

Passion. Discipline. Respect. The qualities that contribute to our success.

KBW Regional Bank Conference – Boston February 28, 2008



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 \$4.7 billion in assets.
- More than 140 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

- 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, PA; Houston, TX



# Company Profile

As of December 31, 2007:

- Assets \$ 4.7 billion
- Loans \$ 2.8 billion
- Deposits \$ 3.2 billion
- Assets Under Management or Administration \$ 5.0 billion
- Shareholders' Equity \$478 million
- Market Capitalization \$664 million  
*(at 2/15/08 closing price of \$22.34)*



# Shareholder Profile

Sept. 30, 2007 or Most Recent Data Available  
(in thousands, except # of shareholders)

	<b># of Shares</b>	<b>Dollars</b>	<b>% Shares Outstanding</b>	<b># of Owners</b>
<b>Total Shares Outstanding</b>	<b>29,731</b>	<b>\$ 663,893</b>	<b>—</b>	<b>—</b>
<b>Shares Held by Institutions</b>	<b>15,837</b>	<b>\$ 353,640</b>	<b>53.3%</b>	<b>110</b>
<b>Insiders (including 401k)</b>	<b>2,031</b>	<b>\$ 45,352</b>	<b>6.8%</b>	<b>16</b>
<b>401(k) Plan</b>	<b>813</b>	<b>\$ 18,154</b>	<b>2.7%</b>	<b>1,445</b>
<b>Pension Plan</b>	<b>172</b>	<b>\$ 3,840</b>	<b>0.6%</b>	<b>1</b>
<b>Dividend Reinvestment Plan</b>	<b>731</b>	<b>\$ 16,323</b>	<b>2.5%</b>	<b>1,419</b>
<b>CBU Price at February 15, 2008:</b>	<b>\$ 22.34</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.





# Six-Year Compound Annual Growth Rates

(2001—2007)

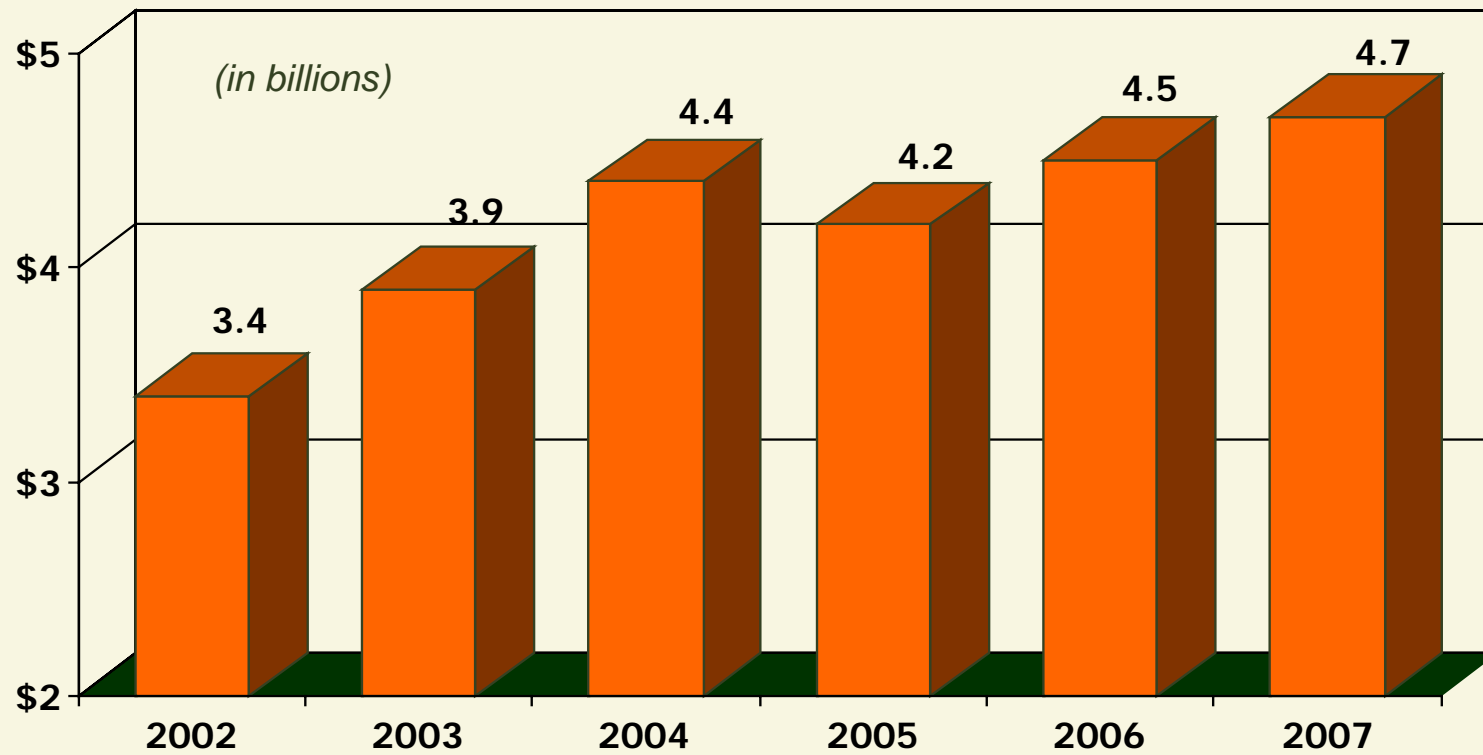
CAGR

- |  |       |
|--|-------|
| • Net income   | 15.4% |
| • Net income per share (diluted)   | 9.7%  |
| • Non-interest income<br><i>(excluding securities and debt restructuring gains and losses)</i> | 15.8% |
| • Financial services revenue   | 14.1% |
| • Dividends per share  | 7.6%  |



