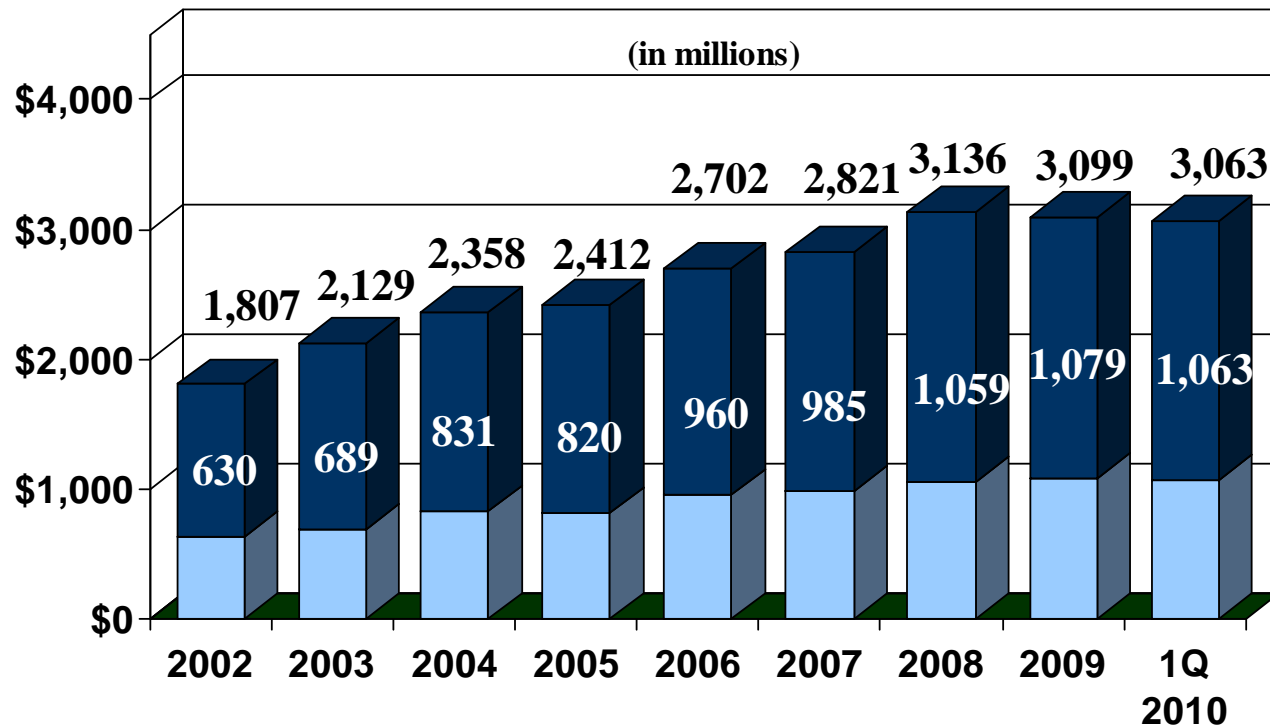
(Dollars in thousands, average period balances)



