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2007
Passion. Discipline. Respect. The qualities that contribute to our success.



Community Bank System, Inc. 2007 Annual Report

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Our Mission

To be valued and respected by customers, employees, shareholders, and regulators as a well-managed, profitable, independent company committed to providing friendly, personalized, high-quality financial services and products to the communities in which we operate.

Passion. Discipline. Respect.

Community Bank System has achieved a solid record of growth and profitability in moderate growth markets by remaining committed to a common sense business strategy, as well as remaining focused on the needs of our customers. Passion, discipline and respect captures the essence of our business approach during a favorable economic environment, as well as during the more challenging periods.

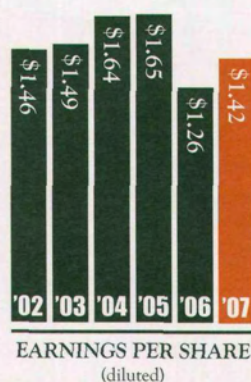
In our industry, it's one thing to talk about providing a superior level of customer service, however it's quite another matter to be able to demonstrate your success. During 2007, Community Bank System was recognized for having earned the second highest ranking in customer satisfaction for banking institutions in the US. This prestigious accolade was announced in June when J.D. Power and Associates released the results of their 2007 Retail Banking Satisfaction StudySM. The J.D. Power survey analyzes customer satisfaction with the retail banking experience by examining six factors: transactions, account initiation/product offerings, account statements, convenience, fees and problem resolution. Bank customers across 39 states were surveyed, and we outscored all of the money-center, super-regional, and regional banks in the nation, finishing second only to an institution which has no presence in any of our markets. It is a testament not only to the truly unique approach we take with our customers and the communities we serve, but also to the passion, discipline and respect of our 1,500 employees.

Performance Summary

6-year CAGR = 14.4%



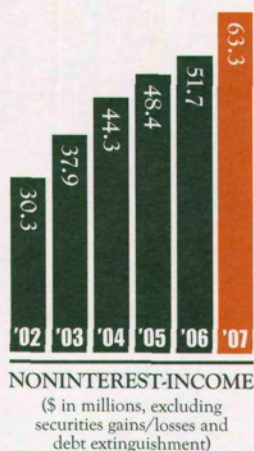
6-year CAGR = 9.8%



6-year CAGR = 5.8%



6-year CAGR = 16.0%



6-year CAGR = 7.8%



6-year CAGR = 10.2%



Selected Financial Highlights

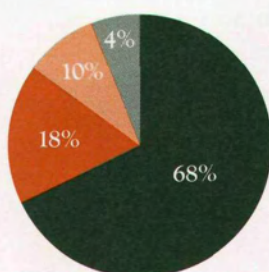
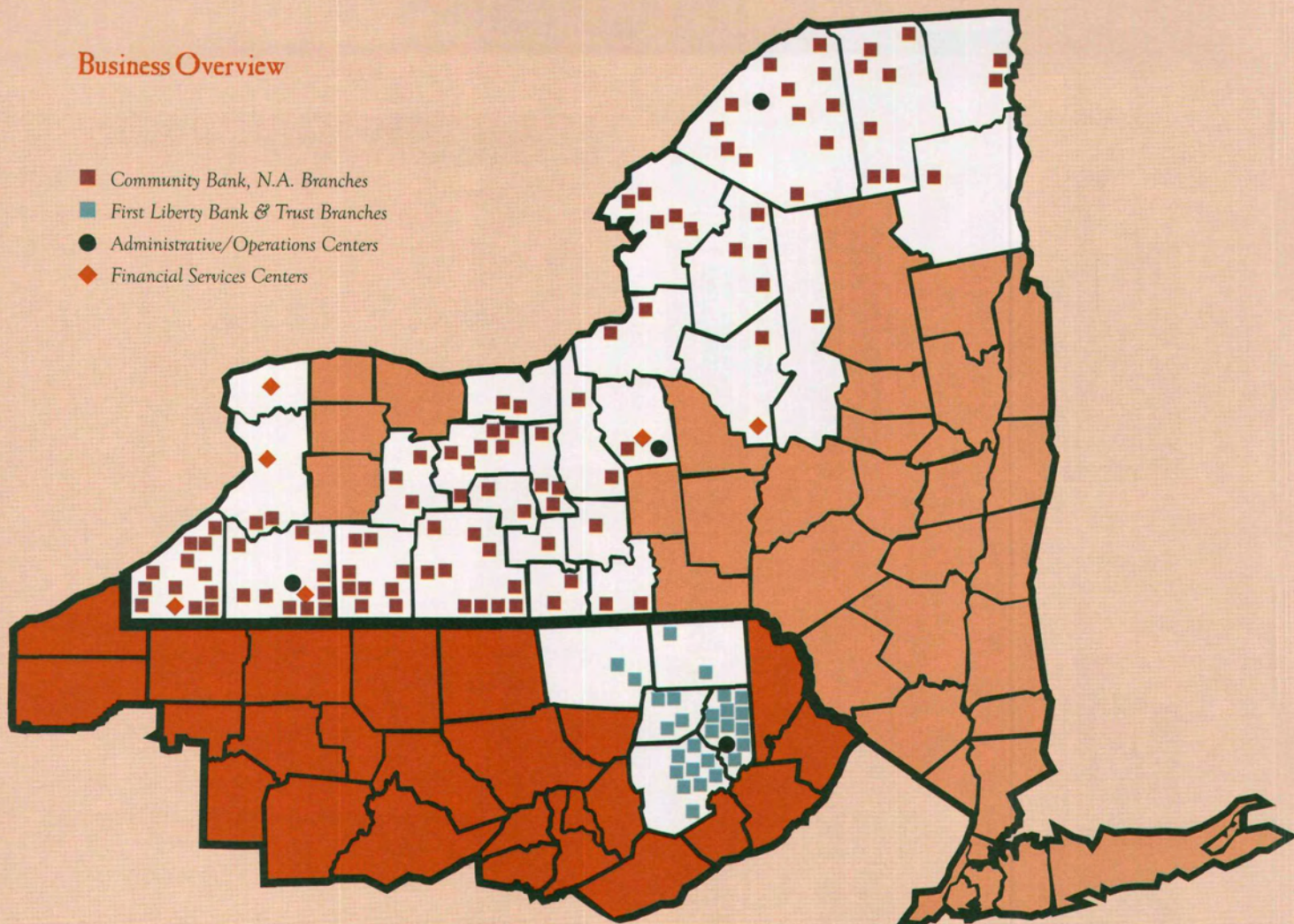
	2007	2006	Percent Change
Income Statement (in millions)			
Net interest income	\$ 136.0	\$ 134.8	0.9%
Non-interest income (excluding securities gains/ losses and debt extinguishment)	63.3	51.7	22.4%
Financial services revenue	28.0	20.6	35.7%
Operating expenses	142.1	127.2	11.7%
Provision for loan losses	2.0	6.6	(69.6%)
Net income	\$ 42.9	\$ 38.4	11.8%
Per Share Data (diluted)			
Earnings per share (diluted)	\$ 1.42	\$ 1.26	12.7%
Cash dividends declared	.82	.78	5.1%
Book value	16.16	15.37	5.1%
Tangible Book Value	\$ 7.51	\$ 7.17	4.7%
Balance Sheet Data (end of period, in millions)			
Assets	\$ 4,698	\$ 4,498	4.4%
Loans	2,821	2,702	4.4%
Deposits	3,228	3,162	1.9%
Shareholders' Equity	\$ 479	\$ 462	3.7%

