



Hitting another high note.

2004 annual report



Community Bank System, Inc.

The First Movement: The 1980s

1983

- Community Bank System, Inc. forms as a New York State bank holding company, consisting of the St. Lawrence National Bank, First National Bank of Ovid and Exchange National Bank.

1984

- Acquired 3 branches from the Bank of New York in Southwest New York State.

1985

- Began trading on the NASDAQ.

1986

- Secondary common stock offering completed.

1987

- Acquired Nichols National Bank in Nichols, N.Y.

1988

- Acquired CommuniCorp, Inc. in Addison, N.Y.

The Second Movement: The 1990s

1990

- Acquired a branch in Corning, N.Y. from Key Bank.

1992

- Five independent banks come together to form Community Bank, N.A.

1994

- Acquired 3 branches from Resolution Trust Co. in Central New York.
- First began offering financial services products.
- Acquired a branch in Cato, N.Y. from Chase Manhattan Bank.

1995

- Completed secondary stock offering.
- Acquired 15 more branches from Chase.
- Exceeded \$1 billion in assets.

1996

- Acquired Benefit Plans Administrators, Inc., a pension administration and recordkeeping business based in Utica, N.Y.

1997

- Acquired 8 branches in Western New York from Key Bank and 12 branches in Northern New York from Fleet Bank.

1998

- Opened de novo branches in Owego, Houghton and Jamestown, N.Y.
- Established a stand-alone insurance agency.

1999

- Created Community Investment Services Inc. (CISI), an internal broker-dealer, based in Olean, N.Y.

The Third Movement: The 2000s

2000

- Acquired Elias Asset Management, a nationally recognized investment advisory firm, based in Buffalo, N.Y.
- Opened a de novo branch in Falconer, N.Y.
- Exceeded \$2 billion in assets.

2001

- Acquired all 5 branches of Malone, N.Y.-based Citizens' National Bank.
- Acquired all 13 branches of Scranton, Pa.-based First Liberty Bank & Trust, our first transaction outside of New York.
- Acquired 36 branches in Western and Central New York from FleetBoston.
- Exceeded \$3 billion in assets.

2003

- Acquired Harbridge Consulting Group, an actuarial and pension consulting firm based in Syracuse, N.Y.
- Acquired Peoples Bankcorp of Ogdensburg, N.Y.
- Acquired Grange National Banc Corp., adding 12 branches to our Northeast Pennsylvania franchise.

2004

- Acquired First Heritage Bank of Wilkes-Barre, Pa.
- Acquired a branch in Dansville, N.Y. from HSBC Bank.
- Exceeded \$4 billion in assets.
- Opened a de novo branch in Hazelton, Pa.

2005

- De novo expansion underway in Northeastern Pennsylvania.

Introductory Statement

Life is a complex symphony.

Sometimes it's a march or a ballad. A prelude or a reprise. An anthem, minuet or requiem.

And as we live it, we're forced to constantly fine-tune. Jump from one octave to another. Even change our key.

Fortunately, we're always in tune with our customers.

Because regardless of the goals our customers set or circumstances they find themselves in, Community Bank System consistently provides them with the right blend of financial products and services to help them through each and every phase of life -- without missing a beat.

2004 was yet another chart-topper for our ensemble, under the direction of our very dedicated and talented composers.

We made two more acquisitions, significantly enhanced our management team, and generated company-best shareholder returns.

In fact, we've now generated best-ever earnings for three-straight years -- and nine of our last ten!

And these consistent and solid results have sparked a lot of shareholder fanfare.

Hoping for an encore? Don't worry. As far as we're concerned, it's not even intermission yet.

Company Profile

Community Bank System, Inc. (CBU) is a registered bank holding company based in DeWitt, N.Y. (near Syracuse). CBU's wholly-owned banking subsidiary, Community Bank, N.A., has \$4.4 billion of assets and 130 customer facilities across Upstate New York and Northeastern Pennsylvania (where it operates as First Liberty Bank & Trust).

CBU is located in smaller urban markets where superior service is valued and customer loyalty can be earned. The company ranks first or second in deposit market share in over 70% of the towns in which it does business.

Other subsidiaries within the CBU family are:

- Elias Asset Management, Inc., an investment management and advisory firm based in Buffalo, N.Y.
- Community Investment Services, Inc., a broker-dealer delivering financial products, including mutual funds, annuities, individual stocks and bonds, and insurance products from various locations throughout the company's branch network.
- Benefit Plans Administrative Services, Inc., an employee benefits company which includes BPA, a retirement plan administration firm located in Utica, N.Y., and Harbridge Consulting Group, an actuarial and consulting firm based in Syracuse, N.Y.



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Letter to Shareholders



Dear Shareholders, Investors, Customers and Employees,

It is fitting to begin by stating how delighted we are to report another record year at Community Bank System! And by record, we mean that our team generated company-best levels for net interest income, non-interest income, earnings, earnings per share, dividends per share, share price and market capitalization in 2004. This marks our third-consecutive year of doing so in each of these categories, despite an increasingly challenging and competitive environment.

Our steady performance has been progressively recognized by the market, as evidenced by the many new shareholders who have joined us with each passing year. However, we were particularly pleased by a specific form of recognition in 2004 – our addition to Standard & Poor's Small-cap 600 Index in August. This was a tremendous honor for our company. Our inclusion in this widely respected and referenced index has already augmented our number of institutional shareholders, providing CBU with an even broader investor base. We welcome these new owners and look forward to rewarding their confidence.