Core Deposit Strength and Focus



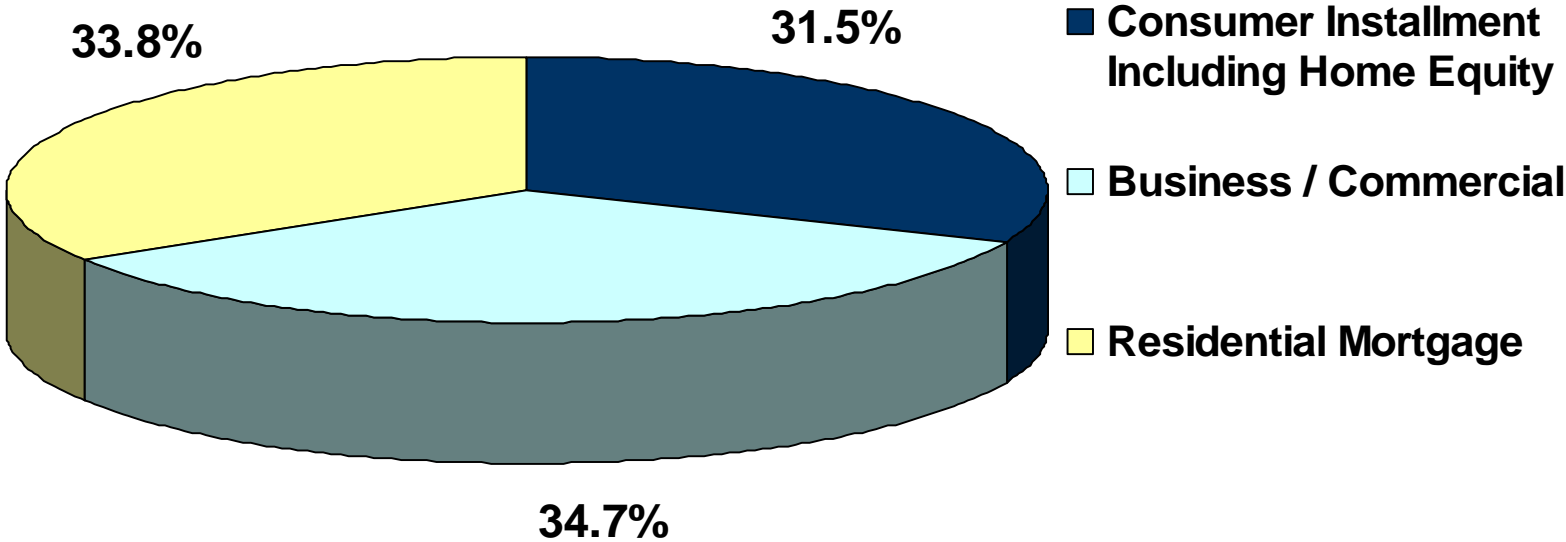
Loan Growth



■ *Consumer Loans* ■ *Business Loans* 8-year CAGR = 7.6%

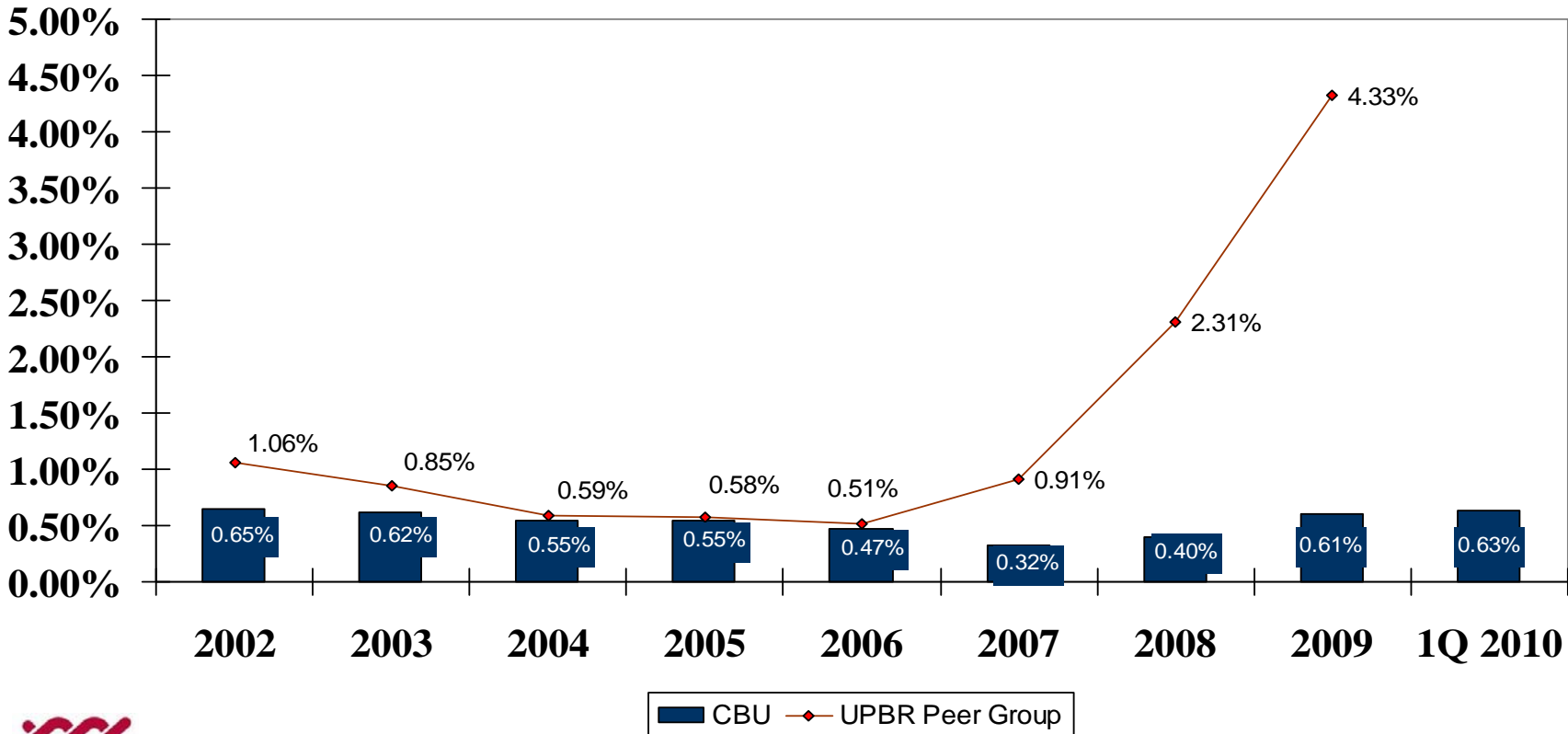


Loan Portfolio Balance



