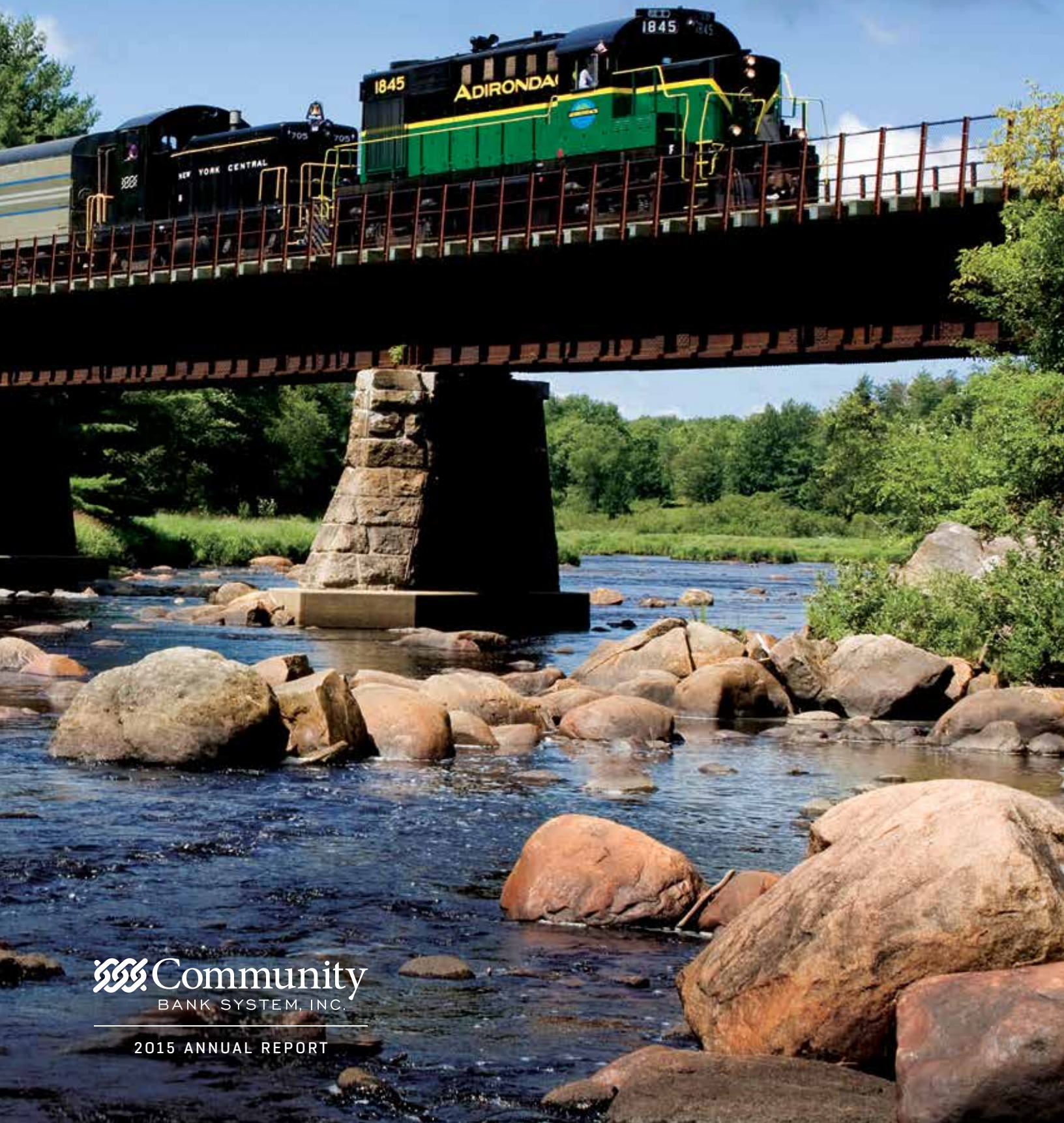


R I G H T O N T R A C K



 **Community**  
BANK SYSTEM, INC.

2015 ANNUAL REPORT

CBU: QUICK FACTS

33

33% of 2015 total revenue was noninterest income

450

Cumulative total shareholder returns of 450% (at 12/31/15) over the last 15 years

23

23 consecutive years of increased cash dividends

1

Rated "Most Trustworthy Bank" for Northeast U.S. in MSR Group annual survey

1.7

Year-end 2015 market cap of \$1.7 billion

8

Ranked 8<sup>th</sup> Best in *Forbes.com*® analysis of 100 largest U.S. banks

10

Positioned to exceed the \$10 billion asset threshold in the near future

75

Top two deposit market share in 75% of towns with Community Bank branches

170

Organic loan growth of nearly \$170 million in 2015

TABLE OF CONTENTS

Executive Management 1 — Letter to Shareholders 2 — 2015 Forbes Comparison 7  
Financial Performance 8 — Company Profile 9 — Leadership 10 — Corporate Governance 11 — Operations Review 12 — Administration 20  
Performance Recognized 25 — Business Summary 26 — Investment Rationale 28 — Corporate / Shareholder Information 29



We're fully prepared  
to meet the higher  
organizational expectations  
of a \$10 billion institution.



*(Left to right)* Scott Kingsley, Chief Financial Officer; Brian Donahue, Chief Banking Officer; Joe Getman, General Counsel; and, Mark Tryniski, President and Chief Executive Officer

2015 was a steady and strong performance with many organizational highlights.

Nicholas A. DiCerbo, Chairman of the Board, and Mark E. Tryniski, President and Chief Executive Officer



# 173.5

CBU's Total Cumulative Return (at 12/31/15) for the last eight years was 173.5%, compared to a median value of 44.2% for the largest 100 U.S. banks

2015's record annual operating results were driven by productive earning-asset growth, a continuation of excellent credit quality, meaningful growth in noninterest income and disciplined expense management.

## On the Right Track

We had a busy and very productive finish to 2015, a year that can best be characterized as a steady and strong performance with many organizational highlights. Record annual operating results were driven by productive earning-asset growth, a continuation of excellent credit quality, meaningful growth to noninterest income and disciplined expense management. Add to that a highly complementary acquisition in our home market and strong third party assessments of our financial strength and customer service model and it's easy to understand our enthusiasm for the future.

We announced and then successfully completed the acquisition of Oneida Financial Corp., adding 12 branches, \$699 million in deposits and improving our market share in the Syracuse and Utica-Rome metropolitan areas. Through Oneida we also added product and service offerings in benefit administration, wealth management and insurance which nicely complement our financial services offerings and added scale to our fee income profile. Most importantly, Oneida's history of service to its customers and communities aligns perfectly with our culture here at Community Bank. Completing the transaction in December 2015 was an outstanding way to end one year and kick off the next.

Our milestones in 2015 were many, and they reflect both the consistency of our execution and the future opportunity we believe is inherent in our business model as it exists today. Clearly, we're on the right track for continued success.

### THE PATH TO SUCCESS

"Even if you're on the right track, you'll get run over if you just sit there." Will Rogers' familiar quote rings true for the banking industry now more than ever. Today, we operate in an environment of technological advances, economic fragility and regulatory governance that was unimagined even just ten years ago. At Community Bank, we have invested significantly, and ahead of pace, to ensure we continue to meet the highest expectations of all our stakeholders: our shareholders, customers, employees and regulators alike.

To this end, many significant accomplishments of 2015 occurred “behind the scenes.” While our front line bankers continued to nurture customer relationships and expand our franchise, dozens of our employees from across the company continued the important work of enhancing our company’s infrastructure, on many fronts. Investments in technology prioritized customer data security and real-time access to critical customer information. Investments in products and services proactively addressed the evolving needs of our retail and commercial customers. Investments in our regulatory compliance functions continued at an elevated level of sophistication typically seen at larger banks, as we continued to make excellent progress at implementing Dodd-Frank Act stress testing and strengthening our risk management and compliance operations.

Today we feel confident that we are ready for a future in which a larger Community Bank provides outstanding service to our customers – and superior returns to our shareholders – while operating within the significantly more rigorous expectations put upon banks of \$10 billion or more in assets. We have invested a significant amount of time at the Board and the senior management levels addressing the specific challenges, alternatives and pathways for approaching the \$10 billion threshold, a level at which significant additional compliance requirements become mandatory. We believe that we’ll be fully prepared to effectively hurdle the \$10 billion asset threshold at the appropriate time.

In the meantime, today we are thrilled to offer our community banking and financial services customers the sophisticated infrastructure of a large regional bank, with the exceptional service they’ve come to know as setting Community Bank System, Inc. apart from the competition.

#### RECOGNITION OF SUCCESS

We are pleased to report that our performance and financial condition once again placed us among the best large U.S. banks, as evaluated by Forbes® Magazine in its seventh annual analysis of “America’s Best Banks 2016.” Community Bank was ranked eighth among the 100 largest publicly-traded banks and thrifts, based on a comparison of ten different metrics related to asset quality, capital adequacy, growth and profitability, and which included financial institutions ranging in size from \$7 billion to \$2.4 trillion. In the seven years that Forbes® has produced this analysis, Community Bank has never been ranked lower than 12<sup>th</sup>, and has been in the top 10 for five of the annual reviews. We believe that our record of placing near the top of the rankings for all seven years is a reflection of our consistently strong operating performance during this period.

Likewise, in 2015 we raised our cash dividend for the 23<sup>rd</sup> consecutive year, maintaining our place among the select group of “dividend achievers” that populate the S&P High Yield Dividend Aristocrats® Index, an index designed to measure the performance of companies within the S&P Composite 1500® that have followed a managed-dividends policy of consistently increasing dividends every year for at least 20 years. Our job, as always, is to manage and grow our organization in a disciplined fashion that creates sustainable improvement in earnings and dividend capacity for the benefit of our shareholders. We are pleased to note that even among this elite group of investment peers, Community Bank System, Inc. outperformed the index as a whole on the basis of a one-year total return to shareholders of 9.5% at December 31, 2015, compared to the index average of -0.4%. In addition, we outperformed the index average for the three- and ten-year periods ended December 31, 2015 as well.