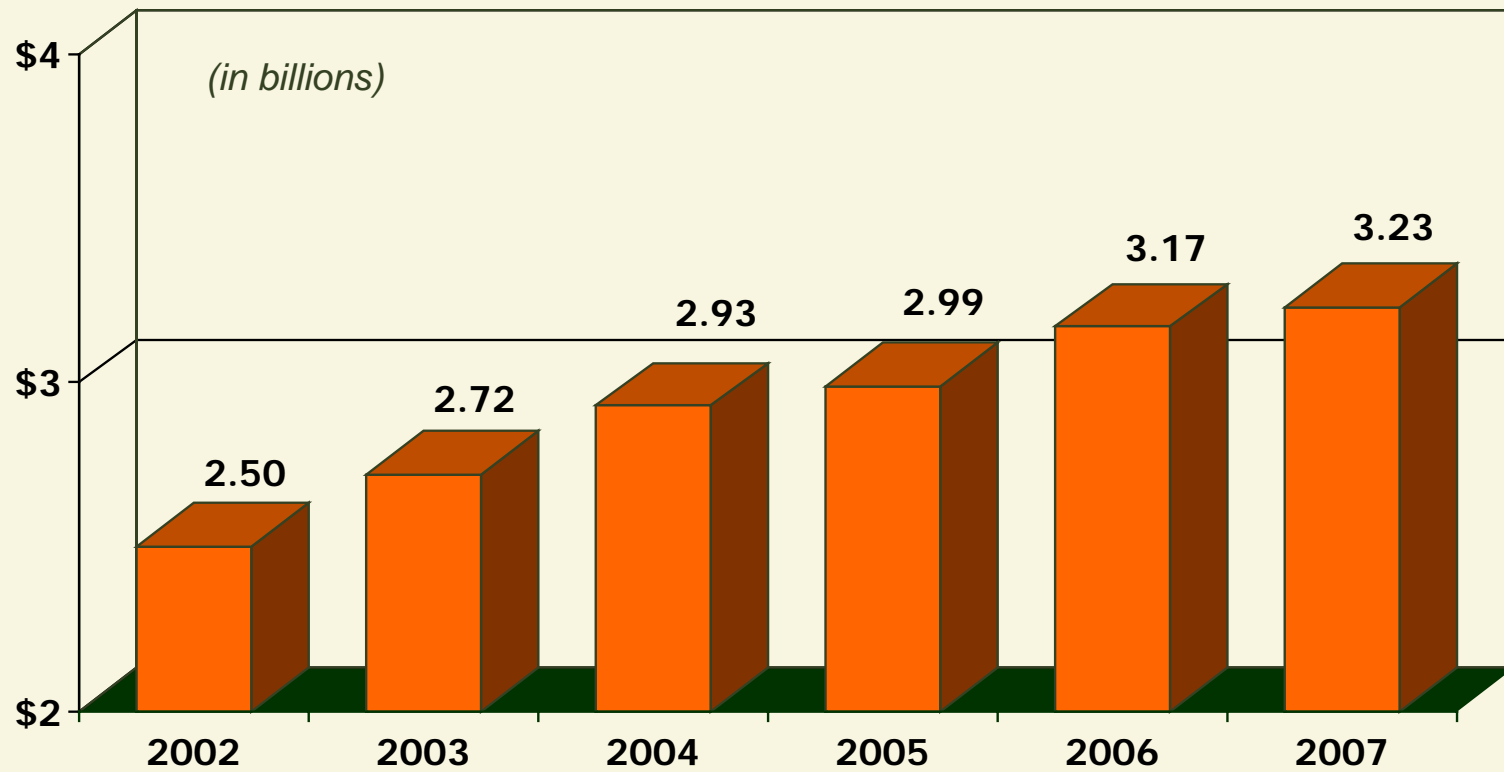


# Asset Growth



6-year CAGR: 5.6%

# Deposit Growth



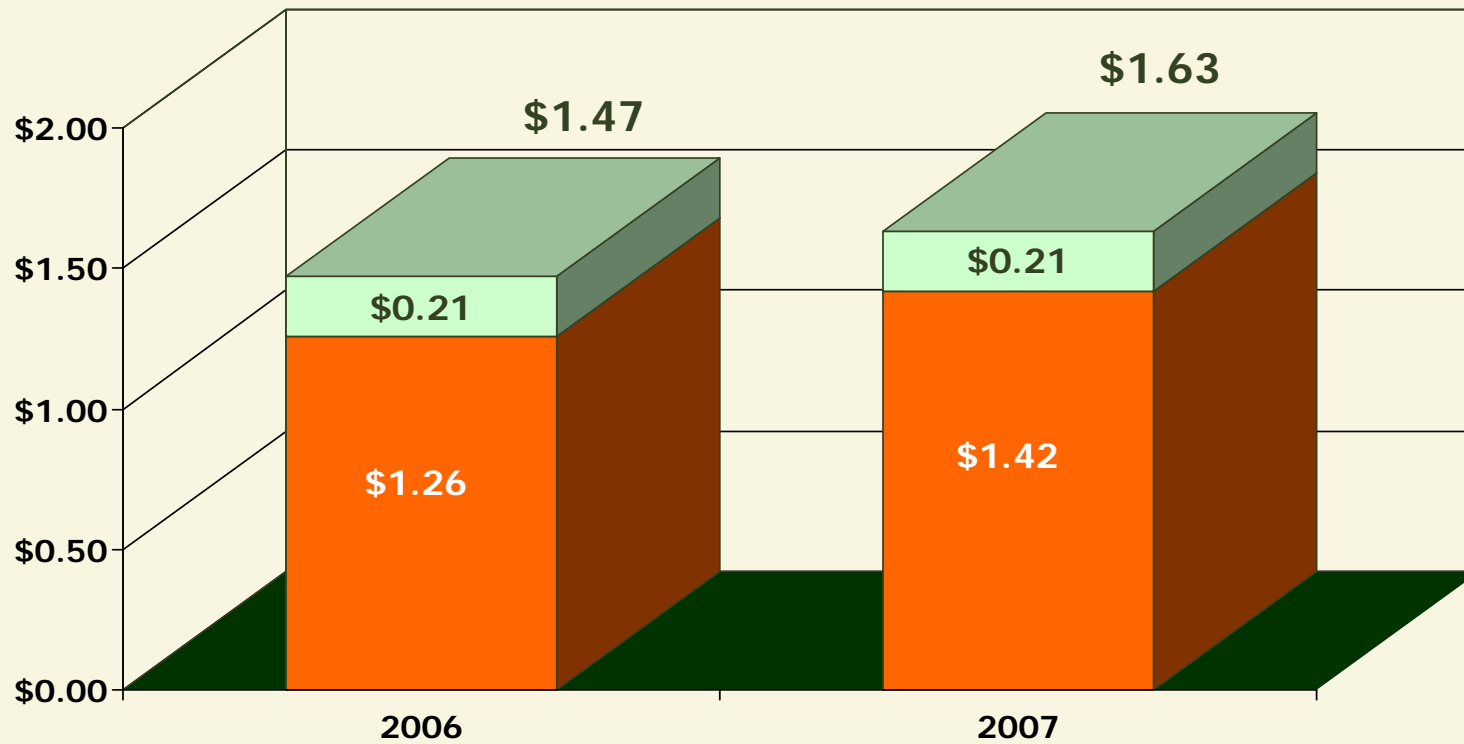
■ 6-year CAGR: 4.2%

# 2007 Performance Summary

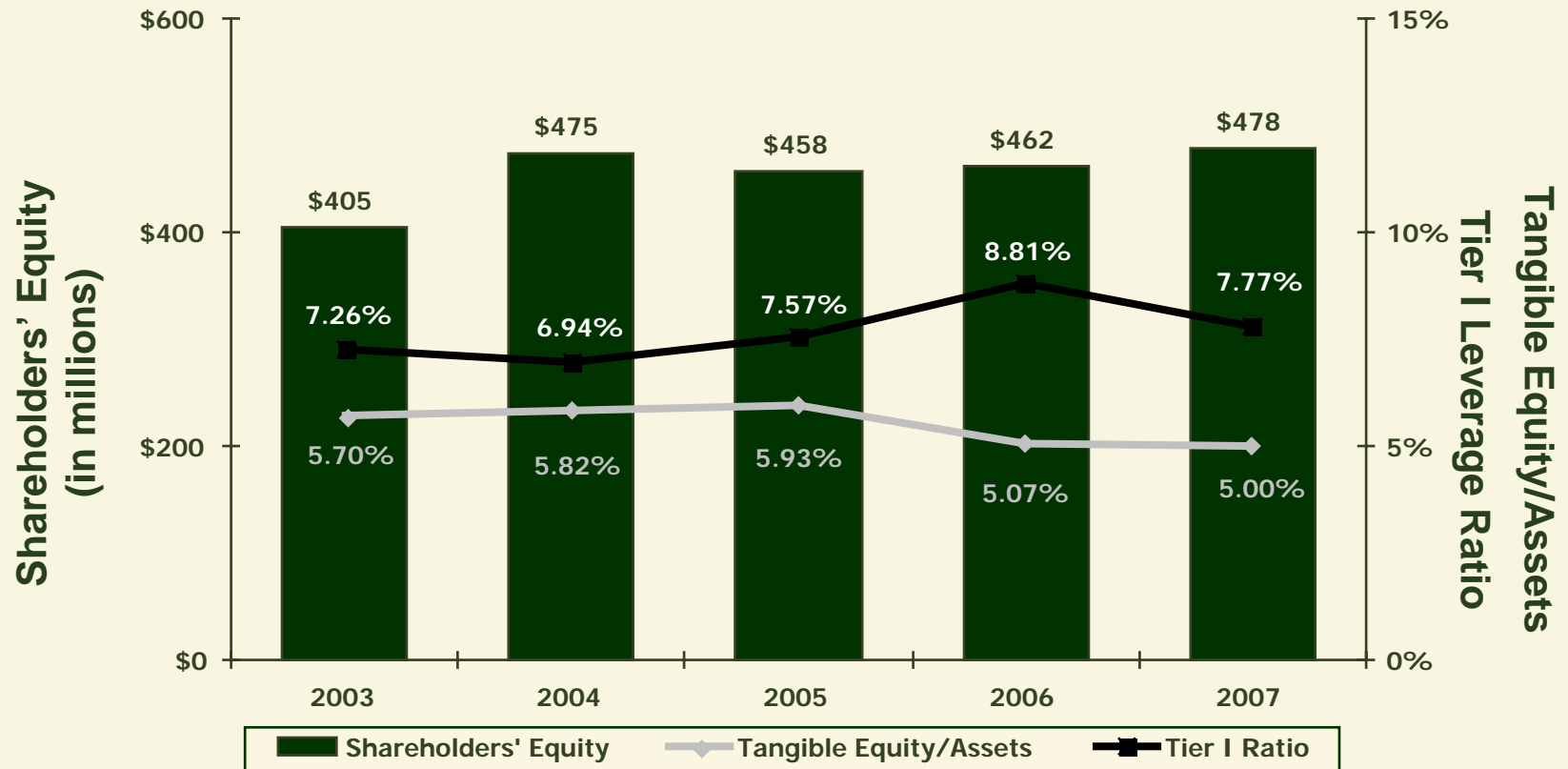
	<u>2007 Results</u> <u>(In Millions)</u>	<u>% Change</u> <u>From 2006</u>
• Net interest income	\$136.0	1.0%
• Non-interest income <i>(excluding securities gains)</i>	\$ 63.3	22.4%
• Financial services revenue	\$ 28.0	35.7%
• Operating expenses	\$142.1	11.7%
• Provision for loan losses	\$ 2.0	(69.6%)
• Net income	\$ 42.9	11.8%
• Earnings per share (diluted)	\$ 1.42	12.7%