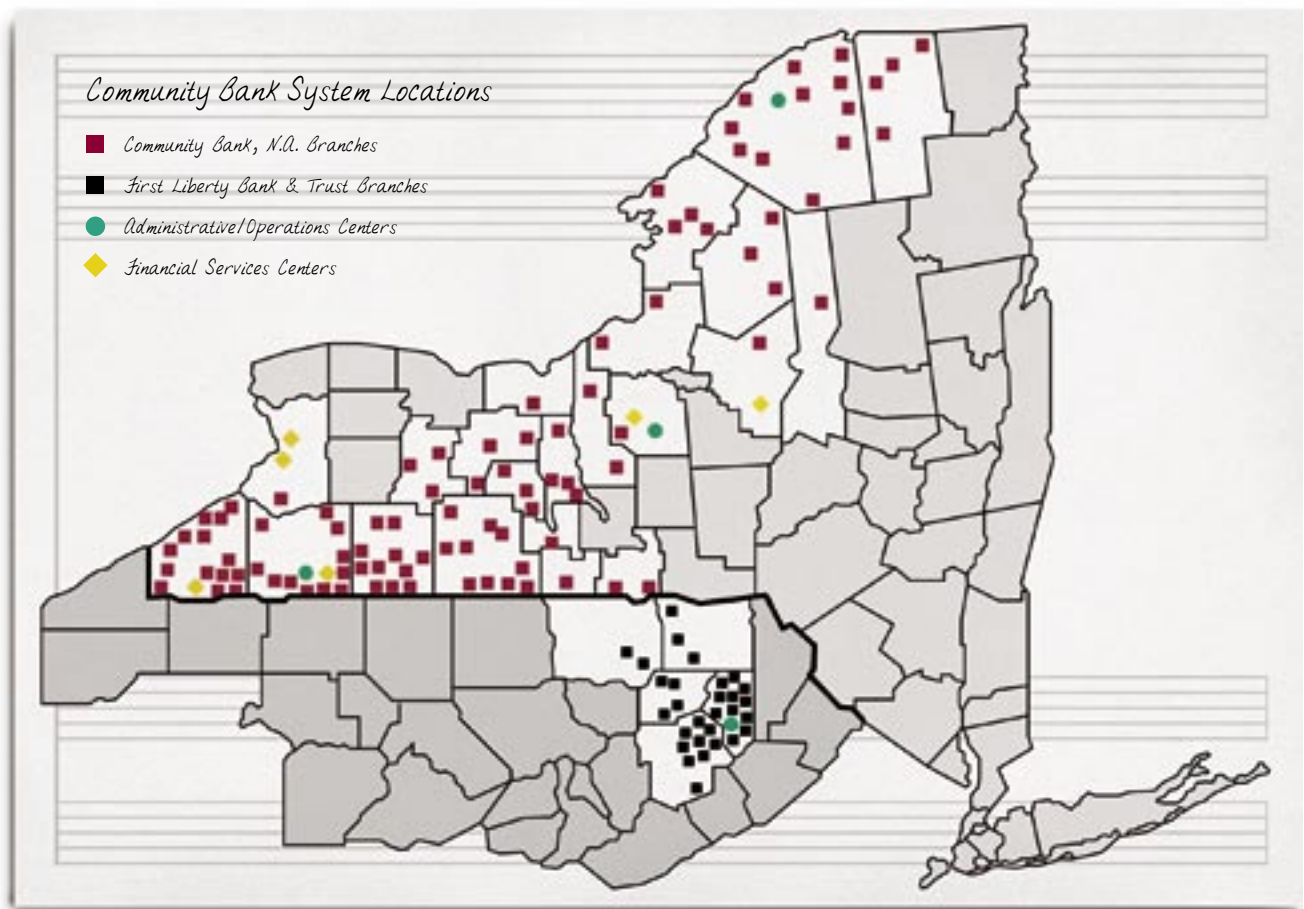
To that end, we continued throughout 2004 to manage our business for both the near- and long-term. Our Board began the year by taking steps to continue to effectively manage our capital by approving a two-for-one split of CBU's common shares. Our second split in the past six years (and fourth in our 20-year public company history), CBU's 56% market value appreciation during 2003 led us to affect a split to enhance broader ownership and trading liquidity by providing pricing that was more accessible to a wider group of investors. Judging by the record trading volume our stock experienced during the year, as well as a 24.8% increase in market capitalization at year end, this decision was indeed a good one.

Our focus on the future was further evidenced by the series of strategic senior management appointments we made. We began in the first quarter by creating the new position of Chief Operating Officer, which we filled with Mark Tryniski, our Chief Financial Officer, who joined us in early 2003 after a distinguished 18-year career with PricewaterhouseCoopers. To fill the void that Mark's promotion created, we were fortunate in August to add Scott Kingsley as our new Chief Financial Officer. Scott joined us after eight years as Chief Financial Officer of a division of the Carlisle Companies, Inc.



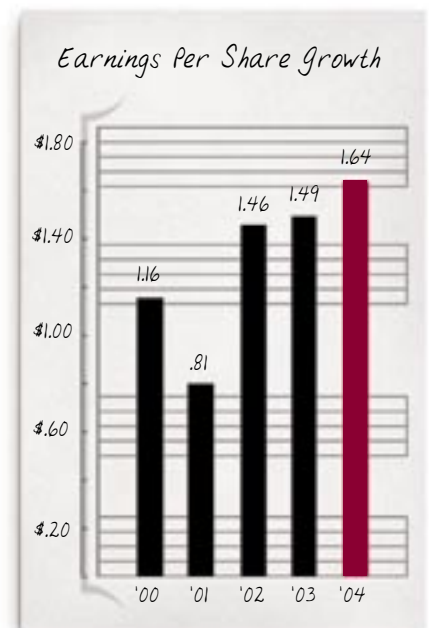
We continued to expand our Executive Management Team in September, beginning with Brian Donahue, previously our Chief Credit Officer, who we promoted to the new position of Chief Banking Officer, with responsibility for all of New York and Pennsylvania banking. Similarly, Timothy Baker, previously Senior Operations Officer, became Director of Special Projects and is now

From left, Sanford A. Belden, President and Chief Executive Officer; James A. Gabriel, Chairman of the Board; and Mark E. Tryniski, Executive Vice President and Chief Operating Officer.



responsible for managing acquisitions and other special projects. Michael Wilson, previously Manager of Information Technology, was appointed to the new position of Chief Technology Officer. J. David Clark, previously Senior Lender in our Southern Region of New York, succeeded Brian as Chief Credit Officer, while Earl Withers was promoted to Director of Operations. Then in early 2005, we announced the appointments of Harold Wentworth as Vice President and Director of Sales and Marketing, and Bernadette Barber to Chief Human Resources Officer. Harold brings 17 years of experience within our company to his new role, while Bernadette joined us after 14 years with The Penn Traffic Company, most recently as Vice President of Human Resources and Operations. All totaled, we added six new members to our Executive Management Team, including two "outsiders," expanding and enhancing our leadership to a level commensurate with our future opportunities.

