

Intertwined

RELATIONSHIPS AND PERFORMANCE



COMMUNITY BANK SYSTEM, INC.
2018 ANNUAL REPORT

INVESTMENT CONSIDERATIONS: CBU

6

The 15-year cumulative total return to shareholders of 300% (on 12/31/18), the sixth highest among the 100 largest publicly-traded US banks

26

Cash dividend payment raised every year for the past 26 years, providing a meaningful dividend and yield

39

Focus on revenue diversification, which has driven noninterest income to more than 39% of revenue



Successful and effective operating strategy



Strong fundamentals with excellent asset quality on a consistent basis

CBU

NYSE-listed company with significant liquidity

INVESTMENT PROFILE

\$58.30

at 12/31/18

CLOSING PRICE

\$2.99 B

at 12/31/18

MARKET CAP

18.0

PRICE/EARNINGS (TTM)

3.1

PRICE/TANGIBLE BOOK VALUE

\$1.52

annualized for most recent quarter

DIVIDEND

2.61%

based on closing price of \$58.30 on 12/31/18

DIVIDEND YIELD

43.8%

DIVIDEND PAYOUT RATIO

51.26 M

SHARES OUTSTANDING

~253,000

3-month average 12/31/18

AVERAGE TRADING VOLUME

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A young child with blonde hair, wearing a light blue tank top and shorts, is climbing a large tree trunk. The child is using a series of horizontal logs attached to the tree as a ladder. The background is a soft-focus forest with many trees and green foliage. The overall scene is bright and natural.

Intertwined

Community Bank is deeply rooted in the fabric of the communities it serves. That's because for more than 150 years, we've operated with a passion for providing the highest level of customer service. We believe that at its core, a bank is about people helping people — and our company is committed to that above all else. The individuals, businesses and municipalities in the communities we serve know that in Community Bank they will find a trusted financial partner.

We offer the variety and sophistication of products and services of a larger financial institution, but with a greater level of service and understanding of the needs of those we serve because we are a community bank at heart. We put our local knowledge, expansive product and service offering, strong financial performance and growing shareholder value to work for the mutual benefit of our customers, shareholders, employees and communities.

We established
a new record for
full year earnings
and benefited
from the full
integration of our
two significant
2017 acquisitions.

To Our Shareholders, Customers and Employees:

2018 was a thoroughly productive and satisfying year for Community Bank System, Inc. We established a new record for full year earnings and benefited from the full integration of our two significant 2017 acquisitions. Continued investment in both our banking and non-banking businesses, together with a continued trend of solid asset quality and our team's exceptional management of funding costs, set the foundation for excellent earnings improvement and shareholder returns in 2018.

Our success is a direct result of a long-held and multifaceted strategy. Our historic banking footprint is one of non-urban, and in many cases, rural, locales. Inherently, this means our organic growth can only reasonably approximate that of our surrounding communities — growth which is typically modest. Therefore, our strategies need to be intertwined and complimentary to achieve an appropriate — and superior — level of returns for our shareholders.

Intertwined. The phrase aptly conjures the robust connectivity between our customer- and community-centric model, our financial strength and performance, and the value our shareholders enjoy. Across our business model and our footprint, examples of our interconnected strengths abound. Our local employees give time and resources to strengthen our markets as volunteers, donors and all-around community boosters. Our expansion through acquisition into mid-size towns and cities fills in our non-urban footprint and boosts lending opportunities that make use of our sizable — and stable — core deposit base. Our fee-generating employee benefits, insurance and wealth management businesses enhance our traditional interest-driven revenues and provide in-demand services to a national customer base beyond our retail footprint. Our dynamic relationships deliver stronger results for our communities, customers, employees and shareholders alike.

In 2018, this strategy again produced record earnings, even after the impact of some notable headwinds. These included the company becoming formally subject to the long-anticipated Durbin-related debit card interchange price restrictions in the second half of the year. We also encountered uncharacteristically high commercial loan payoffs, which almost fully offset our record production of new loan originations for the full year.

With careful and disciplined execution, we navigated these challenges and achieved 11% growth in total returns for our shareholders for the year. This ranked Community Bank System fifth among the country's largest 100 banks for annual shareholder return in 2018 — a continuation of a trend for which we are incredibly proud: our performance drove 11% or greater compound annual growth in total shareholder returns over each of the past one-, five-, ten- and twenty-year periods. In fact, over the past 15 years, an investment in Community Bank System provided a cumulative 300% total return to shareholders, meaningfully higher than the 87% median for the top 100 banks.

This consistent financial performance once again placed us among the best large U.S. banks, as evaluated by Forbes® Magazine in its tenth annual analysis of "America's Best Banks." In its January 2019 list, Forbes® ranked Community Bank third 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 asset size from just under \$9.8 billion to \$2.6 trillion. At \$10.6 billion in assets, we remain "small" amongst this group. Yet, we've ranked 12th or higher in every year Forbes® has produced this analysis, with top 10 rankings for eight of the annual reviews.

GROWTH STRENGTHENS OUR REGIONAL APPROACH TO BUSINESS

An essential element of our success in achieving best-in-class returns over the long term is our regional approach to business. This approach marries a deep-rooted commitment to our slow-growth, non-urban markets with critical expansion into higher-growth, mid-size urban areas — all under the close, local care of regional market leadership teams.

Our smaller markets provide deep and loyal deposit accounts with outstanding retention, and we enjoy a market-leading presence in the majority of the communities we bank. This contributes to

Over the past
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Community Bank
System provided
a cumulative
300% total return
to shareholders.

our enviable position of having a deposit portfolio comprised of almost 70% core checking and savings accounts — not including money markets. In 2018 — a year in which many industry deposit balances shifted into higher-yielding money market and time accounts — our core checking and savings balances actually grew, much as they have almost every year. It's a key focus of our retail strategy, and our customers continue to be pleased.

In fact, among the recognitions of which we are especially proud is our second-place position in the J.D. Power 2018 U.S. Retail Banking Satisfaction StudySM for the Mid-Atlantic region. This analysis directly reflects the opinions of our loyal customers and resulted in an “Among the Best” distinction. Further, Bank Director named Community Bank System third best among “Regional All Stars” in the Northeast in its 2019 RankingBanking study, noting Community Bank as the smallest bank in the study at \$11 billion in assets and the overall winner for core deposit strategy.

To put our core funding to profitable use, we supplement our core, non-urban banking strategy with modest investments in some of the larger markets where we have the opportunity for greater loan growth. In recent years we've opened banking offices in Buffalo, Rochester, Syracuse and most recently Albany, as well as acquiring a significant banking presence across the state of Vermont.

Our trajectory in Albany highlights the evolution of our strategic thinking around how we continue to grow loans. We hired an experienced commercial banking team there in 2018, and they had a very strong inaugural year. Then, in January 2019 we announced an agreement to acquire an excellent community bank, Kinderhook Bank Corp., with 11 branches across five counties in the greater Albany area.

As with our previous acquisitions — including our most recent and largest-ever bank acquisition of Vermont-based Merchants Bancshares, Inc. in 2017 — in Kinderhook we've found a high quality, low risk partner whose banking locations are contiguous with our current footprint and provide entry into attractive markets. With a solid performance history, sound asset quality and \$640 million in assets, Kinderhook will be highly additive to our franchise, both strategically and geographically. We see opportunity for continued growth and investment in this market, making the acquisition a very productive low-risk, high-value deployment of capital.

We continue to serve similarly productive and strategic partnerships across our Northeast banking markets with institutions that have leadership teams and bankers with strong community ties, philanthropic presence and local economic knowledge are essential to our success as a community partner and as a company.

RECORD RESULTS

Community Bank produced record GAAP-basis earnings per share totaling \$3.24 for 2018, up 7% compared to \$3.03 per share earned in 2017.

We strive to provide a clear picture of our Company's core business activities by customarily presenting results on an operating basis, which excludes the impact of acquisition-related expenses and other non-operating items.

While acquisition expenses were inconsequential to results in 2018, such costs amounted to \$26.0 million in 2017. A \$38.0 million one-time tax benefit resulting from the revaluation of the company's deferred tax position after the passage of the Tax Cuts and Jobs Act in December 2017 also meaningfully impacted 2017 results and our comparison of performance year-to-year.

Excluding these and other non-operating items and their related net tax effects, we produced operating earnings per share totaling \$3.23 in 2018, up \$0.59, or more than 22%, compared to \$2.64 for 2017. These results mark our ninth consecutive record annual performance, with outstanding earnings momentum even as we absorbed the considerable impact of Durbin amendment reductions in debit interchange fees in the second half of the year, reducing 2018 earnings per share by \$0.11.

2018 PERFORMANCE HIGHLIGHTS

\$3.24

GAAP earnings of \$3.24 per share, compared to \$3.03 for 2017



Continuation of excellent asset quality metrics

\$3.23

Operating earnings of \$3.23 per share, a 22.3% increase over 2017

\$1.52

Cash dividend raised for the 26th consecutive year to an annualized \$1.52

\$168.6 M

Record net income of \$168.6 million

\$7.6 B

Core non-time deposits of \$7.6 billion make up 91.1% of total deposits

\$568 M+

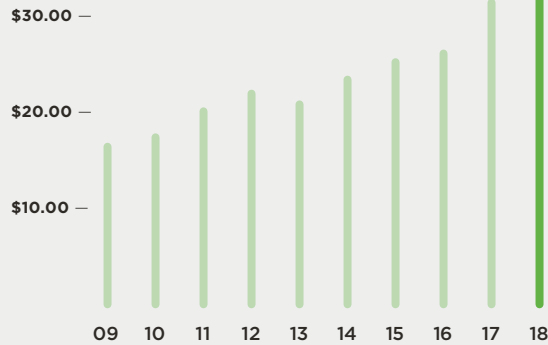
Total revenue exceeded \$568 million

0.13%

Total cost of deposits for 2018 of 0.13%

BOOK VALUE PER SHARE

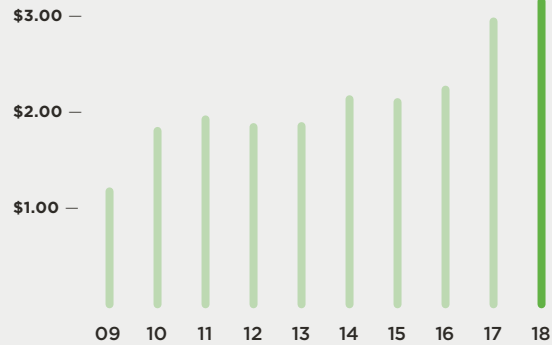
At 12/31



10-year CAGR = 7.2%

EARNINGS PER SHARE

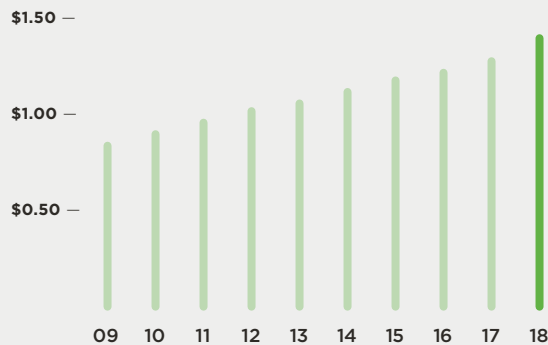
Diluted



10-year CAGR = 8.1%

DIVIDEND GROWTH

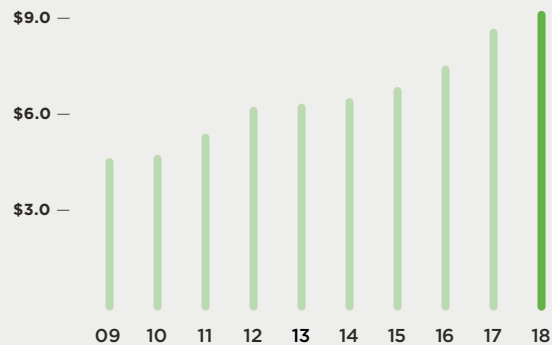
Declared



10-year CAGR = 5.3%

AVERAGE INTEREST-EARNING ASSETS

In billions



10-year CAGR = 8.1%

We are immensely gratified by this performance, particularly in light of the uncharacteristic and record level of commercial loan payoffs we experienced during the year. Ending total loans at December 31, 2018 were up just \$24.4 million, or 0.4%, over the full year period. Although our business lending originations were strong in 2018, the high levels of unscheduled payoffs resulted in a \$27.2 million or 1% decrease in outstanding balances. This decrease was offset by net growth totaling \$51.6 million, or 1%, in our consumer loan portfolios. Our residential mortgage and auto lending portfolios performed well, as planned.