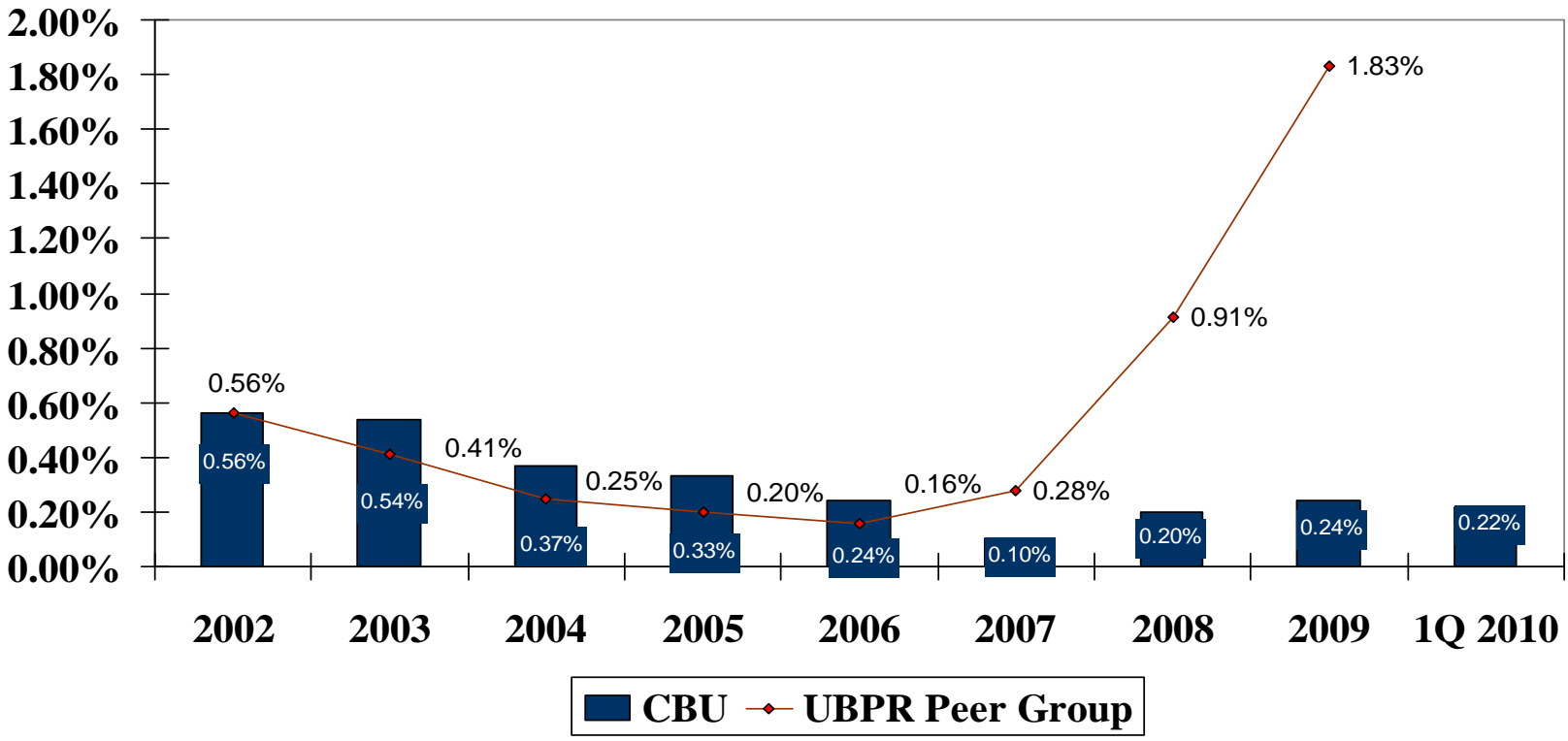
Asset Quality

Nonperforming Loans to Total Loans



Asset Quality

Net Charge-offs to Average Loans



Strategy Element #2

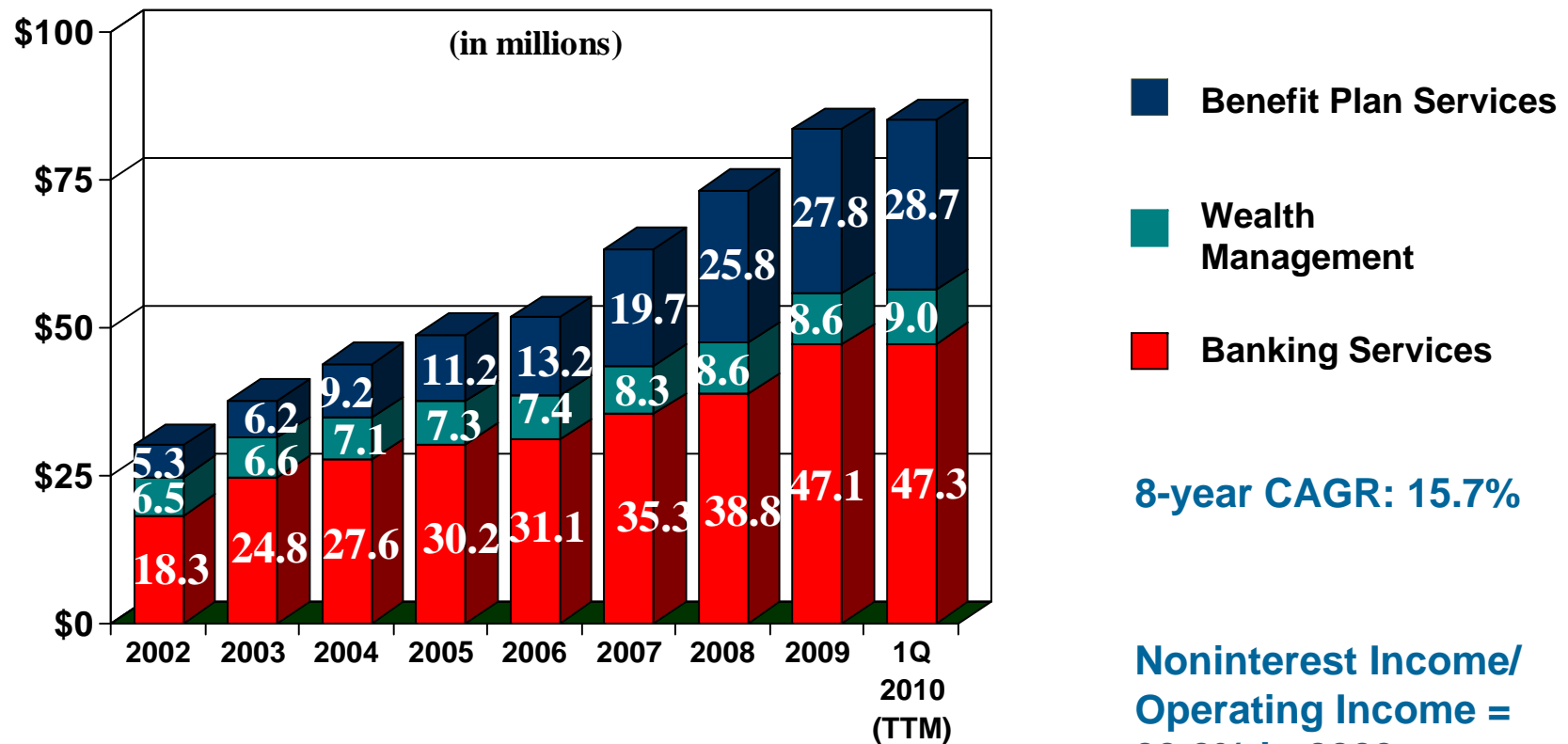
Continue to Grow Noninterest Revenues

- Banking Services
- Benefits Administration and Consulting
- Wealth Management



Growth In Noninterest Income

(excluding securities gains/losses and debt extinguishment)