We also continued our expansion activities during 2004, with two acquisitions and one de novo branch completed, while laying the groundwork for at least one more de novo branch in early 2005. In May we completed our acquisition of First Heritage Bank, which broadened our presence – and particularly our



commercial lending capabilities – within the Greater Wilkes-Barre region of Northeastern Pennsylvania. And on the heels of this merger, we planned two de novo branches in this region, one which opened in September 2004, with one more scheduled to open later this year. Then, in December, we completed our acquisition of a single branch in Dansville, N.Y. from HSBC Bank, which allowed us to consolidate and complement the existing facility we had there while gaining a broader base of customers. Although the majority of our recent growth again took place in the Pennsylvania market, we continue to see opportunities within select regions of both New York and Pennsylvania.

Total Shareholder Returns

(Through December 31, 2004, including reinvestment of dividends)

	<i>CBU</i>	<i>S&P Small-Cap 600</i>	<i>NASDAQ Bank Index</i>	<i>Russell 2000</i>
<i>1 Year</i>	18.5%	22.6%	13.6%	18.4%
<i>3 Years</i>	33.3%	13.3%	17.4%	11.5%
<i>5 Years</i>	23.8%	11.6%	16.5%	6.7%
<i>10 Years</i>	19.8%	14.3%	19.1%	10.0%

Source: Bloomberg

From an operational perspective, we generated a 14.6% increase in net interest income over 2003, reaching \$151 million. Our non-interest income rose by an even larger 26.2% to more than \$44 million, primarily on the strength of our benefit plans subsidiary (Benefit Plans Administrative Services, which saw revenue growth of 25%), and our wealth management businesses. The results were a total rise in net income of 24.3% and a 10.1% increase in diluted earnings per share over 2003. We achieved this through both organic and acquired growth and improved asset quality, despite a comparably lower net interest margin, year-over-year. Consumer mortgage and commercial lending growth was strong as well, climbing 8.4% and 20.6%, respectively, over the year-earlier period. All told, we added \$539 million in assets to the level we held just one year ago, an increase of 14%. And we did this while maintaining strong asset quality metrics resulting from enhanced credit risk management and disciplined underwriting standards, as well as a more stable economy.

From left, Thomas A. McCullough, President, Pennsylvania Banking; Michael A. Patton, President, Financial Services; Scott A. Kingsley, Chief Financial Officer; James A. Wears, President, New York Banking; Brian D. Donahue, Chief Banking Officer.



Financial Highlights

	2004	2003	Percent Change	2002	2001	2000	5-Year CAGR
<i>Income Statement Data (in thousands)</i>							
Net interest income	\$ 151,043	\$ 131,828	14.6%	\$ 127,850	\$ 96,655	\$ 90,433	11.4%
Non-interest income	44,445	35,231	26.2	32,062	26,139	23,041	20.2
Operating expenses	119,899	102,711	16.7	95,288	88,754	70,850	12.4
Net income	\$ 50,196	\$ 40,380	24.3	\$ 38,517	\$ 19,129	\$ 24,899	16.2
Diluted weighted average common shares outstanding	30,670	27,035	13.4%	26,334	23,650	21,474	7.1%
<i>Common Per Share Data (diluted)</i>							
Net income	\$ 1.64	\$ 1.49	10.1%	\$ 1.46	\$ 0.81	\$ 1.16	8.5%
Cash dividend declared	0.68	0.61	11.5	0.56	0.54	0.52	7.2
Common stock price	28.25	24.50	15.3	15.68	13.10	12.38	19.6
Period-end book value - stated	15.49	14.29	8.4	12.52	10.38	9.55	14.8
Period-end book value - tangible	\$ 7.90	\$ 7.37	7.2%	\$ 7.33	\$ 4.87	\$ 6.94	8.6%
<i>Balance Sheet Data (end of period, in millions)</i>							
Total assets	\$ 4,394	\$ 3,855	14.0%	\$ 3,437	\$ 3,213	\$ 2,652	12.0%
Loans	2,358	2,129	10.8	1,807	1,733	1,516	10.6
Deposits	2,929	2,725	7.5	2,505	2,546	1,949	9.7
Assets under fiduciary management	\$ 2,102	\$ 1,807	16.3%	\$ 1,364	\$ 1,385	\$ 1,282	29.2%

All share and share-based amounts reflect the two-for-one stock split effected as a 100% stock dividend on April 12, 2004. All financial results reflect the 2001 acquisition of First Liberty Bank Corp. (FLIB) in accordance with the pooling-of-interest method of accounting.