One of the highlights of 2018 was our team's expert management of funding costs relative to our fluctuating funding needs, given unusual volatility in loan balances amidst the record originations and record payoffs. Overall, our deposits decreased \$122 million, or 1%, from 2017. During 2018, off-balance sheet arrangements increased \$163.2 million between December 2017 and December 2018. Over the same period, our noninterest bearing deposit balances grew by 1%. Checking and savings accounts represented 68.3% of our total deposits at December 31, 2018, marking a significant increase from 65.7% one year prior.

Our success in nimbly managing the deposit base aided our ability to produce a net interest margin of 3.73% for the year, up from 3.69% for 2017. Net interest income also increased \$29.4 million, or 9.3%, year over year.

Our noninterest revenues increased 11% over 2017, reaching \$224.1 million even after the impact of lost Durbin revenues in the second half of the year. Banking fee revenue grew 3%, while our wealth management and insurance revenues increased 16% and our employee benefits business grew 14%. Together, these non-banking businesses generated revenues totaling \$148.4 million in 2018, reflecting a 15% increase over the prior year and comprising 26% of total revenue for the year.

Solid growth in our employee benefit services, wealth management and insurance businesses came from both acquisitions and organic efforts. During 2018, we completed three small financial services acquisitions to support this continued growth, one in each of our business lines. These non-banking businesses continue to provide important diversification to our revenue streams and were a significant driver of our noninterest revenues which contributed nearly 40% of the company's total operating revenues during 2018, well above the 23% reported by the median top 100 bank, even despite the Durbin reduction.

Our operating performance also reflected careful management of core expenses. The efficiency ratio provides a measure of operating expenses to operating income and is a key metric we utilize to evaluate our overall productivity and profitability. In 2018, our efficiency ratio improved from 58.3% to 58.0%, meeting our objective of operating with an efficiency ratio consistently below 60%. We continue to believe our efficient management of expenses is an important core competency.

Our asset quality remained strong throughout 2018 and continued to favorably differentiate us from our peers. Our nonperforming loans totaled \$25 million at December 31, 2018, or just 0.40% of total loans, measuring four basis points lower than the ratio reported at the end of 2017. The median 2018 ratio reported by the country's largest 100 banks was 0.71%, more than 30 basis points higher. Our allowance for loan losses to nonperforming loans measured 197% at December 31, 2018, 24 percentage points greater than at the end of 2017 and 75 percentage points higher than the median top 100 bank. We recorded net charge-offs of \$9.1 million, or just 15 basis points on the average loan portfolio for 2018. This was down from 18 basis points in 2017. Our reserves for loan losses represented 0.78% of total loans outstanding and 0.93% of legacy loans outstanding at the end of 2018, exceeding our 2018 net charge-offs by a multiple of five.

We believe our portfolio continues to exhibit stable asset quality and expect it will continue to be a supportive factor in our outperformance versus peers and our financial strength in 2019.

We're immensely pleased with our 2018 performance, which was aided by the lower 2018 corporate federal tax rate and reflect strong organic momentum across the company.

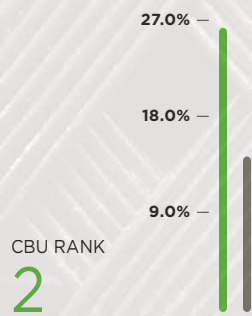
Forbes.com® Ranking of America's Best Banks

Community Bank System, Inc. ranked third in the 2019 Forbes.com® ranking of America's Best Banks, which compares the 100 largest banks and thrifts in the U.S. based on ten different metrics related to growth, asset quality, capital adequacy and profitability. This is the eighth time in the ten years that Forbes® has produced this analysis that CBU has been ranked among the top 10.

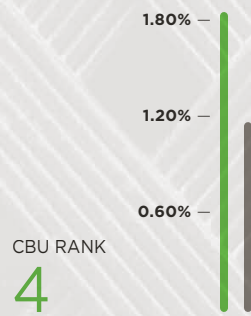
2018 COMPARISON CHARTS CBU VS TOP 100 BANKS

The following charts display the financial metrics used in the 2019 analysis and compare CBU's to the median values of the 100 largest financial institutions.

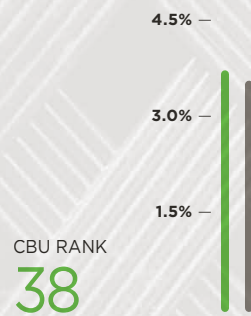
RETURN ON AVERAGE TANGIBLE COMMON EQUITY



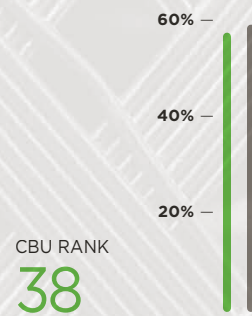
RETURN ON AVERAGE ASSETS



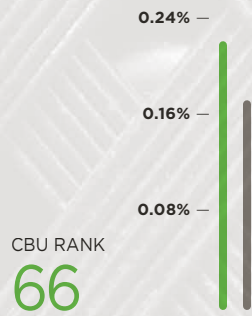
NET INTEREST MARGIN (FTE)



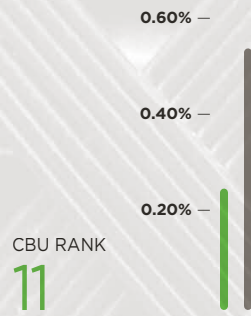
EFFICIENCY RATIO



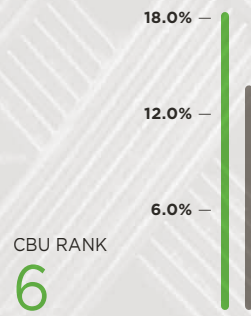
NET CHARGE-OFFS/ AVERAGE LOANS



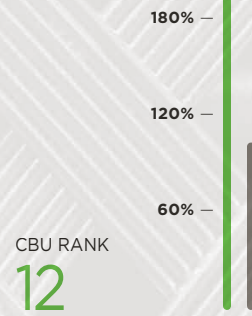
NONPERFORMING ASSETS/ TOTAL ASSETS



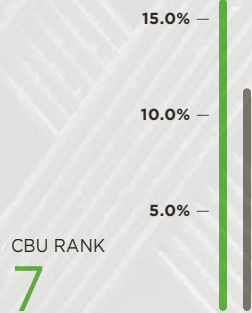
RISK-BASED CAPITAL RATIO



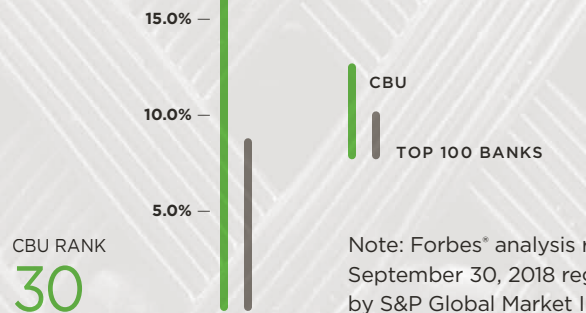
RESERVES/ NONPERFORMING ASSETS



COMMON EQUITY TIER 1 CAPITAL RATIO



OPERATING REVENUE GROWTH (LTM)



Note: Forbes® analysis ranked banks based on September 30, 2018 regulatory data compiled by S&P Global Market Intelligence.

LEADERSHIP CHANGES

In May we announced important senior leadership changes to our organization, reflecting the outstanding contributions and potential of several key executives who have been instrumental in the growth and success of Community Bank System. Scott Kingsley, our Executive Vice President and Chief Financial Officer since joining the company in 2004, was named Executive Vice President and Chief Operating Officer, with responsibility for all banking, wealth management, employee benefit services, and insurance operations and related business activities.

Joe Sutaris succeeded Scott as Executive Vice President and Chief Financial Officer, having previously served as the Bank's Senior Vice President, Finance and Accounting since joining the company in 2011 as part of the Wilber National Bank acquisition.

And Joe Serbun was promoted to Executive Vice President and Chief Credit Officer, upon the retirement of Brian Donahue, who served as Executive Vice President and Chief Banking Officer for more than 14 years. Joe, who joined Community Bank in 2008, now oversees all aspects of the bank's lending and credit operations related to commercial lending, residential lending, direct and indirect consumer lending, credit administration, cash management and regional banking.

The transition was extremely smooth and effective in enhancing the talent of our senior leadership team. The team has already begun to make a meaningful difference across the company, and we believe their energy and leadership will support the continued growth and success of Community Bank System in a dynamic way.

SOLID MOMENTUM IN 2019

Today, we have strong operating momentum across all our businesses. We expect the Kinderhook acquisition to be solidly additive in 2019. Our nonbanking businesses continue to be engines of revenue growth and diversification, and our operating expenses remain well-managed. We see reasonable loan demand and are at the ready with a stable deposit base to fund productive loan growth as opportunities arise. Our asset quality indicators remain benign and among the strongest in our history.

These circumstances are interconnected, and they allow us to have and continue to generate considerable capital that can be deployed in a patient and disciplined manner for the ongoing benefit of our shareholders. This includes the consistent payment of a meaningful quarterly cash dividend, which we again increased in 2018, for the 26th consecutive year. At \$1.52 per share on an annualized basis, the meaningful dividend is a sensible use of our considerable and growing capital. Even with 2018's 12% dividend increase, our capital levels continued to grow providing support for future growth and strategic opportunities.

Our strategic priority for 2019 is capital allocation and operating efficiency, to ensure we continue to deliver above average shareholder returns with below average balance sheet and operating risk. We are committed to operating with prudence and discipline, and we are pleased that the landscape today continues to be favorable toward growth for all of our stakeholders. The goals of our customers, communities, employees and shareholders are uniquely intertwined, and we will continue to serve them all with distinction.


We are grateful for your support of Community Bank System, Inc.



Sally A. Steele Chairman of the Board



Mark E. Tryniski President and Chief Executive Officer



From the first mortgage
loan to a secure retirement,
our products and services
enable our customers to
realize their dreams.

Supporting Our Customers' Dreams

Community Bank System is a full-service regional community bank, offering complete consumer, business and financial services throughout New York, Pennsylvania, Vermont and Massachusetts. But as much as we've grown, we've stayed true to our roots. At the core of everything we do are personal connections — and nowhere is that more evident than in our retail bank.

With more than 230 customer facilities throughout the Northeast, Community Bank, N.A. continues to thrive primarily in non-metropolitan markets, earning first or second deposit market share in two-thirds of the towns where we have a branch presence. We serve more than 571,000 customers in a branch service area covering four states, 54 counties and 51,000 square miles. This area will soon grow larger when we finalize the recently announced acquisition of Kinderhook Bank Corp. in the Capital District of Upstate New York. We successfully compete in these markets by offering a broad array of banking and financial services, combined with the highest level of customer service. From basic banking needs, like opening a checking account, through major life events, like the purchase of a new home, to achieving long-term financial goals, like saving for retirement, we have one goal: help our customers Bank Happy, so that they can focus on living happily.

By empowering employees at the branch level to make decisions, we ensure our customers' needs are being met efficiently, thoroughly and with the highest level of service. That high level of service helps us generate and retain core deposit accounts that are integral to our continued success. Core non-time deposits made up 91.1% of total deposits at December 31, 2018.

2

Ranked second for
the Mid-Atlantic region in
the J.D. Power 2018 U.S. Retail
Banking Satisfaction StudySM
with a designation
of "Among the Best"



2.4

Business lending totaled \$2.4 billion at December 31, 2018, reflecting a 10-year compound annual growth rate of 8.5%

900

Through our Indirect Dealer Retail

Center, we service over 900 dealerships

in NY, PA, VT, OH, MA and NJ

A Hub of Business Development

We understand that business owners need more than a bank; they need a financial partner who is well-versed in their industry, region and most importantly, their business. By listening closely to our customers' needs and tapping into a deep well of experience, our bankers develop financial solutions to help our clients more easily manage their business day-to-day and achieve their goals to help them grow their company.