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Business Overview

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



- Net Interest Income
- Banking Services
- Benefit Plan Services
- Wealth Management Services

TOTAL REVENUE COMPOSITION

Total Revenue = \$199 Million
6-year CAGR = 8.4%

Profile

Community Bank System, Inc. (NYSE: CBU) is a registered bank holding company with \$4.7 billion in assets and over 140 customer facilities across Upstate New York, where it operates as Community Bank, N.A., and Northeastern Pennsylvania, where it is known as First Liberty Bank & Trust. The corporate headquarters is located in DeWitt, N.Y., a suburb of Syracuse. The Company's other subsidiaries include: BPAS, an employee benefits administration and consulting firm with offices in Upstate New York, Pittsburgh, and Houston; the CBNA Insurance Agency, with offices in three northern New York communities; Community Investment Services, a broker-dealer delivering financial products throughout the company's branch network; and Nottingham Advisors, a wealth management and advisory firm with offices in Buffalo, N.Y., and North Palm Beach, Fla.

Market Overview - Retail Banking

Our retail banking franchise is located primarily in the smaller non-metropolitan markets of Upstate New York and Northeastern Pennsylvania where we seek a leading market share position. Our retail banking operation ranks first or second in deposit market share in more than 70% of the communities where we do business. Our retail banking business operates in stable markets which have not been subjected to the issues currently impacting the housing and mortgage lending industries.

Growth Strategy

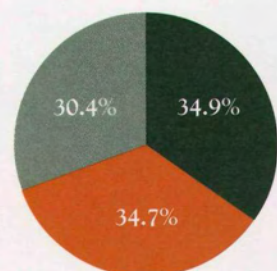
We have significantly enhanced and grown our banking franchise over the past 7 years, by making 10 successful acquisitions since 2001, including the acquisition of Tupper Lake National Bank in mid 2007. As a result we have grown both our assets and our retail branch locations by more than 175%. We expect to continue to make strategic acquisitions which will expand and enhance the strength of our franchise and create additional shareholder value.

Diversification Strategy

Along with the transactions which have significantly expanded our banking system, we have been an active acquirer of financial services businesses starting with our 1996 acquisition of Benefit Plans Administrators. Since then we have made four additional financial services acquisitions which added an investment advisory firm, and an insurance agency, as well as expanded our benefit plan consulting and actuarial services. Our financial services revenues have more than tripled since 2000, growing to more than \$28 million, or 14% of total revenue in 2007.

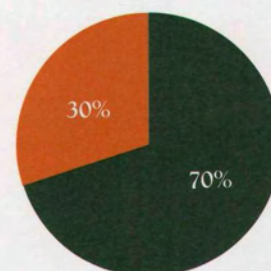
Loan Portfolio Composition

Along with a solid 6-year compound annual growth rate for loans of 8.5%, we have a very well balanced portfolio of business and commercial, residential mortgage and consumer installment loans.



■ Business/Commercial
■ Residential Mortgage
■ Consumer Installment Including Home Equity

LOAN PORTFOLIO COMPOSITION
Total Loans = \$2.8 Billion
(12/31/07)



■ Benefit Plan Services
■ Wealth Management

FINANCIAL SERVICES REVENUE COMPOSITION
Financial Services Revenue = \$28 Million
6-year CAGR = 16.0%

Community Bank System's Growth Strategy

*Market-leading branch system serving
predominantly non-urban markets*

*Decentralized decision-making with
a focus on core accounts*

Investment in noninterest revenues

*Growth model that leverages both
organic and acquired opportunities*

*Chairman of the Board, Paul Cantwell (left)
and President and Chief Executive Officer,
Mark Tryniski at the Wild Center in Tupper
Lake, New York. Located on a 31-acre site
near the geographic center of the Adirondack
Park, the mission of the Wild Center is to
inspire a broad public understanding of the
natural systems that shape and sustain life
in the Adirondacks.*

Dear Shareholders, Investors, Customers and Employees:

Fiscal 2007 was a year of demonstrated success and progress for your company in an operating and economic environment marked by challenge, volatility and uncertainty. Per share operating earnings for 2007 (excluding tax gain and debt refunding) improved 6%, despite the significant adverse impact of reduced net interest margins. The gale force headwind of the interest rate environment was overcome to produce earnings growth through a strong operating performance across the company. Organic and acquired balance sheet growth, a double-digit increase in non-interest income, exceptional asset quality, an outstanding year for our benefits and wealth management businesses, and the accretive impact of our 2006 acquisitions all contributed to earnings growth in this most-challenging of business environments.

Conversely, during 2007 the financial markets experienced significant disruption precipitated by overextended mortgage markets which spread to the broader credit and capital markets. This disruption has resulted in large capital losses and even the failure of many of the country's largest mortgage lenders along with some investment banks. Community Bank System has never originated subprime or other high-risk mortgage loans. The asset quality of our entire loan portfolio is at historically exceptional levels. Our investment portfolio is comprised almost entirely of government, agency, or municipal securities which are readily marketable and, as of February 29, 2008, had a market value of \$25 million over cost. We have been, and remain, disciplined in the management of our balance sheet which is reflected in our capital ratios that are substantially in excess of regulatory requirements. As a result, we expect that the current crisis in the financial markets will have no impact on the strength of Community Bank's earnings and capital levels in 2008.

Despite our strong operating performance in 2007, our most notable achievement was not financial in nature. Community Bank was named by J.D. Power & Associates as the second best bank in the nation in customer satisfaction. We're tremendously proud of our branch and other employees, along with being equally grateful to our customers



for this distinction. Just as important, to our shareholders, it serves as a validation of the effectiveness of our community bank oriented business strategy. Our efforts over the past several years to focus our people, products, and process on superior customer service will continue to yield positive results.

