

Investment Rationale

- History of Significant Earnings Growth: 16.2% five-year compound annual growth rate (CAGR) for net income through 12/31/04.
- Strong Revenue Diversity: 19.6% CAGR for non-interest income through 12/31/04.
- Excellent Record of Successful Acquisitions: 15 since 1994.
- Over the last ten years (ended 6/30/05), CBU's has grown its assets from \$809 million to \$4.3 billion (5x), and its customer facilities from 34 to more than 130 (4x).
- Consistent Superior Shareholder Returns: 18.3% annual return to shareholders (including dividend reinvestment), on average, over the last 10 years (through 6/30/05).

Company Profile

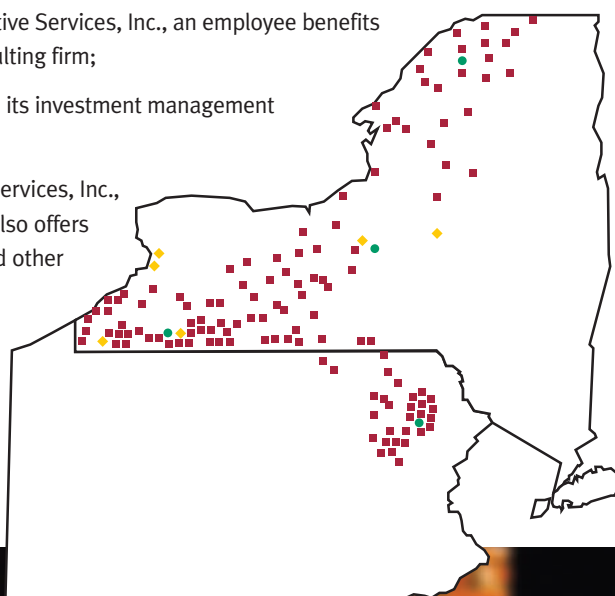
Community Bank System, Inc. (NYSE: CBU) is a registered bank holding company based in DeWitt, N.Y. Its wholly-owned banking subsidiary has \$4.3 billion in assets and more than 130 customer facilities across Upstate New York, where it operates as Community Bank, N.A., and Northeastern Pennsylvania, where it operates as First Liberty Bank & Trust.

CBU is located principally in smaller cities and towns where competition is often less intense and loyalty can be earned. The company ranks first or second in deposit market share in more than 70% of the towns it does business, with \$3.0 billion in deposits, \$2.4 billion in loans and \$2.2 billion in assets under management.

In addition to traditional banking products, CBU delivers personal trust, insurance and other financial services products through various bank branches and three subsidiaries:

- Benefit Plans Administrative Services, Inc., an employee benefits administration and consulting firm;
- Elias Asset Management, its investment management and advisory firm; &
- Community Investment Services, Inc., its broker-dealer, which also offers specialized insurance and other investment products.

Community Bank System Locations
 ■ Community Bank, N.A. Branches
 ◆ Financial Services Centers
 ● Administrative/Operations Centers



Senior Management Team

Sanford A. Belden
President & Chief Executive Officer

Mark E. Tryniski
Executive Vice President
& Chief Operating Officer

Scott A. Kingsley
Executive Vice President
& Chief Financial Officer

Brian D. Donahue
Senior Vice President
& Chief Banking Officer

Michael A. Patton
President, Financial Services

James A. Wears
President, New York Banking

Thomas A. McCullough
President, Pennsylvania Banking

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Click on "Investor Relations" at
www.communitybankna.com

Common stock traded on the NYSE
under the symbol "CBU"



Community Bank System, Inc.

Analyst Coverage

The following analysts currently publish research about Community Bank System:

FTN Midwest Research

David Darst 212.418.6722
david.darst@ftnmidwest.com

Janney Montgomery Scott

Richard Weiss 215.665.6224
rweiss@jmsonline.com

Keefe, Bruyette & Woods

Jared Shaw 860.722.5903
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McConnell, Budd & Romano

Kelly Hinkle 973.538.7800
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Dividend Reinvestment Program

CBU's "Investors Choice" program offers a variety of convenient, low- or no-cost services for investors who wish to establish or build their ownership in CBU.

- Common stock may be purchased via automatic deduction from bank account or through periodic contributions directly.
- Dividend reinvestment available
- Certificate safekeeping offered
- Toll-free customer service line available

For more information, visit the Investor Services portion of www.communitybankna.com

The Community Bank System, Inc. "Investor Fact Sheet" contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. 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 latest Form 10-Q and 10-K filed with the Securities and Exchange Commission.

Our 4-Point Growth Strategy

- Create a dominant branch system with de-centralized decision making at the branch level.
- Diversify revenue and earnings streams via non-interest income.
- Continue to generate profitable loan volume.
- Utilize technology to enhance – not replace – customer service and productivity.



Investment Profile

(Data as of 6/30/05)

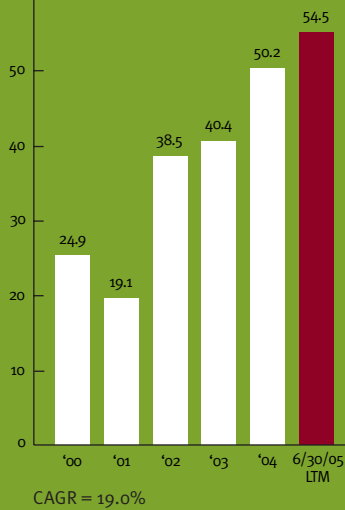
Market Cap.	\$ 737.5 mm
Price / Earnings (LTM)	14.0
Price / Book Value	1.56
Closing Price	\$ 24.39
52-week High	\$ 28.66
52-week Low	\$ 20.87
5-Year PE High	18.43
5-Year PE Low	8.88
Indicated Annual Dividend	\$ 0.72
Indicated Dividend Yield	3.0 %
Dividend Payout (LTM)	41.4 %
Shares Outstanding	30.2 million
Float	24.8 million
Average Daily Volume Last 3 Months	78,116

(Data as of 3/31/05)

Shares Held by Institutions	11.5 million
Institutions Holding Shares	108
% of Shares Outstanding Held by Institutions	38.1 %
Shares Held by Insiders	3.5 million
% of Shares Outstanding Held by Insiders	11.4 %

Net Income

(\$ in millions)



Financial Profile Income Statement (millions)

Period ended:	6/30/05 LTM	12/31/04	12/31/03	12/31/02	12/31/01	12/31/00	5-Year 12/31/04 CAGR
Net Interest Income	\$ 151.4	\$ 151.0	\$ 131.8	\$ 127.9	\$ 96.7	\$ 90.4	11.4 %
Non-interest Income	52.6	44.4	35.2	32.1	26.1	23.0	20.2
Operating Expenses	122.6	119.9	102.7	95.3	88.8	70.9	12.4
Net Income	\$ 54.5	\$ 50.2	\$ 40.4	\$ 38.5	\$ 19.1	\$ 24.9	16.2
Diluted weighted average common shares outstanding	30.9	30.7	27.0	26.3	23.7	21.5	7.1 %

Balance Sheet (millions)

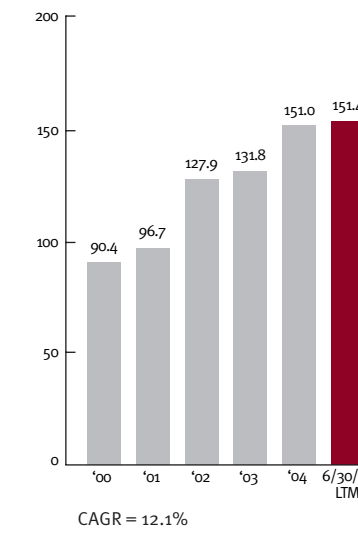
As of:	6/30/05	12/31/04	12/31/03	12/31/02	12/31/01	12/31/00	5-Year 12/31/04 CAGR
Total Assets	\$ 4,314	\$ 4,394	\$ 3,855	\$ 3,437	\$ 3,213	\$ 2,652	12.0 %
Loans, net of unearned discount	2,379	2,358	2,129	1,807	1,733	1,516	10.6
Total Average Interest Earning Assets	3,816	3,719	3,071	3,026	2,624	2,385	11.4
Total Deposits	2,978	2,929	2,725	2,505	2,546	1,949	9.7
Shareholders' Equity	473	475	405	325	268	202	23.4
Assets Under Fiduciary Management	2,217	2,102	1,807	1,364	1,385	1,282	29.2
CBU Equity Market Cap. (NYSE)	\$ 738	\$ 866	\$ 694	\$ 407	\$ 338	\$ 261	28.5 %

Performance and Ratio Data

Period ended:	6/30/05 LTM	12/31/04	12/31/03	12/31/02	12/31/01	12/31/00	5-Year 12/31/04 CAGR
Diluted Earnings per Share	\$ 1.74	\$ 1.64	\$ 1.49	\$ 1.46	\$ 0.81	\$ 1.16	8.5 %
Diluted Earnings per Share – Cash	1.90	1.78	1.61	1.60	0.98	1.29	10.1
Dividends per Common Share	\$ 0.72	\$ 0.64	\$ 0.61	\$ 0.56	\$ 0.54	\$ 0.52	7.2 %
Dividend Payout Ratio	39.5 %	40.9 %	40.2 %	37.7 %	65.7 %	40.6 %	
Return on Equity	11.5	11.4	11.8	13.1	8.0	14.3	
Return on Assets	1.26 %	1.20 %	1.16 %	1.14 %	0.66 %	0.97 %	
	As of 6/30/05	12/31/04	12/31/03	12/31/02	12/31/01	12/31/00	5-Year 12/31/04 CAGR
Net Interest Margin	4.16 %	4.45 %	4.69 %	4.62 %	3.96 %	4.06 %	
Non-interest Income to Operating Income	29.6	21.2	19.7	18.6	20.1	19.2	
Efficiency Ratio	57.2	52.8	53.4	52.0	56.8	54.6	
Nonperforming Loans to Total Loans	0.56	0.55	0.62	0.65	0.53	0.50	
Net Charge-Offs to Average Loans	0.34 %	0.37 %	0.54 %	0.56 %	0.42 %	0.42 %	
Book Value per Share	\$ 15.65	\$ 15.49	\$ 14.29	\$ 12.52	\$ 10.38	\$ 9.55	14.8 %
Tangible Book Value per Share	\$ 8.09	\$ 7.90	\$ 7.37	\$ 7.33	\$ 4.87	\$ 6.94	8.6 %

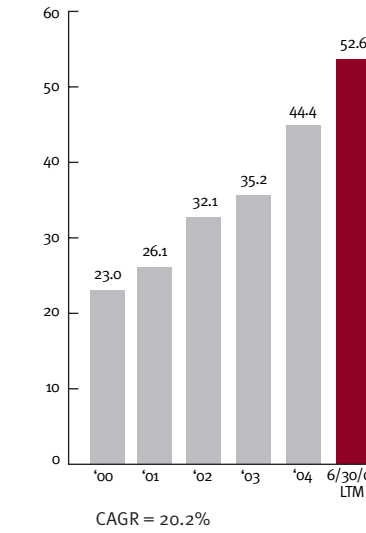
Net Interest Income

(\$ in millions)



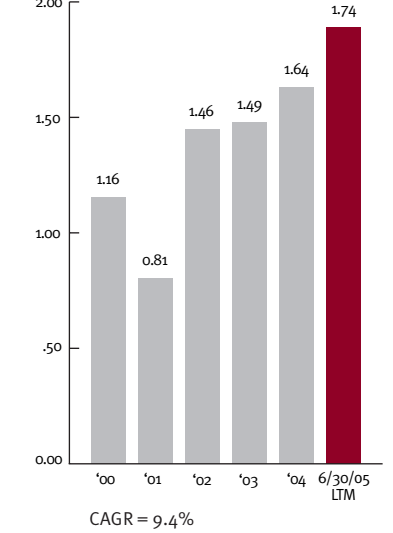
Non-Interest Income

(\$ in millions)



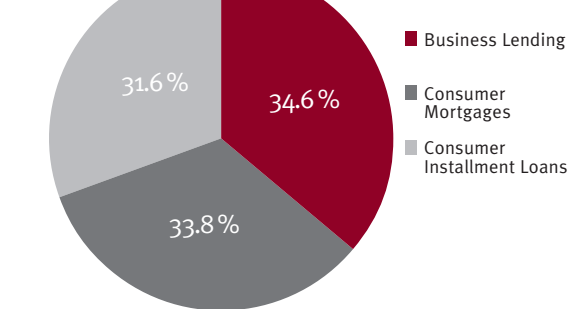
Earnings per Share

(\$)



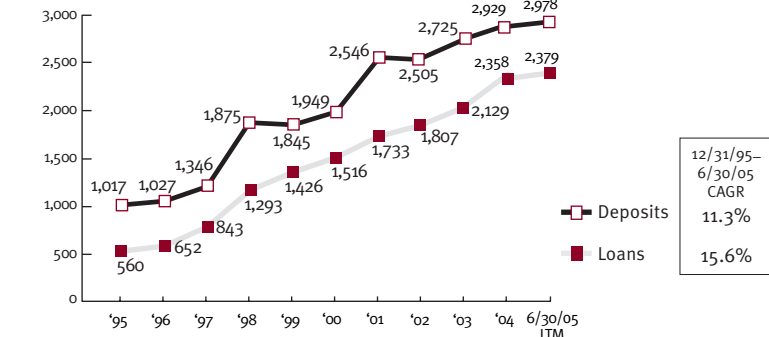
Loan Profile

(6/30/05)



Loan & Deposit Growth

(95-97 as originally reported - \$ in millions)



Total Shareholder Returns

Through June 30, 2005, including Reinvestment of Dividends:	CBU	S&P 500	NASDAQ Bank Index	S&P Small Cap. 600 Index	Russell 2000
One Year	10.1 %	6.3 %	7.1 %	13.5 %	9.5 %
Three Years	18.3 %	8.3 %	10.7 %	13.9 %	12.8 %
Five Years	21.1 %	-2.4 %	18.0 %	10.5 %	5.8 %
Ten Years	18.3 %	9.9 %	16.2 %	12.9 %	10.0 %

Source: Bloomberg