We focus on smaller, in-footprint customers that may be overlooked by some of our larger competitors. And considerable opportunity exists within our service footprint, with more than 400,000 businesses, primarily of the smaller variety, that generate annual revenue of more than \$460 billion. We provide a wide array of small business and commercial products and services, and specialize in unique industries like agriculture, municipalities and dealer services.

During 2018 we added an experienced commercial banking team in the Capital District of Upstate New York and in January 2019 we announced an agreement to acquire Kinderhook Bank Corp., which provides a strong complementary retail presence in that market. We see solid potential for growth there and across much of our footprint. Our investment in the Capital District is consistent with our long-term strategy of leveraging both organic growth opportunities and targeted acquisitions to expand our business banking relationships. This approach that has grown our business lending portfolio by 125% over the last ten years.



2,200

More than 2,200 causes and organizations supported and more than 6,000 hours spent volunteering by employees during 2018

2.5

**More than \$2.5 million in donations,
grants and sponsorships in 2018**

Embracing Our Communities

We believe that one of the best investments a bank can make is in the community it serves. For Community Bank System, that community spreads across a significant portion of the Northeast and, as of December 31, 2018, included 35 Upstate New York counties, six Northeastern Pennsylvania counties, 12 counties in Vermont and one in Western Massachusetts.

We have built our brand by doing our part to support the communities we serve and by being a good neighbor and active participant. In 2018, we contributed approximately \$2.5 million through donations, grants and sponsorships and supported more than 2,000 causes and organizations in our markets.

Our associates roll up their sleeves and give their time to a wide variety of organizations and causes, including Good Neighbor Day, which more than 100 of our branches participated in during 2018, raising funds, holding food drives and volunteering their time to nonprofit organizations. However, the role our branches and their employees play in our charitable giving extends far beyond one day. Throughout the year, each of our branches has the autonomy to choose the organizations they support based on their communities' immediate needs. We know that every town and the issues they face year-to-year are unique. As a bank with an extensive local presence, we are more tapped in to those issues than most of our competitors, given our close relationships with the individuals and families who bank with us, as well as the local businesses we serve. We believe that this investment in where we live and work makes a lasting and highly positive impact on our community.

Six bank or significant
branch acquisitions announced
or completed since 2011



230

**More than 230 customer
locations throughout our
four-state footprint**

Intelligent Growth is in Our DNA

Community Bank System has grown into a financial institution with \$10.6 billion in assets by remaining true to our core business value — we are a community bank at heart. Our market-leading branch system thrives primarily in non-metropolitan markets with stable local economies which support the steady and sustainable growth we strive for. Our ability to offer a broad range of products and services to customers in these markets has helped us develop profitable relationships across all business lines. And, we've supplemented our growth with carefully targeted acquisitions which expand or strengthen our service footprint and increase our opportunity for additional organic growth.

Our ability to successfully execute strategic and accretive acquisitions of high-quality institutions which complement or enhance our market presence and share similar cultures has resulted in a continuous trend of revenue and earnings growth. In 2017, we entered Vermont and Western Massachusetts through our merger with Merchants Bank. In January of this year, we announced a definitive agreement to acquire Kinderhook Bank Corp. in an all cash transaction for approximately \$93.4 million. As with our previous acquisitions, in Kinderhook we found a high quality, low risk partner whose banking locations are contiguous with our current footprint and provide entry into attractive markets. At closing we will add 11 banking locations in five counties around the Capital District of New York State, assets of approximately \$640 million and deposits of \$560 million.

In addition to our growing retail and business banking services, we have continued to invest in expanding our financial services businesses. During 2018, we completed three financial services acquisitions to support this continued growth, one in each of our wealth management, insurance and benefit administration business lines. Noninterest income provides important diversification to our revenue streams and contributed more than 39% of our total revenue in 2018.



90

Mobile banking users have increased 90% over the last two years, to more than 150,000

Intertwined Digital Solutions

As a \$10.6-billion-asset financial services company, Community Bank System has a wider and more sophisticated product offering than do most community banks. We have the breadth of products necessary to handle the financial needs of a large majority of customers.

On the retail side, we continue to invest in developing products and services to enable our customers to Bank Happy. Our innovative No Closing Cost Mortgages continued to help us attract new customers and contributed to our \$2.24 billion in consumer mortgage balances at December 31, 2018.

In addition to a full range of traditional loan and deposit products, we offer clients comprehensive financial planning, trust and wealth management services and insurance through Community Bank Wealth Management Group and OneGroup NY, Inc. We have also assembled a comprehensive employee benefits administration business, offering trust services, collective investment fund administration and actuarial and consulting services through BPAS, Inc. These highly profitable and growing non-banking businesses generated revenues of \$148.4 million in 2018, reflecting a 15% increase over the prior year and making up 26% of total revenue for the year.

We understand that customers need not only exceptional financial solutions, but accessibility and flexibility when it comes to how and where they bank as well. We maintain an expansive branch network, even as many in our industry have scaled back, because we know customers appreciate the ability to speak with their banker face-to-face, for both simple transactions and more complex issues.

In addition to an exceptional in-branch experience, we continue to invest in expanding and enhancing our online and mobile banking offerings. Not only has technology enabled us to help customers bank from anywhere using their computers, smartphones or tablets to make deposits or open accounts, but it's also enhanced our fraud monitoring capabilities. In the second half of 2018 we relaunched a fully redesigned website at cbna.com to help us better connect with customers online.

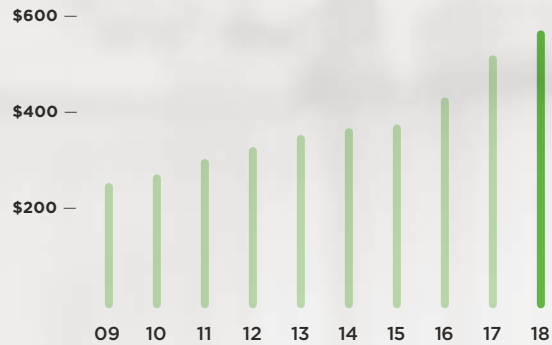
cbna.com

**Community Bank's enhanced
online banking capabilities at cbna.com
include online account opening**

Performance Profile

TOTAL REVENUE¹

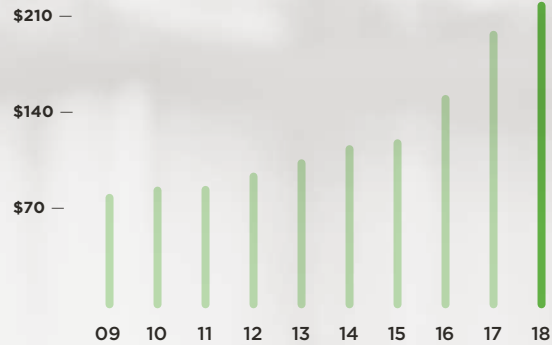
In millions



10-year CAGR = 9.9%

NONINTEREST INCOME¹

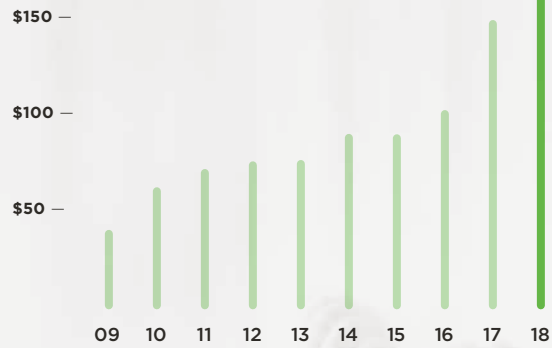
In millions



10-year CAGR = 11.8%

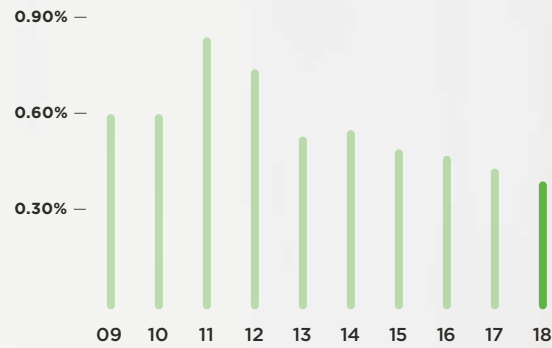
NET INCOME

In millions

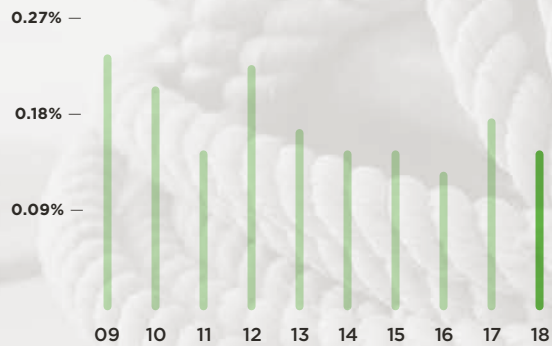


10-year CAGR = 13.9%

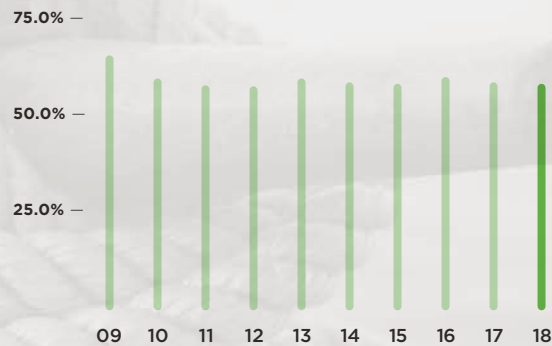
NONPERFORMING LOANS / TOTAL LOANS At 12/31



NET CHARGE-OFFS / AVERAGE LOANS At 12/31



EFFICIENCY RATIO²



¹ Excluding securities gains/losses and debt extinguishment charges

² Efficiency ratio provides a ratio of operating expenses to operating income. It excludes intangible amortization, acquisition expenses, and litigation settlement from expenses and gains and losses on investment securities and early retirement of long-term borrowings from income while adding a fully-taxable equivalent adjustment.

Blending Performance with Stability

Community Bank System's long track record of success is the direct result of its philosophy of seeking disciplined and profitable growth that is put into practice every day. We approach every aspect of our business with this high level of discipline, and especially in terms of credit, managing our capital, operational execution and merger and acquisition activity. We have been consistent in this strategy for more than 20 years, and the result is a company that provides superior returns to its shareholders and is regularly recognized for superior performance in relation to our peers.

Among the recent recognitions of which we are especially proud is our second-place position in the J.D. Power 2018 U.S. Retail Banking Satisfaction StudySM for the Mid-Atlantic region. This analysis directly reflects the opinions of our loyal customers and resulted in an "Among the Best" distinction.

For the past ten years Forbes.com[®] has ranked the country's largest 100 publicly-traded banks and thrifts based on a comparison of 10 performance metrics related to growth, asset quality, capital adequacy and profitability. During this time, Community Bank System has consistently placed among the best large banks, ranking 8th or better in this annual analysis eight different years. The recently completed 2019 analysis was no different, with CBU earning a ranking of the third best large bank.

Recognition for achieving superior results is important; however, we measure our success not by accolades, but by our ability to provide long-term value to our shareholders. The goal of providing our shareholders a superior return on their investment drives every business decision. Along with continuing to grow revenue and earnings, providing a meaningful and growing dividend is a key component of that strategy. In 2018, we raised our dividend for the 26th consecutive year, retaining our status as a "Dividend Aristocrat" in the S&P Composite 1500[®].

As always, we remain committed to a relentless focus on creating shareholder value, through superior performance and growing dividends.

26
CBU increased its
cash dividend for 26th
consecutive year

Executive Management



Mark E. Tryniski
President and
Chief Executive Officer

Joined CBU in 2003 and has previously served as CFO and COO. Prior to joining the company, he was a partner with PriceWaterhouse Coopers.



Scott A. Kingsley
Executive Vice President,
Chief Operating Officer

Joined CBU in 2004 and previously served as CFO. Prior to joining the Company, he served as CFO of Carlisle Engineered Products.