In addition to recognition for superior customer satisfaction, our branches delivered a strong financial performance in 2007. Demand deposits and retail lending grew organically by more than 6% each, and banking fee income increased by 14%. Our "Turbo-Checking" new customer initiative, begun in 2006, attracted 30,000 new relationships in 2007, an increase of 9% as well as \$65 million of new core balances. Our branch and other employees have done a great job with this initiative, which will continue to be our most important retail banking objective.

One of the most significant drivers of the Company's operating results in 2007 was historically exceptional asset quality. Our reduced charge-off's and loan loss provision, as well as our improvement in virtually all other asset quality metrics have run contrary to the broader banking industry. Worth mentioning again, is the fact that we neither originated nor do we hold any subprime mortgages or securities. We're delighted that our disciplined underwriting and credit administration standards have contributed to our strong performance in 2007. Our disciplined approach has withstood the test of a turbulent environment, and we believe that we remain well positioned should economic circumstances become even more challenging.

Our non-banking businesses, including: (i) benefits administration and actuarial consulting and (ii) wealth management, grew substantially in 2007 and continues to become an ever-more significant component of consolidated earnings. Total revenues of these businesses rose 36% in 2007 on the strength of both organic and acquired growth. More importantly, pre-tax earnings also grew by 36%. We continue to invest in these businesses, as evidenced by the May 2007 acquisition of Hand Benefits and Trust, located in Houston, Texas. In addition to strong leadership resources and geographic expansion, Hand brings a growing client base along with a well-developed set of products and services.

6-year CAGR = 7.7%



Top: Community Bank System was invited to ring the closing bell of the New York Stock Exchange (NYSE) on June 20, 2007, in connection with the company's 10th anniversary of its listing on the exchange. Handling the honors were Board Chairman Paul M. Cantwell, Jr. and President and Chief Executive Officer Mark E. Tryniski.

Bottom: One of Community Bank's newest locations is the former main branch of Tupper Lake National Bank, which was acquired in June 2007 strengthening our market presence in the Adirondacks.



Investment Considerations

Disciplined approach to growing revenue and profitability

Successful and effective operating strategy

Dominant market share – 1st or 2nd in 70% of our markets

Noninterest income 32% of operating revenues in 2007

Diversified financial services business – \$28 million in 2007 revenues

Record of successfully integrating acquisitions

Strong dividend and yield

Effective capital management strategies

NYSE listed with significant liquidity

In June 2007 we completed our acquisition of Tupper Lake National Bank, located in the heart of Northern New York's Adirondacks. This \$100 million asset bank extends our footprint within a region in which we already possess a dominant market share and provides access to high-potential new markets, including Tupper Lake, Saranac Lake, and Plattsburgh. We view the Plattsburgh market as having particularly strong potential, and the Company has committed additional people and facility resources to this market, in addition to the establishment of a highly capable and invigorated Advisory Board. Integration of the former Tupper Lake locations and employees, along with customer retention and business development results have exceeded our expectations.

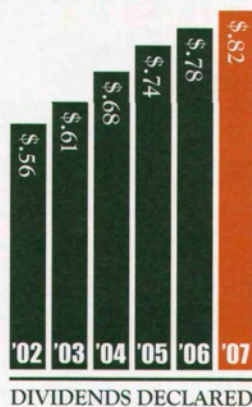
We completed construction of a new branch facility in Springville, New York, which opened for business in May 2007. Located near the southern border of Erie County, this branch positions us closer to market opportunities within the southern Buffalo suburbs and has attracted over \$10 million of loans and deposits since opening.

Despite the growth in earnings and strength of operating results across the Company, the total return on investment for Community Bank System stock was a negative 10% in 2007. On a relative basis, Community Bank System shares handily outperformed our peer banks as a whole, with the S&P 600 Commercial Banks Index losing 25.4% and the NASDAQ Bank Index down 19.8% during 2007. The market for bank shares has been a difficult and indiscriminate one. However, we remain confident that the economic value created in 2007 will ultimately be recognized by the market, and we're encouraged by the 25% increase in our share price between December 31, 2007 and March 18, 2008.

The Board of Directors and management undertook an expansive strategic planning effort during 2007. The result of this strategic planning was a reaffirmation of our current community bank-style business model serving smaller metropolitan and non-metropolitan markets. Our growth model will continue to include both organic growth as well as the disciplined acquisition of high-value, community bank-style institutions within or proximately contiguous to our existing footprint. In addition, continued investment in our benefits administration and wealth management businesses is a central element of our strategic plan. These business lines possess favorable revenue and market growth opportunities with attractive return on investment and return on capital characteristics.

The Board of Directors, expresses its gratitude for the distinguished service of Hal Kaplan and Tom McCullough, both of whom retired in 2007. Hal joined our Board of Directors in 2001 as a result of our acquisition of First Liberty Bank & Trust. Tom joined us in 2003 through our acquisition of Grange National Bank, and served as

6-year CAGR = 7.2%



Total Shareholder Return Comparison (as of 2/29/08)

	1 Year	5 Years	10 Years	15 Years
CBU	7.6%	9.8%	6.3%	12.9%
S&P 600 Comm.Bank	(31.9%)	1.4%	3.9%	NA
NASDAQ Bank	(22.5%)	5.0%	4.1%	10.0%
S&P 500	(3.6%)	11.6%	4.1%	9.6%
Dow Jones Ind. Ave.	2.3%	11.7%	5.8%	11.3%

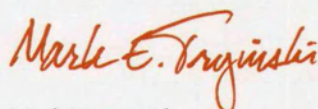
President of our First Liberty division in Pennsylvania since that time. Both Hal and Tom were tireless in their support of First Liberty, and we are most thankful for their contributions to the company and to our shareholders.

Community Bank System, Inc. continues to be exceptionally well-positioned for the future. Our balance sheet is characterized by strong capital, liquidity, asset quality, and core funding. Our revenue streams are diverse and growing. We've made significant structural improvements in our foundation, including strengthening our management team, technology, business development skills, marketing, product development, and financial and performance management. Our capacity to execute effectively in our markets has never been greater.

We believe that during 2007; our passion for this business was reflected by the recognition we received for outstanding customer service, our discipline was evidenced by the strong performance attained in a challenging business environment for our industry, and that we consistently demonstrated the respect that we hold for all of the Company's stakeholders. The torchlight of opportunity burns brightly for Community Bank System, Inc. Your Company's Board of Directors, management, and employees are fully engaged and committed to the continued delivery of earnings growth and exceptional returns to shareholders.