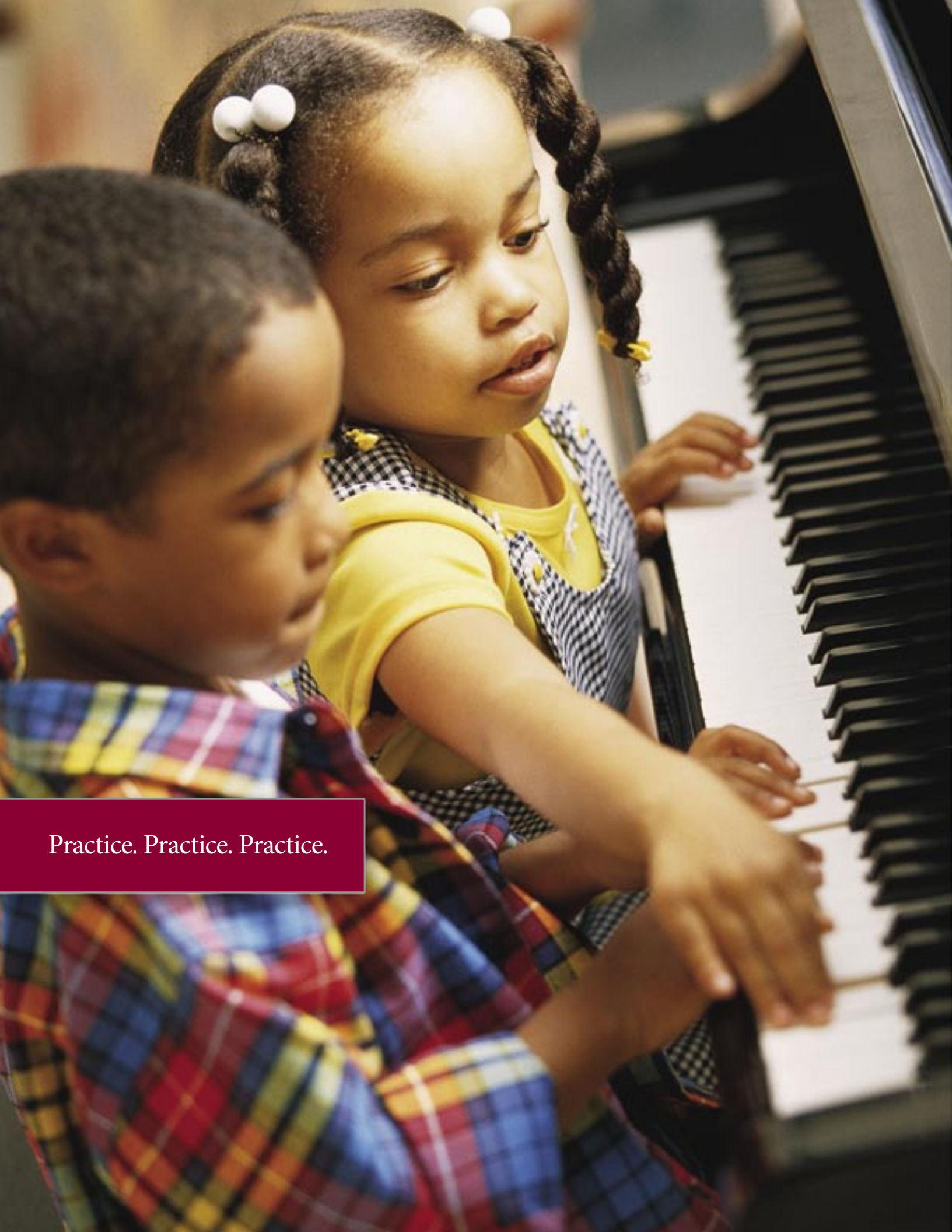
All of this led our Board of Directors to declare a 12.5% increase in the quarterly cash dividend on its common stock to \$0.18 per share, beginning in the third quarter of 2004. This represented the company's fifth dividend increase in six years and, as of December 31, reflected an annualized dividend yield of 2.6%. When coupled with the \$172 million market capitalization increase in our stock, we were able to generate a total return for our shareholders of 18.5% during 2004. As this book's cover illustrates, that's a high note we are all quite proud to have reached.

As we continue into 2005 and beyond, we are confident that we have sound leaders, policies and strategies in place to maintain and enhance the levels of growth we've established throughout the last several years. Although we've obtained some aggressive and satisfying goals thus far, we know we're capable of — and eager to achieve — a great deal more. We thank you for your continued support.

James A. Gabriel
Chairman

Sanford A. Belden
President &
Chief Executive Officer

Mark E. Tryniski
Executive Vice President
& Chief Operating Officer



Practice. Practice. Practice.

Understanding Our Business



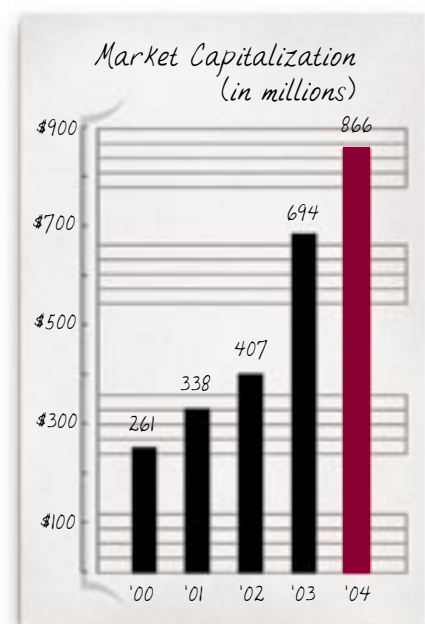
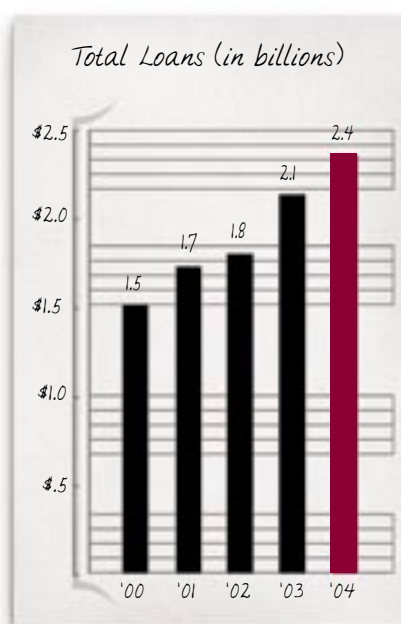
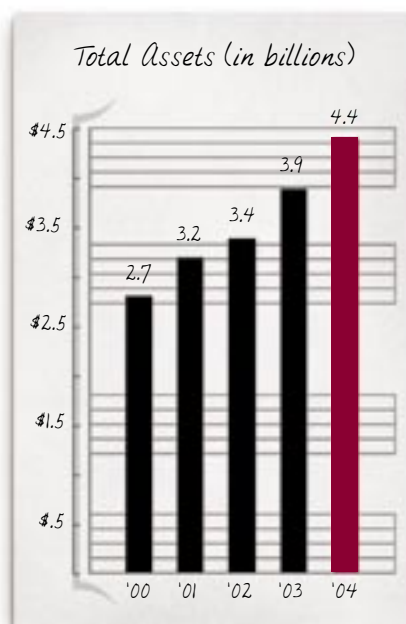
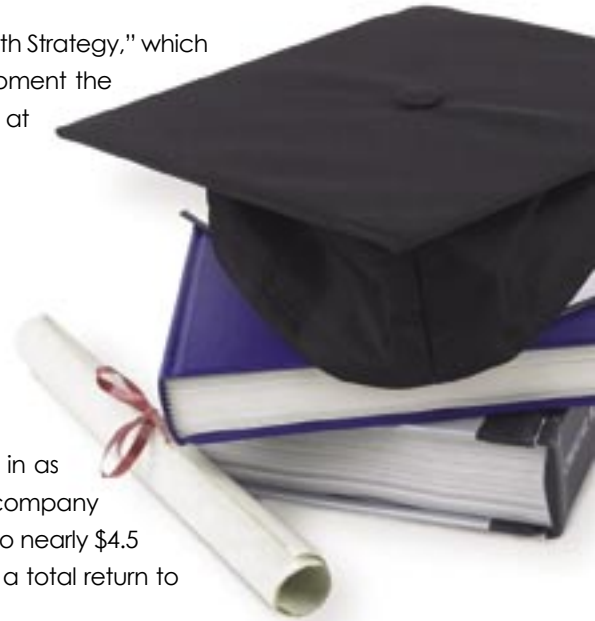
Every song, be it a symphony or a Top 40 single, begins without a single audible note. And you can assemble the greatest ensemble, but if they're all doing their own thing, it's not music to anyone's ears. The constant that runs through all great music is the "score," written sheets that serve as the blueprint for every composer's creation. It's what keeps the flutes from flubbing and the trombones from tripping. It separates coronets from clarinets, saxophones from sousaphones. And it guides them all from the very first downbeat right through the final note.

In 1993, Community Bank System developed its own original score, our "Growth Strategy," which we have used to guide our every action — over and over — since the moment the ink dried. Because as we all know, the only way to become truly proficient at anything is through repetition. Banking is no different.

Our strategy is relatively simple:

- Create a dominant branch system with decentralized decision-making.
- Diversify our revenue and earnings streams through non-interest income.
- Build profitable loan volume.
- Utilize technology to improve productivity and enhance — not replace — customer service.

These four short guidelines may not seem like much, but by following them in as disciplined a manner as we have over the last 11 years, we have grown our company significantly. Specifically, we've increased our assets from less than \$1 billion to nearly \$4.5 billion. Our branches have stretched from 32 to 130. And we've generated a total return to shareholders, on average, of nearly 20% annually during this span.





Our New York State of Mind



We've made our mark by focusing on markets where others don't. And Upstate New York has an abundance of those markets. Our bank can trace its roots all the way back to 1866 in Canton, N.Y., near the St. Lawrence River. Today, Canton's population is 10,334. That's perfect, by our way of thinking. Because Canton, and the dozens of markets like it in which we operate, is a place where customer loyalty can be obtained through trust and outstanding service. To that end, we empower our associates at the local level — places like Olean, Jamestown, Dunkirk, Corning, Wellsville, Geneva, Seneca Falls, and Watertown — to be key decision-makers, resulting in faster, more responsive service to our customers *without* sacrificing accuracy or compromising our strong credit guidelines and standards. In other words, when someone walks into a branch in Canton, N.Y. and applies for a consumer or business loan, the decision to approve that application is made right there, in Canton, N.Y.

Many bigger banks wouldn't dream of this, and probably would cite dozens of reasons why it wouldn't work. In fact, many wouldn't even bother to try, as evidenced by the numerous banks which have abandoned our markets over the years for the lure of more desirable, big-city demographics. But we've found that by properly training and empowering our employees at the local level, we've been able to provide even better service to our customers Jim Wears, President of New York Banking since 2000, and his team have done an excellent job of developing our employees to be able to take on such unique responsibilities. What's more, we've been able to take advantage of the exit strategies of other banks by acquiring various branches, and even some whole banks, at relatively favorable prices due to their haste to focus on larger metropolitan markets.

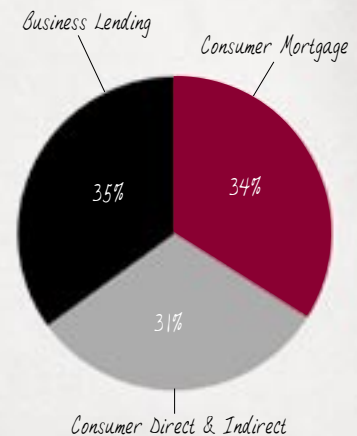
These efforts have not gone unnoticed, earning us the trust of the more than 171,000 customers who bank at Community Bank, N.A. (our New York State banking subsidiary). In fact, we now hold a dominant position in many of our regions, ranking 1st or 2nd in deposit market share in more than 70% of all the towns where we do business (including our Pennsylvania franchise). That's 72 of 102 towns! And we are the "only bank in town" in 32 of these locations, making us not only experts within the communities we serve, but literally an integral part of those communities, supporting them in a variety of educational, cultural and economic endeavors.

We've come a long way since 1866, yet – 139 years later – Canton still provides an excellent example of what typical CBU markets are like. They usually have a handful of major employers that support the region, like Corning, Inc., Alcas Corp., Kinney Drugs and Welch Foods. Many also have good-sized universities, such as Clarkson, St. Lawrence, St. Bonaventure, SUNY Fredonia, Hobart and Alfred,



which play key roles in the community and its economic development. And more often than not, you get an immediate sense of "Main Street, USA" when you're in a town that's home to a Community Bank, N.A. branch: a quieter pace of life that's more about diners, volunteer firemen and Friday night high school football games than coffee houses, crowded subways and skyscrapers. It's a place where you hear birds, not sirens. So we'll remain content to let all the other banks scratch and claw to gain a sliver of the market shares in those bigger cities. We know where home is for us – it's wherever we can become part of the community.

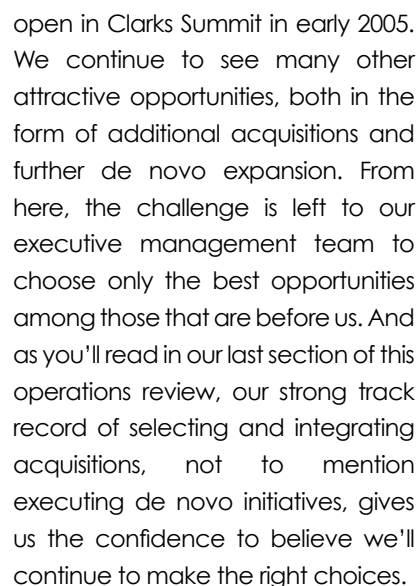
*Loan Composition
(As of December 31, 2004)*





Sweet Home Pennsylvania

And expand we will! We have already opened a de novo branch in Hazelton to take advantage of the momentum gained from our First Heritage transaction, and another is scheduled to





Financial Services – We’ve Only Just Begun

*A*s you read earlier, a major element of our growth strategy is non-interest income. The areas in which we’ve focused most intensely within non-interest income are our financial services businesses, whose revenue – under the excellent guidance of Mike Patton and his team – have grown by a compound annual growth rate of nearly 24% over the last five years.

Our financial services portfolio currently includes:

- Our long-standing personal trust department;
- Our broker dealer, which provides mutual funds and insurance products through our branches and independent offices;
- Our asset management subsidiary, which provides wealth management services to individuals, corporations and not-for-profits; and
- Our benefit plans subsidiary, which provides actuarial, administration, consulting and daily valuation record-keeping services.

Together they combined for \$16.7 million of revenue for CBU in 2004, a nearly \$4 million or 30% increase over 2003’s level.

The largest of these businesses is our benefit plans subsidiary, BPA, Inc., which accounted for 55% of 2004’s financial services revenues. When we first acquired BPA in 1996, we recognized the significant upside this business had, in addition to the benefits of possessing fewer cyclical characteristics than our traditional banking revenue stream. It also wasn’t subject to the same geographic boundaries that our banking business was, allowing for greater growth potential. True to our estimate, BPA has grown tremendously in recent years – enhanced by the addition of Harbridge Consulting Group via a 2003 acquisition – and today serves sponsors of retirement plans in 27 states and Puerto Rico. In fact, it increased

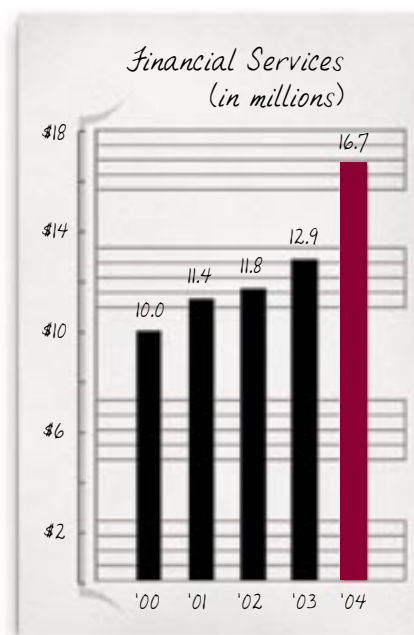
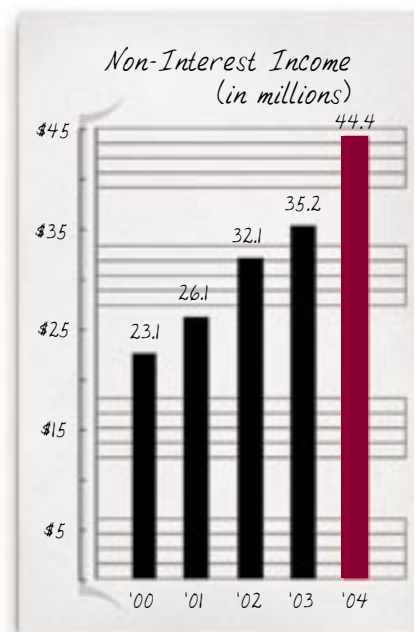
its revenues in 2004 alone by more than \$3 million, or 49%. Currently a \$9.3 million business, we believe tremendous growth potential still exists within this subsidiary, in the form of greater operating efficiencies, as well as additional cross-marketing opportunities between both benefit plans groups.

Our broker-dealer group, our second-largest financial services revenue stream, has also shown healthy growth recently. Known as Community Investment Services, Inc. (CISI), this team exceeded our own expectations in 2004, achieving deeper penetration and a far greater number of referrals from outside of the bank network than we had forecasted. Having existed now for six years, it accounted for 23% of our 2004 financial services revenue. CISI manages \$388 million of assets, and offers a variety of retail investment products from our branches and other independent, stand-alone locations.

Our third-largest financial services contributor is Elias Asset Management (EAM), our investment management firm. Based in Buffalo, N.Y., EAM is a highly respected and nationally recognized investment manager. EAM recently added diversified portfolio products to complement its existing wealth management offerings, further diversify its own client base and provide more customizable solutions that can prosper across a variety of market environments. With 2004 revenue of \$1.8 million, EAM comprised 11% of our financial services revenue in 2004.