# Cash Earnings Per Share



# Capital Flexibility



# 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 That's "Second to One"

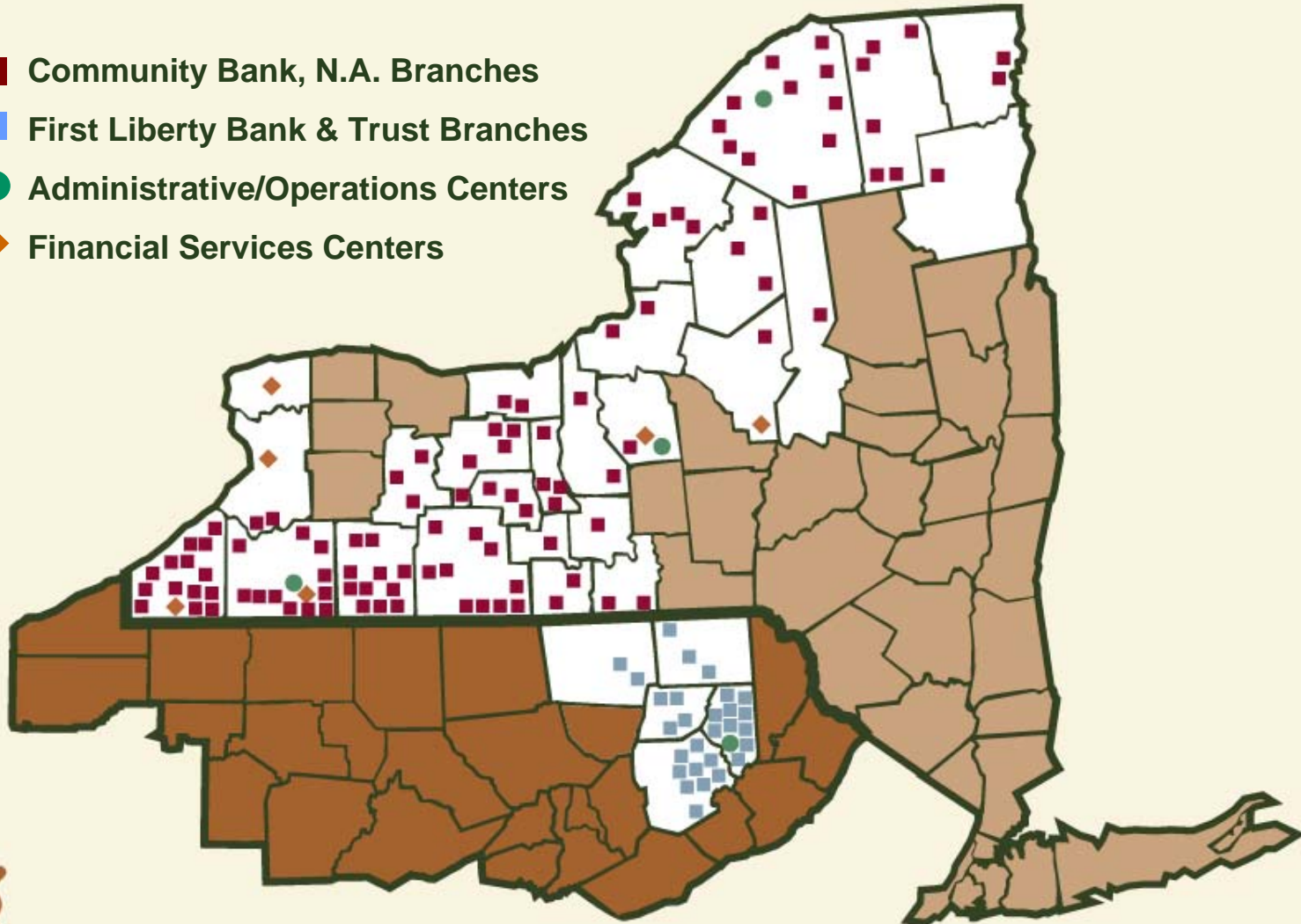
**Ranked second in the ENTIRE NATION  
by J.D. Power & Associates in its 2007  
Retail Banking Satisfaction Study!**





# Branching Out

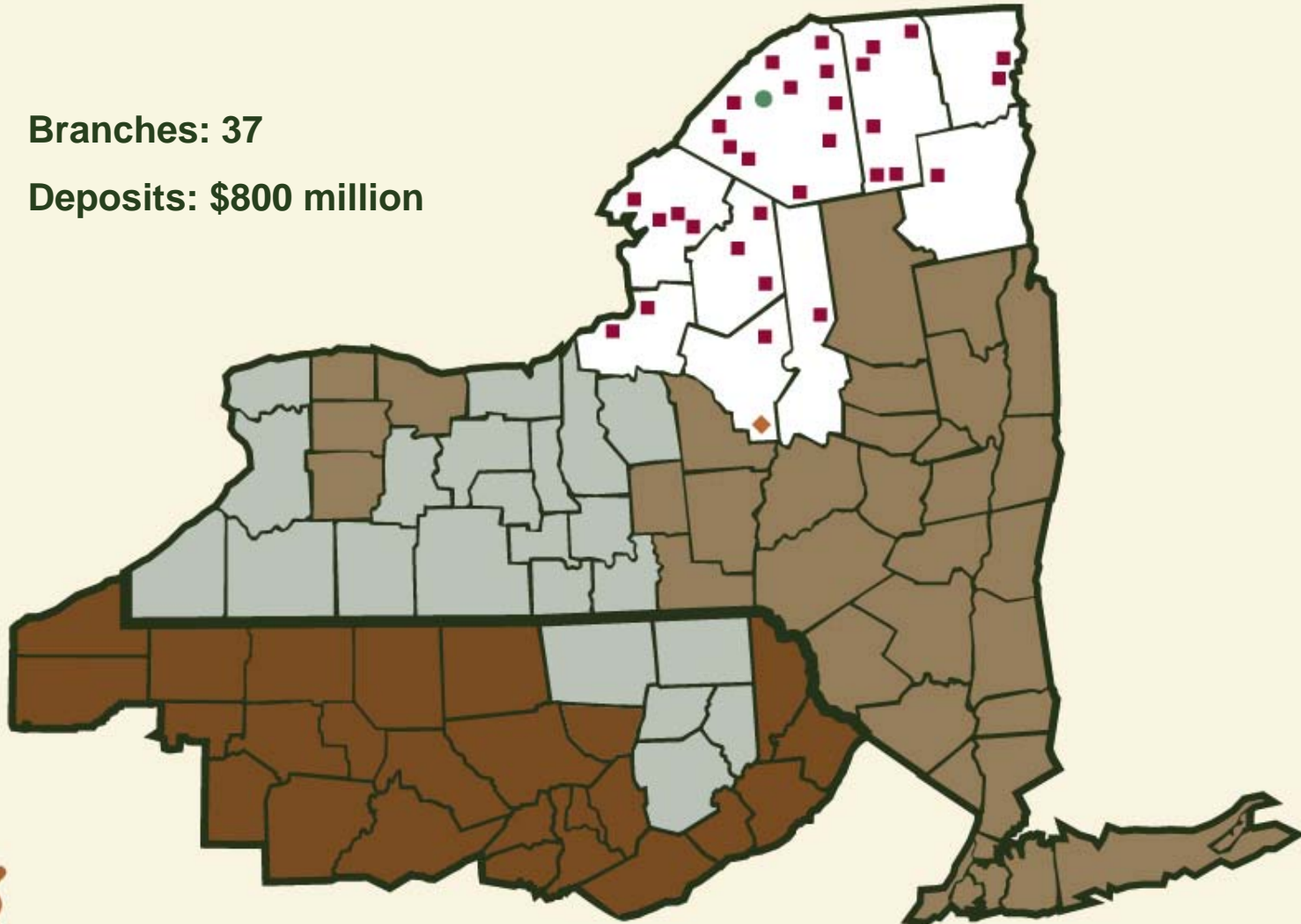
- Community Bank, N.A. Branches
- First Liberty Bank & Trust Branches
- Administrative/Operations Centers
- ◆ Financial Services Centers