Paul M. Cantwell, Jr.
Chairman of the Board



Mark E. Tryniski
President and
Chief Executive Officer



2007 Performance Highlights

Net income grew by 11.8% to \$42.9 million

Earnings per share were \$1.42, an increase of 12.7%

Non-interest income grew 22.4% to \$63.3 million, excluding securities gains or losses and debt extinguishment costs

Net loan charge-offs of \$2.6 million, just 0.10% of average loans

Nonperforming loans to total loans was 0.32% at year end, down from an already solid 0.47% at the end of 2006

Our acquisition of Hand Benefits & Trust, Inc. (HBT), a Houston, Texas-based provider of employee benefit plan administration and trust services

Our acquisition of Tupper Lake National Bank, adding nearly \$100 million in assets, five branches and an insurance agency in northeastern New York

A de novo branch opening in Springville, N.Y. our second location in Erie County, south of Buffalo

A 5.0% increase in its quarterly cash dividend to \$0.21 per share our 13th dividend increase in the last 14 years

The repurchase of 611,650 common shares, at an aggregate cost of approximately \$12.0 million under a repurchase program authorized in December 2006

Recognition as the second highest rated bank in the nation according to the "2007 Retail Banking Satisfaction Study" conducted by J.D. Power & Associates

Our Retail Banking Strengths

Emphasis on responsive, local decision-making and customer support

Focus on generating and retaining core deposit accounts

Focus on non-urban markets and attaining leadership positions



Northern Region Summary

Branch Locations:	35
Deposits:	\$800 Million
Towns (1st or 2nd Market Position)	24

Northern Region

We have a dominant market presence in our nine-county northern New York region where our branches hold the number one, or two, deposit share in 24 different towns. This predominantly rural region of Upstate New York has a combined population of approximately 850,000 and nearly 400,000 housing units, as well as over 17,500 non-farm businesses which employ approximately 235,000. As of June 30, 2007 there were 229 banking offices located in the region, meaning that one in every six locations in the nine-county area was a Community Bank branch.

We strengthened our competitive position in the Northern Region in June 2007 when we completed the acquisition of TLNB Financial Corporation (TLNB), which added five branches in the cities of Tupper Lake, Plattsburgh and Saranac Lake, along with \$100 million in assets and \$87 million of deposits. The Saranac Lake and Plattsburgh branches provided a foothold in Clinton and Essex counties, and the two Tupper Lake locations strengthened our presence in Franklin County where we enjoy the leading market share of just over 30% of deposits. The geographic territory occupied by TLNB was a prime incentive behind the transaction as we were already evaluating opportunities to open de novo branches to gain access to markets north of the Capital District.

Along with Franklin County, St. Lawrence, Jefferson and Lewis counties anchor the Northern Region. We are particularly strong in these counties and in communities such as Canton, Ogdensburg, Potsdam, Lowville and Watertown where our predecessor institutions got their start. On a consolidated basis we have the number one market share for these counties with nearly a quarter of all deposits. This solid market position provides a strong foundation as we work to expand our presence in the remaining counties in the northern part of New York State.

Ranked second
in the nation in
customer service in
the 2007
J. D. Power &
Associates Retail
Banking
Satisfaction
SurveySM

Southern Region

Our Southern New York region reaches west from the Syracuse area to the State's border with Northwestern Pennsylvania, and includes 17 counties with a mix of rural and smaller urban areas. These 17 counties have a combined population of approximately 2.6 million and the area has approximately 1.2 million housing units. The Southern New York region is also home to more than 60,000 non-farm businesses which employ just under one million people.

Bank deposits for the region totaled approximately \$53 billion in 2007, or just over 44% of total New York State deposits outside of metropolitan New York City. During 2007 there was just under 50 financial institutions servicing the region, and our competition covered the full spectrum from money-center and super-regional banks to small community banks, thrifts and credit unions.

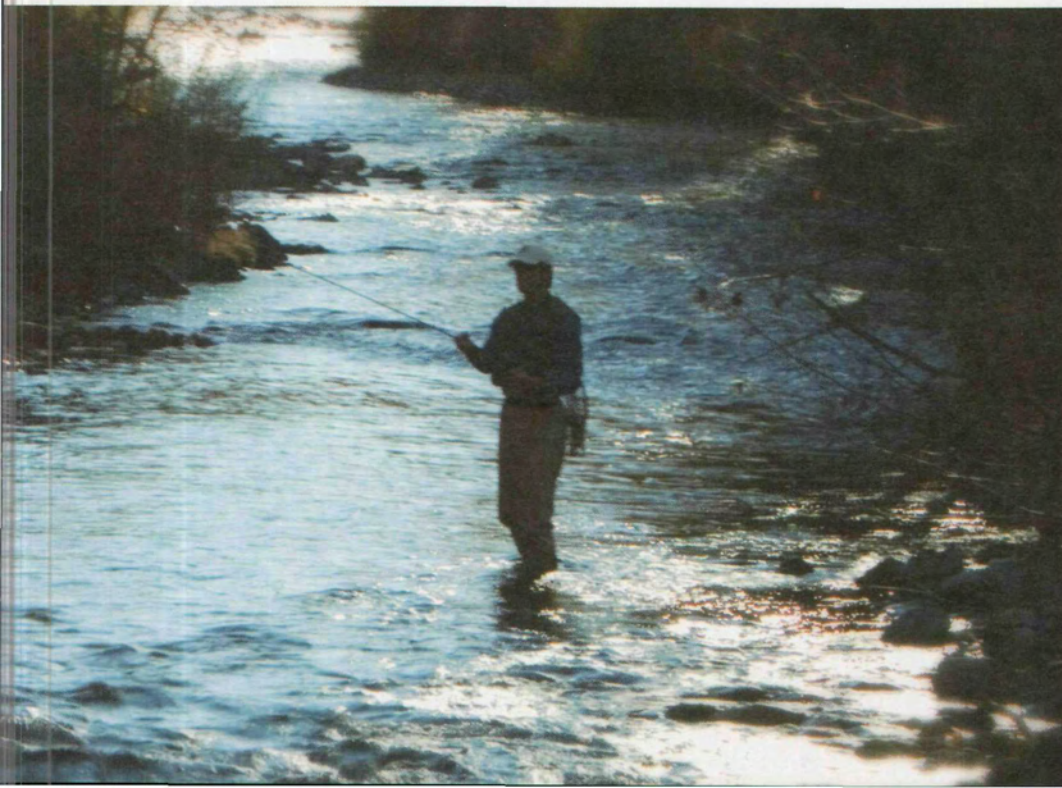
Considering the depth and diversity of our competition, we have a strong and growing market presence in New York's Southern Tier and Finger Lakes areas, which include small cities like Olean, Jamestown, Fredonia, Geneva, Corning, Elmira, and Ithaca. We finished 2007 with 69 branches and \$1.6 billion in deposits in the region, as well as having the number one, or two, deposit share in 42 different towns. We are particularly strong in the Southern Tier counties of Chautauqua, Cattaraugus, Allegany, and Steuben where, during 2007, we had approximately 26% of the deposit market share nearly doubling our closest competitor.