# 70

The Company’s book value per share has grown approximately 70% since the end of 2005.

#### Book Value per Share

06	\$15.37
07	\$16.16
08	\$16.69
09	\$17.25
10	\$18.23
11	\$20.94
12	\$22.78
13	\$21.66
14	\$24.24
15	<b>\$26.06</b>

10-year CAGR = 5.5%

#### Dividend Growth

06	\$0.78
07	\$0.82
08	\$0.86
09	\$0.88
10	\$0.94
11	\$1.00
12	\$1.06
13	\$1.10
14	\$1.16
15	<b>\$1.22</b>

10-year CAGR = 5.1%

And perhaps most satisfying, our customers once again gave us top marks for customer satisfaction in 2015. The MSR Group, a research firm that specializes in customer experience within the retail banking sector, published survey results in September 2015 which identified top performing banks in eight categories related to superior customer experience. All banks talk about providing a consistent high quality customer experience, but the ability to follow through is another matter. We are gratified that the survey responses of Community Bank customers helped to propel us to the top of the “Trust” category for all Northeast Region banks. In addition, Community Bank was a Northeast Region silver award winner for MSR’s Net Advocacy Rating®, a proprietary metric that identifies customers who consider themselves “advocates” of their bank. It’s hard to imagine a better barometer of customer satisfaction than a willingness to advocate on behalf of your bank. We could not be more proud of our team.

#### **HIGHLY PRODUCTIVE RESULTS IN 2015**

Along with the significant operational milestones described above, our Company had a very productive year with revenue growth and improved operating earnings while at the same time continuing to invest in the infrastructure required to support a larger and growing institution. Total revenue for the year was \$371.7 million, another record for the Company and an increase of 2.3% over \$363.4 million in 2014. Operating earnings per share, which excludes the tax-effected impact of acquisition expenses and a litigation settlement charge, was \$2.30 in 2015, an improvement of \$0.04 per share above 2014’s operating earnings of \$2.26 per share. And importantly, our bottom-line results for 2015 remained very solid with net income of \$91.2 million or \$2.19 in diluted earnings per share.

In addition to strong top and bottom-line results, there were many other aspects of our 2015 financial performance that merit further discussion. Our year-end total loans of \$4.8 billion were up \$565 million or 13.3% from December 31, 2014 with growth across all portfolios. Total deposits were \$6.9 billion on December 31, 2015, an increase of \$938 million, with the growth coming primarily in core non-time accounts. Noninterest income of \$123.3 million grew by \$4.3 million, or 3.6%, in 2015 driven by 6.6% growth in employee benefit services and a 13.1% improvement in wealth management fees. As with prior periods, we continued to manage expenses in a disciplined fashion in 2015 as total operating expense grew by only 1.1% after excluding acquisition expense and a prior litigation settlement.

Asset quality remains a core strength for Community Bank as our credit quality metrics continue to be favorable and stable, as well as reflective of disciplined risk management and underwriting standards. Full year net charge-offs were \$6.4 million, or 0.15% of average loans, and consistent with net charge-offs in 2014. Nonperforming loans as a percentage of total loans at December 31, 2015 were 0.50%, compared to 0.56% on December 31, 2014, and the Bank’s total loan delinquency ratio of 1.16% at year-end was down 30 basis points from the end of 2014.

Even after completion of the Oneida acquisition in December, our capital position remained very strong. The Company’s Tier 1 leverage ratio of 10.32% was up 36 basis points from the fourth quarter of 2014. Shareholders’ equity at December 31, 2015 was \$1.1 billion, an increase of \$152.7 million, or 15.5%, from 2014 year-end, due to strong earnings generation and capital retention over the last four quarters, as well as the issuance of 2.38 million shares of common stock, or \$102.2 million, reflecting the equity portion of the Oneida transaction consideration. We believe that these results represent a very solid and productive year and leave the Company well positioned to pursue growth opportunities that are likely to create additional shareholder value.

#### **150 YEARS...AND COUNTING**

In 2016 we’ll celebrate the 150<sup>th</sup> anniversary of our original bank charter reaching back to 1866. From our roots as St. Lawrence National Bank to our expansion into the North Country, the Southern Tier, Western and Central New York and Pennsylvania – and nationally with our financial services offerings – we’ve always remembered what got us here: our customers and the communities we serve. We have charted a path to growth based on superior service and home-town approachability, ensuring our customers “Bank Happy” at every encounter. We are immensely proud of our history of putting our company and our customers on the right track for success. The scale of our business has changed but our approach to satisfying our customers’ needs clearly remains the same.

Undoubtedly, the future landscape for banking looks wholly different from the past 150 years. We are confident that our proven ability to adapt to changing economic and regulatory conditions – not to mention rapidly evolving customer preferences – positions us well to navigate the path ahead.



# 10

**We continue to make excellent progress on implementing Dodd-Frank Act stress testing and strengthening our risk management and compliance operations, to meet the more rigorous expectations put upon banks of \$10 billion or more in assets.**

As is often the case, the New Year brings with it certain organizational changes and 2016 is no different. This New Year brought the retirement of James A. Wilson, our Lead Independent Director and a valued member of the Board of Directors since 2009. Our Board is the driving force behind the Company's disciplined and proactive investments for the future, and Jim's independent leadership through a period of unprecedented change has been instrumental in our success. It is with great appreciation that we recognize Jim Wilson for his dedicated service.

We are also fortunate to have gained the service of two additional directors with deep knowledge of our industry and the Central New York market, as a result of the Oneida transaction. Michael R. Kallet, former Chairman and Chief Executive Officer of Oneida Financial Corp., and Eric E. Stickels, President, Chief Operating Officer and Secretary of Oneida Financial Corp., joined our Board upon deal closing in December 2015. We have a long and productive tradition of welcoming directors through our regional bank acquisitions, and we are thrilled to benefit from the experience of Mike and Rick. Their leadership at Oneida reflected a philosophy and culture that closely mirrored Community Bank's.

The beginning of 2016 finds Community Bank System very well positioned for the coming year and beyond. We're prepared to build on our earnings momentum and the strong balance sheet growth we realized in 2015. Our record capital levels provide considerable flexibility to explore opportunities to strengthen or expand our retail service area. The substantial financial services businesses that we have developed both organically and through acquisition, have a strong foundation to support additional expansion. And our highly favorable and stable credit quality along with disciplined expense management remain important contributors to our ability to generate profitable growth.

The completion of the Oneida Financial Corp. acquisition in December strengthened our competitive profile in our home market of Central New York and bumped our assets to more than \$8.5 billion. It's not a matter of if, but when Community Bank System reaches \$10 billion in assets. At the appropriate time and in the appropriate manner we will hurdle the \$10 billion threshold in a fashion that optimizes the economic outcome for our shareholders.

As we celebrate our milestone 150<sup>th</sup> anniversary, it is a great honor to look ahead to a future of shared successes with our customers, shareholders and employees in 2016 and beyond. We thank you for your continued support of Community Bank System, Inc.



Nicholas A. DiCerbo *Chairman of the Board*



Mark E. Tryniski *President and Chief Executive Officer*



## Performance That's Consistently on Track

On January 7, 2016 Forbes.com® published its seventh annual ranking of “America’s Best Banks” for 2016. Once again, it was no surprise that Community Bank System was ranked near the top. The Forbes® analysis ranked CBU eighth best among America’s 100 largest banks and thrifts, based on a comparison of ten different metrics related to asset quality, capital adequacy and profitability. The Company has consistently ranked near the top of this industry analysis demonstrating an ongoing ability to deliver superior performance across these important industry financial metrics. The following charts display the financial metrics used in the 2016 analysis and compare CBU to the median values of the 100 largest financial institutions.



CBU  
 TOP 100 BANKS

Return on Average Tangible Equity %



Net Interest Margin (FTE) %



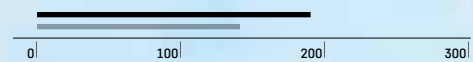
Revenue Growth %



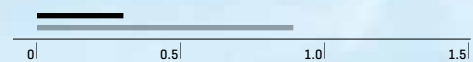
Net Charge-offs / Total Loans %



Allowance for Loan Losses / Nonperforming Loans %



Nonperforming Assets / Total Assets %



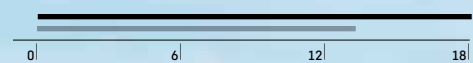
Tier 1 Risk Based Capital Ratio %



Leverage Ratio %



Total Risk Based Capital Ratio %



Efficiency Ratio %



## FINANCIAL PERFORMANCE

### Selected Financial Highlights

<b>Income Statement</b> In millions	<b>2015</b>	<b>2012</b>	<b>2009</b>	<b>2006</b>	<b>CAGR</b> (9-year)
Net interest income	\$ 248.4	\$ 230.4	\$ 165.5	\$ 134.8	7.0%
Noninterest income	123.3	99.0	83.5	51.7	10.1%
Total revenue	371.7	329.4	249.0	186.5	8.0%
Operating expenses	233.1	211.8	186.2	129.6	6.7%
Provision for loan loss	6.4	9.1	9.9	6.6	(0.3%)
Net income	\$ 91.2	\$ 77.1	\$ 41.4	\$ 38.4	10.2%
Net interest margin	3.73%	3.88%	3.80%	3.91%	N/A

#### Per Share Data

Diluted earnings per share	\$ 2.19	\$ 1.93	\$ 1.26	\$ 1.26	6.3%
Operating earnings per share <sup>1</sup>	2.30	2.03	1.51	1.33	6.3%
Cash dividends declared	1.22	1.06	0.88	0.78	5.1%
Book value	26.06	22.78	17.25	15.37	6.0%
Tangible book value	\$ 15.90	\$ 13.72	\$ 8.09	\$ 7.17	9.2%

#### Balance Sheet Data

End of period, In millions

Assets	\$ 8,553	\$ 7,497	\$ 5,403	\$ 4,498	7.4%
Loans, net	4,801	3,866	3,099	2,702	6.6%
Deposits	6,873	5,628	3,924	3,168	9.0%
Shareholders' equity	\$ 1,141	\$ 903	\$ 566	\$ 462	10.6%

<sup>1</sup> Operating earnings per share excludes the tax-effected impact of any gains or losses on sales of investment securities and debt extinguishments, acquisition expenses, litigation settlements, and other special charges.