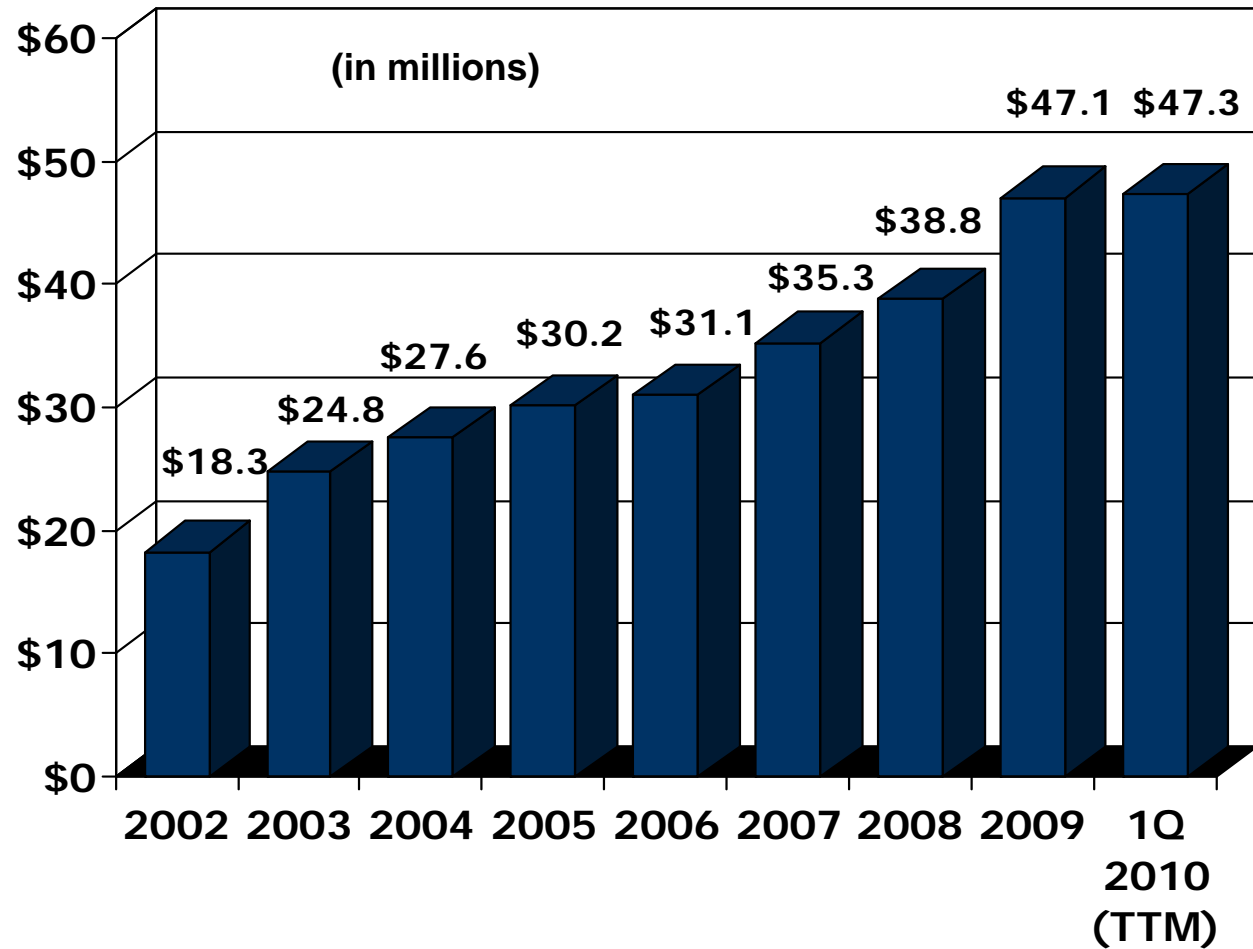


Banking Services Revenue

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



Banking Services Revenue



8-year CAGR: 16.6%

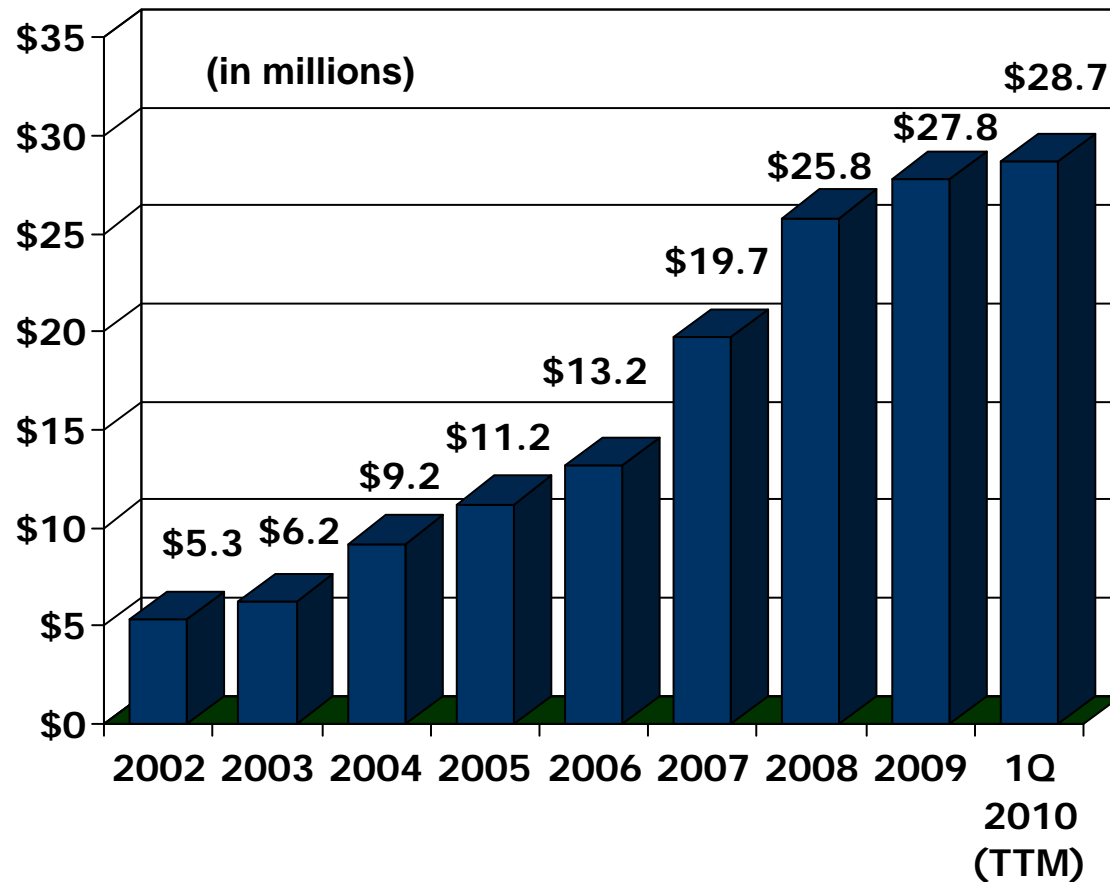


Benefit Plan Administration & Consulting Revenue

- 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>
Branch Acquisitions		
November 2008	18	\$ 575
December 2004	1	\$ 32
November 2001	36	\$ 473
Whole-Bank Acquisitions		
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 April 30, 2010, or most recent available, Including Reinvestment of Dividends)

	1 Year	3 Years	7 Years	15 Years
CBU	57.2%	11.1%	9.1%	13.6%
S&P 600 Comm. Bank	24.7%	(17.9%)	(3.9%)	8.9%
NASDAQ Bank	28.3%	(12.3%)	0.5%	8.9%
S&P 500	38.8%	(5.0%)	5.8%	7.7%
DJIA	38.7%	(2.8%)	6.4%	8.8%

Source: Bloomberg



Consistent Dividend Focus

- **Strong Dividend Payment**
 - \$0.96 per share annualized
- **Excellent Dividend Yield:**
 - 3.9% as of April 30, 2010
- **Outstanding Track Record of Payment Increases**
 - 9.1% increase in April 2010
 - 17 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
May 2010



Community Bank System, Inc.