# Northern New York Region

**Branches: 37**

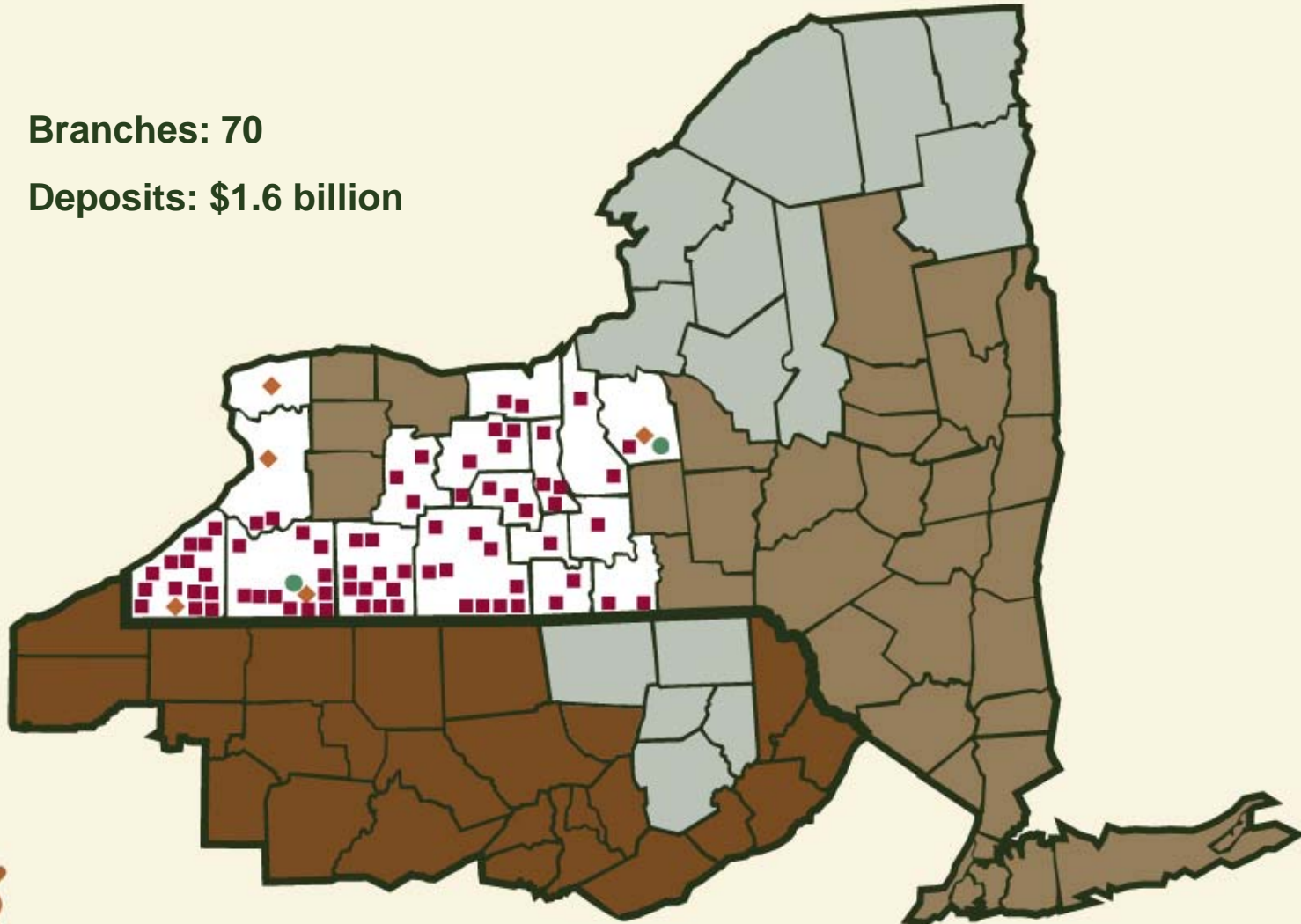
**Deposits: \$800 million**



# Southern New York Region

**Branches: 70**

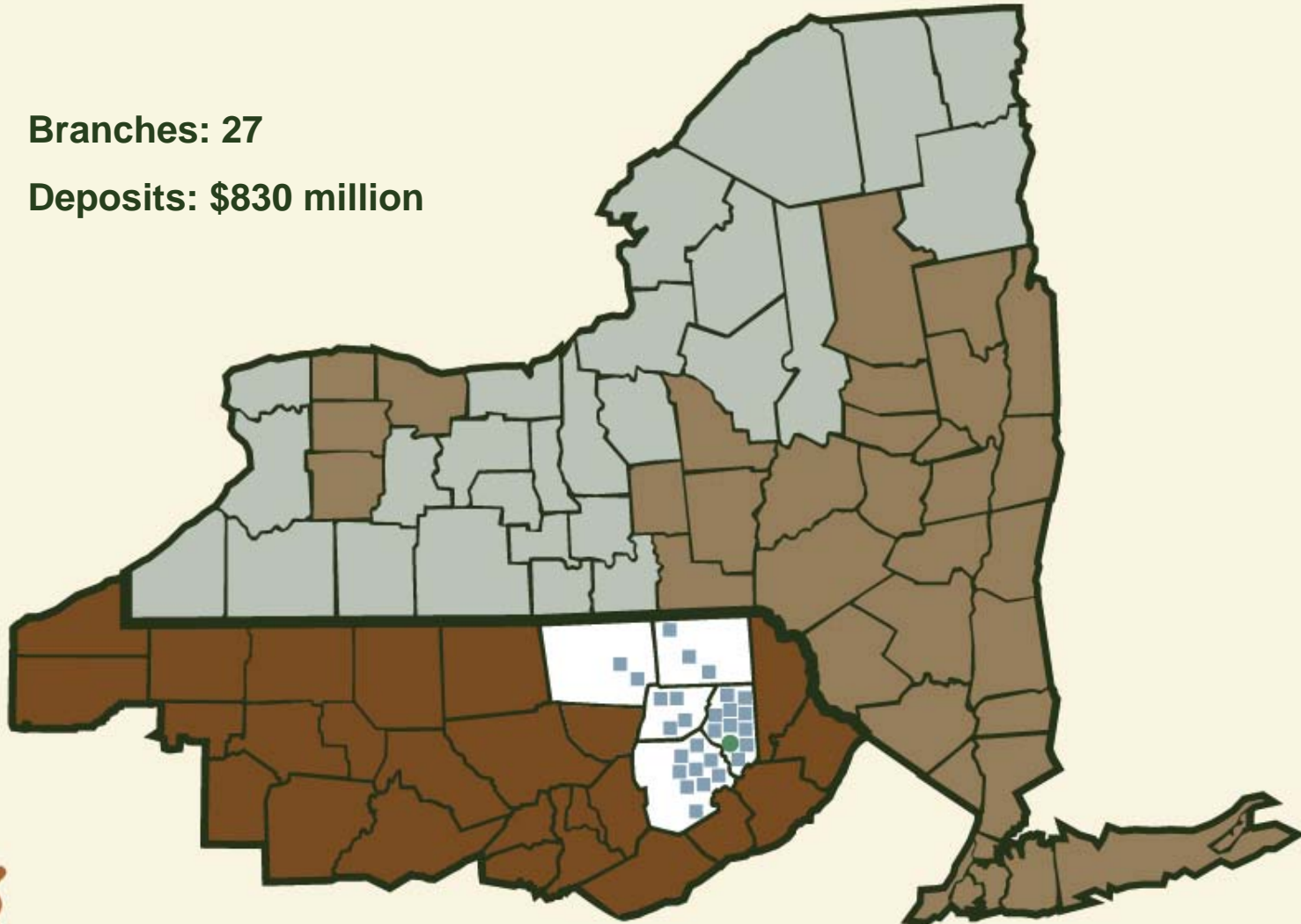
**Deposits: \$1.6 billion**



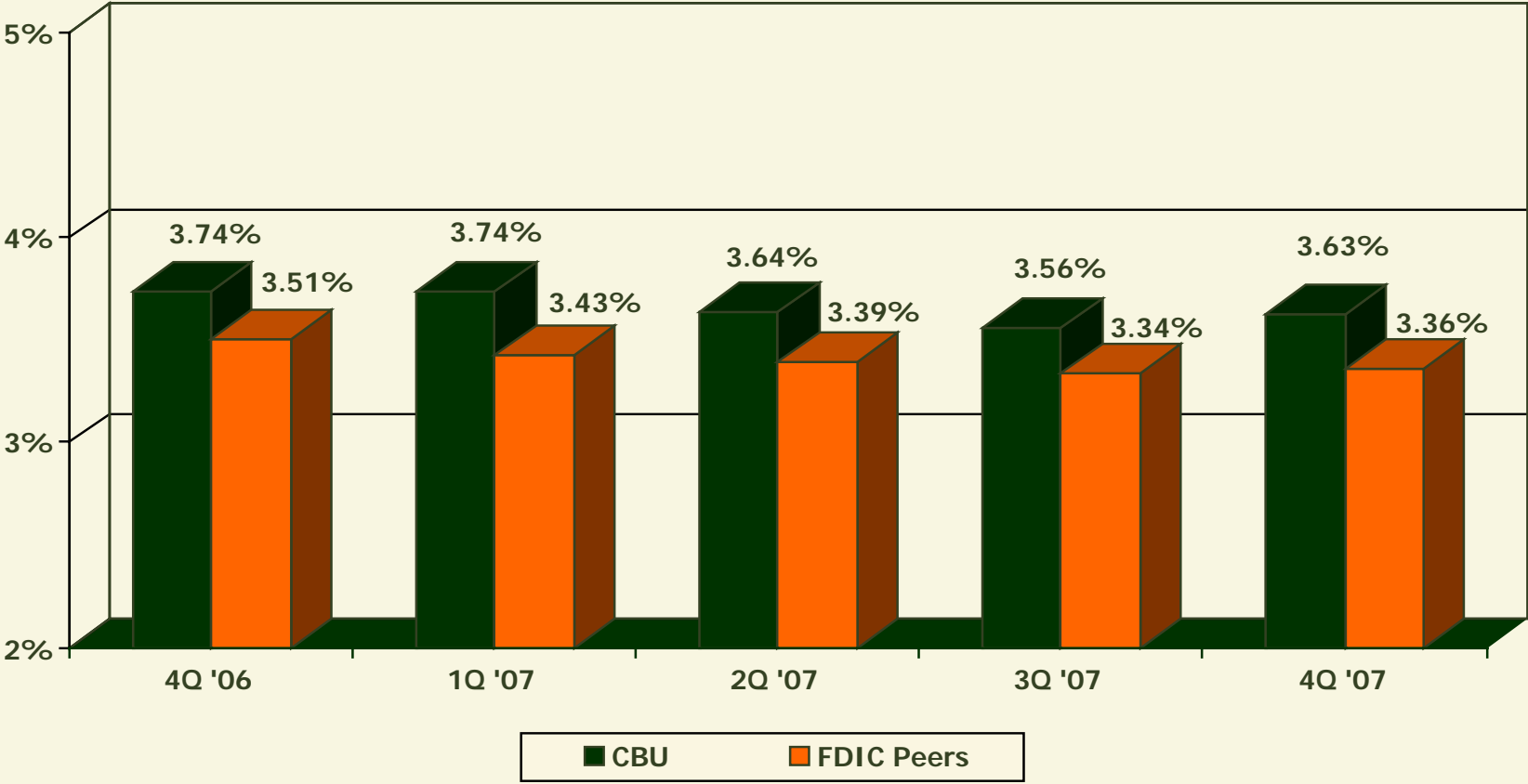
# Pennsylvania Region

**Branches: 27**

**Deposits: \$830 million**



# Net Interest Margin



Source: FDIC