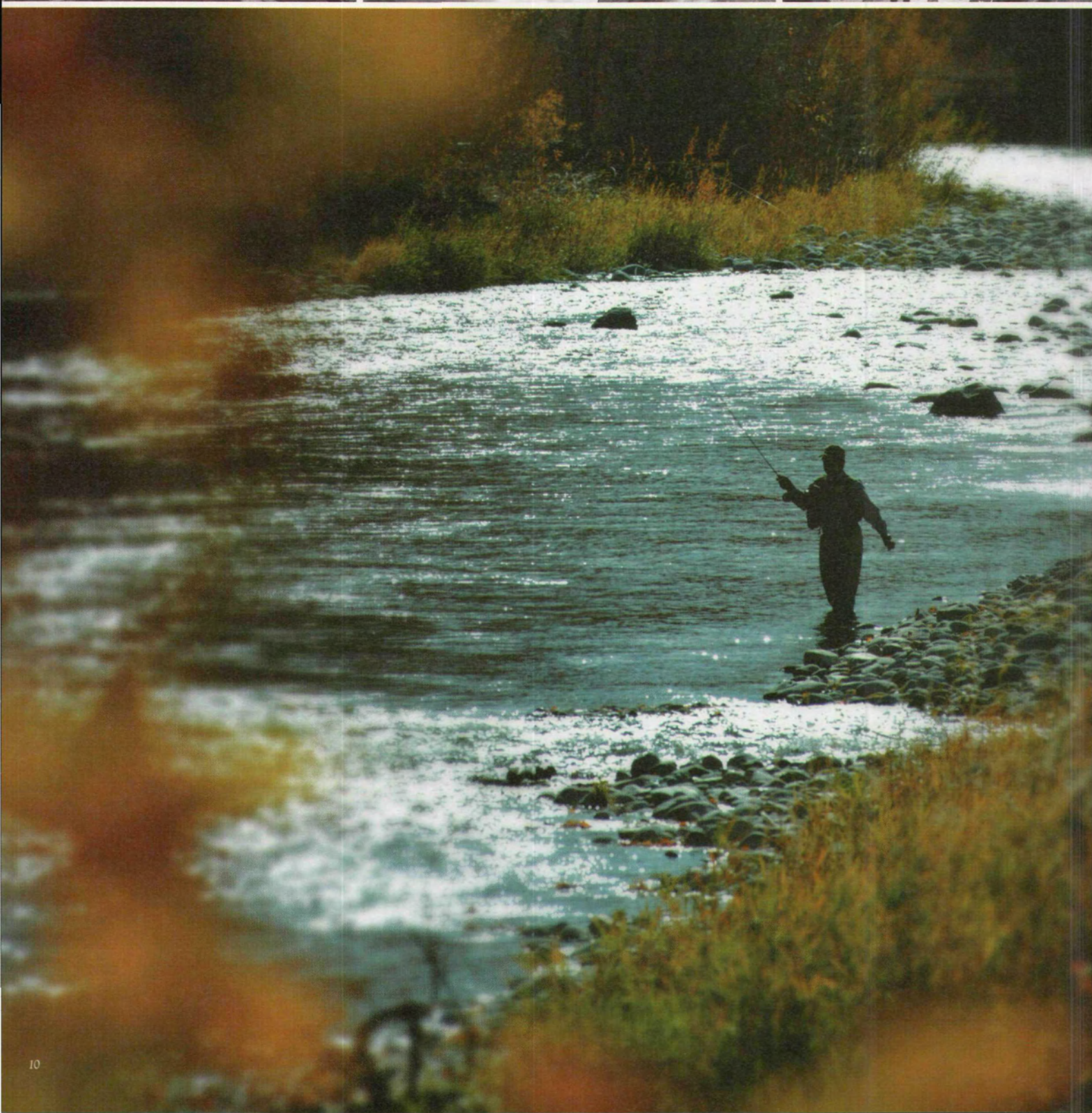
We continue to explore opportunities to strengthen our market position in the region and did so in 2006 with the acquisition of both Elmira Savings and Loan and Ontario National Bank. During 2007 we also added a de novo branch in Springville, NY, which positioned us closer to many attractive opportunities within Buffalo's southern suburbs. Reflecting the strength of our market position in the Southern Tier we headquartered our broker-dealer and personal trust business units there as well as our loan processing center.

Southern Region Summary

Branch Locations:	69
Deposits:	\$1.6 Billion
Towns (1st or 2nd Market Position)	42

6-year CAGR = 4.1%





Pennsylvania Region

After careful evaluation, we decided to expand our market area by entering Northeastern Pennsylvania and did so by acquiring the well-established First Liberty Bank & Trust franchise in 2001. First Liberty was viewed as a solid competitor in and around the markets of Scranton and Wilkes-Barre, the two largest metropolitan areas in this region, and we believed that it would provide a solid foundation on which to build an expanded presence in the region. In 2003 we strengthened our presence in the area with the acquisition of Grange National Bank, and in 2004 we further expanded in the Wilkes-Barre area with the acquisition of First Heritage Bank. Because of the strength of the First Liberty name in Northeastern Pennsylvania, we made the decision to retain and build on this brand. This was a departure from our practice in New York State of immediately converting acquired facilities to the Community Bank brand.

The Pennsylvania Region, which includes Bradford, Wyoming, Susquehanna, Lackawanna and Luzerne counties has many similarities to our Upstate New York markets. The area has a combined population of approximately 650,000, just over 300,000 housing units and approximately 16,000 non-farm businesses employing around a quarter of a million people.

During 2007, the region was home to more than \$11 billion in bank deposits located in approximately 280 banking offices belonging to 29 competitor institutions. As with our Upstate New York market, we compete with a broad range of financial institutions from the smallest community banks, to a handful of super regionals, as well as some of the nation's largest commercial banks.