G. Joseph Getman
Executive Vice President,
General Counsel

Prior to joining CBU in 2008, he provided corporate counsel to CBU as a senior partner at Bond, Schoeneck & King, PLLC.



Joseph F. Serbun
Executive Vice President,
Chief Credit Officer

Joined the Company in 2008. Prior to that, he had worked at Partners Trust Bank and JPMorgan Chase Bank.



Joseph E. Sutaris
Executive Vice President,
Chief Financial Officer

Joined CBU in 2011 following the Company's acquisition of The Wilber Corporation, where he held several roles, including CFO.

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
Edward S. Mucenski
Kim A. Murray

CENTRAL

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

PENNSYLVANIA

Colleen Doyle, Esq.
John Graham
Donald Karpovich, Esq.
Gerard O'Donnell
William Ruark
Lissa Bryan-Smith
James Shoemaker, Esq.

Board of Directors



Sally A. Steele

Chairman of the Board
Attorney at Law

Director since 2003



Brian R. Ace

Retired Owner of
Laceyville Hardware

COMMITTEES
Governance, *Chair*; Trust and
Financial Services; Compensation
Director since 2003



Mark J. Bolus

President and CEO of
Bolus Motor Lines, Inc.

COMMITTEES
Risk, *Chair*; Compensation,
Vice Chair; Strategic/Executive
Director since 2010



Jeffrey L. Davis

President of J.L. Davis, Inc.

COMMITTEES
Governance; Audit/Compliance
Director since 2017



Neil E. Fesette

Owner, President and CEO of
Fesette Realty, LLC and Fesette
Property Management

COMMITTEES
Compensation, *Chair*;
Governance; Strategic/Executive
Director since 2010



Michael R. Kallet

Retired Chairman and CEO
of Oneida Financial Corp.

COMMITTEES
Trust and Financial Services, *Chair*
Director since 2015



John Parente

CEO of CP Media, LLC

COMMITTEES
Strategic/Executive, *Chair*;
Risk, *Vice Chair*; Audit/Compliance
Director since 2010



Raymond C. Pecor, III

President of Lake Champlain
Transportation Company

COMMITTEES
Compensation; Trust and
Financial Services
Director since 2017



Eric E. Stickels

Retired President, COO and
Secretary of Oneida Financial Corp.

COMMITTEES
Strategic/Executive;
Trust and Financial Services
Director since 2015



Mark E. Tryniski

President and CEO of
Community Bank System, Inc.

Director since 2006



John F. Whipple

CEO of Buffamante Whipple
Buttaro, P.C.

COMMITTEES
Audit/Compliance, *Chair*;
Governance
Director since 2010

Investor Overview

TOTAL SHAREHOLDER RETURNS (ANNUALIZED)

Through December 31, 2018, or most recent available, Including Reinvestment of Dividends.

	1 YEAR	5 YEARS	10 YEARS	12 YEARS
CBU	11.1%	11.1%	12.9%	11.9%
S&P 600 Comm. Bank Index	(9.9%)	7.0%	7.2%	1.5%
KBW Regional Bank Index	(17.5%)	4.9%	6.5%	1.5%
S&P 500	(4.4%)	8.5%	13.1%	7.1%
DJIA	(3.5%)	9.7%	13.2%	8.1%

Source: Bloomberg

STOCK OWNERSHIP

At 12/31/18



MARKET CAP

In billions at 12/31



INSTITUTIONAL OWNERSHIP SUMMARY

51.3 M

SHARES OUTSTANDING

36.5 M

SHARES HELD BY INSTITUTIONS

71%

OF SHARES OUTSTANDING

240

INSTITUTIONAL HOLDERS

310

PORTFOLIO POSITIONS

Financial Services Business Summary

EMPLOYEE BENEFIT SERVICES

\$92.3M 2018 REVENUE

Revenue growth of
358% in the last 10 Years

bpas.com

Community Bank subsidiary Benefit Plans Administrative Services, Inc. (BPAS) is a national provider of retirement plans, benefit plans, fund administration, and collective investment trusts with 10 offices located in NY, NJ, PA, MA, TX and Puerto Rico.

SUBSIDIARIES

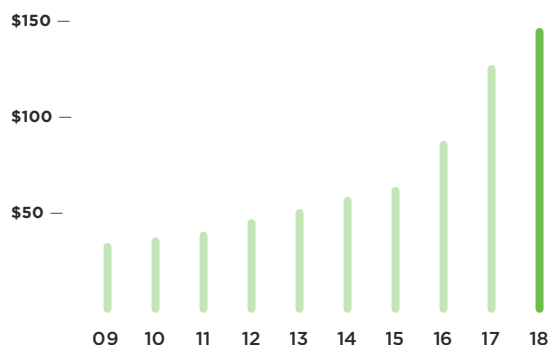
BENEFIT PLANS ADMINISTRATIVE SERVICES, LLC
HAND BENEFITS & TRUST COMPANY
HAND SECURITIES, INC.
NORTHEAST RETIREMENT SERVICES, LLC
BPAS ACTUARIAL & PENSION SERVICES, LLC
GLOBAL TRUST COMPANY, INC.
BPAS TRUST COMPANY OF PUERTO RICO

SCOPE OF BUSINESS

3,800 RETIREMENT PLANS
\$77 BILLION IN TRUST ASSETS
450,000+ PARTICIPANTS

FINANCIAL SERVICES REVENUE

In millions



10-year CAGR = 15.7%

WEALTH MANAGEMENT AND INSURANCE SERVICES

\$56.1M 2018 REVENUE

Revenue growth of
650% in the last 10 Years

cbna.com/invest-insure-services

CBU also provides comprehensive financial planning, insurance and wealth management services through operating units and subsidiaries.

SUBSIDIARIES

COMMUNITY INVESTMENT SERVICES, INC.
ONEGROUP NY, INC.
THE CARTA GROUP, INC.
NOTTINGHAM ADVISORS, INC.

INVEST

TRUST SERVICES
RETIREMENT PLANNING
EDUCATION PLANNING
COMPREHENSIVE FINANCIAL PLANNING
LONG-TERM CARE INSURANCE
INDIVIDUAL MANAGED ADVISORY ACCOUNTS
CORPORATE RETIREMENT PLAN
EXECUTIVE BENEFIT PLANNING

INSURE

AUTO INSURANCE
HOME INSURANCE
PROPERTY & CASUALTY INSURANCE
LIFE & DISABILITY INSURANCE
BUSINESS INSURANCE
RISK MANAGEMENT

ADMINISTRATION

EXECUTIVE

Mark E. Tryniski, President and Chief Executive Officer

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

Joseph E. Sutaris, Executive Vice President, Chief Financial Officer

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

Joseph F. Serbun, Executive Vice President, Chief Credit Officer

RETAIL BANKING

Hal Wentworth, Senior Vice President, Retail Banking and Marketing

Kent Backus, Regional Retail Banking Manager

Anita Bourgeois, Retail and Municipal Banking Manager

Robert Cirko, Regional Retail Banking Manager

Eric M. Garvin, Regional Retail Banking Manager

Paul Lepore, Regional Retail Banking Manager

Rita J. Walldroff, Regional Retail Banking Manager

Lynne Wadsworth, Branch Services Administrator

COMMERCIAL & CONSUMER LENDING

Scott Boser, Senior Vice President, Director of Consumer and Mortgage Lending

Luke Fagan, Senior Vice President, Commercial Banking

Barbara Maculloch, Regional President Pennsylvania

Deborah Baker, Collections Manager

Lindsay Horn, Cash Management Product and Sales Manager

CREDIT ADMINISTRATION

Mark Houghtaling, Director of Credit Administration

John Keshavan, Special Assets Manager

Denise Rhoads, Commercial Appraisal Manager

Amanda Snook, Regional Credit Manager

Mark Warner, Regional Credit Manager

FINANCE & TREASURY MANAGEMENT

Joseph Lemchak, Senior Vice President, Chief Investment Officer

Deresa Durkee, 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, Assistant Corporate Controller

Laura Mattice, Accounting Operations and Regulatory Reporting Manager

Robert Pierce, Subsidiary Accounting and Financial Reporting Manager

Nicole Lannie, Employee Benefits Accounting Manager

Carlena Wallace, Financial Controls Manager

ADMINISTRATIVE SERVICES

Bernadette Barber, Senior Vice President, Chief Human Resources Officer

Michael Abdo, Associate General Counsel

Danielle Cima, Associate General Counsel, Corporate Secretary

Brett Fisk, Director of Facilities

INFORMATION TECHNOLOGY & OPERATIONS

Aaron Friot, Senior Vice President, Chief Technology Officer

Susan Fox, Senior Vice President, Chief Information Officer

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

Teresa Bower, Director of Loan Review

Dennelle Michalski, Director of Risk Management

Timothy Miller, Director of Information Security

Daniel O'Connell, Director of Internal Audit

Dorothy Quarltre, Chief Compliance Officer

Richard (Chris) Simone, Bank Security Officer

Larry Witter, Bank Secrecy Officer

COMMUNITY BANK COMMERCIAL BANKING OFFICERS

WESTERN REGION

James Rahill, Commercial Banking Team Leader

David Alm, Senior Commercial Banking Officer

Mark Saglimben, Senior Commercial Banking Officer

Michael Boza, Agricultural Banking Officer

Scott Brechbuehl, Commercial Banking Officer

Gretchen Copella, Commercial Banking Officer

Richard Ferrari, Commercial Banking Officer

Patrick Gorman, Commercial Banking Officer

Christopher Humphrey, Commercial Banking Officer

David McKinley, Commercial Banking Officer

NORTHERN REGION

Nicholas Russell, Senior Vice President, Commercial Banking Group Manager

Ronald Bacon, Senior Commercial Banking Officer

Paul Connelly, Commercial Banking Officer

Patricia Duffy, Agricultural Banking Officer

Aaron Kimmich, Agricultural Banking Officer

Duane Pelkey, Commercial Banking Officer

Michael Pierce, Commercial Banking Officer

Allen Racine, Commercial Banking Officer

Craig Stevens, Commercial Banking Officer

SYRACUSE/ONEIDA REGION

Russell Brewer, Commercial Banking Team Leader

Russell Sturtz, Commercial Banking Team Leader

Trevor Bacon, Commercial Banking Officer

Thomas Lewin, Commercial Banking Officer

Brian Bund, Commercial Banking Officer

Steven Potter, Commercial Banking Officer

Dean Shlotzhauer, Commercial Banking Officer

SOUTHERN REGION

Stephen Rich, Senior Vice President, Commercial Banking Group Manager

Loren Herod, Agricultural Banking Team Leader

D. James Vedora, Commercial Banking Team Leader

Mark Miller, Commercial Banking Officer

Arthur Sable, Commercial Banking Officer

Rebecca Snyder, Agricultural Banking Officer

Charles Van Hooft, Agricultural Banking Officer

CENTRAL REGION

Jeffrey Lord, Senior Vice President, Commercial Banking Group Manager

John Connolly, Commercial Banking Officer

Edward Michalek, Commercial Banking Officer

Cody Miller, Commercial Banking Officer

Allison Mosher, Commercial Banking Officer

CAPITAL REGION

Jeffrey Levy, Commercial Banking Regional Executive

Eric Magnano, Commercial Banking Officer

Ken Counterline, Commercial Banking Officer

Bob Bazargan, Commercial Banking Officer

Austin Maney, Commercial Banking Officer

SMALL BUSINESS UNDERWRITING

Michael Austin, Small Business Loan Manager

Deborah Ruffrage, Small Business Loan Assistant Manager

Jennifer Crone, Senior Underwriter

Richard Sisson, Commercial Banking Officer & Senior Underwriter

PENNSYLVANIA REGION

Richard Kazmerick, Commercial Banking Team Leader

Mary Elizabeth D'Andrea, Commercial Banking Officer

Matthew Dougherty, Commercial Banking Officer

Neil King, Commercial Banking Officer

David McHale, Commercial Banking Officer

John Pekarovsky, Commercial Banking Officer

CJ Rinaldi, Commercial Banking Officer

Walter Sarafinko, Commercial Banking Officer

NEW ENGLAND REGION

Bruce Bernier, Senior Vice President,
Commercial Banking Group Manager

Michael Breen, Commercial Banking
Team Leader

Douglas Babbitt, Commercial Banking Officer

David Blow, Commercial Banking Officer

Michael Buckmaster, Commercial
Banking Officer

Diane Dunkerley, Commercial Banking Officer

Benjamin George, Commercial Banking Officer

Bart Greenfield, Commercial Banking Officer

Jess Monago, Commercial Banking Officer

Keith Nesbitt, Commercial Banking Officer

Katherine Rendall, Commercial Banking Officer

Jameson Roberts, Commercial Banking Officer

Joyce Werzer, Commercial Banking Officer

WEALTH MANAGEMENT GROUP

Paul Restante, Managing Director

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

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

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

Stephen McFadden, Financial Consultant,
Regional Sales Coordinator, Adirondack

ONEGROUP WEALTH

Paul Restante, President

Angela Webster, Financial Consultant
Bradenton, Florida

TRUST SERVICES

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

Charles Perrillo, Senior Vice President,
Chief Trust Investment Officer,
South Burlington