## Core Account Growth

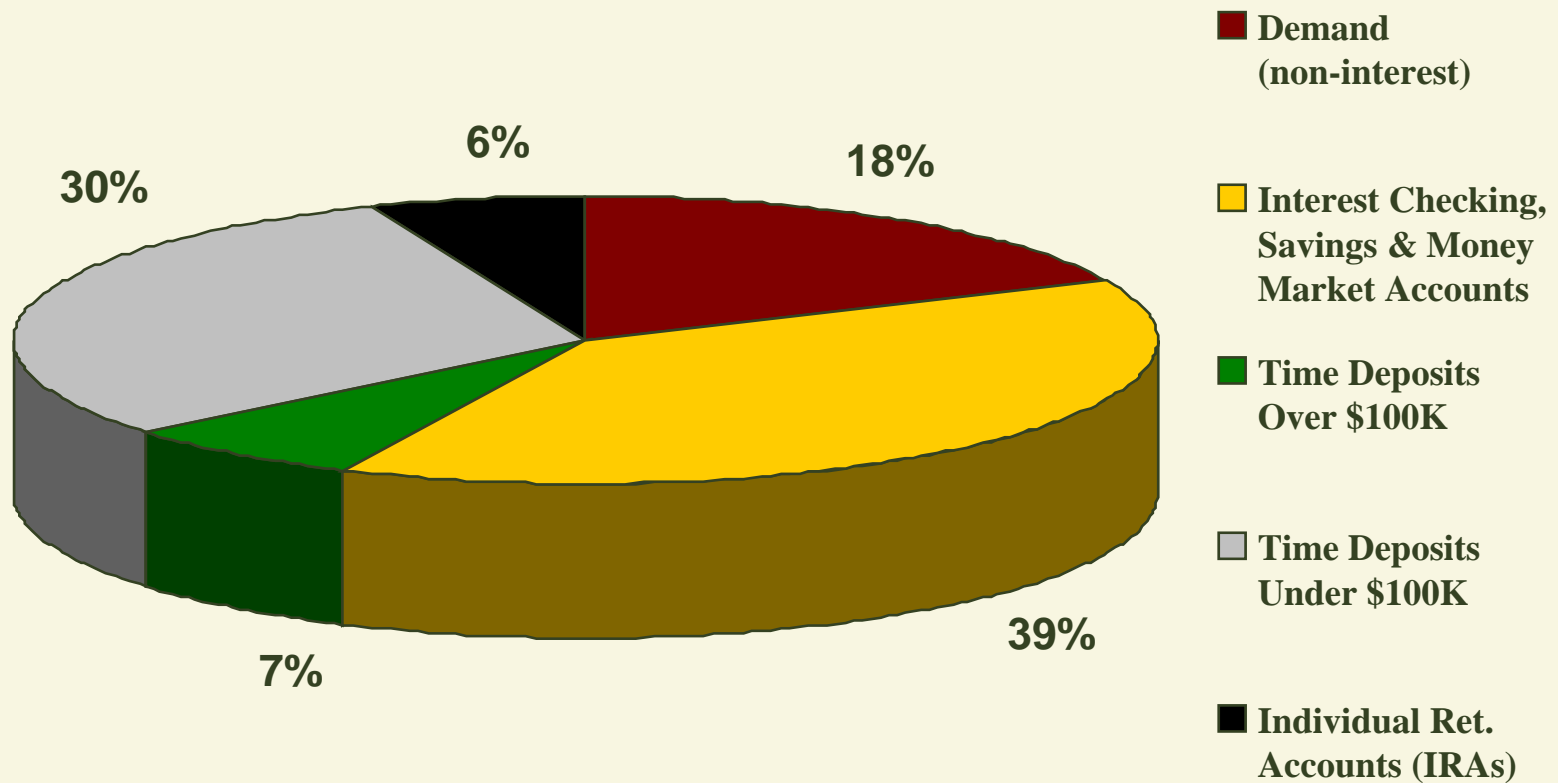
Deposit Type	4Q 2007	4Q 2006	\$ change	% change
Demand Deposits	\$574,266	\$558,439	\$15,827	2.8%
Interest Checking	\$464,966	\$389,336	\$75,630	19.4%
<b>Subtotal</b>	<b>\$1,039,232</b>	<b>\$947,775</b>	<b>\$91,457</b>	<b>9.6%</b>