With 27 branch locations and \$830 million in deposits at 2007 year end, First Liberty is a solid competitor in this area with the fourth largest deposit market share for the five-county region, as well as the number one, or two, deposit share in 12 different towns with our branch locations. We continue to look for opportunities to grow our Northeastern Pennsylvania franchise with acquisitions, as well as through the use of strategic de novo expansion. As is our practice in our New York regions, we have established a regional administrative headquarters in Scranton/Wilkes-Barre to promote the localized service and decision making which is a pivotal part of our operating strategy.

A Smooth Transition

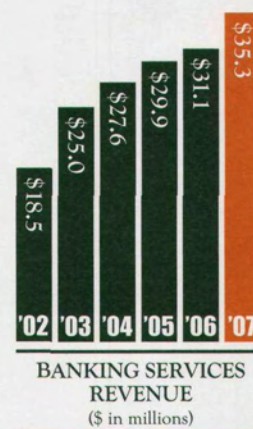
At the end of 2007, we transitioned our First Liberty management team as Tom McCullough retired as President after a distinguished 40-year career in the banking industry. Tom was with Grange National for 27 years, and was named President of First Liberty upon completion of the Grange acquisition in 2003. Bob Matley, who served as First Liberty's senior lending officer, was appointed President, immediately providing a continuation of the experienced leadership at our Pennsylvania banking subsidiary and providing another example of the bank's detailed succession planning. Bob has been with the bank since 2004, when First Liberty acquired First Heritage Bank of Wilkes-Barre, where he served as its President and Chief Operating Officer.

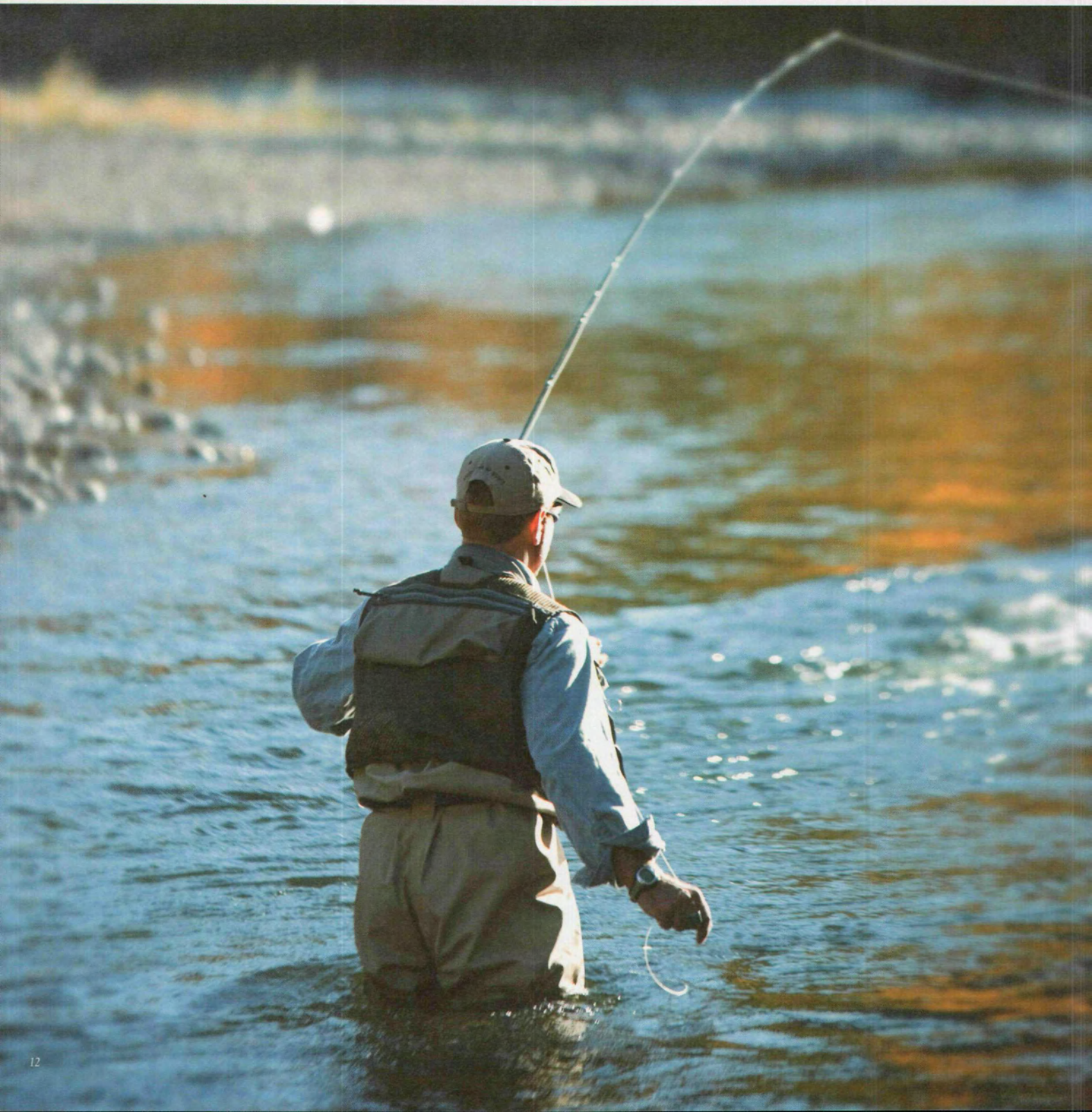
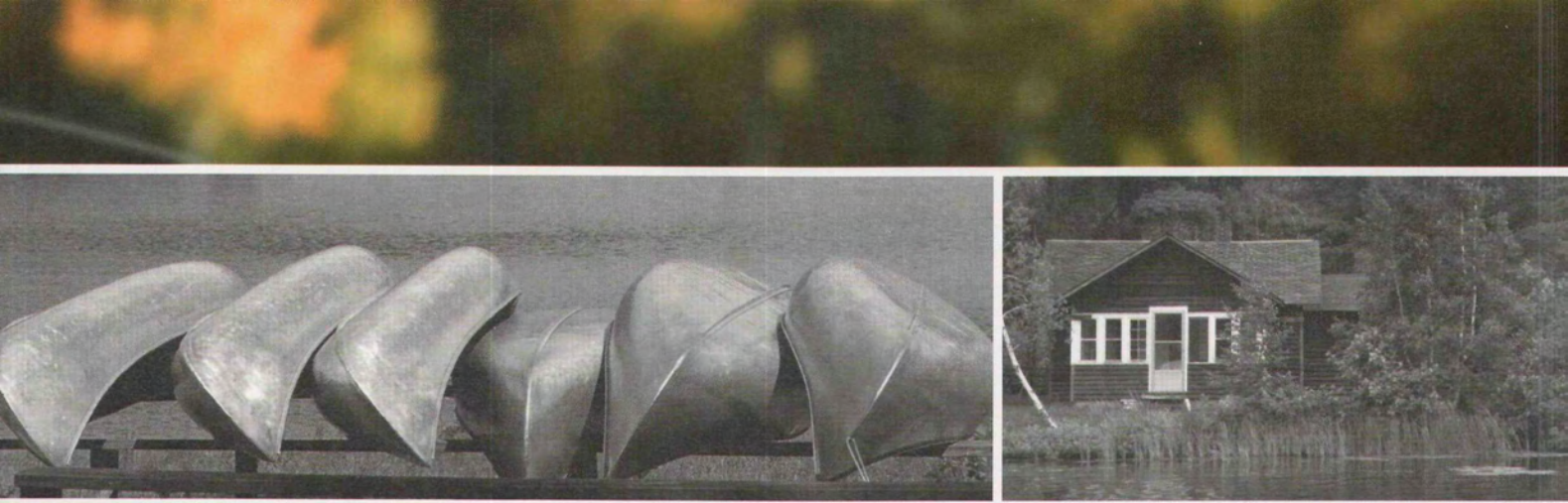
Pennsylvania Region Summary