Amy Allen, Senior Trust Officer, Oneonta

Patricia Barie, Senior Trust Officer, Olean

Yvonne Benson, Trust Operations Officer,
Olean

David Bosworth, Trust Investment Officer,
South Burlington

Holly Burbo, Trust Operations Officer,
South Burlington

Jennifer Critti-Lebeau, Trust Officer, Oneonta

Keven DuComb, Trust Officer,
South Burlington

Karen Dovey, Trust Officer, Elmira

Bryon Earl, Senior Client Wealth Advisor,
Scranton

Julia Goff, Trust Officer, Oneonta

Sean Houghton, Trust Officer, South Burlington

Shannon Hyzer, Trust Officer, Oneonta

John Jones, Trust Investment Officer, Oneonta

David LaForest, Senior Trust Officer,
Manchester Center

Thomas LaPage, Trust Officer, Potsdam

Patricia Lowe, Trust Operations Officer,
Oneonta

Ruth Lund, Trust Officer, Olean

Vincent Mastrucci, Corporate Trust Officer,
Scranton

Linda Meyer Lambert, Trust Officer, Olean

Katherine Mosenthal, Trust Officer,
Manchester Center

Adam Niebanck, Trust Investment Officer,
Oneonta

Christine Petras, Trust Investment Officer,
Oneonta

Paul Snodgrass, Trust Investment Officer,
Potsdam

Matthew Vlasak, Trust Investment Officer,
Oneonta

Paul Wood, Senior Trust Officer, Oneonta

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

Nicholas Verbanic, Vice President,
Portfolio Manager

ONEGROUP

706 North Clinton Street, Syracuse, NY

Pierre Morrisseau, Chief Executive Officer

Chris Mason, President

COMMUNITY INVESTMENT SERVICES, INC.

Paul Restante, President

Theresa Kalil-Lennon, Senior Vice President,
Sales Manager

Chasity Jaynes, Senior Vice President,
Director of Operations

Laurel Watkins, Compliance Manager

Garry Payne, Carta Group

Jeremy Caza, Carta Group

FINANCIAL CONSULTANTS

Charles Baracco, Syracuse

Eric Brunet, Ogdensburg

Joseph Butler, Jr., Watertown

Thomas Ciolek, Olean/Avon

Lloyd Cristman, Rome

Daniel Drappo, Watertown

Robert Eckermann, Cazenovia

Deron Glickert, Syracuse

Zachary Groet, Avon

Joseph Hatfield, Oneida

Justin Hooper, Plattsburgh

Randall Hulick, Springville

Michael Kent, Syracuse

Jeffrey Layhew, Syracuse

Rick Little, Jermyn

Andrew Mangano, Fulton

Jude McDonough, Scranton

Stephen McFadden, Plattsburgh

James Mersfelder, Syracuse

Chad Murray, Falconer

Charles Nicosia, Oneonta

David O'Neil, Jr., Boonville

Brent Patry, Oneonta/Norwich

Robert Stanley, Minooka

Michael Tisdell, Syracuse

Joseph Topichak, Corning

Michele Wilck, Newark/Palmyra

BENEFIT PLAN SERVICES**BPAS**

6 Rhoads Drive, Utica, NY

Barry Kublin, Chief Executive Officer

Paul M. Neveu, President, BPAS, LLC

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

BPAS ACTUARIAL AND PENSION SERVICES

706 North Clinton Street, 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 OF PUERTO RICO

*644 Fernandez Juncos Avenue, Suite 301,
San Juan, PR*

Alfredo Matheu, BPAS President, Puerto Rico

NORTHEAST RETIREMENT SERVICES, INC. (NRS)

12 Gill Street, Suite 2600, Woburn, MA

Tom Forese, President

Chris Hulse, Chief Operating Officer

Northern New York

The Northern New York Market includes the site of the Bank's origin where St. Lawrence County National Bank was chartered in 1866. Community Bank's holding company was formed in 1983 when St. Lawrence, First National Bank of Ovid and Exchange National Bank of Olean merged. CBNA significantly expanded its presence in northern New York in 2008 by acquiring 18 branch locations from Citizens Financial Group, Inc. The Northern market covers nearly 16,000 square miles of New York's North Country stretching from the border with the Canadian provinces of Ontario and Quebec down through the Adirondacks and east to the Vermont border. CBNA is a strong competitor in this region with 44 branch locations and the first or second deposit market share position in 34 of the communities with a branch office. We also have the first or second deposit market share in six of the 10 counties that form this market area. Overall, we have the number one deposit market share for the 10-county area with deposits of \$2.1 billion at June 30, 2018.

BRANCHES

ADAMS
Christopher M. Castle, Manager

ALEXANDRIA BAY
Bethany Todd, Manager

AUSABLE FORKS
Valerie Daniels, Manager

BLACK RIVER
Margaret Farone, Manager

BOONVILLE (MAIN ST
AND HEADWATERS PLAZA)
Cynthia Shanks, Manager

CANTON
Marsha Watson, Manager

CHAMPLAIN
Melissa M. Peryea, Manager

CHATEAUGAY
Sherry Boyea, Manager

CLAYTON
Lori Fearnside, Manager

FORT COVINGTON
Zeta Kuretz, Branch Supervisor

GOVERNEUR
Diane Easton, Manager

HARRISVILLE
Karen Pierce, Branch Supervisor

HERMON
LeeAnne Ross, Manager

HEUVELTON
Susan Patton, Senior CSR

INDIAN LAKE
Brenda Lanphear, Manager

LAKE PLACID
Katie Stephenson, Manager

LONG LAKE
Lori DeMars, Manager

LOWVILLE (STATE ST)
Tina Paczkowski, District Manager

LOWVILLE (TURIN RD)
Stephen Allen, Manager

LYONS FALLS
Susan Krist, Manager

MADRID
Michelle Hollister, Manager

MALONE (ELM ST)
Darcy King, District Manager

MALONE (WEST MAIN ST)
Stacey Brunell, Manager

MASSENA
Sue Perkins, Manager

NORTH CREEK
Lori DeMars, Manager

NORWOOD
Emily Losey, Manager

OGDENSBURG (FORD ST)
Denise Barse, Manager

OGDENSBURG (STATE ST)
Matthew Honeywell, Manager

OLD FORGE
Barbara Criss, Manager

PLATTSBURGH (MARGARET ST)
Kathryn Reynolds, Manager

PLATTSBURGH (ROUTE 3)
James Snook, Manager

PLATTSBURGH (WAL-MART)
Arlene Favreau, Branch Supervisor

POTSDAM (MARKET ST AND MAY RD)
Victoria Strader, District Manager

SARANAC LAKE
(BROADWAY AND LAKE FLOWER)
Brenda Darrah, Manager

ST. REGIS FALLS
Sherri Fleury, Manager

STAR LAKE
LeeAnne Ross, Manager

TICONDEROGA
Maria Beuerlein, Manager

TUPPER LAKE
Tami Donaldson, Manager

WADDINGTON
Emily Losey, Manager

WATERTOWN (ARSENAL ST)
Elizabeth Brown, Manager

WATERTOWN (WASHINGTON ST)
Catherine Ward, Manager

WEST CARTHAGE
Naura L. Christman, Manager

WHITEHALL
Holly A. Rabideau, Manager

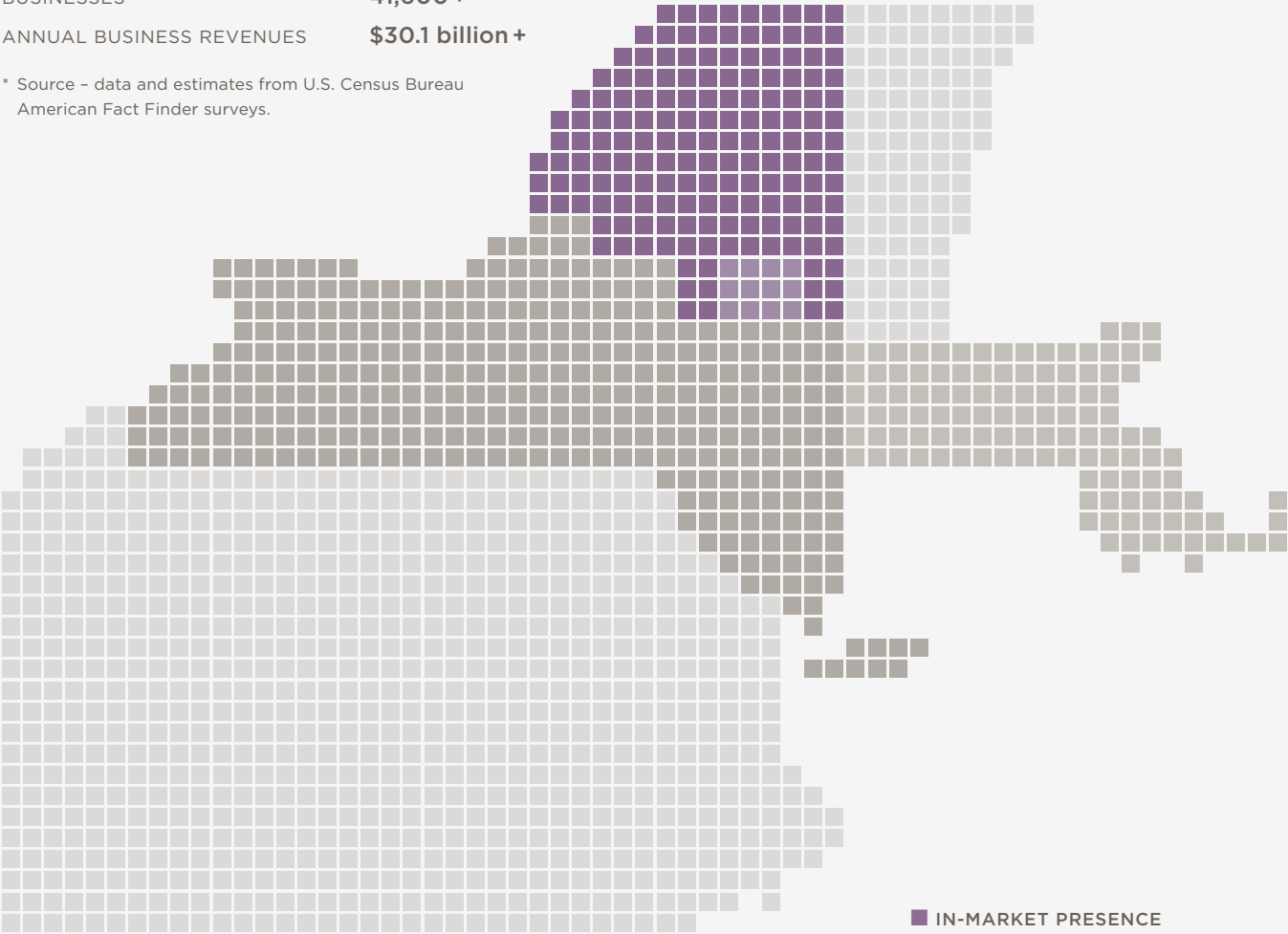
Northern
Market deposits
have grown by
280% in the
past ten years,
reflecting strategic
acquisitions
and organic
growth.



MARKET PROFILE*

GEOGRAPHIC AREA	15,700 square miles
AREA POPULATION	613,000
AVERAGE HOUSEHOLD INCOME	\$52,600
BUSINESSES	41,600 +
ANNUAL BUSINESS REVENUES	\$30.1 billion +

* Source - data and estimates from U.S. Census Bureau American Fact Finder surveys.



■ IN-MARKET PRESENCE
■ MARKET POTENTIAL

LARGER CITIES AND TOWNS IN MARKET
Plattsburgh, Potsdam, Malone, Massena and Canton

Southern New York

The Southern New York Market includes the service area of one of the three community banks that merged in 1983 to form Community Bank System — Exchange National Bank of Olean. The market reaches across the southwest corner of Upstate New York from the Pennsylvania border to Elmira and north through the Finger Lakes to Lake Ontario. CBNA has a strong retail presence in the market with 74 branch locations and the first or second deposit market share position in 44 of the communities with a branch office. We also have the first or second deposit market share in six of the 15 counties. And overall, we have the number one deposit market share for the market (excluding Erie County) with deposits of \$2.3 billion at June 30, 2018.

BRANCHES

ADDISON
Robin Knapp, Manager

ALFRED
Beth Plaisted, Manager

ALLEGANY
Stephanie Kolkowski, Manager

ANGELICA
Diana Grastorf, Branch Supervisor

AVON
Deborah Boisvert, Manager

BATH
Joel Brazie, District Manager

BELFAST
Brandy Burdick, Branch Supervisor

BOLIVAR
Judy Gilliland, Manager

CANANDAIGUA
Christopher Bross, Manager

CASSADAGA
Susan Sekuterski, Manager

CATO
Tiesha Combes, Manager

CLIFTON SPRINGS
(MAIN ST AND CLIFTON PLAZA)
Sarah Pitcher, Manager

CLYMER
Laurie Harvey, Manager

CORNING (WEST MARKET ST)
Wendy Daines, Manager

CORNING NORTH
Angela Long, Manager

CUBA
Shavonne Henderson, Manager

DANSVILLE
Jody Tonkery, Senior District
Manager

Melissa Ponticello, Manager

DUNKIRK (CENTRAL AVE)
Jean Coughlin, Manager

DUNKIRK (VINEYARD DR)
Jason DeChard, Manager

ELMIRA
Denise Allen, Senior District
Manager

ERWIN/PAINTED POST
Todd Selander, Branch Supervisor

FALCONER
Lauren Beichner, Manager

FILLMORE
Julie Hall, District Manager

FRANKLINVILLE
Sandra Wolfer, Manager

GENESEO
Lisa Kime, Manager

GENEVA (CANANDAIGUA RD)
Joilette Pendleton, District Manager

GENEVA (SENECA ST)
John Latanyshyn, Manager

GOWANDA
Ralph Swanson, Manager

HAMMONDSPORT
Kelly Bussmann, Manager

HORNELL
Sandra Aiken, Manager

HORSEHEADS (CONSUMER SQUARE)
Glenn Parsons, Manager

HOUGHTON COLLEGE
Julie Hall, District Manager

INTERLAKEN
Denise Ector, Manager

ITHACA
Michael MacDonald, Manager

JAMESTOWN (BROOKLYN SQUARE)
Glori Taylor, Manager

JAMESTOWN (NORTH MAIN ST)
Kathleen Bemus, Manager

LAKEWOOD
Lisa Allenson, Senior District
Manager
Russell Webb, Manager

LIVONIA
Ronda Howard, Manager

MORAVIA
Michael Pizzola, Manager

MOUNT MORRIS
Kathleen Wiard, Manager

NAPLES
Joilette Pendleton, District Manager

NEWARK (CHURCH ST)
Yvonne Brantley, Manager

NEWARK PLAZA
David Tyler, Manager

NICHOLS
Chad Smith, Manager

NORTH COLLINS
Robin Hohman, Manager

OLEAN (NORTH UNION ST)
Jody Spears, District Manager

OLEAN (DELAWARE PARK)
Kelly Crandall, Manager

ORCHARD PARK
Kristen Woodarek, Manager

OID
Jacqueline Robinson, Manager

OWEGO
Elizabeth Morse, Manager

PALMYRA
Ann Young, Manager

PENN YAN (LAKE ST)
Kelly Smith, Manager

PENN YAN (MAIN ST)
Thomas May, Manager

PHELPS
Mary Niles, Manager

PORTVILLE (EAST STATE RD)
Brenda Blackwell, Manager

PORTVILLE (NORTH MAIN ST)
Katrina Savitcheff, Manager

RANDOLPH
Diane Lecceardone, Manager

RIPLEY
Shara Post, Branch Supervisor

RUSHVILLE
Christine Copper, Manager

SALAMANCA
Robin Bowser, Manager

SENECA FALLS
Christine Plate, Manager

SHERMAN
Shannon Stevens, Manager

SILVER CREEK
Lisa Allenson, Senior District
Manager

SPRINGVILLE (CASCADE DR)
Mary Ann Lutz, Manager

SPRINGVILLE (NORTH BUFFALO ST)
Brooke Baker, Manager

WATERLOO
Alexis Hobart, Manager

WATKINS GLEN
Anthony Fraboni, Manager

WELLSVILLE (BOLIVAR RD)
Lori Dzielski, Manager

WELLSVILLE (MAIN ST)
Virginia Elliott, Manager

WESTFIELD
Carl Swan, Manager

WOODHULL
Micki Stewart, Manager

YORKSHIRE
Rachel Kittleson, Manager

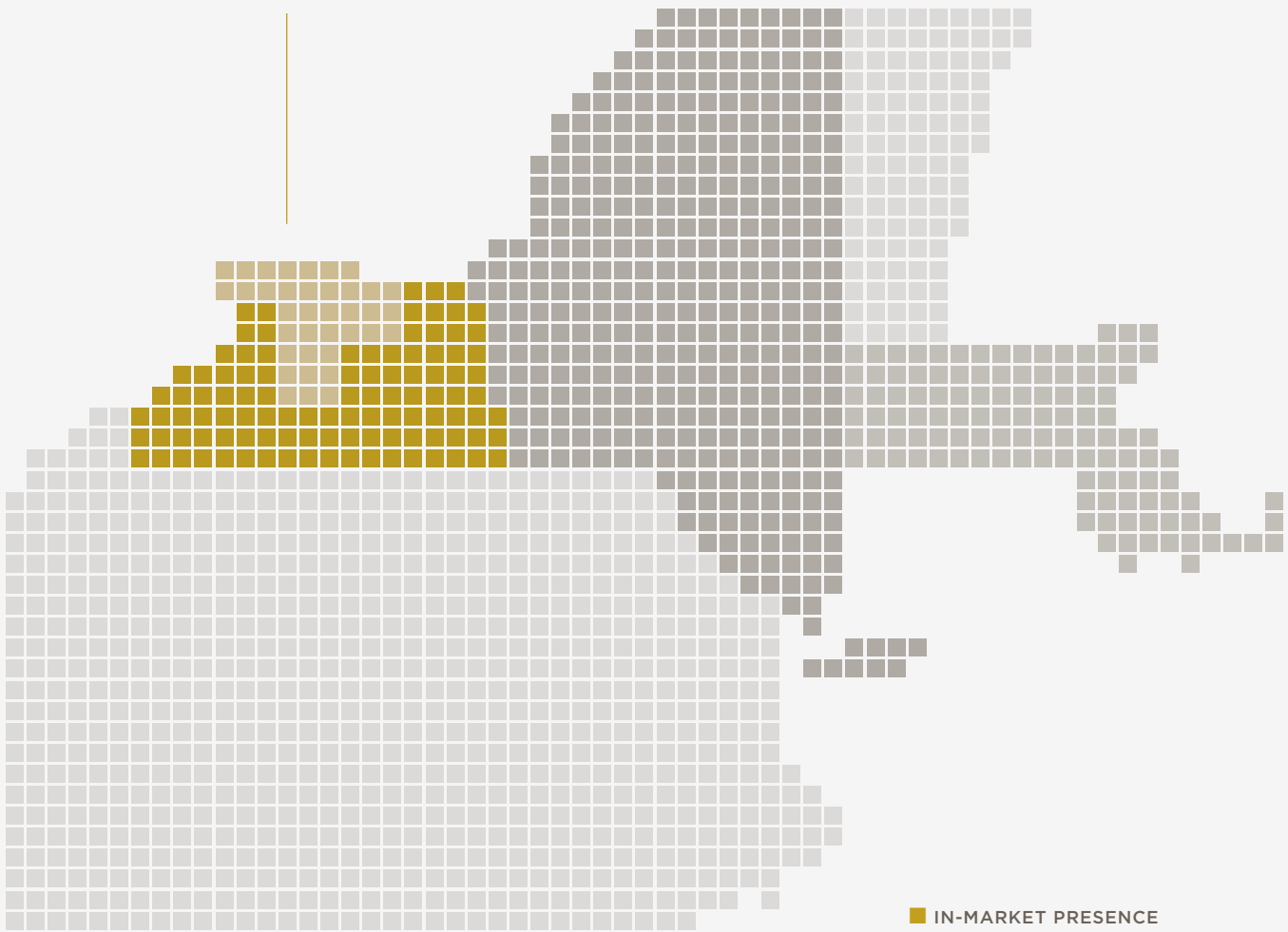
Southern Market
deposits have
grown by 430%
in the past ten
years, reflecting
strategic
acquisitions, de
novo locations
and organic
growth.



MARKET PROFILE*

GEOGRAPHIC AREA	12,600 square miles
AREA POPULATION	2.2 million
AVERAGE HOUSEHOLD INCOME	\$52,800
BUSINESSES	141,000 +
ANNUAL BUSINESS REVENUES	\$174.1 billion +

* Source - data and estimates from U.S. Census Bureau American Fact Finder surveys.



LARGER CITIES AND TOWNS IN MARKET

Orchard Park, Jamestown, Olean, Elmira, Ithaca and Dunkirk/Fredonia

Central New York

Community Bank System established a significant presence in central New York with its 2011 acquisition of The Wilber Corporation which provided banking locations in Otsego, Onondaga, Chenango, Broome, Delaware and Schoharie counties. The Bank's presence in this market was further strengthened with the 2015 acquisition of Oneida Financial Corp. adding 12 full-service locations in Madison and Oneida counties. The Central New York market covers nearly 10,000 square miles of Upstate New York from the eastern shore of Lake Ontario down through Syracuse and Utica and reaching the Hudson Valley.

CBNA is a strong competitor in the region with 42 branch locations and the first or second deposit market share position in 17 of the communities with a branch office. We also have the first or second deposit market share in two of the 10 counties that form this region. Overall, we have the fourth largest deposit market share for the region with deposits of \$1.7 billion at June 30, 2018. Current market area deposits have increased 15-fold over the last 10 years.

BRANCHES

BOICEVILLE
Brad Bernard, Manager

CAMDEN
Carly Gorski, Manager

CANASTOTA
Lori Torrey, Manager

CAZENOVIA
Barbara Houghton, District Manager

CHITTENANGO
Roberta Button, Manager

CICERO
Denise Cavallo, Manager

COBLESKILL
Christy Roberts, Manager

COOPERSTOWN (MAIN ST)
Janet Briggs, District Manager
Naomi Duncan, Manager

COOPERSTOWN (OTSEGO)
Naomi Duncan, Manager

DELHI
Tina Seguire, Manager

DEWITT
Robert Liedka, Manager

DOWNSVILLE
Carol Sutherland, Manager

FLEISCHMANN'S
Bridget Fisk, District Manager

FULTON
Tina Stephens, Manager

HAMILTON
Kathleen McGrath, Branch Manager

HANNIBAL
Debra Davis, District Manager

JOHNSON CITY
Michelle Carlsson, Manager

MILFORD
Victoria Ellis, Branch Supervisor

MORRIS
Emily Boss, Manager

NORWICH (STATE HIGHWAY AND BROAD ST)
Leigh Ann Odell, Manager

ONEIDA (182 MAIN ST)
Cindy Lindauer, Manager

ONEIDA (585 MAIN ST)
Wendy Matters, Manager

ONEONTA (FOXCARE CENTER)
Lesley Bohacek, Manager

ONEONTA (MAIN ST)
Michael Walling, District Manager
Nancy Miller, Gold Club Manager

ONEONTA (CHESTNUT ST)
Paula Morell, Manager

ONEONTA (SOUTHSIDE)
Amy Marron, Manager

OSWEGO
Fred Aldrich IV, Manager

OTEGO
Beth Koncelik, Branch Supervisor

PULASKI
Steven P. Gaffney, Manager

ROME (GRIFFISS PARK AND TURIN RD)
Wendy Berg, Manager

SCHENEVUS
Gerald V. Coombs, Jr., Manager

SIDNEY
Bridget Fisk, District Manager

SKANEATELES
Elizabeth Silliman, Manager

VERNON
Willis Corney, Manager

WALTON
Tami Hood, Manager

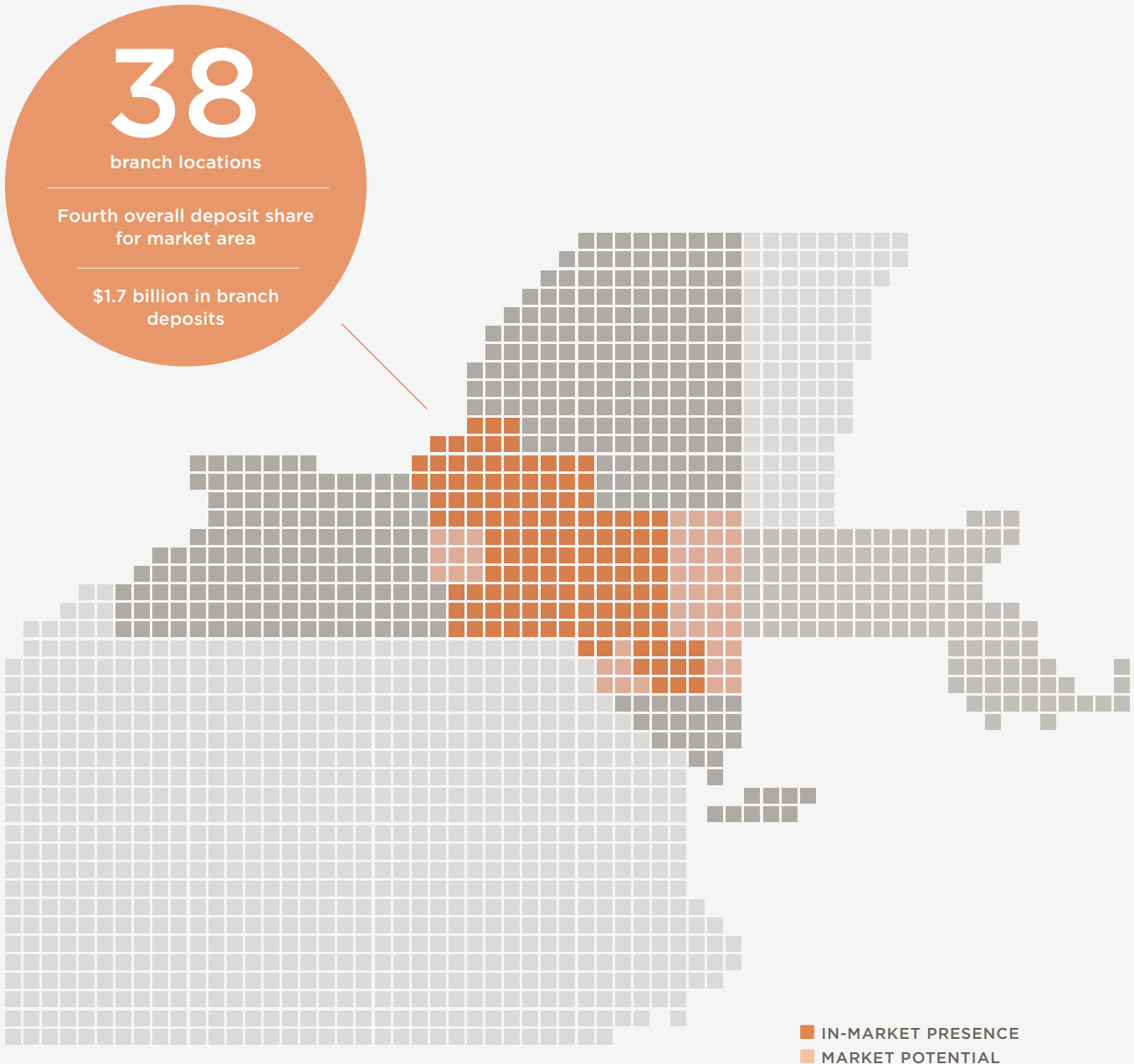
WESTMORELAND
Allison Fuller, Manager

Central Market
Area deposits
have grown from
\$110 million
to \$1.7 billion in
the past ten
years, reflecting
strategic
acquisitions
and organic
growth.

MARKET PROFILE*

GEOGRAPHIC AREA	9,900 square miles
AREA POPULATION	1.4 million
AVERAGE HOUSEHOLD INCOME	\$52,900
BUSINESSES	107,000 +
ANNUAL BUSINESS REVENUES	\$117.6 billion +

* Source - data and estimates from U.S. Census Bureau American Fact Finder surveys.



LARGER CITIES AND TOWNS IN MARKET

Syracuse, Utica, Binghamton, Oneonta, Rome and Skaneateles

Pennsylvania

Community Bank System entered the Pennsylvania market in 2001 when it acquired First Liberty Bank and Trust gaining 11 branch offices in Lackawanna and Luzerne counties. In 2003, Grange National Banc Corp was acquired adding 12 additional locations and expanding the coverage area to include Wyoming, Bradford and Susquehanna counties. Two additional transactions, the 2004 First Heritage Bank acquisition and the 2013 purchase of eight Bank of America branch locations added additional market presence for Community Bank in Northeastern Pennsylvania. CBNA's six-county Northeastern Pennsylvania market covers over 4,000 square miles from the New York State border south and east to where Interstate 80 cuts across the state. With 32 branch locations in Pennsylvania, CBNA is a strong competitor with the first or second deposit market share position in 14 of the communities with a branch office. Overall, we have the third largest deposit market share for the six-county area with deposits of \$1.2 billion at June 30, 2018.

BRANCHES

CARBONDALE

Bobbiann Davis, Manager

CLARKS SUMMIT

David Griffin, Manager

DALEVILLE

Susan Pitoniak, Manager

DICKSON CITY

Lisa Rochinski, Manager

EDWARDSVILLE

Michael Mondy, Manager

FREELAND

Daniel Boote, Manager

HAZLETON (AIRPORT RD)

Paula Palance, Manager

HAZLETON (NORTH CHURCH ST)

Lori Roth, Manager

HAZLETON (SOUTH CHURCH ST)

Carol Duran, Branch Supervisor

JERMYN

John Peterson, Manager

JESSUP

Mary Bieszczad, Manager

KINGSTON

Karen Shuster, Manager

LACEYVILLE

Greg Culver, Manager

LANSFORD

John Greybosh, Manager

LEHIGHTON

Dana Cannariato, District Manager

LITTLE MEADOWS

Karen Fuller, District Manager

MESHOPPEN

Greg Culver, Manager

MONTROSE

Steven Stranburg, Manager

NOXEN/BOWMAN'S CREEK

Kim Tonte, Manager

OLYPHANT

Theresa Curto, District Manager

PITTSTON

Gary Missal, Manager

SCRANTON (KEYSER AVE)

Lisa Browning, District Manager

SCRANTON (MINOOKA)

David Lencicki, Manager

SCRANTON

(NORTH WASHINGTON AVE)

Suzanne Kennedy, Manager

SCRANTON (WYOMING AVE)

Michelle Cook, Manager

TOWANDA

Lori Smith, Manager

TUNKHANNOCK

Karen Fuller, District Manager

TRUCKSVILLE/BACK MOUNTAIN

Susanne Mullin, District Manager

WILKES BARRE (NORTH FRANKLIN ST)

Susan Russick, Manager

WILKES BARRE (SOUTH MAIN ST)

Sandra Wheeler, Manager

WYALUSING

Doug Jackson, Manager

Pennsylvania

Market deposits

have grown

by \$337 million,

or 41% in the

past ten years,

reflecting strategic

acquisitions

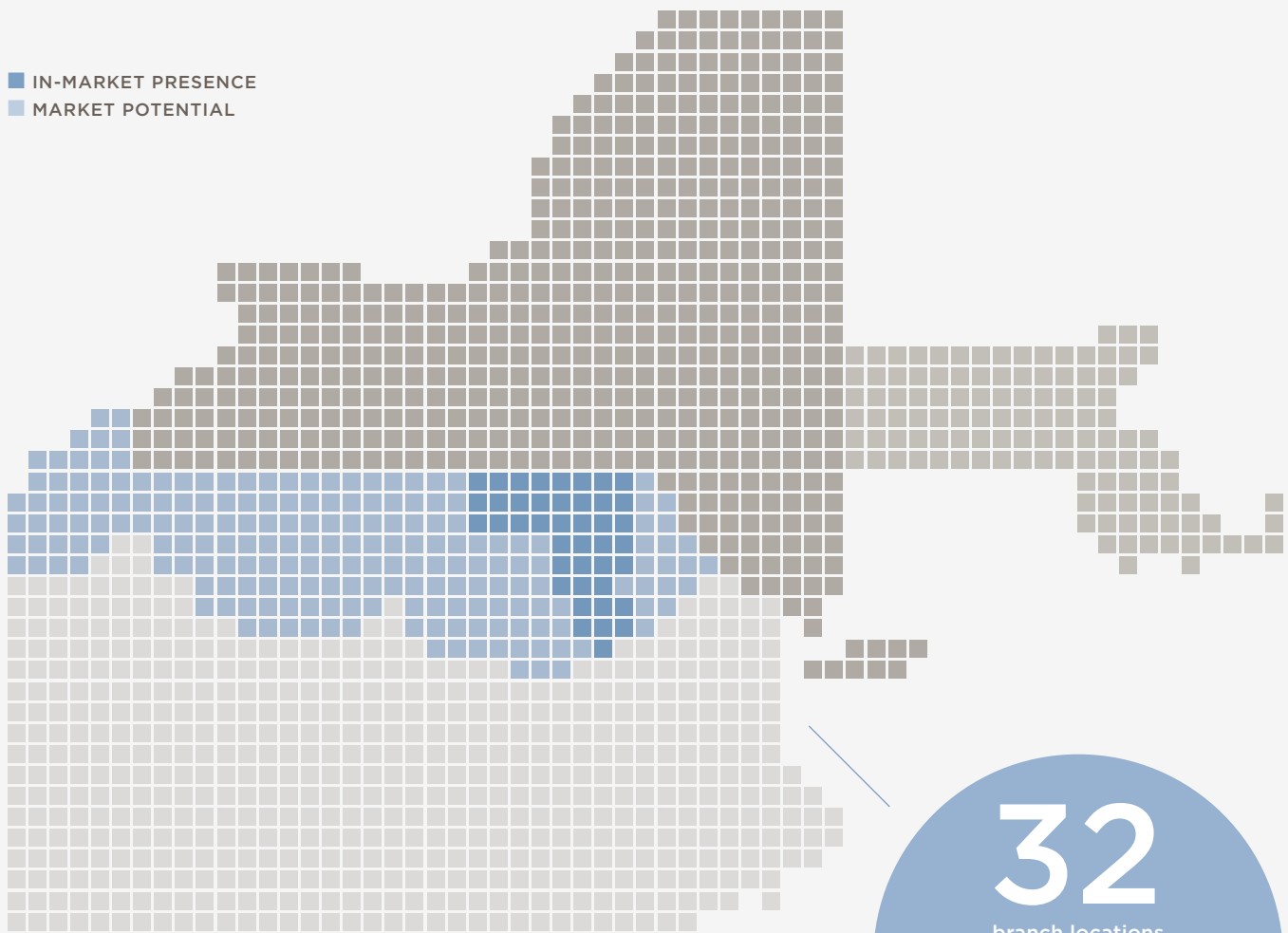
and organic

growth.

MARKET PROFILE*

GEOGRAPHIC AREA	4,100 square miles
AREA POPULATION	721,000
AVERAGE HOUSEHOLD INCOME	\$51,290
BUSINESSES	53,000+
ANNUAL BUSINESS REVENUES	\$64.5 billion+

* Source - data and estimates from U.S. Census Bureau American Fact Finder surveys.



LARGER CITIES AND TOWNS IN MARKET
Scranton, Wilkes Barre, Hazleton,
Pittston and Dickson City

32
branch locations

Third overall deposit share
for market area

\$1.2 billion in branch
deposits

New England

Community Bank System entered the New England market in 2017 with the acquisition of Merchants Bancshares, adding 31 branch locations in 12 Vermont counties and one in Western Massachusetts. As Vermont's largest statewide independent bank with the third overall deposit market share, Merchants provided a substantial presence for the bank's entry into the New England market. CBNA's 13-county New England market covers more than 8,800 square miles and reaches from the southern border of Quebec and eastern border of New York State south to Western Massachusetts. CBNA remains a strong competitor in Vermont with the first or second deposit market share position in 15 of the communities with a branch office and the third largest deposit market share for the entire state. Total deposits for CBNA's New England market were \$1.3 billion at June 30, 2018.

BRANCHES

BARRE
Matthew Villemaire, District Manager

BENNINGTON
Bette Smith, Manager

BRADFORD
Colleen Page, Manager

BRATTLEBORO
Ryan Jennings, Branch Supervisor

BRISTOL
Stepheni Newton, Manager

BURLINGTON (COLLEGE ST)
Erin Pond, Manager

BURLINGTON (NORTH AVE)
Darcy Allard, Manager

ENOSBURG
Jodi Tallman, Manager

ESSEX JUNCTION
Donald Bedard, Manager

FAIR HAVEN
Jill Miller, Manager

HARDWICK
Patricia Lemay, Manager

HINESBURG
Peter Crapo, Manager

JERICO
Kelly Kimball, Manager

JOHNSON
Jodi Tallman, Manager

MANCHESTER
Cassandra McClure, Branch Supervisor
George Araskiewicz, District Manager

NORTHFIELD
Crystal Gaudet, Branch Supervisor

RUTLAND (GREEN MOUNTAIN PLAZA AND WOODSTOCK AVE)
Michelle LaMoria, Manager

SOUTH BURLINGTON (KENNEDY DR)
Jonathan Roddy, Manager
Erika Baldasaro, District Manager

SOUTH BURLINGTON (SHELBURNE RD)
Maryann Russell, Manager

SOUTH BURLINGTON (WILLISTON RD)
Christine Auriemma, Manager

SOUTH HERO
Barry Fauteux, Manager

SPRINGFIELD, VT
Kenneth Davis, Manager

SPRINGFIELD, MA
Gilbert Nieves, Manager

ST. ALBANS
Barry Fauteux, Manager

ST. JOHNSBURY
Martha Davis, Manager

THETFORD
Erin Fredieu, Manager

VERGENNES
Stepheni Newton, Manager

WATERBURY
Megan Hampton, Manager

WHITE RIVER JUNCTION
Erin Fredieu, Manager

WILMINGTON
Kaci Howes, Manager

WINOOSKI
Darcy Allard, Manager

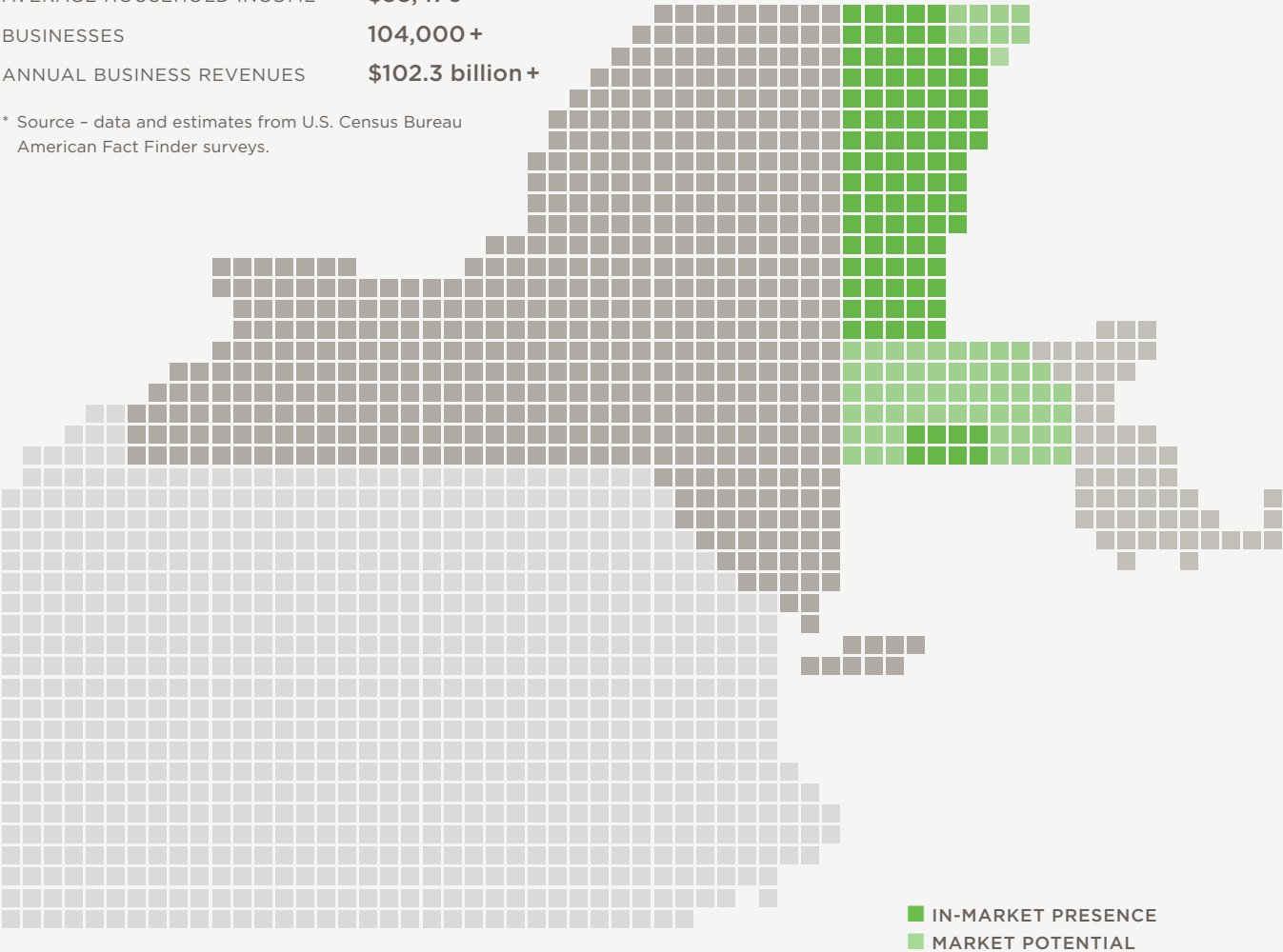
CBNA's strong initial market position in New England provides a solid foundation for future expansion.



MARKET PROFILE*

GEOGRAPHIC AREA	8,800 square miles
AREA POPULATION	1.1 Million
AVERAGE HOUSEHOLD INCOME	\$58,470
BUSINESSES	104,000+
ANNUAL BUSINESS REVENUES	\$102.3 billion+

* Source - data and estimates from U.S. Census Bureau American Fact Finder surveys.



LARGER CITIES AND TOWNS IN MARKET

Burlington, Brattleboro and Rutland, Vermont,
and Springfield, Massachusetts

SELECTED FINANCIAL HIGHLIGHTS

Income Statement	2018	2008	CAGR
<i>In millions</i>			
Net interest income	\$ 345.1	\$ 148.5	8.8%
Noninterest income	224.1	73.5	11.8%
Total revenue ¹	569.1	222.0	9.9%
Noninterest expenses	345.3	158.6	8.1%
Net income	\$ 168.6	\$ 45.9	13.9%
Net interest margin	3.73%	3.82%	N/A

Per Share Data (diluted)

Diluted earnings per share	\$ 3.24	\$ 1.49	8.1%
Operating earnings per share ²	3.23	1.52	7.8%
Cash dividends declared	1.44	0.86	5.3%
Book value	33.43	16.69	7.2%
Tangible book value	\$ 18.59	\$ 6.62	10.9%

Balance Sheet Data

End of period, In millions			
Assets	\$ 10,607	\$ 5,175	7.4%
Loans, net	6,281	3,136	7.2%
Deposits	8,322	3,701	8.4%
Shareholders' equity	\$ 1,714	\$ 545	12.1%

¹ Excluding securities gains/losses and debt extinguishment charges

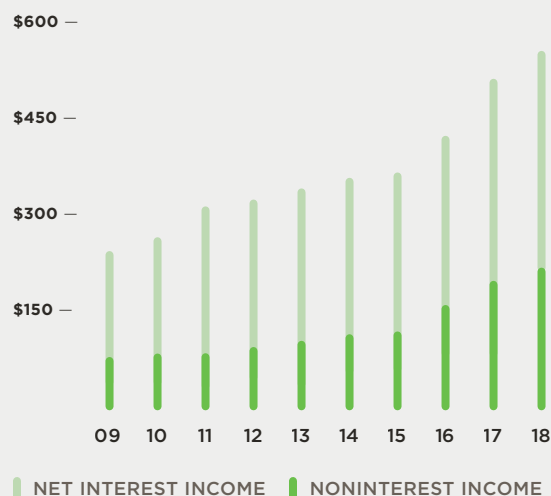
² Operating earnings per share excludes the tax-effected impact of any gains or losses on sales of investment securities and debt extinguishments, acquisition expenses, litigation settlements, and other special charges.

COMMUNITY BANK FRANCHISE OVERVIEW

Total Branch Locations	224
Total ATMs	244
Total Counties Served	
New York	35
Pennsylvania	6
Vermont	12
Massachusetts	1
Counties with Top Three Deposit Share	27
Average Deposits per Branch	\$38.5 million

TOTAL REVENUE¹

In millions



10-year CAGR = 9.9%

¹ Excluding securities gains/losses and debt extinguishment charges

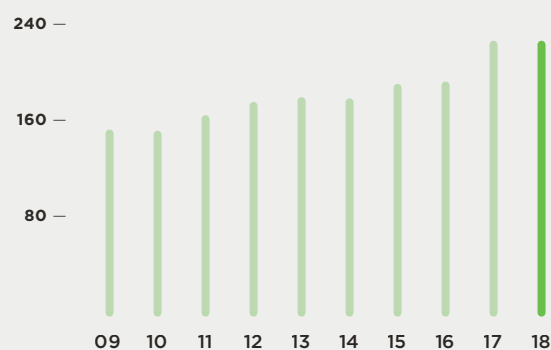
NONINTEREST INCOME

In millions



10-year CAGR = 11.8%

COMMUNITY BANK LOCATIONS



Corporate and 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
cbna.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 15, 2019
1:00 p.m. EST
F.M. Kirby Center
71 Public Square
Wilkes-Barre, PA 18701

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:

AST
Operations Center
6201 15th Avenue
Brooklyn, NY 11219
astfinancial.com
General questions: 877.253.6847

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: cbna.com

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

Ms. Marguerite Geiss
Investor Relations Department
Community Bank System, Inc.
5790 Widewaters Parkway
DeWitt, NY 13214-1883
315.445.7313
marguerite.geiss@communitybankna.com

INDEPENDENT AUDITORS

The Board of Directors appointed PricewaterhouseCoopers, LLP as auditor for the company for the year ended December 31, 2018.

ANALYST COVERAGE

The following analysts published research about Community Bank System in 2018:

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

Boenning & Scattergood
Erik E. Zwick / 610.862.5322
ezwick@boenninginc.com

D.A. Davidson & Co.
Russell E. T. Gunther / 212.223.5403
rgunther@dadco.com

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

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

Piper Jaffray Companies
Matthew M. Breese / 617.654.0728
matthew.m.breese@pj.com

Raymond James Financial Inc.
William J. Wallace IV / 703.749.1485
william.wallace@raymondjames.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:

AST
Operations Center
6201 15th Avenue
Brooklyn, NY 11219
astfinancial.com
General questions: 877.253.6847

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[®]



COMMUNITY BANK SYSTEM, INC.

5790 Widewaters Parkway

DeWitt, NY 13214-1883

800.724.2262

315.445.7347 fax

cbna.com

CBU

LISTED

NYSE