

2014

# Cbu

Fact Sheet

**Community**  
BANK SYSTEM, INC.

## Average Total Shareholder Return

	1 YEAR	5 YEAR	7 YEAR	12 YEAR
<b>CBU</b>	<b>34.2%</b>	<b>22.5%</b>	<b>13.3%</b>	<b>10.8%</b>
S&P 600 Commercial Bank	27.3%	14.0%	(2.2%)	1.1%
NASDAQ Bank	24.5%	12.0%	(1.1%)	2.7%
S&P 500	20.4%	19.1%	5.8%	6.9%
Dow Jones Ind. Avg.	14.4%	18.3%	6.3%	7.0%

Through April 30, 2014, or most recent available, Including Reinvestment of Dividends  
Source: Bloomberg

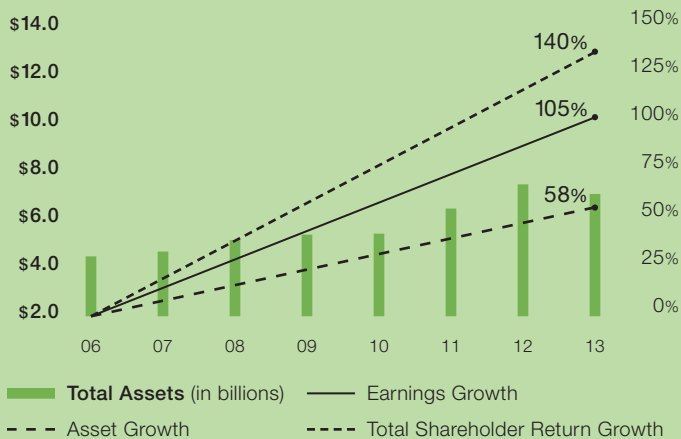
## Investment Profile

Data as of 03/31/2014, or most recent available.

Market Cap	\$	1.44	B
Price/Earnings (TTM)		17.91	
Price/Book Value		1.73	
Closing Price (05/14/14)	\$	35.69	
52-week High	\$	40.64	
52-week Low	\$	28.66	
Annual Dividend	\$	1.12	
Indicated Dividend Yield		3.14	%
Dividend Payout (TTM)		56.06	%
Shares Outstanding		40.7	M
Float		36.9	M
Average Daily Volume Last Three Months		148	K
Shares Held by Institutions		25.3	M
% of Shares Outstanding Held by Institutions		62.2	%
Shares Held by Insiders		2.2	M
% Shares Outstanding Held by Insiders		5.4	%

CBU is a component company in more than 20 U.S. stock indices including: Russell 3,000; Russell 2,000; NYSE Financial; S&P 1500; S&P 1500 Dividend Aristocrats.

## Value Creation 2006 – 2013



## CONSECUTIVE YEARS OF INCREASED DIVIDENDS

21 consecutive years of increased dividends by Community Bank System puts the Company in a very select group of dividend achievers.

## Performance Profile – March 31, 2014

- Solid organic loan growth primarily from consumer lending portfolios
- Robust increase in fee income from both bank service fees and diversified financial services
- Responsible expense management
- Asset quality metrics remained substantially better than comparative peer and industry averages
- Completed balance sheet restructuring in 2013 which created more than \$35 million of incremental regulatory (Tier 1) capital
- Acquired eight branch-banking locations from Bank of America across our Northeast Pennsylvania region in late 2013

**BARRON'S 400**  
**SELECTION**  
SEPTEMBER 2013

CBU was added to the Barron's 400 index in September. Component companies are selected on the basis of their fundamental soundness, the overall strength of their financial results and their prospects as an investment.

## Investment Considerations

- Disciplined approach to revenue and profitability growth
- Successful and effective operating strategy in place for over 20 years
- Best-in-class asset quality metrics
- Dominant market share – 1<sup>st</sup> or 2<sup>nd</sup> in 75% of the towns where we operate
- Substantial noninterest income—more than 30% of operating revenues
- Diversified financial services businesses with \$55.6 million in TTM revenues
- Record of successful and accretive acquisitions
- Meaningful dividend and yield
- Market cap of approximately \$1.5 billion

**CBU**  
**Listed**  
**NYSE**  
THE NEW YORK STOCK EXCHANGE

## Selected Financial Highlights

### Income Statement Data

(in millions)	TTM at 3/31/14	2006	% Change
Net interest income	\$ 239.8	\$ 134.8	77.9
Noninterest income	104.4	51.7	101.9
Operating expenses	222.6	129.6	71.8
Provision for loan loss	7.6	6.6	15.2
Net income	\$ 80.8	\$ 38.4	110.4

### Per Share Data

(diluted)			
Earnings per share	\$ 1.98	\$ 1.26	57.1
Cash dividend declared	1.11	0.78	42.3
Book value	22.58	15.37	46.9
Tangible book value	\$ 13.79	\$ 7.17	92.3

### Balance Sheet Data

(end of period, in millions)			
Assets	\$ 7,397	\$ 4,498	64.5
Loans, net	4,096	2,665	53.7
Deposits	6,039	3,168	90.6
Shareholders' equity	\$ 918	\$ 462	98.7

## CBU's Exceptional Asset Quality

All industry data as of 12/31/13.