### Average Interest-Earning Assets

\$ in millions

06	3,820
07	4,142
08	4,286
09	4,772
10	4,868
11	5,525
12	6,374
13	6,469
14	6,641
15	<b>6,990</b>

10-year CAGR = 6.3%



Our principal business focus is **building additional value** into our enterprise through selective and **strategic acquisitions, disciplined lending, and a consistent approach** to business regardless of economic conditions. Our goal is to generate average annual **total shareholder return** above 10% over time.

The Company operates more than **200 customer facilities** across Upstate New York and Northeastern Pennsylvania through its banking subsidiary, Community Bank, N.A. With **assets of approximately \$8.6 billion**, the DeWitt, N.Y. headquartered company is among the country's **150 largest financial institutions**.

We have built a **market-leading branch system serving predominantly non-urban markets** where we have earned the **1<sup>st</sup> or 2<sup>nd</sup> leading deposit market share** in 75% of the towns where we operate.

Approximately **33% of our revenue comes from noninterest sources** with over half coming from our benefits administration, wealth management and insurance businesses. For 2015, our financial services businesses generated just over **\$65 million in revenue**, a strong foundation to build on.

The Company's Tier I leverage ratio, a primary measure of regulatory capital was 10.32% at the end of 2015, up 36 basis points from year-end 2014, primarily from **strong net earnings retention**.

Reflecting a history of consistent results, the Company has **raised its cash dividend for 23 consecutive years**, a significant milestone and evidence of our belief that payment of a **meaningful and growing dividend** is an important component of providing favorable long-term returns to our shareholders.

Our disciplined approach to lending has provided an **enviable risk profile** for the Bank where our asset quality metrics have remained consistently and **significantly better** than industry and peer group averages.

Community Bank's disciplined approach to business has resulted in it being named **one of the nation's best large banks** in each of the last seven years, in the annual Forbes.com<sup>®</sup> analysis of America's 100 largest financial institutions.



## CORPORATE GOVERNANCE

### Executive Management

#### Mark Tryniski

President and  
Chief Executive Officer

With CBU since 2003. Formerly served as Chief Financial Officer and Chief Operating Officer. Partner with Pricewaterhouse Coopers prior to joining CBU.

#### Joe Getman

Executive Vice President  
and General Counsel

With CBU since 2008. Provided corporate counsel to CBU as a senior partner at Bond, Schoeneck & King, PLLC prior to joining CBU.

#### Scott Kingsley

Executive Vice President  
and Chief Financial Officer

With CBU since 2004. Served as CFO of Carlisle Engineered Products prior to joining CBU.

#### Brian Donahue

Executive Vice President  
and Chief Banking Officer

With CBU since 1992. Formerly served as Chief Credit Officer and as Senior Loan Officer for the Southern Region.

## Community Bank, N.A. Regional Advisory Boards

### Adirondack

Paul M. Cantwell, Jr.  
William M. Dempsey  
Alexander C. Edwards  
Joseph Vernon Lamb III  
James R. Langley, Jr.  
Carl J. Madonna  
Brian J. Monette  
Kim A. Murray

### Central

Mary C. Albrecht  
Olon T. Archer  
Tom Harding  
Joseph P. Mirabito  
Benjamin C. Nesbitt  
James L. Seward  
Geoffrey A. Smith  
Alfred S. Whittet  
David F. Wilber III  
Brian R. Wright

### Pennsylvania

Edward A. Coach  
Michael J. Coleman  
John H. Graham  
Scott E. Henry  
Edward I. Johnson, Jr.  
Kathleen M. Lambert  
Thomas A. McCullough  
William K. Nasser, Jr.  
Russell G. Newell  
Frank J. Niemiec  
James M. O'Brien  
Gerard T. O'Donnell



James A. Wilson

The Board of Directors extends its gratitude to former Lead Director James A. Wilson for his valued service to Community Bank System, Inc. A member of the Board since 2009, Mr. Wilson has provided important guidance to the company as Chair of the Audit/Compliance/Risk Management Committee, as well as a member of the Nominating/Corporate Governance Committee. Prior to joining the Board, he was a partner at the accounting firm of Parente Randolph, LLC in Wilkes-Barre, PA, as well as Director for the School of Accounting for the International Correspondence School in Scranton, PA.

## Board of Directors



**Nicholas A. DiCerbo**

Chairman of the Board;  
Of Counsel, DiCerbo Morgan, PLLC;  
Director since 1984



**Brian R. Ace**

Laceyville Hardware, Retired Owner;  
Nominating/ Corporate Governance, Chair;  
Trust and Financial Services Committee;  
Director since 2003



**Mark J. Bolus**

Bolus Motor Lines, Inc., President and CEO;  
Compensation Committee, Chair;  
Nominating/ Corporate Governance Committee;  
Strategic/ Executive Committee;  
Director since 2010



**Neil E. Fesette**

Fesette Realty, LLC and Fesette Property  
Management, Owner, President and CEO;  
Compensation Committee; Nominating/ Corporate  
Governance Committee; Strategic/ Executive  
Committee; Director since 2010



**James A. Gabriel**

Franklin & Gabriel, Owner;  
Trust and Financial Services Committee,  
Chair; Loan/ALCO Committee, Vice Chair;  
Strategic/Executive Committee;  
Director since 1984



**James W. Gibson**

Retired, KPMG, LLP, Partner;  
Audit/ Compliance/ Risk Management  
Committee; Compensation Committee;  
Director since 2009



**Michael R. Kallet**

Retired Chairman and CEO  
of Oneida Financial Corp.  
Trust and Financial Services Committee  
Director since 2015



**Edward S. Mucenski**

Pinto, Mucenski, Hooper, Van House & Company, P.C.,  
Partner and Managing Director;  
Audit/ Compliance/ Risk Management Committee,  
Chair; Compensation Committee;  
Director since 2010



**John Parente**

CP Media, LLC, CEO;  
Loan/ALCO Committee, Chair; Strategic/  
Executive Committee; Audit/ Compliance/  
Risk Management Committee;  
Director since 2010



**Sally A. Steele**

Attorney at Law;  
Strategic/ Executive Committee, Chair;  
Audit/ Compliance/ Risk Management Committee;  
Trust and Financial Services Committee;  
Director since 2003



**Eric E. Stickels**

Retired President, COO and Secretary  
of Oneida Financial Corp.;  
Trust and Financial Services Committee;  
Director since 2015



**Mark E. Tryniski**

Community Bank System, Inc.,  
President and CEO;  
Director since 2006



**John F. Whipple**

Buffamante Whipple Buttafaro, P.C., CEO;  
Audit/ Compliance/ Risk Management  
Committee, Vice Chair; Nominating/ Corporate  
Governance Committee;  
Director since 2010

## Total Average Annual Shareholder Returns

Through December 31, 2015, Including Reinvestment of Dividends

	1 YEAR	5 YEARS	10 YEARS	15 YEARS
CBU	8.3%	11.4%	10.0%	12.2%
S&P 600 Commercial Bank	6.4%	14.0%	0.1%	4.1%
KBW Regional Bank	5.8%	10.3%	2.6%	7.3%
S&P 500	1.4%	12.6%	7.3%	5.0%
DJIA	0.2%	11.3%	7.3%	5.8%

Source: Bloomberg

# 23

Community Bank System has increased its cash dividend for 23 consecutive years, and is one of only eight banks in the select group of “dividend achievers” which have increased cash dividends for 20 years or more.

Our objective, year in and year out, is to create superior returns for our investors utilizing our unique operating model. It is no secret that we operate in slow growth markets where many larger competitors have exited, apparently deciding that they are unable to profitably compete in these smaller towns and villages. However we continue to create long-term double-digit returns for investors by functioning as a well-run, disciplined company with a relatively low-risk profile within these areas.

We have focused on assembling a strong retail banking franchise capable of attracting a leading market share position in each of these smaller, stable regions. We offer comprehensive retail and small business products, as well as responsive, decentralized decision-making, both reflective of our detailed knowledge of the local markets and of our customers. Focusing on these stable lower-growth markets has been a core strength which has resulted in relatively consistent credit quality and dependable earnings performance.

We augment the limited organic growth opportunities with high-value acquisitions that strengthen our competitive position in existing markets, or enable us to push out the boundaries of our service area. We also have been an active acquirer of fee-based financial services businesses which diversify our revenue stream and reduce dependence on interest income. In 2015 we were able to complete an acquisition that accomplished all of these objectives. Our acquisition of Oneida Financial Corp. extended and strengthened our Central New York service area by expanding our market presence in the Syracuse and Utica-Rome metropolitan areas. This transaction also added to our product and service offerings in insurance, benefits administration, and wealth management.