*(Dollars in thousands, average period balances)*



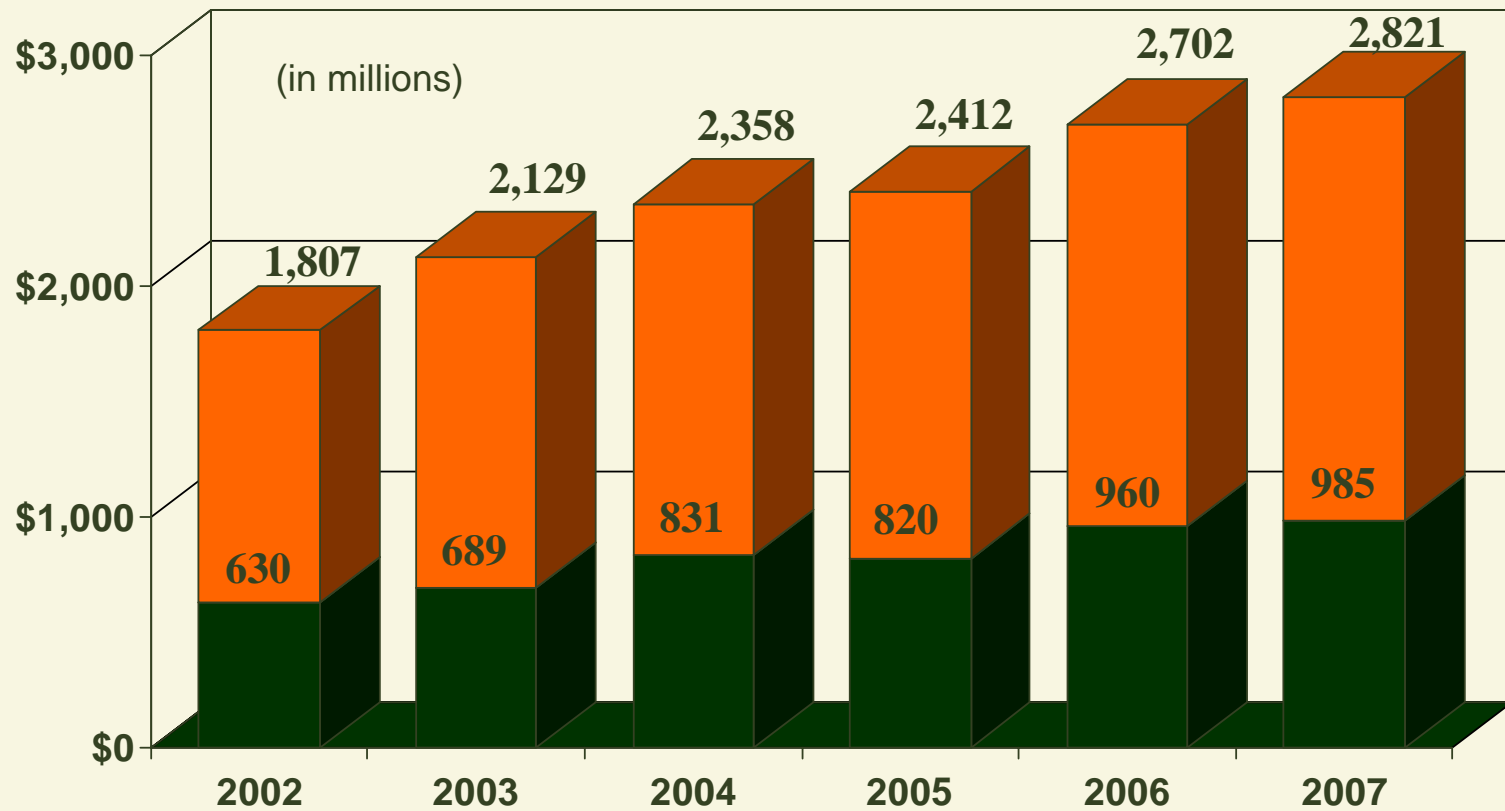


# Core Deposit Strength and Focus





# Loan Growth



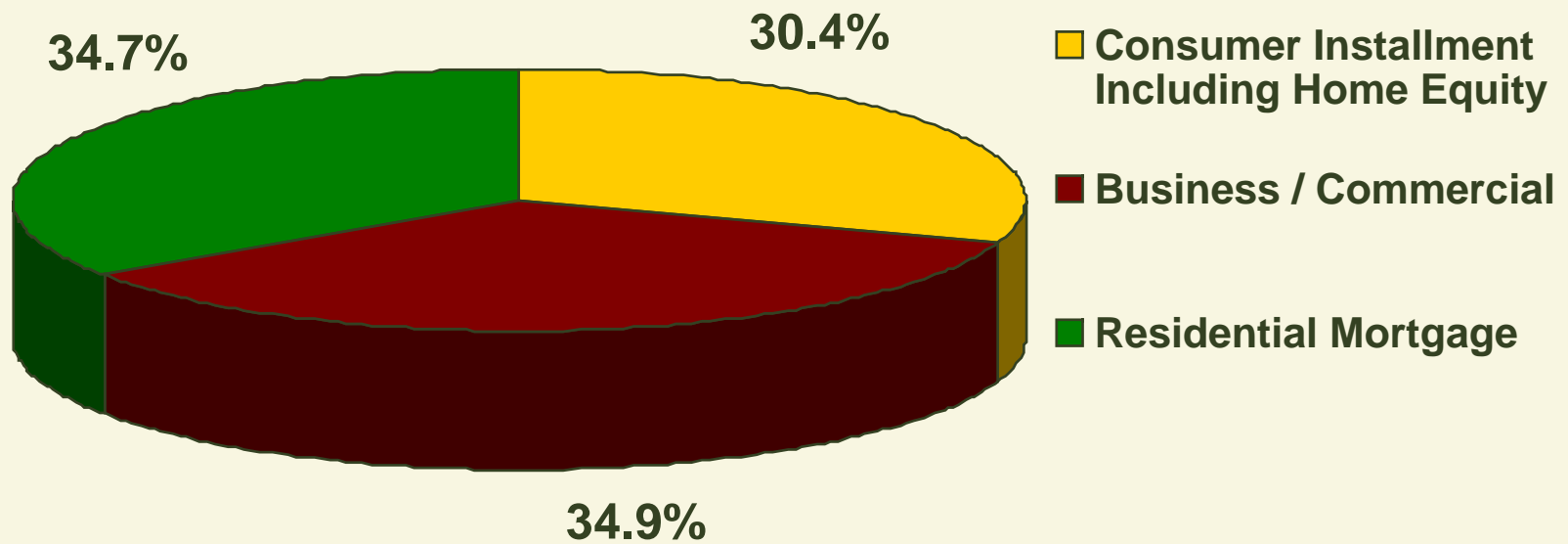
 *Consumer Loans*

 *Business Loans*

6-year CAGR = 8.5%

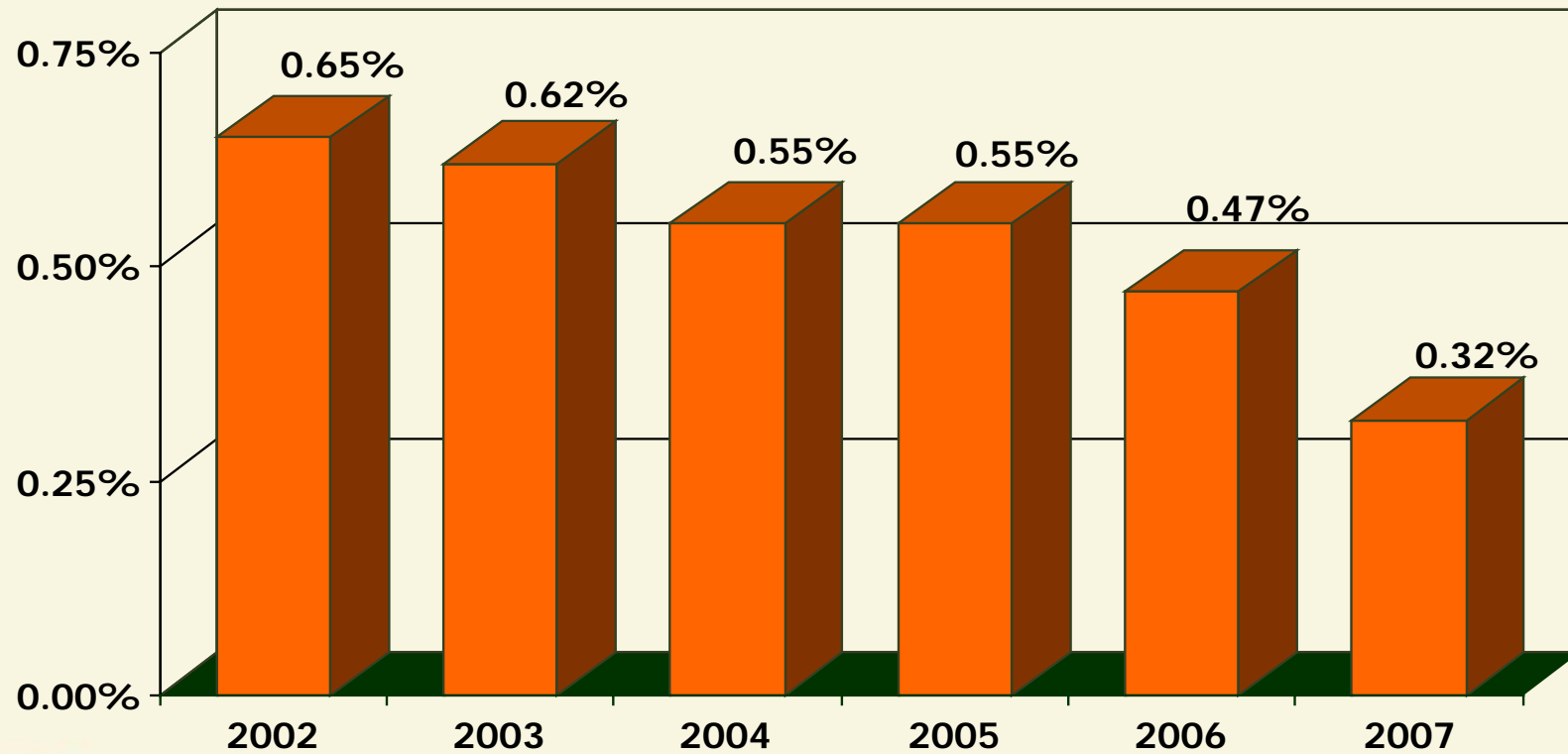


# Loan Portfolio Balance



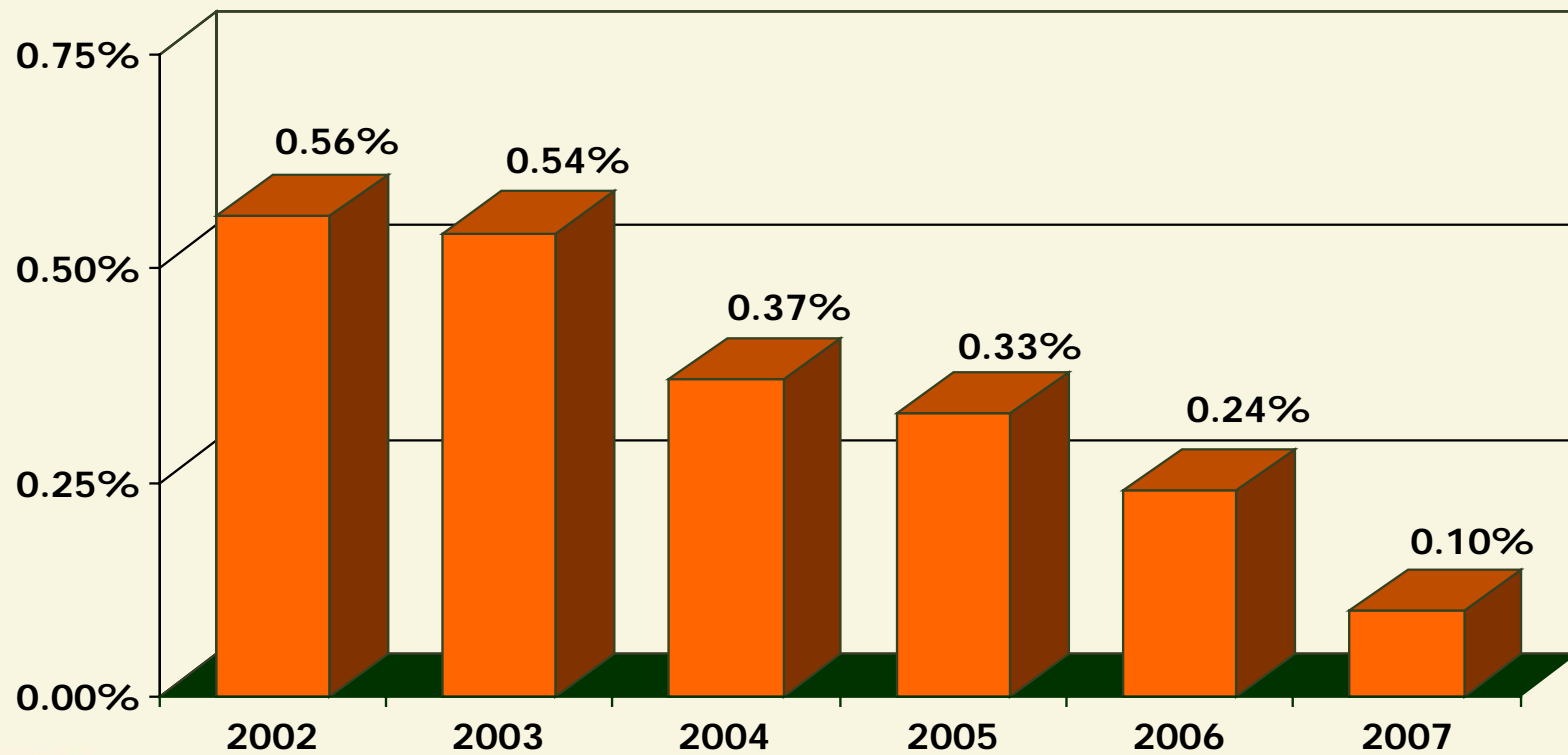
# Asset Quality:

## Nonperforming Loans to Total Loans



# Asset Quality:

## Net Charge-offs to Average Loans



## Strategy Element #2

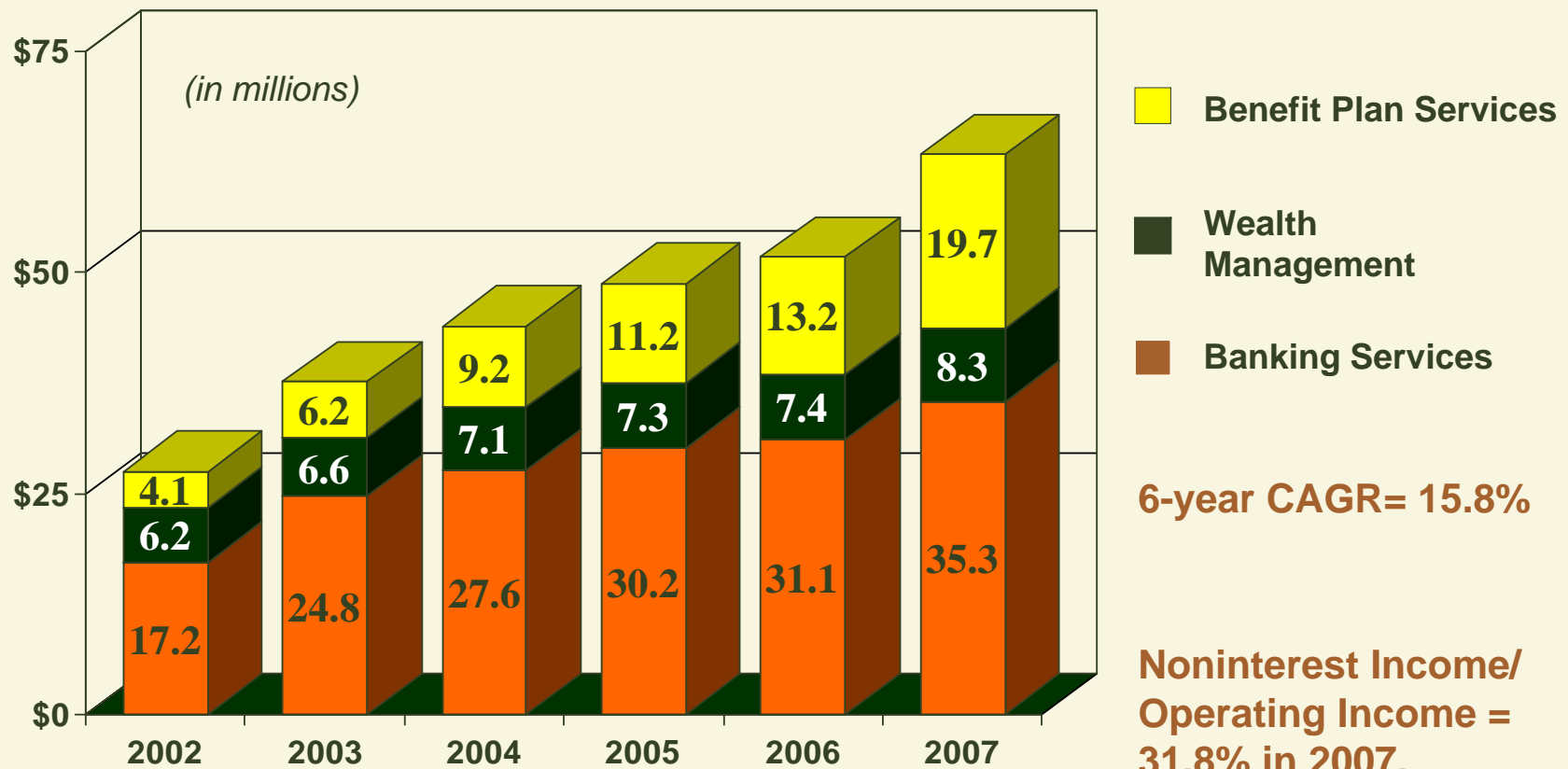
### Continue to Grow Noninterest Revenues

- Banking Services
- Benefits Administration and Consulting
- Wealth Management



# Growth In Noninterest Income

(excluding securities gains/losses and debt extinguishment)