Branch Locations:	27
Deposits:	\$830 Million
Towns (1st or 2nd Market Position)	12



6-year CAGR = 16.0%





Personal and Business Banking

During 2007, talk of the banking industry was likely to include a discussion of subprime lending and its negative effects for borrowers and lenders alike. Although many financial institutions were involved with this high-risk approach to lending, very few were community banks.

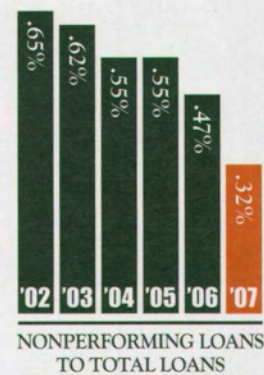
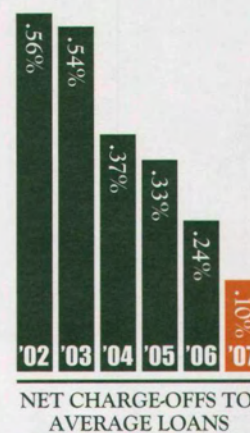
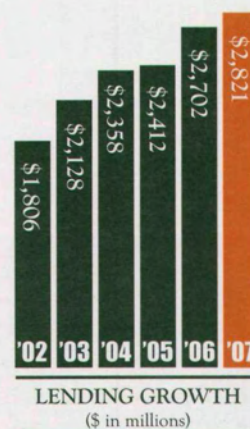
We remain free of exposure to the mortgage lending crisis that has affected many of the nation's larger urban markets, as we have no subprime or other higher-risk mortgage products within our real estate or investment portfolios. Similar to other community banks in recent years, we continued to battle the pressures of a flattening yield curve environment. However, we simply did not yield to the temptation of relaxing our asset quality standards for a potential short-term earnings benefit. Our lending remains a local business, and generally, we hold and service the product we originate from our, primarily, non-metropolitan service area. At year end, our residential real estate portfolio included approximately \$975 million invested in mortgages from throughout our banking service area with an average mortgage of approximately \$60,000.

Our employees produced another solid year by remaining true to our business model through challenging market conditions. We grew average loans by \$133 million from last year, including \$28 million in business lending, \$76 million in consumer mortgages, and \$29 million in consumer installment products, and our branches performed very well in delivering over 6% organic retail loan origination growth. We ended 2007 with \$2.8 billion in loans, an increase of 4% over 2006, along with a well-balanced portfolio which includes 35% in residential loans, 35% in business and commercial loans, and 30% in consumer installment loans. In addition, demand deposits grew organically by more than 6%, and banking fee income increased by 14%. Our "Turbo-Checking" new customer initiative, begun in 2006, attracted 30,000 new relationships in 2007, an increase of 9% as well as \$65 million of new core balances. Our branch and other employees have done a great job with this initiative, which will continue to be our most important retail banking objective.

Equally important, our asset quality metrics at year end 2007 remained excellent, with non-performing loan and charge-off ratios at the historically low levels achieved throughout the year. Because of our strong asset quality in 2007, we were able to reduce the provision for loan losses by \$4.6 million compared with 2006, consistent with a 57% decline in net charge-offs for the year, which at \$2.6 million, were down \$3.4 million from 2006. Nonperforming loans as a percentage of total loans at December 31, 2007 were 0.32%, a significant improvement in comparison to the already favorable average of 0.47% experienced over the prior eight quarters. At year end, our loan loss allowance to total loans outstanding stood at 1.29%, a slight decline in comparison to 1.34% a year ago, and reflective of the improved underlying credit profile of our portfolios. In addition, our coverage ratio of nonperforming loans increased to 410%, compared to 288% at the end of last year, because of meaningful reductions in nonperforming assets during the year.

These are very significant accomplishments which reflect our commitment to disciplined credit standards which have withstood the test of the recent turbulence of our industry environment.

6-year CAGR = 8.5%





Benefits Administration and Consulting

A significant element of our growth strategy during the past decade has been the expansion of our financial services business both organically and through the use of targeted acquisitions. This approach has enabled us to realize a sizable degree of revenue diversification with financial services income increasing to 14.0% of total revenue in 2007. Financial services revenue grew by 36% in 2007, and operating income increased by 36% as well, as a result of new and expanded customer relationships and the acquisition of Hand Benefits & Trust.

Benefit Plans Administrative Services (BPAS) remains the most profitable and fastest-growing of all our financial services businesses. It has posted double-digit revenue increases for ten consecutive years, and accounted for approximately 70% of our total financial services revenue in 2007. Benefit plan administration and consulting revenues have grown from \$3.9 million in 2001 to \$19.7 million in 2007, a six-year compound annual growth rate of 32.6%.

A primary strength of our benefits administration and consulting business is that it's not limited to the general footprint of our New York and Pennsylvania banking franchises. With the addition of Hand Benefits & Trust (HB&T) in May 2007, our service footprint grew to 41 states and Puerto Rico. The acquisition increased BPAS revenue for 2007 to nearly \$20 million, and resulted in administration of over 150,000 defined contribution and flexible spending participant accounts with nearly \$3.4 billion in assets under custody. The acquisition was also additive to our actuarial services practice, Harbridge Consulting, which is the largest practice of its kind in the state of New York, outside of metro-New York City.