Oneida is an excellent example of the type of high-value acquisition opportunity we continue to pursue, transactions that provide a strong platform for potential growth, and which make sense for our shareholders. Our objective is not to grow just for the sake of getting bigger, our goal is to manage and grow this organization in a disciplined fashion that creates sustainable improvement in earnings and dividend capacity which benefits our shareholders. If a potential transaction makes sense for our shareholders, then we’re interested. Once we determine that an acquisition makes sense, then our team executes the transaction in a focused and disciplined fashion to create growing and sustainable value for our shareholders. Our history of long-term value creation has demonstrated our ability to do just that.



**Our goal is to  
generate average  
annual total shareholder  
return above 10%  
over time.**





With our operations located in slower growth markets such as Upstate New York and Northeastern Pennsylvania, and a goal of generating 10% average annual total shareholder return, relying solely on organic growth wouldn't be realistic. We have a record of building additional value into our enterprise through selective and strategic acquisitions, which complement a disciplined and consistent approach to business regardless of economic conditions.

We have significantly enhanced and grown our banking franchise by making 18 successful acquisitions since 1995. We have been particularly active since 2006, adding a net of more than 80 retail locations through eight branch or whole-bank acquisitions. These transactions provided density to our existing footprint, as well as entry into 58 new markets. The "plug and play" flexibility of our model allows us to efficiently allocate resources and serve clients in historically lower-growth areas, a strategy that remains highly effective for us.

Along with identifying strategic opportunities to build scale and market share in our banking franchise, we have also pursued opportunities to diversify revenue by investing in fee-based financial services businesses that complement our banking business. In 1996, we acquired Benefit Plans Administrators (BPAS) and since then have made eight additional financial services businesses acquisitions. Through these transactions we have added an investment advisory firm and an insurance agency, while expanding our benefit plan administrative, consulting and actuarial services. Importantly, our Oneida Financial acquisition included insurance, benefits administration and wealth management products and services which are expected to add over \$20 million in revenue in 2016. In total our noninterest revenue sources account for approximately one third of the Company's revenue, with more than half coming from our benefits administration, wealth management, and insurance businesses. In 2015, the revenues from these businesses totaled more than \$65 million, up 66% in just five years.

The expansion of our financial services businesses, both organically and through acquisitions, has significantly expanded our capabilities. BPAS has grown into a national provider of administrative, actuarial and consulting services to a diverse array of clients spanning the United States and Puerto Rico. Our wealth management and insurance capabilities have grown to include broker-dealer and investment advisory services, asset management services to individuals, corporate pension and profit sharing plans, trust services and insurance products and services. Along with expanding our service capabilities, the strategy of developing strong financial services options has provided a strong revenue source largely unaffected by the variability of interest rate movements.

## Financial Services Acquisitions

2015	OneGroup – Insurance and Benefits (Oneida Financial Corp)
2014	Lifetime Benefit Solutions
2011	CAI Benefits, Inc.
2008	Alliance Benefit Group MidAtlantic
2007	CBNA Insurance Agency, Inc. (TLNB Financial) Hand Benefits & Trust, Inc.

## Bank Acquisitions (since 2006)

2015	Oneida Financial Corp. WHOLE BANK, CENTRAL UPSTATE NY
2013	Bank of America 8 BRANCHES, NORTHEAST PA
2012	HSBC/First Niagara Financial Group, Inc. 19 BRANCHES, UPSTATE NY
2011	Wilber Corporation WHOLE BANK, CENTRAL UPSTATE NY
2008	Citizens Financial Group, Inc. 18 BRANCHES, NORTHERN NY
2007	TLNB Financial Corp. WHOLE BANK, NORTHERN NY
2006	ES&L Bancorp, Inc. WHOLE BANK, UPSTATE NY ONB Corporation WHOLE BANK, UPSTATE NY





**We build additional  
value through  
selective and strategic  
acquisitions.**



## 2015 Year-end Capital

<b>Tier 1 Leverage Ratio</b>	<b>10.32%</b>
<b>Tangible Equity/Net Tangible Asset <sup>1</sup></b>	<b>8.59%</b>

<sup>1</sup>Includes deferred tax liabilities (of approximately \$39.7 million at 12/31/15) generated from tax deductible goodwill.

## Total Loans

In billions

<b>06</b>	\$2.7
<b>07</b>	\$2.8
<b>08</b>	\$3.1
<b>09</b>	\$3.1
<b>10</b>	\$3.0
<b>11</b>	\$3.5
<b>12</b>	\$3.9
<b>13</b>	\$4.1
<b>14</b>	\$4.2
<b>15</b>	<b>\$4.8</b>

10-year CAGR = 7.3%

**Our continued strong capital position is primarily a result of strong earnings generation and retention.**

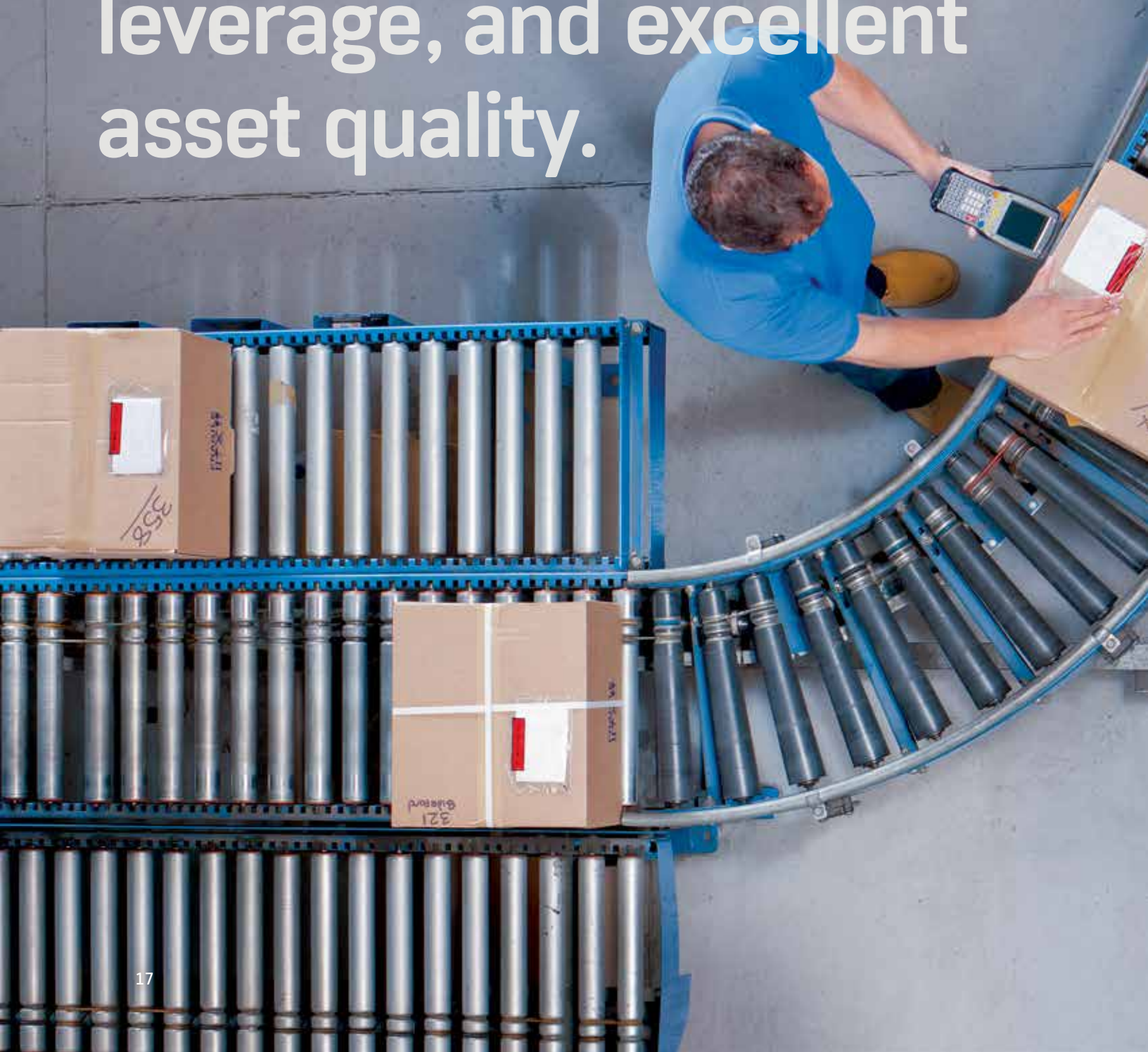
With strong balance sheet growth, earnings momentum and stable credit quality through 2015, Community Bank remains solidly positioned for 2016 and beyond. Total loans at year-end were up \$565 million from the end of the 2014 with approximately \$400 million of that related to the Oneida acquisition and the remainder from organic growth in the second, third and fourth quarters. Funding growth was comparable in 2015 with total deposits of \$6.9 billion at year-end, up \$938 million from the end of 2014 and driven by approximately \$700 million from the Oneida transaction and the remainder from solid core deposit growth.

Our capital levels at the end of 2015 continued to be very strong despite completion of the Oneida Financial transaction in December. Our Tier 1 leverage ratio was 10.32% and tangible equity to net tangible assets ended December at 8.59%, reflecting strong earnings retention during the year. We finished the year in an excess capital position providing the flexibility to continue to evaluate growth opportunities that are consistent with our strategic goals.

We increased our dividend again in 2015, as we have for each of the past 23 years. Consistent and substantial earnings growth has driven the increased dividend capacity which, despite 23 years of increased payouts, still reflects only 56% of net earnings. The success of our value creation model relies on having a superior capital foundation, and we're confident in our ability to maintain and grow internal capital generation.

The Company's very strong financial position is representative of the considerable value that has been gradually and conservatively built over the years through disciplined investment and operational focus. This approach continues today and will continue tomorrow as we evaluate the appropriate time and the appropriate manner to hurdle the \$10 billion threshold in a fashion that optimizes the economic outcome for our shareholders.