The last major component of our financial services group is also our oldest – our personal trust department, which began in 1994 by offering services such as living, testamentary and investment management services. A decade later, this group is still a steady contributor, with a 2004 growth rate that was slightly above our banking growth rate at 17%. With revenue of \$1.7 million, this group contributed 10% of our total financial services revenue in 2004.

Our financial services revenue stream remains a top priority for us, as we continually seek ways to grow it either organically or via acquisition – and sometimes a good financial services acquisition comes in the form of a good banking acquisition. For example, many of the branch and whole-bank mergers we've completed over the years carried with them the extra attraction of a customer base which previously did not have access to many of the financial services and products we provide. Thus, not only have we benefited from the banking portion of many of our acquisitions, but we've inherited customers who have subsequently become strong financial services customers too. This is a strategy we will continue to employ.



Merger Management -
Nobody Does It Better





We have generated internal growth levels across our businesses since 1990 of which any company could be deservedly proud. However, it was clear to us then that – if we truly wanted to grow at a more significant pace, and reach the aggressive goals we had established – acquisitions would have to be an important growth mechanism.

It sounded simple enough. After all, companies do these sorts of things all the time. But 15 years ago, this task was more than a little daunting. Buying an outside company and making it part of your internal organization can be a fairly challenging proposition – especially when you haven't done it before. It requires a great deal of research, planning, patience and discipline. Think of the amount of time you took in selecting your last car. Or house. Or college. Now multiply that by a thousand.

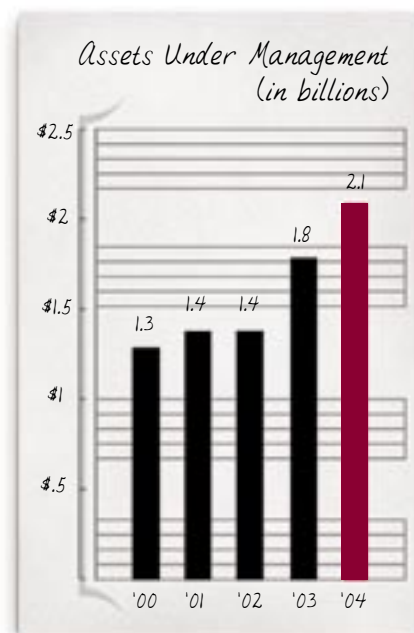
There have been – and continue to be – dozens of merger opportunities available to us every year. It would have been all too easy to just close our eyes and pick one, hoping for the best. But that wasn't a strategy we were comfortable in taking. Instead, we committed ourselves as a group to becoming a highly skilled acquirer, selecting only those companies that fit *best* with Community Bank System.

How would we know that? By developing a plan – just like the growth strategy we formulated – to follow each and every time we make a transaction. The plan we created had some very basic, but critical, criteria. Each potential purchase must:

- Extend our geographic footprint in markets similar to those in which CBU has historically performed well;
- Give us a significant position within those markets;
- Expand our range of products and services – and in cases where we acquire new products and services (e.g., financial services), possess existing managers willing to remain and grow these businesses for many years;
- Offer customers which have a potential need for multiple CBU products and services;
- Possess a highly similar, service-focused culture to CBU.

As you saw from our growth history within this book's front cover, we began slowly, making modest transactions that were both appropriate and manageable for a bank of our size. We took our time, completed our due diligence, and paid attention to details. As we gained competence and confidence, these transactions grew in both size and frequency, but we still make sure we never rush through them or get sloppy. That's the recipe for disaster that you can read about almost daily in any national business publication.

We also remain vigilant to avoid companies that are too big relative to our size – to avoid a "pig in the python" scenario. And we always make sure



our own management is in place and prepared to ensure smooth and successful transitions. In fact, the recent appointments we've made during the last 12 months are an excellent example of this – and clearly, a signal that we have no intention of abandoning our growth initiatives. In short, we've done our best to develop a high degree of expertise in this process, so that our customers, shareholders and employees all have a high degree of confidence, whenever we announce an acquisition, that our actions will benefit all our stakeholders.



Board of Directors



James A. Gabriel (l.) was named Chairman of the Board on January 1, 1999. He has served as a Director since 1984. He is the owner of the law firm of Franklin & Gabriel, located in Ovid, N.Y.

Brian R. Ace (j.) has served as a Director since 2003, following the acquisition of Grange National Banc Corp. A member of the Loan & Compensation Committees, he served on the Board of Grange National Banc Corp. from 1992 to 2003, and was Vice Chairman from 2001 to 2003. He is owner of Laceyville Hardware in Laceyville, Pa. and Chairman of the Laceyville Revitalization Project.

Sanford A. Belden (d.) has served as a Director since 1992, when he was also named President and Chief Executive Officer. Mr. Belden was formerly Manager, Eastern Region, Rabobank Nederland, New York, N.Y. from 1990-1992 and prior thereto served as President, Community Banking, for First Bank System, Minneapolis, Mn., a multi-state bank holding company.

John M. Burgess (e.) has served as a Director since 1991. He is a retired president of Kinney Drugs, Inc., a drug and retail chain with stores primarily located throughout Upstate New York. He is Chairman of the Investment and Operations/Technology Committees, and a member of Audit/Compliance/Risk Management, Loan & Nominating Committees.

Paul M. Cantwell Jr. (i.) is the former Chairman and President of the Citizens National Bank of Malone, which was acquired in 2001, at which time he became a Director. He is the owner of the Cantwell & Cantwell Law Offices in Malone, N.Y., Chairman of the Trust Committee and a member of the Investment and Operations/Technology Committees.