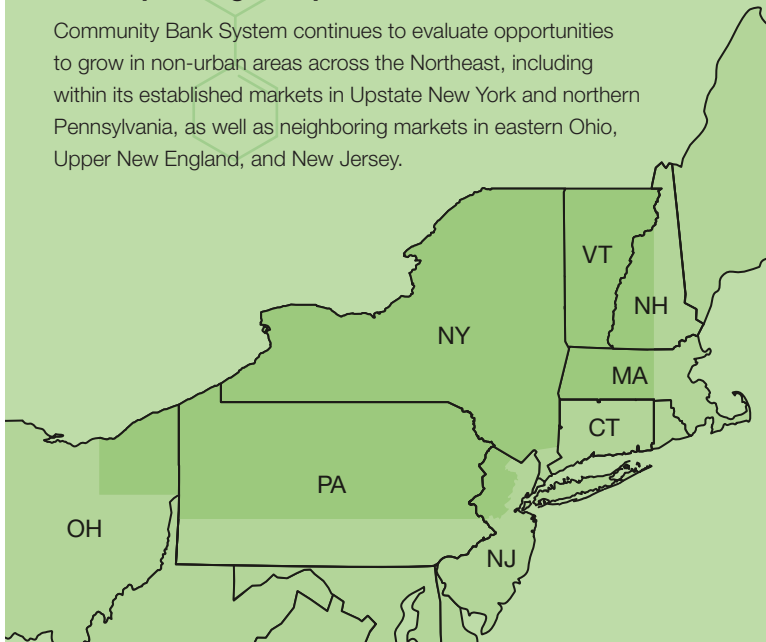
	CBU 3/31/14	ACBN <sup>1</sup>	ACBN <sup>1</sup> Assets > \$1B	ACBN <sup>1</sup> Assets > \$1B - \$10B
Loan loss allowance/NPLs <sup>2</sup>	187%	66%	93%	64%
NPLs <sup>2</sup> /loans outstanding	0.58%	2.64%	1.78%	2.74%
Net charge-offs/average loans <sup>3</sup>	0.11%	0.59%	0.42%	0.61%

<sup>1</sup> ACBN = All Commercial Banks, National <sup>2</sup> NPLs = Nonperforming loans

<sup>3</sup> FDIC Statistics - Net charge-off to loans

## Our Expanding Footprint

Community Bank System continues to evaluate opportunities to grow in non-urban areas across the Northeast, including within its established markets in Upstate New York and northern Pennsylvania, as well as neighboring markets in eastern Ohio, Upper New England, and New Jersey.



## FOURTH BEST BANK

CBU was named the fourth best bank in the country in Forbes® annual analysis of the 100 largest publicly traded banks, reflective of our continued high level of financial strength and performance.

Forbes®

4

## Profile

Community Bank System, Inc. has approximately \$7.4 billion in assets and more than 190 customer facilities across Upstate New York and Northeastern Pennsylvania. The Company's diversified financial services businesses generate more than \$55 million in annual revenue.

## Our Successful 20-year Operating Strategy

- Goal of 10% annual total shareholder return over time
- Market-leading branch system serving predominantly non-urban markets
- Focus on core accounts
- Decentralized decision-making
- Investment in growth of noninterest revenues
- Disciplined growth through organic and acquired opportunities
- Focus on profitable relationships
- Acquisitions which are accretive to earnings and low risk

## Senior Management Team

Mark E. Tryniski  
President and Chief Executive Officer

Brian D. Donahue  
Executive Vice President, Chief Banking Officer

Scott A. Kingsley  
Executive Vice President, Chief Financial Officer

George J. (Joe) Getman  
Executive Vice President, General Counsel

## Analyst Coverage

Boenning & Scattergood  
Matthew Schultheis / 610.832.5290  
mschultheis@boenninginc.com

Raymond James Financial Inc.  
Anthony Polini / 212.856.4897  
anthony.polini@raymondjames.com

Guggenheim Partners  
David Darst / 615.208.1224  
david.darst@guggenheimpartners.com

RBC Capital Markets.  
Jake Civello / 617.725.2152  
jake.civello@rbccm.com

Keefe, Bruyette & Woods Inc.  
Collyn Gilbert / 973.549.4092  
collyn.gilbert@kbw.com

Sterne Agee  
Matthew Breese / 207.699.5800  
mbreese@sterneagee.com

Macquarie Securities Group  
John Moran / 212.231.0662  
john.moran@macquarie.com

## Investor Relations Contact

Ms. Josephine Anne E. Rurka  
Investor Relations Department  
Community Bank System, Inc.

5790 Widewaters Parkway  
DeWitt, NY 13214-1883  
315.445.7300  
josie.rurka@communitybankna.com

## Safe Harbor Statement

The Community Bank System, Inc. "Investor Fact Sheet" may contain "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.