We delivered strong  
balance sheet growth,  
productive operating  
leverage, and excellent  
asset quality.



## Exceptional Asset Quality

At or for the twelve months ended December 31, 2015	CBU	ACBN <sup>1</sup>	ACBN > \$1B	ACBN \$1B-\$10B	ACBN > \$10B
Loan loss allowance/NPLs <sup>2</sup>	190%	87%	84%	118%	81%
NPLs /loans outstanding	0.50%	1.54%	1.59%	1.06%	1.66%
Net charge-offs/average loans <sup>3</sup>	0.15%	0.43%	0.45%	0.23%	0.48%
Provision to net charge-offs	95%	99%	99%	137%	96%
Earnings coverage of net charge-offs (x)	14.28	7.41	7.22	11.43	6.94

<sup>1</sup> ACBN = All Commercial Banks, National

<sup>2</sup> NPLs = Nonperforming loans

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

# 57.9

The Company's efficiency ratio has been below 60% consistently since 2010.

Our business approach seeks a balance between growth and operating efficiency, and our success at achieving this balance can be seen in our improved operating leverage. In 2015, our operating revenues grew 2.3% while operating expenses grew by only 1.1%. Even more gratifying is how efficiently we've grown over the past five years, both organically and through acquisitions, with revenue growing at a compound annual growth rate of 6.6% and expenses increasing by 5.4%. Revenue per share grew at an annual rate of nearly 2.2% over the last five years, while operating expenses per share grew at a 1.1% annual rate. This "per share" measure of value creation accounts for the incremental capital raised over this time and reflects the true economic growth provided to shareholders. It's particularly meaningful in that this has been accomplished over a period of time during which the Company has been making infrastructure investments in operations, capital planning, Dodd-Frank Act stress testing, and strengthening risk management and compliance to be fully prepared to meet the higher organizational expectations of a \$10 billion institution.

Another strong indication of the effectiveness of our business approach has been our consistently strong credit quality. 2015 was no exception, as our asset quality metrics remained superior compared to industry standards. Our consistent record of solid credit quality is attributable to strong underwriting, a stable economy in our footprint and solid customer relationships. Our net loan charge-off ratio, non-performing loan ratio and loan delinquency ratio all compared favorably to peer and industry averages at year-end, as well as through prior years reaching back through the industry credit crisis period that began in 2008.

Our process is neither mysterious nor complex. We extend fairly-priced, straightforward loans to credit-worthy borrowers seeking financing for everyday needs, from car loans to mortgages to business lines of credit. Combined with responsive local decision-making, customer service and support, and authority at the branch level we have an approach which matches the needs of our predominately small-town customer base.





**Our business  
approach seeks  
a balance  
between growth  
and operating  
efficiency.**

## ADMINISTRATION

### EXECUTIVE

Mark E. Tryniski, President and  
Chief Executive Officer

Scott A. Kingsley, Executive Vice President,  
Chief Financial Officer

Brian D. Donahue, Executive Vice President,  
Chief Banking Officer

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

### RETAIL & BUSINESS BANKING

Joseph Serbun, Senior Vice President,  
Chief Credit Officer

Hal Wentworth, Senior Vice President,  
Retail Banking and Marketing

Richard Heidrick, Senior Vice President,  
Consumer Banking

George Burke, Senior Vice President,  
Director of Mortgage Banking

Joseph Sutaris, Senior Vice President,  
Regional Banking Executive

Robert Cirko, Senior Vice President,  
Regional Retail Banking Manager

Scott Boser, Retail Lending Manager

Judith Meyer, Branch Services Administrator

Cynthia Lefko, Cash Management Product  
and Sales Manager

Deborah Baker, Collections Manager

### CREDIT ADMINISTRATION

Stephen Hardy, Senior Vice President,  
Chief Credit Administrator

Nancy Mastrucci, Senior Credit Manager

Mark Guenther, Special Assets Manager

Denise Rhoads, Commercial Appraisal Manager

### FINANCE & TREASURY MANAGEMENT

Joseph Lemchak, Senior Vice President,  
Chief Investment Officer

Deresa Durkee, Vice President,  
Corporate Controller

Robert Frost, Vice President of Finance,  
Director of Capital Planning and Analysis

Sean Howard, Senior Treasury Officer

Randy Pray, Corporate Purchasing Manager

Brian Fancher, Benefits Accounting Manager

Laura Mattice, General Accounting Manager

Dennelle Michalski, Financial Controls Manager

Robert Pierce, Financial Reporting Manager

### ADMINISTRATIVE SERVICES

Bernadette Barber, Senior Vice President,  
Chief Human Resources Officer

Danielle Cima, Associate General Counsel,  
Corporate Secretary

Michael Abdo, Associate General Counsel

Brett Fisk, Director of Facilities

Donna Drengel, Board Secretary  
and Shareholder Relations

### INFORMATION TECHNOLOGY & OPERATIONS

J. Michael Wilson, Senior Vice President,  
Chief Technology Officer

Susan Fox, Senior Vice President,  
Chief Information Officer

Aaron Friot, Director of Information Technology

Robin Dumas, Electronic Banking Manager

Barbara Snyder, Loan Operations Manager

Christina Sullivan, Director of Business  
Information Systems

Paula Demo, Deposit Operations Manager

### RISK MANAGEMENT

Paul Ward, Senior Vice President,  
Chief Risk Officer

Mark Houghtaling, Director of Loan Review

Daniel O'Connell, Director of Internal Audit

Dorothy Quaritere, Chief Compliance Officer

Timothy Miller, Director of Information Security

### COMMUNITY BANK

#### COMMERCIAL BANKING OFFICERS

#### WESTERN REGION

James Rahill, Senior Commercial Bank Officer

David Alm, Senior Commercial Banking Officer

Mark Saglimben, Senior Commercial Banking Officer

David McKinley, Commercial Banking Officer

Scott Brechbuehl, Commercial Banking Officer

Gretchen Copella, Commercial Banking Officer

Patrick Gorman, Commercial Banking Officer

Michael Boza, Agricultural Banking Officer

#### NORTHERN REGION

Nicholas Russell, Senior Vice President,  
Commercial Banking

Ronald Bacon, Senior Commercial Banking Officer

Kevin Kent, Commercial Banking Officer

Paul Connelly, Commercial Banking Officer

Craig Stevens, Commercial Banking Officer

Jeffrey Fallon, Commercial Banking Officer

Amy Downey, Commercial Banking Officer

Patricia Duffy, Agricultural Banking Officer

Duane Pelkey, Commercial Banking Officer

Aaron Kimmich, Agricultural Banking Officer

### SYRACUSE/ONEIDA REGION

Luke Fagan, Commercial Banking Team Leader

Russell Brewer, Commercial Banking Team Leader

William McIncrow, Commercial Banking Officer

Russell Sturtz, Commercial Banking Officer

Joseph Pedrotti, Commercial Banking Officer

William Baldwin, Commercial Banking Officer

Steven Potter, Commercial Banking Officer

Douglas Bartell, Commercial Banking Officer

Thomas Lewin, Commercial Banking Officer

Trevor Bacon, Commercial Banking Associate

### SOUTHERN REGION

Stephen Rich, Commercial Banking Team Leader

Loren Herod, Agricultural Banking Team Leader

Arthur Sable, Commercial Banking Officer

J. David Clark, Commercial Banking Officer

D. James Vedora, Commercial Banking Officer

Mark Miller, Commercial Banking Officer

Charles Van Hooft, Agricultural Banking Officer

Rebecca Snyder, Agricultural Banking Officer

### CENTRAL REGION

Jeffrey Lord, Commercial Banking Team Leader

Edward Michalek, Commercial Banking Officer

John Connolly, Commercial Banking Officer

Jonathan Luce, Commercial Banking Officer

Allison Mosher, Commercial Banking Officer

### SMALL BUSINESS UNDERWRITING

Michael Austin, Small Business Loan Manager

Richard Sisson, Underwriter

Beth Robbins, Underwriter

### PENNSYLVANIA REGION

Robert Matley, Regional Vice President,  
Commercial Banking

Warren Rozelle, Commercial Banking Team Leader

Richard Kazmerick, Commercial Banking Team Leader

Paul Baynum, Commercial Banking Officer

Matthew Dougherty, Commercial Banking Officer

Mary Elizabeth D'Andrea, Commercial Banking Officer

Joseph Tomko, Commercial Banking Officer

Neil King, Commercial Banking Officer

Walter Sarafinko, Commercial Banking Officer

David McHale, Commercial Banking Officer

A. Edward Nork, Commercial Banking Officer

Stacia Arnaud, Commercial Banking Officer

John Pekarovsky, Commercial Banking Officer

## WEALTH MANAGEMENT AND INSURANCE GROUP

Paul Restante, Managing Director

Barbara Toczko-Maculloch, Senior Vice President,  
Pennsylvania Market Director

Theresa Kalil-Lennon, Senior Vice President,  
Regional Sales Manager, Central/East

David Coon, Senior Vice President,  
Regional Sales Manager, Western NY

Daniel Drappo, Senior Financial Consultant,  
Regional Sales Coordinator, St. Lawrence

Stephen McFadden, Financial Consultant,  
Regional Sales Coordinator, Adirondack

Laurel Pellettiere, Special Projects and  
Compliance Manager

## TRUST AND INVESTMENT SERVICES

Catherine Koebelin, Senior Vice President,  
Chief Trust Officer, Olean

Charles Perrillo, Senior Vice President,  
Chief Trust Investment Officer, Oneonta