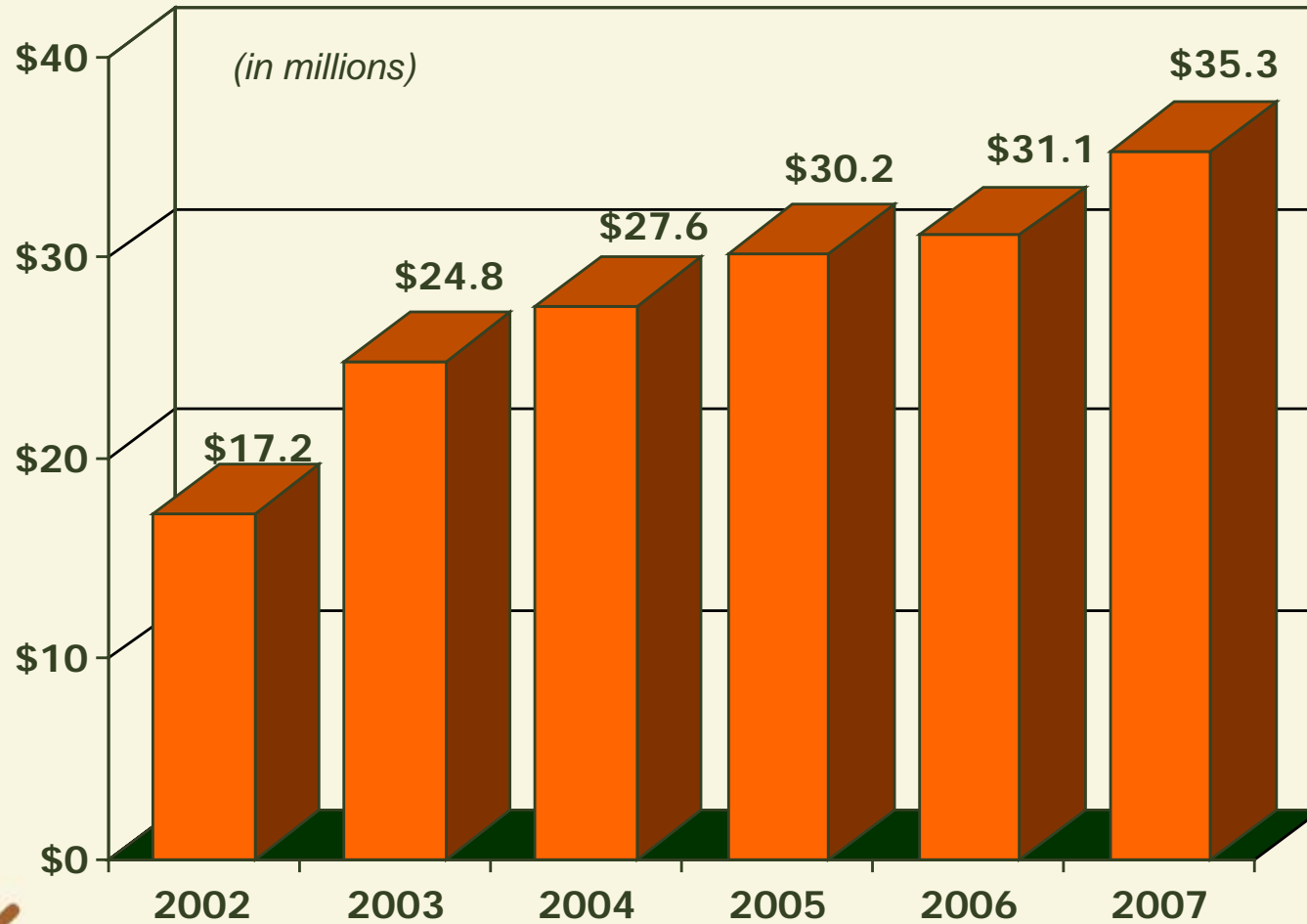
# Banking Services Revenue

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





# Banking Services Revenue

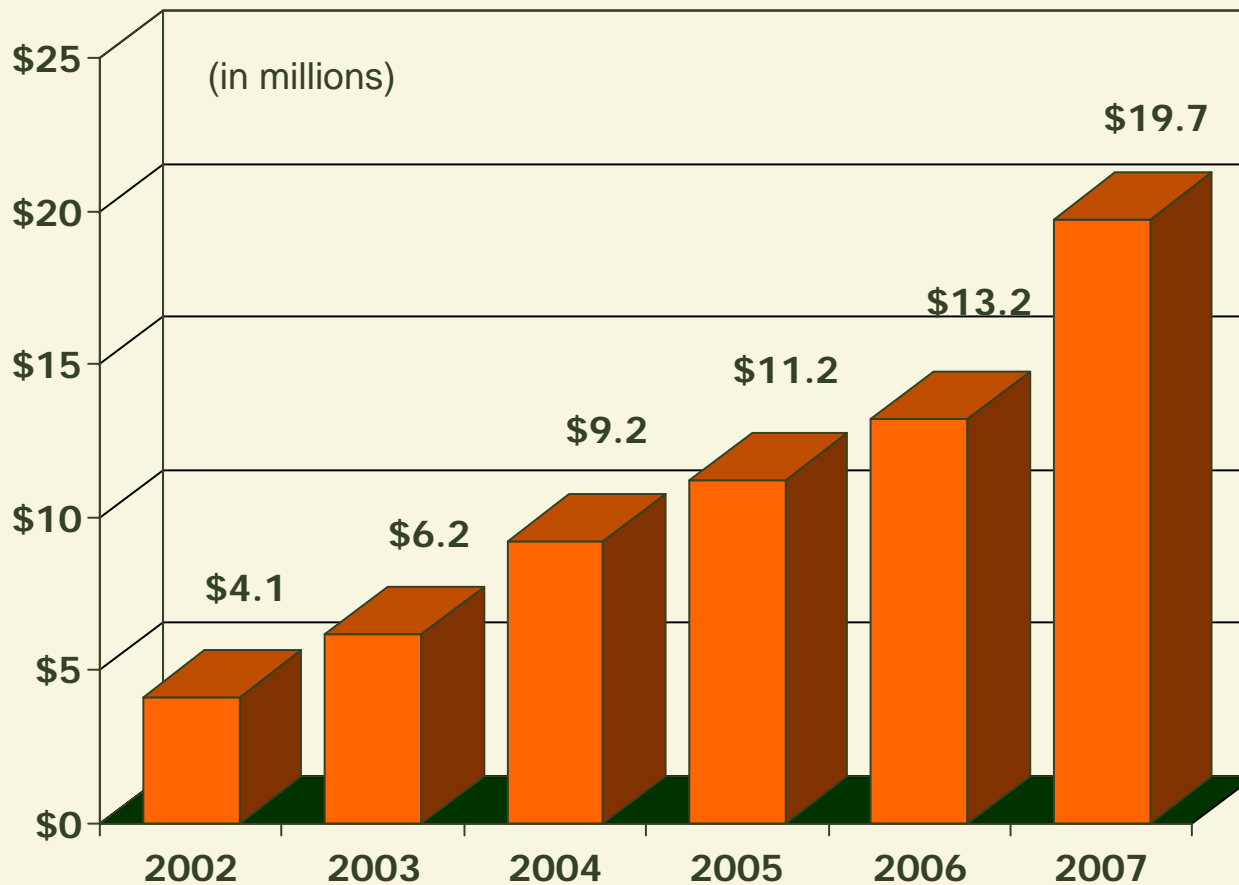


# Benefit Plan Administration & Consulting Revenue

- 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

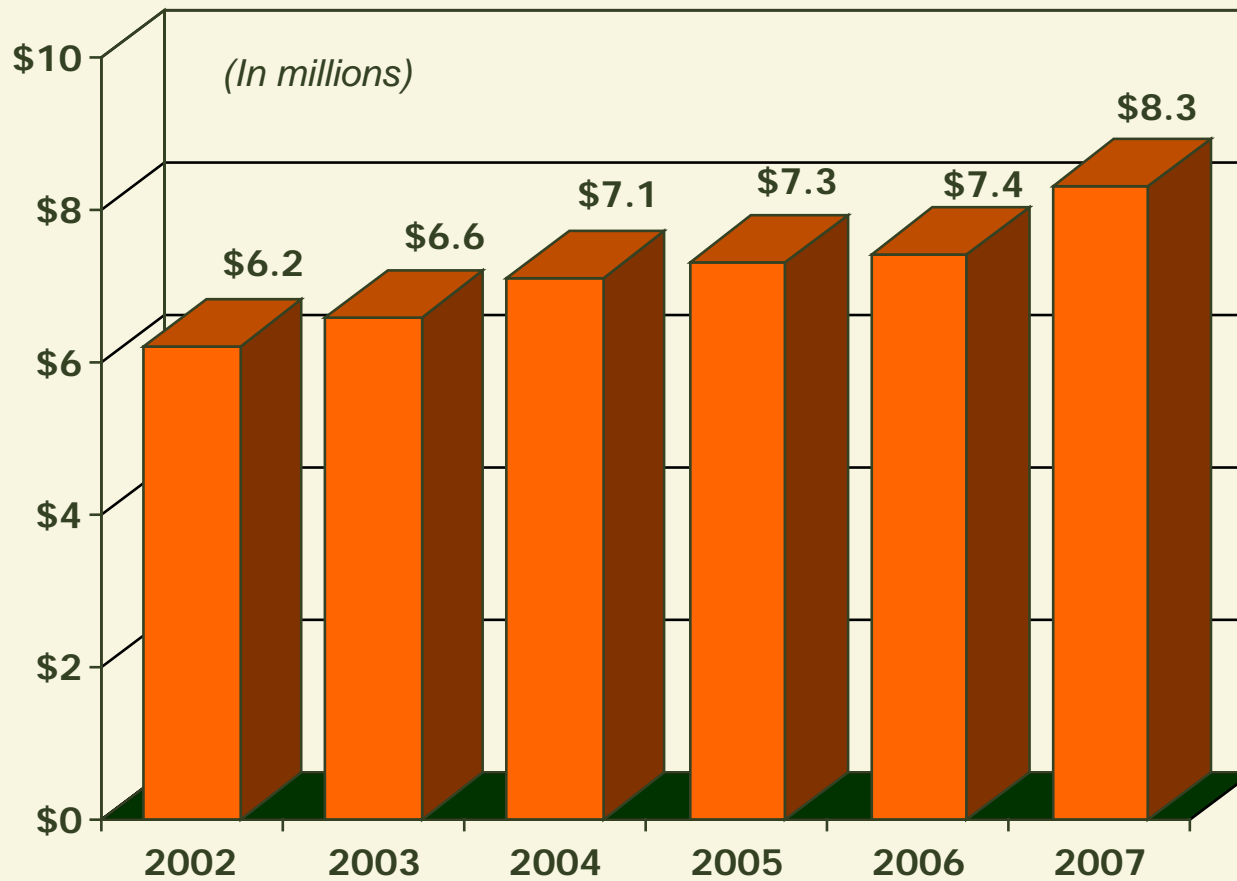


# Wealth Management Revenue

- Trust Services
- Broker-Dealer
- Investment Advisory
- Insurance Agency



# Wealth Management Revenue



# Strategy Element #3: Growth Model

## Banking Acquisitions

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



## Strategy Element #3: Growth Model

### Financial Services Acquisitions

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



# Total Shareholder Returns

(Through February 15, 2008, Including Reinvestment of Dividends)

	<b>CBU</b>	<b>S&amp;P 600 Comm. Bank</b>	<b>NASDAQ Bank</b>	<b>S&amp;P 500</b>	<b>Dow Jones Ind. Ave.</b>
<b>1 Year</b>	<b>2.6%</b>	<b>(21.4%)</b>	<b>(16.5%)</b>	<b>(2.3%)</b>	<b>2.6%</b>
<b>5 Years</b>	<b>10.5%</b>	<b>4.5%</b>	<b>6.9%</b>	<b>12.0%</b>	<b>12.0%</b>
<b>10 Years</b>	<b>7.0%</b>	<b>6.3%</b>	<b>5.6%</b>	<b>5.1%</b>	<b>6.9%</b>
<b>15 Years</b>	<b>13.0%</b>	<b>10.1%</b>	<b>10.7%</b>	<b>10.0%</b>	<b>11.7%</b>

Source: Bloomberg





## Consistent Dividend Focus

- **Strong Dividend Payment**
  - 5.0% increase in August 2007
  - \$0.84 per share annualized
- **Excellent Dividend Yield:**
  - 3.8% as of February 15, 2008
- **Outstanding Track Record of Payment Increases**
  - 16 straight years; included in Mergent Index
  - One of just 326 – or 3% – of over 10,000 U.S. public companies to do so!



# Investment Merits

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





Questions...?



Community Bank System, Inc.

**CBU**  
Listed  
**NYSE**