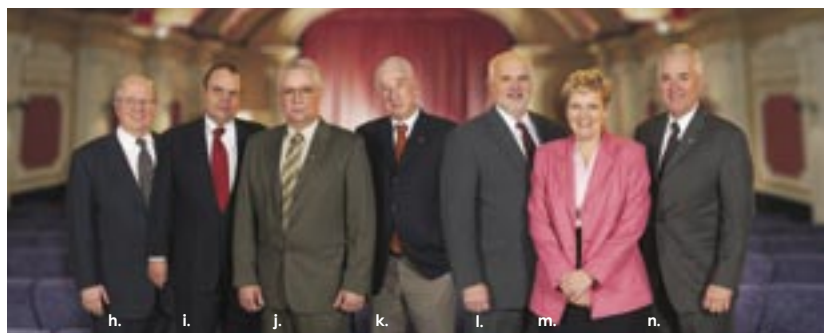
William M. Dempsey (f.) is retired from the Rochester Institute of Technology (RIT), where he was VP, Finance & Administration, and President of the American College of Management & Technology (an RIT affiliate), in Dubrovnik, Croatia. A Director since 1984, he is Chairman of the Audit/Compliance/Risk Management and Nominating Committees and a member of the Investment and Operations/Technology Committees.

Nicholas A. DiCerbo (c.) is a partner of the law firm of DiCerbo & Palumbo of Olean, N.Y. He has been a Director since 1984. He is Chairman of the Strategic/Executive Committee and a member of the Investment, Loan and Trust Committees.

Lee T. Hirschey (h.) has been a Director since 1991. He currently serves as President and Chief Executive Officer of Climax Manufacturing Company in Castorland, N.Y. He is a member of the Audit/Compliance/Risk Management, Compensation, Nominating and Strategic/Executive Committees.

Harold S. Kaplan (k.) has served as a Director since 2001, following the merger of First Liberty Bank Corp. He is a co-owner of M.C.F., Inc. and a Partner at D&T Real Estate, both of Scranton, Pa. He serves on the Investment, Operations/Technology and Trust Committees.

Saul Kaplan (a.) is a former President of NBO National Bank, which merged into First National Bank of Jermyn in 1999, and then into First Liberty Bank Corp. Mr. Kaplan has served as a Director since 2001, following the acquisition of First Liberty Bank Corp. He is co-owner M.C.F., Inc. and Partner, D&T Real Estate, Scranton, Pa.



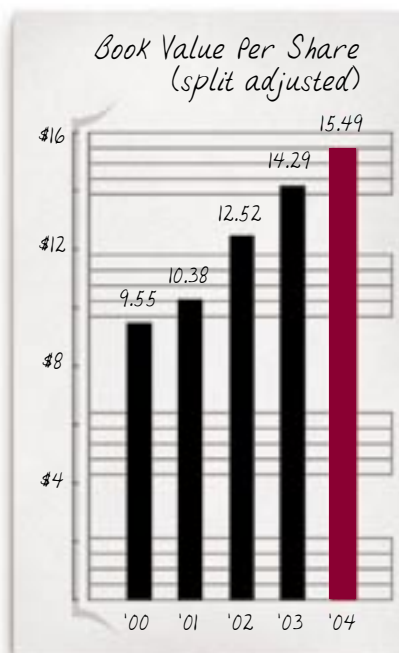
Charles E. Parente (g.) has served as a Director since 2004, following the acquisition of First Heritage Bank. Mr. Parente currently serves as Chief Executive Officer of Pagnotti Enterprises. His career also includes positions as President/CEO/Principal within a telecommunications company, a leading independent accounting and consulting firm, and a public accounting firm.

He is a member of the Audit/Compliance/Risk Management and Loan committees.

David C. Patterson (n.) is President and owner of Wight and Patterson, Inc., a manufacturer and seller of livestock feed located in Canton, N.Y. He has served as a Director since 1991. He is Chairman of the Loan Committee and a member of the Compensation, Nominating and Strategic/Executive Committees.

Peter A. Sabia (b.) is owner of Valley Dodge Truck Center, Dunmore, Pa. He has served as a Director since 2001, following the merger of First Liberty Bank Corp. Mr. Sabia is a member of the Compensation, Loan, Operations/Technology and Trust Committees.

Sally A. Steele (m.) has served as a Director since 2003, following the acquisition of Grange National Banc Corp. She is a member of the Trust and Operations/Technology committees. Ms. Steele operates her own law practice in Tunkhannock, Pa.



Shareholder Information

Corporate Headquarters

Community Bank System, Inc.
5790 Widewaters Parkway
DeWitt, NY 13214-1883
800-724-2262
Phone: 315-445-2282, Fax: 315-445-7347
www.communitybankna.com

Stock Listing

The common stock of Community Bank System, Inc. is listed on the New York Stock Exchange (NYSE) under the symbol CBU.

Its trust preferred securities are traded over the counter under the symbol CBSIP. Newspaper listing for common stock: CmntyBkSys.

Annual Meeting

Wednesday, May 11, 2005 at 1:00 p.m.
The Woodlands Inn & Resort
1073 Highway 315
Wilkes-Barre, PA 18702
570-824-9831

Transfer Agent and Registrant of Stock

American Stock Transfer & Trust Company
59 Maiden Lane
New York, NY 10038
800-937-5449
www.amstock.com

Investor Information

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

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 has appointed the firm of PricewaterhouseCoopers LLP, as auditor for the company.

Analyst Coverage

The following analysts published research about Community Bank System in 2004:

Cohen Bros. & Company
Andrew Stapp215-861-7834
astapp@cohen-bros.com
FTN Midwest Research
Anthony Polini.....212-418-6722
anthony.polini@ftnmidwest.com
Janney Montgomery Scott
Claire Percarpio215-665-4559
cpercario@jmsonline.com
Keefe, Bruyette & Woods
Jared Shaw.....860-722-5903
jshaw@kbw.com
McConnell, Budd & Romano
Kelly Hinkle.....973-538-7800
khinkle@mcbd.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.
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donna.drengel@communitybankna.com
or
American Stock Transfer & Trust Co.
59 Maiden Lane
New York, NY 10038
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All of us at Community Bank System wish to express our sincere appreciation to William N. Sloan, who retired from our Board of Directors on December 31, 2004 after 13 years. Bill diligently helped guide us through a tremendous period of growth and success, and we thank him and wish him well in his retirement.



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