Amy Allen, Senior Trust Officer, Oneonta

Patricia Barie, Senior Trust Officer, Olean

Jennifer Critti-Lebeau, Trust Officer, Oneonta

Patricia Croll, Trust Officer, Scranton

Shannon Hyzer, Trust Officer, Oneonta

Robert Jewell, Senior Trust Officer, Elmira

John Jones, Trust Officer, Oneonta

Linda Meyer Lambert, Trust Officer, Olean

Thomas LaPage, Trust Officer, Canton

Patricia Lowe, Trust Operations Officer, Oneonta

Vincent Mastrucci, Corporate Trust Officer, Scranton

Adam Niebanck, Trust Investment Officer, Oneonta

Christine Petras, Trust Investment Officer, Oneonta

Herbert Simmerly, Jr., Vice President and  
Senior Trust Officer, Oneonta

Paul Snodgrass, Trust Investment Officer, Canton

Brett Zielasko, Trust Officer, Oneida

## NOTTINGHAM ADVISORS, LLC

100 Corporate Parkway, Suite 338  
Amherst, NY

Thomas Quealy, Chief Executive Officer

Lawrence Whistler, President,  
Chief Investment Officer

Karen Mohn, Chief Compliance Officer,  
Client Services Manager

Nicholas Verbanic, Vice President,  
Portfolio Manager

## ONE GROUP

706 North Clinton Street, Syracuse, NY

Pierre Morrisseau, Chief Executive Officer

John Catanzarita, Chief Operating Officer

Alison Dunn, SVP, HR and Employee Benefits

Chris Mason, SVP, Commercial Lines

Ron Heath, Chief Sales and Marketing Officer

Craig Bailey, VP, Personal Lines

Mark Moeller, President and CEO,  
CBNA Insurance Agency

## COMMUNITY INVESTMENT SERVICES, INC. / ONEIDA WEALTH MANAGEMENT

Paul Restante, President

Chasity Jaynes, Vice President

Garry Payne, Carta Group

Jeremy Caza, Carta Group

## Financial Consultants

Peter Albano, Wilkes-Barre

Charles Baracco, Syracuse

Donald Bower III, Elmira

Eric Brunet, Ogdensburg

Michael Bufalini, Watertown

Joseph Butler, Jr., Watertown

Thomas Ciolek, Olean/Avon

Shawn Derrick, Wellsville

Daniel Drappo, Watertown

James Durso, Waterloo

Robert Eckermann, Cazenovia

Timothy Forman, Lake Placid

Kevin Gildner, Wellsville

Joseph Hatfield, Oneida

Justin Hooper, Plattsburgh

Randall Hulick, Springville

Kathy Kaffenberger, Chittenango

Kyle Leikam, Dunkirk

Rick Little, Jermyn

Andrew Lomanto, Plattsburgh/Malone

Andrew Mangano, Fulton

Jude McDonough, Scranton PA

Stephen McFadden, Plattsburgh

James Mersfelder, Syracuse

Chad Murray, Falconer

Charles Nicosia, Oneonta

David O'Neil, Jr., Boonville

Brent Patry, Oneonta/Norwich

Robert Stanley, Minooka

Joseph Topichak, Corning

Michele Wilck, Newark/Palmyra

Bradley Williams, Avon

## BENEFIT PLAN SERVICES

Barry Kublin, President

## BPAS

6 Rhoads Drive, Utica, NY

Paul M. Neveu, President, BPAS, LLC

Robert A. Malczyk, Vice President,  
Director of Sales

Linda S. Pritchard, Senior Vice President,  
Recordkeeping Services

3501 Masons Mill Road, Suite 505,  
Huntingdon Valley, PA

Mary Anne Geary, Senior Vice President,  
DC Plan Services

Richard Schultz, Senior Vice President,  
Fiduciary Services

## BPAS ACTUARIAL AND PENSION SERVICES

One Lincoln Center, Syracuse, NY

Vincent F. Spina, President

Steven P. Chase, Senior Vice President

Sarah E. Dam, Senior Vice President

335 Lexington Ave., 5th Floor, New York, NY

Sheryl Gabriel, Senior Vice President

## HAND BENEFITS & TRUST

820 Gessner, Suite 1250, Houston, TX

W. David Hand, Chief Executive Officer

Stephen Hand, President

James Goodwin, Vice President

## BPAS TRUST COMPANY PUERTO RICO

644 Fernandez Juncos Ave, Suite 301,  
San Juan, PR

Alfredo Matheu, BPAS President, Puerto Rico

## BRANCH LOCATIONS

### COMMUNITY BANK NORTHERN NEW YORK MARKET

#### *Adams*

Christopher M. Castle, Manager

#### *Alexandria Bay*

Matthew Honeywell, Manager

#### *Ausable Forks*

Valerie Daniels, Manager

#### *Black River*

Christina S. Meagher, Manager

#### *Boonville*

(101 Main Street and Headwaters Plaza)

Debra Roberts, Manager

#### *Canton*

David Peggs, Manager

#### *Champlain*

Melissa M. Peryea, Manager

#### *Chateaugay*

Candice Pelkey, Branch Supervisor

#### *Clayton*

Lori Fearnside, Manager

#### *Fort Covington*

Gayle Miner, Branch Supervisor

#### *Gouverneur*

Diane Easton, Manager

#### *Harrisville*

Karen Pierce, Branch Supervisor

#### *Herman*

Connie Green, Manager

#### *Heuvelton*

Richard Tacchino, Branch Supervisor

#### *Indian Lake*

Brenda Lanphear, Manager

#### *Lake Placid*

Katie Stephenson, Manager

#### *Long Lake*

Viccann Novak, Manager

#### *Lowville (State Street)*

Tina Paczkowski, District Manager

#### *Lowville (Turin Road)*

Stephen Allen, Manager

#### *Lyons Falls*

Nancy Fruin, Manager

#### *Madrid*

Marsha Watson, Manager

#### *Malone (Elm Street)*

Byron Tuthill, District Manager

#### *Malone (West Main Street)*

Stacey Brunell, Manager

#### *Massena*

Sue Perkins, Manager

#### *North Creek*

Lori DeMars, Manager

#### *Norwood*

Emily Losey, Manager

#### *Ogdensburg (State Street)*

Robert Seymour, District Manager

#### *Ogdensburg (Ford Street)*

Denise Barse, Manager

#### *Old Forge*

Barbara Criss, Manager

#### *Plattsburgh (Margaret Street)*

Kathryn Reynolds, Manager

#### *Plattsburgh (Route 3)*

Kent Backus, Regional Retail  
Banking Manager

James Snook, Manager

#### *Plattsburgh (In-store – Wal-Mart)*

Arlene Favreau, Branch Supervisor

#### *Potsdam (Market Street and May Road)*

Victoria Strader, Manager

#### *Saranac Lake (Broadway and Lake Flower)*

Brenda Darrah, Manager

#### *St. Regis Falls*

Sherrí Fleury, Branch Supervisor

#### *Star Lake*

Connie Green, Manager

#### *Ticonderoga*

Maria Beuerlein, Manager

#### *Tupper Lake*

John Salamy, Manager

#### *Waddington*

Emily Losey, Manager

#### *Watertown (Arsenal Street)*

Elizabeth Brown, Manager

#### *Watertown (216 Washington Street)*

Rita J. Walldroff, Regional Retail  
Banking Manager

Catherine Ward, Manager

#### *West Carthage*

Naura L. Christman, Manager

#### *Whitehall*

Holly A. Rabideau, Manager

### COMMUNITY BANK SOUTHERN NEW YORK MARKET

#### *Addison*

Robin Knapp, Manager

#### *Alfred*

Beth Plaisted, Manager

#### *Allegany*

Stephanie Kolkowski, Manager

#### *Avon*

Deborah Fitch, Manager

#### *Angelica*

Diana Grastorf, Branch Supervisor

#### *Bath*

Joel Brazie, Manager

#### *Belfast*

Brandy Burdick, Branch Supervisor

#### *Bolivar*

Judy Gilliland, Manager

#### *Canandaigua (County Road 10)*

Paul Lepore, District Manager

#### *Canandaigua (South Main Street)*

Christopher Bross, Manager

#### *Cassadaga*

Susan Sekuterski, Manager

#### *Cato*

Tiesha Combes, Manager

#### *Clifton Springs*

(East Main Street and Clifton Plaza)