The addition of HBT has provided a physical presence in Houston and enhanced our service offerings in flexible spending account and collective investment fund administration services. As a highly respected employee benefit and trust company with a 68 year history, HBT provided a solid market presence for BPAS in a dynamic labor and business region.

Wealth Management

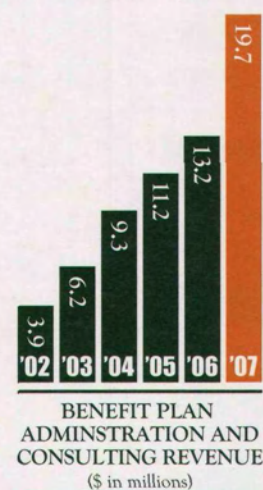
We have also assembled a group of financial services companies with product and service offerings which provide a strong complement to our personal and business banking product line and account for the other 30% of financial services revenue. Our Wealth Management group includes trust services, our broker-dealer, Community Investment Services, Inc. (CISI), CBNA Insurance Agency, Inc. and Nottingham Advisors, our Buffalo-based asset management firm. Wealth Management revenues increased by 12% during 2007, with a majority of the increase attributable to organic growth, and the balance coming from the acquisition of the insurance agency business included as a part of the Tupper Lake National Bank transaction in 2007.

Because our wealth management products and services are complementary to our retail banking business, the potential cross-sell opportunity is an important evaluation criteria whenever we evaluate potential banking acquisition candidates. Most of the institutions we acquire tend to be smaller community banks whose customers previously did not have access to most of the financial services we provide. We believe that the customers who are added as a result of these transactions tend to offer a larger incremental income opportunity.

Financial Services Acquisitions

CBNA Insurance Agency	2007
Hand Benefits & Trust	2007
Harbridge Consulting Group	2003
Nottingham Advisors	1999
Benefit Plans Administrative Services	1996

6-year CAGR = 32.6%



Wealth Management Services

Trust Services
Broker-Dealer
Investment Advisory
Insurance Agency

Board of Directors



Paul M. Cantwell, Jr. was named Chairman of the Board in 2006. He is the former Chairman and President of the Citizens National Bank of Malone. He is presently the owner of the Cantwell & Cantwell Law Offices in Malone, N.Y.



Brian R. Ace has served as a Director since 2003, following the acquisition of Grange National Banc Corp. He owns Laceyville Hardware in Laceyville, Pa. and is Chairman of the Laceyville Revitalization Project. Mr. Ace is Chairman of the Compensation Committee, and serves on the Audit/Compliance/Risk Management and Nominating/Corporate Governance Committees.



William M. Dempsey 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 Committee and is a member of the Nominating/Corporate Governance Committee.



Nicholas A. DiCerbo 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 is a member of the Trust Committee.



James A. Gabriel served as Chairman of the Board from 1999 to 2006. He has served as a Director since 1984, and is the owner of the law firm of Franklin & Gabriel, located in Ovid, N.Y. He is a Chairman of the Trust Committee and a member of the Strategic/Executive and Nominating/Corporate Governance Committees.



Charles E. Parente 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, Strategic/Executive and Compensation Committees.



David C. Patterson 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 a member of the Compensation, Nominating/Corporate Governance and Strategic/Executive Committees.



Sally A. Steele has served as a Director since 2003, following the acquisition of Grange National Banc Corp. She is Chairwoman of the Nominating/Corporate Governance Committee and a member of the Trust and Compensation Committees. Ms. Steele operates her own law practice in Tunkhannock, Pa.



Mark E. Tryniski has served as President and Chief Executive Officer of Community Bank System since 2006, at which time he was also elected to the Board. He was formerly the company's Executive Vice President and Chief Operating Officer from 2004-2006 and, prior to that, its Chief Financial Officer beginning in 2003. Before joining the company in 2003, Mr. Tryniski was a partner within the Syracuse office of PricewaterhouseCoopers.

All Community Bank System Directors are members of the Company's Loan/ALCO Committee which is chaired by David C. Patterson.



The Board of Directors expresses its sincere appreciation for the years of service provided by Harold S. Kaplan, who retired from the Board in 2007. Hal joined the Community Bank System Board in 2001 as a result of our acquisition of First Liberty Bank & Trust, and has been tireless in his efforts to support the growth of our First Liberty franchise in its Northeastern Pennsylvania market. His involvement has made an important impact on the Company, and his service and guidance to the Board will be missed.

Administration and Lenders

EXECUTIVE

Mark E. Tryniski, President and Chief Executive Officer
Scott A. Kingsley, Executive Vice President, Chief Financial Officer
Brian D. Donahue, Executive Vice President, Chief Banking Officer
George J. Getman, Executive Vice President, General Counsel

LENDING, CREDIT AND BRANCH ADMINISTRATION

J. David Clark, Senior Vice President, Chief Credit Officer
Stephen G. Hardy, Senior Vice President, Chief Credit Administrator
Richard M. Heidrick, Senior Vice President, Retail Banking Administrator, Olean
Claire F. LaGarry, Senior Vice President, Branch Service Administration NY/PA, Retail Banking Manager, Northern Market
Scott J. Boser, Vice President, Indirect/Consumer Loan Manager, Olean
Nancy Mastrucci, Vice President, Senior Credit Administration Coordinator
Michael J. Stacey, Vice President, Collections Manager, Canton
Earl R. Withers, Jr., Vice President, Director of Mortgage Banking, Olean
Nancy A. Aiello, Assistant Vice President, Credit Administration Support Officer
Pamela S. Dent, Assistant Vice President, Bankruptcy Recovery Specialist, Canton
Stephen B. Dupree, Assistant Vice President, Reports Analyst
Jennifer Hernandez, Assistant Vice President, Mortgage Processing Manager

FINANCE AND TREASURY MANAGEMENT

Joseph J. Lemchak, Senior Vice President, Chief Investment Officer
Charles M. Ertel, Vice President, Director of Taxation and Capital Planning
Susan S. Fox, Vice President, Corporate Controller
Robert R. Frost, Vice President, Financial Analysis Manager
Sean M. Howard, Vice President, Investment Officer
Pamela J. Taylor, Vice President, Data Warehousing Manager
Shannon M. Davis, Assistant Vice President, Asset Liability Manager
Laura J. Mattice, Assistant Vice President, General Accounting Manager
Dennelle T. Michalski, Assistant Vice President, Financial Controls Analyst
Ann M. Money Penny, