

Investment Rationale

- History of Significant Earnings Growth: 15.3% five-year compound annual growth rate (CAGR) for net income through 12/31/05.
- Strong Revenue Diversity: 16.2% CAGR for non-interest income through 12/31/05.
- Excellent Record of Successful Acquisitions: 16 since 1994.
- Since 1996 CBU has tripled its assets from \$1.3 billion to \$4.1 billion, and grown its customer facilities from approximately 50 to more than 130.
- Consistent Superior Shareholder Returns: 14.6% annual return to shareholders (including dividend reinvestment), on average, over the last 10 years (through 7/31/06).

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 \$4.1 billion in assets and approximately 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.

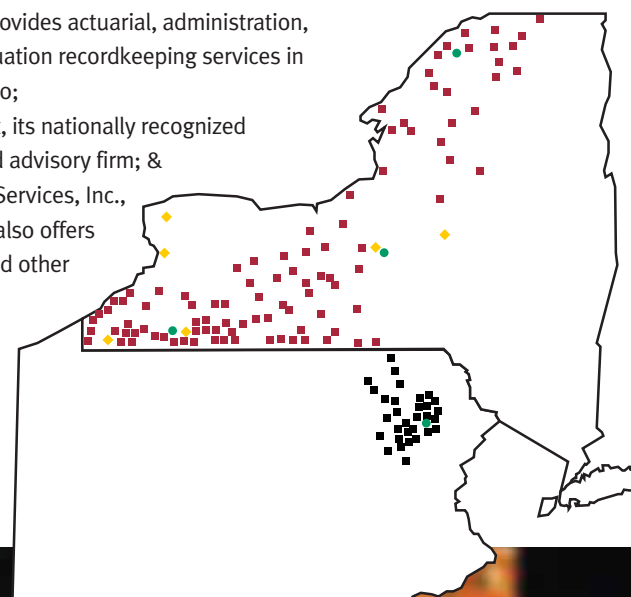
CBU is located principally in smaller cities and towns where superior service is valued and customer loyalty can be earned. The company ranks first or second in deposit market share in approximately 70% of the towns it does business, with \$3.0 billion in deposits, \$2.4 billion in loans and \$2.2 billion 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:

- BPA-Harbridge, which provides actuarial, administration, consulting and daily valuation recordkeeping services in 27 states and Puerto Rico;
- Elias Asset Management, its nationally recognized wealth 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
- First Liberty Bank & Trust Branches
- Financial Services Centers
- Administrative/Operations Centers



Senior Management Team

Mark E. Tryniski
President & Chief Executive Officer

Scott A. Kingsley
Executive Vice President
& Chief Financial Officer

Brian D. Donahue
Senior Vice President
& Chief Banking Officer

Thomas A. McCullough
President, Pennsylvania Banking

Investor Relations Contact

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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:

C.L. King & Associates Kevin Timmons ktt@clking.com	518.431.3260
FTN Midwest Research David Darst david.darst@ftnmidwest.com	615.734.6162
Janney Montgomery Scott Richard Weiss rweiss@jmsonline.com	215.665.6224
Keefe, Bruyette & Woods Damon Del Monte ddelmonte@kbw.com	860.722.5908
McConnell, Budd & Romano William McCrystal wmccrystal@mcbd.com	973.538.7800

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.



Fact Sheet
June 30, 2006

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 and deposit volume.
- Utilize technology to improve productivity and enhance – not replace – customer service.



Investment Profile

(Data as of 6/30/06)

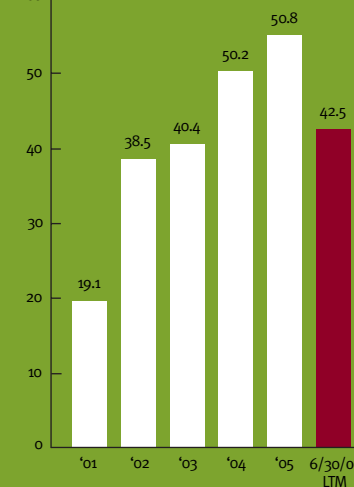
Market Cap.	\$ 602.1 mm
Price / Earnings (LTM)	14.5
Price / Book Value	1.33
Closing Price	\$ 20.17
52-week High	\$ 26.12
52-week Low	\$ 18.75
Indicated Annual Dividend	\$ 0.76
Indicated Dividend Yield	3.8 %
Dividend Payout (LTM)	53.5 %
Shares Outstanding	29.9 million
Float	28.4 million
Average Daily Volume Last 3 Months	160,024

(Data as of 3/31/06)

Shares Held by Institutions	14.1 million
Institutions Holding Shares	119
% of Shares Outstanding Held by Institutions	47.1 %
Shares Held by Insiders	2.4 million
% of Shares Outstanding Held by Insiders	7.9 %

Net Income

(\$ in millions)



Financial Profile

Income Statement (millions)

Period ended:	6/30/06 LTM	12/31/05	12/31/04	12/31/03	12/31/02	12/31/01	5-Year 12/31/05 CAGR
Net Interest Income	\$ 137.0	\$ 143.6	\$ 151.0	\$ 131.8	\$ 127.9	\$ 96.7	9.7 %
Non-interest Income	51.0	48.7	44.4	37.9	30.4	26.3	16.2
Investment Securities (losses) gains, net	5.3	12.2	0.1	(2.7)	1.7	(0.1)	N/A
Operating Expenses	127.8	127.4	119.9	102.7	95.3	88.8	12.4
Net Income	\$ 42.5	\$ 50.8	\$ 50.2	\$ 40.4	\$ 38.5	\$ 19.1	15.3
Diluted Weighted Average Common Shares Outstanding	30.3	30.8	30.7	27.0	26.3	23.7	7.5 %

Balance Sheet (millions)

As of:	6/30/06	12/31/05	12/31/04	12/31/03	12/31/02	12/31/01	5-Year 12/31/05 CAGR
Total Assets	\$ 4,140	\$ 4,153	\$ 4,394	\$ 3,855	\$ 3,437	\$ 3,213	9.4 %
Loans, net of unearned discount	2,444	2,412	2,358	2,129	1,807	1,733	9.7
Total Average Interest Earning Assets	3,739	3,703	3,719	3,071	3,026	2,624	9.2
Total Deposits	3,040	2,984	2,929	2,725	2,505	2,546	8.9
Shareholders' Equity	452	458	475	405	325	268	17.8
Assets Under Fiduciary Management	2,713	2,506	2,102	1,807	1,364	1,385	14.4
CBU Equity Market Cap. (NYSE)	\$ 602	\$ 676	\$ 866	\$ 694	\$ 407	\$ 338	21.0 %

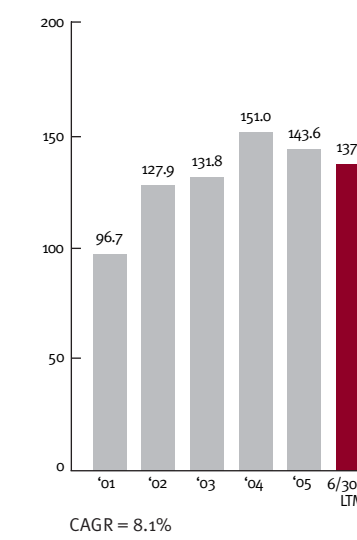
Performance and Ratio Data

Period ended:	6/30/06 LTM	12/31/05	12/31/04	12/31/03	12/31/02	12/31/01	5-Year 12/31/05 CAGR
Diluted Earnings per Share	\$ 1.39	\$ 1.65	\$ 1.64	\$ 1.49	\$ 1.46	\$ 0.81	7.3 %
Diluted Earnings per Share – Cash	1.57	1.84	1.78	1.61	1.60	0.98	7.4
Dividends per Common Share	\$ 0.76	\$ 0.74	\$ 0.64	\$ 0.61	\$ 0.56	\$ 0.54	7.3 %
Dividend Payout Ratio	53.5 %	43.9 %	40.9 %	40.2 %	37.7 %	65.7 %	
Return on Equity	9.2 %	10.9 %	11.4 %	11.8 %	13.1 %	8.0 %	
Return on Assets	1.02 %	1.19 %	1.20 %	1.16 %	1.14 %	0.66 %	

	LTM or as of 6/30/06	12/31/05	12/31/04	12/31/03	12/31/02	12/31/01	5-Year 12/31/05 CAGR
Net Interest Margin	4.06 %	4.17 %	4.45 %	4.69 %	4.62 %	3.96 %	
Non-interest Income to Operating Income	29.9	27.8	21.2	19.7	18.6	20.1	
Nonperforming Loans to Total Loans	0.45	0.55	0.55	0.62	0.65	0.53	
Net Charge-Offs to Average Loans	0.31 %	0.33 %	0.37 %	0.54 %	0.56 %	0.42 %	
Book Value per Share	\$ 15.13	\$ 15.28	\$ 15.49	\$ 14.29	\$ 12.52	\$ 10.38	9.9 %
Tangible Book Value per Share	\$ 7.69	\$ 7.77	\$ 7.90	\$ 7.37	\$ 7.33	\$ 4.87	2.3 %

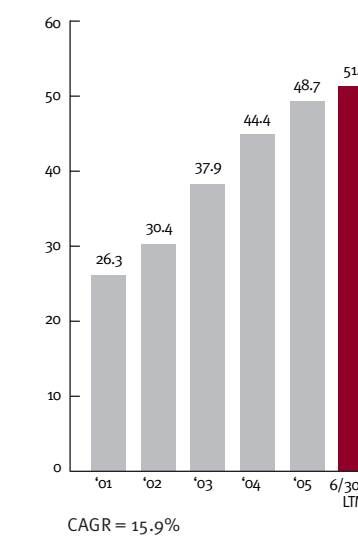
Net Interest Income

(\$ in millions)



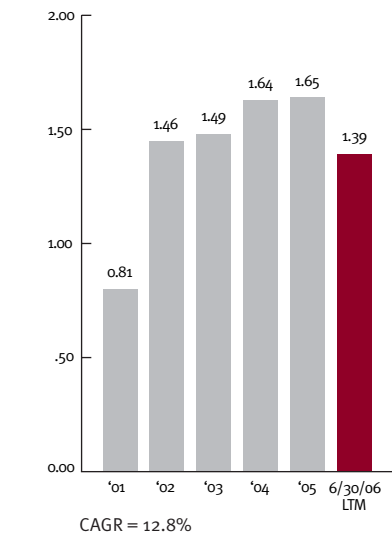
Non-Interest Income

(\$ in millions)



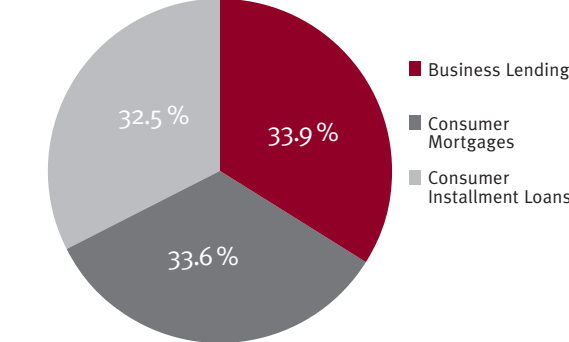
Earnings per Share

(\$)



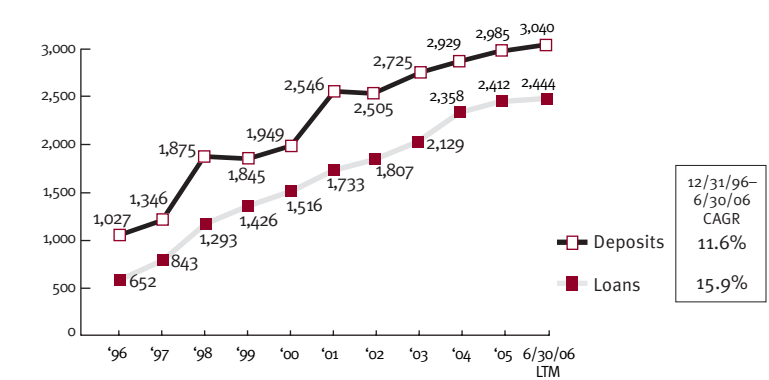
Loan Profile

(6/30/06)



Loan & Deposit Growth

(\$ in millions)



Total Shareholder Returns

Through July 31, 2006, including Reinvestment of Dividends:	CBU	S&P 500	NASDAQ Bank Index	S&P Small Cap. 600 Index	Russell 2000
One Year	(8.9)%	5.3 %	4.1 %	3.8 %	4.3 %
Three Years	3.2 %	10.8 %	10.8 %	17.1 %	15.1 %
Five Years	13.6 %	2.8 %	10.9 %	10.7 %	10.2 %
Ten Years	14.6 %	8.9 %	14.3 %	12.2 %	9.8 %
Fifteen Years	18.5 %	10.4 %	16.5 %	12.3 %	9.8 %

Source: Bloomberg