Theresa Dorgan, Manager

#### *Clymer*

Laurie Harvey, Manager

#### *Corning (West Market Street)*

Wendy Daines, Manager

#### *Corning North*

Robert Avvampato, Manager

#### *Cuba*

Shavonne Henderson, Manager

#### *Dansville*

Jody Tonkery, District Manager

#### *Dunkirk (Vineyard Drive)*

Jason DeChard, Manager

#### *Dunkirk (Central Avenue)*

Jean Coughlin, Manager

#### *Elmira*

Denise Allen, District Manager



*Erwin/Painted Post*  
Todd Selander, Branch Supervisor

*Falconer*  
Joann Anderson, Manager

*Fillmore*  
Julie Hall, District Manager

*Franklinville*  
Sandra Wolfer, Manager

*Geneseo*  
Lisa Kime, Manager

*Geneva (Canandaigua Road)*  
Tina Jackson, Manager

*Geneva (Seneca Street)*  
John Latanyshyn, Manager

*Gowanda*  
Ralph Swanson, Manager

*Hammondsport*  
Kelly Bussmann, Manager

*Hornell*  
Melissa Ponticello, Manager

*Horseheads-Consumer Square*  
Glenn Parsons, Manager

*Houghton College*  
Julie Hall, District Manager

*Interlaken*  
Denise Ector, Manager

*Ithaca*  
Michael MacDonald, Manager

*Jamestown (North Main Street)*  
Kathleen Bemus, Manager

*Jamestown (Main Street - Brooklyn Square)*  
Glori Taylor, Manager

*Lakewood*  
Lisa Allenson, District Manager

*Livonia*  
Ronda Howard, Manager

*Moravia*  
Michael Pizzola, Manager

*Mount Morris*  
Susan Neelin, Manager

*Naples*  
Joilette Pendleton, Manager

*Newark (Church Street)*  
Phyllis A. Adriaansen, Manager

*Newark Plaza*  
Ann Young, Manager

*Nichols*  
Kathleen Bowen, Manager

*North Collins*  
Robin Hohman, Manager

*Olean (North Union Street)*  
Eric M. Garvin, Regional Retail  
Banking Manager

Jody Spears, District Manager

*Olean (Delaware Park)*  
Kelly Crandall, Manager

*Orchard Park*  
Kristen Woodarek, Manager

*Ovid*  
Jacqueline Robinson, Manager

*Owego*  
Florence Rossi, Manager

*Palmyra*  
Cheryl Ford, Manager

*Penn Yan (Main Street)*  
Thomas May, Manager

*Penn Yan (Lake Street)*  
Teresa A. Vivier, Manager

*Phelps*  
Amy Shaffer, Manager

*Portville (East State Road)*  
Brenda Blackwell, Manager

*Portville (North Main Street)*  
Katrina Savitcheff, Branch Supervisor

*Randolph*  
Diane Lecceardone, Manager

*Ripley*  
Patricia Knight, Manager

*Rushville*  
Christine Copper, Manager

*Salamanca*  
Robin Bowser, Manager

*Seneca Falls*  
David Sloan, Regional Retail  
Banking Manager

Christine Plate, Manager

*Sherman*  
Shannon Stevens, Manager

*Silver Creek*  
Mark Catalano, District Manager

*Springville (Cascade Drive)*  
Mary Ann Lutz, Manager

*Springville (North Buffalo Street)*  
Brooke Baker, Manager

*Waterloo*  
Alexis Carlson-Spina, Manager

*Watkins Glen*  
Anthony Fraboni, Manager

*Wellsville (Bolivar Road)*  
Lori Dzielski, Manager

*Wellsville (Main Street)*  
Virginia Elliott, Manager

*Westfield*  
Carl Swan, Manager

*Woodhull*  
Ashley Quick, Manager

*Yorkshire*  
Joseph Fore, Manager

## BRANCH LOCATIONS

### COMMUNITY BANK

#### CENTRAL NEW YORK/ONEIDA REGION

##### *Boiceville*

Brad Bernard, Manager

##### *Camden*

Michelle Szkolnik, Manager

##### *Canastota*

Lori Torrey, Manager

##### *Cazenovia*

Robin Gallup, Manager

##### *Chittenango Branch*

Roberta Button, Manager

##### *Cicero*

Denise Cavallo, Manager

##### *Cobleskill*

Joseph Sutaris, Regional  
Banking Executive

##### *Cooperstown (Main Street and Otsego, State Highway)*

Naomi Grigoli, Manager

##### *Delhi*

Tina Seguire, Manager

##### *Dewitt*

Robert Liedka, Manager

##### *Downsville*

Jean M. Lacey, Manager

##### *Fleischmanns*

Marilee Asher, Manager

##### *Fulton*

Tina Stephens, Manager

##### *Hamilton*

Janet Briggs, Manager

##### *Hannibal*

Debra Davis, District Manager

##### *Johnson City*

Michelle Carlsson, Manager

##### *Milford*

Rosemary Aborn, Manager

##### *Morris*

Michael Walling, District Manager

##### *Norwich (State Highway)*

Caryn Wake, Manager

##### *Norwich (Broad Street)*

Michael Walling, District Manager

##### *Oneida Convenience*

Cathy Mumford, Manager

##### *Oneida Main*

Angel Rose, Regional Retail  
Banking Manager

Cindy Lindauer, Manager

##### *Oneonta (Main Street)*

Michael Walling, District Manager

Nancy Miller, Gold Club Manager

##### *Oneonta (Chestnut Street)*

Paula Morell, Manager

##### *Oneonta (Southside)*

Tahitian Teft, Manager

##### *Oneonta (FaxCare Center)*

Lesley Bohacek, Manager

##### *Oswego*

Fred Aldrich IV, Manager

##### *Otego*

Beth Braun, Manager

##### *Pulaski*

Steven P. Gaffney, Manager

##### *Rome Griffiss Park*

Dean Shlotzhauer, Manager

##### *Rome Turin Rd.*

Wendy Berg, Manager

##### *Schenevus*

Gerald V. Coombs, Jr., Manager

##### *Sidney*

Bridget Fisk, District Manager

Sharon Cutting, Manager

##### *Skaneateles*

Desiree R. Murphy, Manager

##### *Vernon*

Angel Rose, Regional Retail  
Banking Manager

##### *Walton*

Donna A. Bundy, Manager

##### *Westmoreland*

Amanda Tedford, Manager

### COMMUNITY BANK

#### PENNSYLVANIA MARKET

##### *Carbondale*

Bobbiann Davis, Manager

##### *Clarks Summit*

David Griffin, Manager

##### *Daleville*

Susan Pitoniak, Manager

##### *Dickson City*

Lisa Rochinski, Manager

##### *Edwardsville*

Denise Johnson, Manager

##### *Freeland*

Daniel Boote, Manager

##### *Hazleton (Airport Road)*

Paula Palance, Manager

##### *Hazleton (North Church Street)*

Lori Roth, Manager

##### *Hazleton (West Broad Street)*

Emmanuel Marte, Manager

##### *Jermyn*

John Peterson, Manager

##### *Jessup*

Mary Bieszczad, Manager

##### *Kingston (James Street)*

Karen Shuster, Manager

##### *Laceyville*

Greg Culver, Manager

##### *Lansford*

John Greybosh, Manager

##### *Lawton*

Doug Jackson, Manager

##### *Lehighton*

Dana Cannariato, Manager

##### *Little Meadows*

Mary Sivers, Manager

##### *Meshoppen*

Jennifer Ramey, Manager

##### *Montrose*

Steven Stranburg, Manager

##### *Noxen/Bowman's Creek*

Colleen Bullock, Manager

##### *Olyphant*

Theresa Collins, District Manager

##### *Pittston*

Gary Missal, Manager

##### *Scranton (Keyser Avenue)*

Lisa Browning, Manager

##### *Scranton (Minoaka - Davis Street)*

David Lencicki, Manager

##### *Scranton (North Washington Avenue)*

Suzanne Kennedy, Manager

##### *Scranton (Wyoming Avenue)*

Michelle Cook, Manager

##### *Towanda*

Lori Smith, Manager

##### *Tunkhannock*

Jennifer Chesner, Manager

##### *Trucksville/Back Mountain*

Susanne M. Mullin, Manager

##### *Wilkes Barre (Franklin Street)*

David Dobbs, District Manager

Susan Russick, Manager

##### *Wilkes Barre (South Main Street)*

Sandra Wheeler, Manager

##### *Wyalusing*

Karen Fuller, District Manager

## America's Best Banks 2016

Once again, the performance and financial condition of Community Bank System, Inc. was ranked among the best large banks in the 2016 analysis compiled and published by Forbes.com®. Community Bank was ranked eighth among the 100 largest publicly-traded banks and thrifts, based on a comparison of ten different metrics related to asset quality, capital adequacy, growth and profitability, and which included financial institutions ranging in size from \$7 billion to \$2.4 trillion. In the seven years that Forbes has been producing this analysis, Community Bank has never been ranked lower than 12<sup>th</sup>, reflecting its consistent strong performance over this period.

## Most Trusted Bank – Northeast Region

Survey results published in September 2015 by MSR Group, a research firm that specializes in customer experience within the retail banking sector, identified Community Bank as the most trusted bank in the Northeast Region of the U.S. as judged by our customers. Also, using MSR's Net Advocacy Rating®, a proprietary metric that identifies customers who consider themselves "advocates" of their bank, Community Bank was the silver award winner for the Northeast Region. There is simply no better barometer of customer satisfaction than a willingness to advocate on behalf of your bank. It's one thing to say you give great customer service, it's quite another to be able to prove it.

## A Century and a Half of Service

Community Bank's roots reach all the way back to 1866, the year when predecessor bank, St. Lawrence National Bank, was chartered. Community Bank System, Inc. ("Company") was incorporated on April 15, 1983, and listed on the New York Stock Exchange with the ticker symbol CBU. The Company's philosophy has always centered on serving the financial needs of customers in rural and smaller communities, first in Upstate New York and then expanding into Northeastern Pennsylvania. The Company has been an active acquirer of smaller financial institutions in and around its retail banking footprint, and remains so today. The Bank's operating philosophy is based on local decision making at each branch location coupled with providing a comprehensive offering of retail and small business products which enable the Bank to compete effectively.

DIVERSIFIED BUSINESS AT A GLANCE



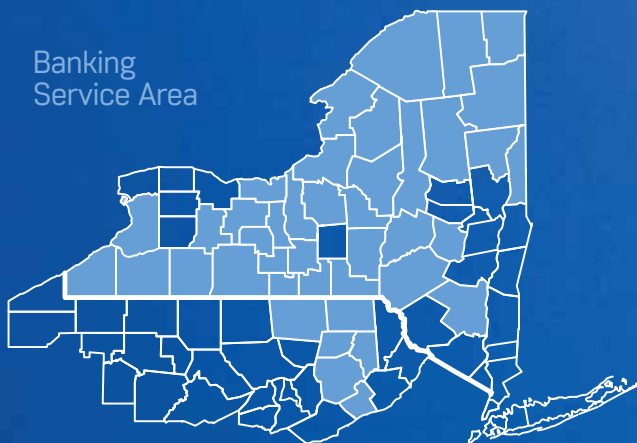
**\$306.1M** 2015 Revenue

**82%** of Total Revenue

**5.8%** 5-Year CAGR

MARKET-LEADING BRANCH SYSTEM

Branch Locations	194
ATMs	202
Towns	158
1 <sup>st</sup> /2 <sup>nd</sup> Market Share	117
Counties (NY/PA)	42
Total Deposits	\$6.9 B 12/31/15

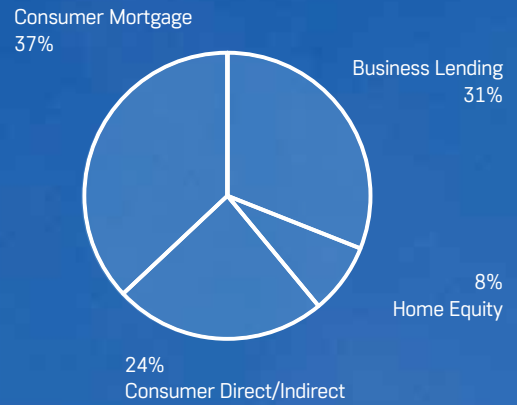


■ COUNTIES WITH RETAIL BANKING LOCATIONS

Loan Portfolio Composition

At 12/31/15

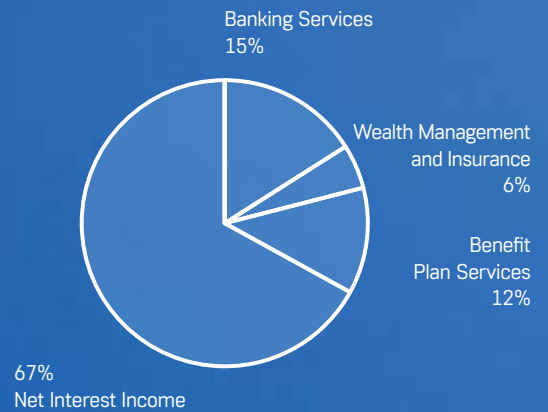
Total Loans = \$4.8 Billion



Total Revenue Composition

At 12/31/15

2015 Total Revenue = \$371.7 Million







\$45.4M 2015 Revenue

12% of Total Revenue

8.9% 5-Year CAGR

BPAS is a national provider of retirement plan administration and related services, with ten offices across the nation and 260 retirement plan professionals. The company serves more than 4,000 retirement plans and 400,000 participants through partnerships with financial advisors, and currently hold more than \$19 billion of assets under custody.

BPAS services include: ■ Plan Administration & Recordkeeping Services ■ Actuarial and Pension Services ■ TPA Services ■ Fiduciary Services ■ Healthcare Consulting Services ■ VEBA & HRA/HSA Services ■ AutoRollovers & MyPlanLoan Services ■ Hand Benefits & Trust (a BPAS Company) ■ BPAS Trust Company of Puerto Rico

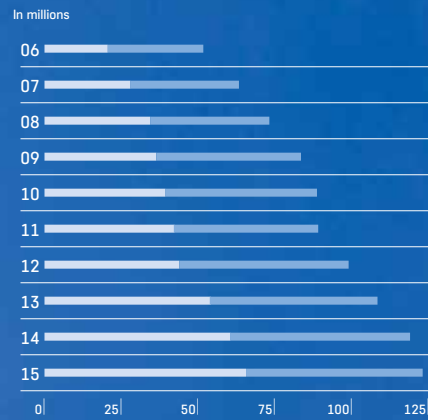
\$20.2M 2015 Revenue

6% of Total Revenue

15.6% 5-Year CAGR

Full Suite of Financial Services Provided Under One Roof ■ Full Service Brokerage and Insurance Firm ■ Registered Investment Advisory Firm ■ Personal and Institutional Trust Services ■ Property and Casualty Insurance

### Noninterest Income<sup>1</sup>

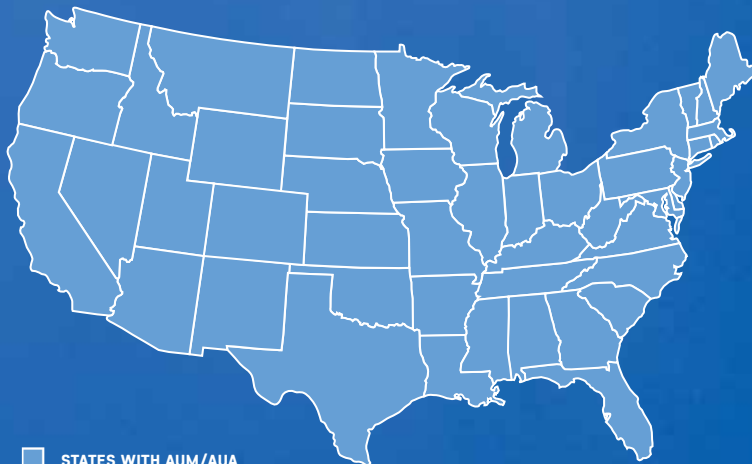


9-Year CAGR = 10.1%

<sup>1</sup> Excluding securities gains/losses and debt extinguishment charges

■ BANKING SERVICES  
■ FINANCIAL SERVICES

### National Financial Services Reach



PUERTO RICO —

## INVESTMENT RATIONALE

Relentless focus on creating shareholder value

- > Through superior performance
- > Through growing dividends

Consistent execution over the past 20+ years

Effective and proven business model, built for tomorrow

Diversification driving noninterest income expansion

Disciplined approach to growth

- > Through an against-the-grain branch-centric philosophy
- > Through a record of successful and accretive acquisitions

Meaningful dividend and yield

## INVESTMENT PROFILE

Listing: New York Stock Exchange

Ticker Symbol: CBU

Market Cap: \$1.66 billion  
At 3/15/16

Dividend: \$1.24  
Annualized for most recent quarter

Dividend Yield: 3.3%  
Based on closing price of \$38.02 on 3/15/16

Dividend Payout Ratio: 56%

Shares Outstanding: 43,774,860

Av. Trading Volume: ~250,000  
3-month average 2/2/16

## Stock Ownership

12/31/15

Institutional – Active Managed  
31%



Retail 37%

32%  
Institutional – Passive or Index Managed

## \$10 Billion Asset Threshold

Community Bank System, Inc. continues to make progress implementing DFAST systems, strengthening risk management and compliance operations in preparation for exceeding the \$10 billion asset threshold. The Company has not identified a specified time frame for reaching this regulatory size threshold, but remains committed to exceeding the \$10 billion threshold at the appropriate time and in the appropriate manner to optimize the economic outcome for our shareholders.



## SHAREHOLDER INFORMATION

### CORPORATE HEADQUARTERS

Community Bank System, Inc.  
5790 Widewaters Parkway  
DeWitt, NY 13214-1883  
Phone: 315.445.2282 or 800.724.2262  
Fax: 315.445.7347  
www.communitybankna.com

### STOCK LISTING

Common stock of Community Bank System, Inc. is listed on the New York Stock Exchange (NYSE) under the symbol: CBU. Newspaper listing for common stock: CmntyBkSys.

### ANNUAL MEETING

Wednesday, May 18, 2016  
1:00 p.m. EST  
The Greater Oneida Kallet Civic Center  
159 Main Street  
Oneida, New York 13421

### TRANSFER AGENT AND REGISTRANT OF STOCK

Shareholders requiring a change of name, address or ownership of stock, or information about shareholder records, lost or stolen certificates, and dividend checks, direct deposit and reinvestment should contact:

American Stock Transfer & Trust Company  
Operations Center  
6201 15<sup>th</sup> Avenue  
Brooklyn, NY 11219  
800.937.5449  
www.amstock.com

### INVESTOR INFORMATION

Investor and shareholder information regarding Community Bank System, Inc., including all filings with the Securities and Exchange Commission, is available through the company's website: www.communitybankna.com

Copies may also be obtained without charge upon written request to:

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

### INDEPENDENT AUDITORS

The Board of Directors appointed PricewaterhouseCoopers, LLP as auditor for the company for the year ended December 31, 2015

### ANALYST COVERAGE

The following analysts published research about Community Bank System in 2015:

American Capital Partners  
Anthony Polini / 908.625.1931  
apolini@acpweb.com

Boening & Scattergood  
Matthew Schultheis / 610.832.5290  
mschultheis@boeninginc.com

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

Hovde Group LLC  
Joseph Fenech / 646.281.4946  
jfenech@hovdegroup.com

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

Piper Jaffray Companies  
Matthew Breese / 617.654-0728  
matthew.m.breese@pjc.com

Raymond James  
William Wallace / 703.749.1485  
william.wallace@raymondjames.com

RBC Capital Markets  
Jake Civiello / 617.725.2152  
jake.civiello@rbccm.com

Sandler O'Neill  
Alexander Twerdahl / 212.466.7916  
atwerdahl@sandleroneill.com

### INVESTOR'S CHOICE PROGRAM

CBU offers convenient, low-cost options for investors wishing to steadily buy shares. For information, contact:

Ms. Donna J. Drengel  
Shareholder Relations Department  
Community Bank System, Inc.  
5790 Widewaters Parkway  
DeWitt, NY 13214-1883  
Phone: 315.445.7313  
donna.drengel@communitybankna.com

or

American Stock Transfer & Trust Co.  
Operations Center  
6201 15<sup>th</sup> Avenue  
Brooklyn, NY 11219  
800.937.5449  
www.amstock.com

## Safe Harbor Statement

The Community Bank System, Inc. Annual Report contains forward-looking statements, within the provisions of the Private Security 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.

bank happy<sup>®</sup>



**COMMUNITY BANK SYSTEM, INC.**

5790 Widewaters Parkway

DeWitt, NY 13214-1883

800.724.2262

315.445.7347 fax

[communitybankna.com](http://communitybankna.com)

**CBU**  

---

**LISTED**  

---

**NYSE**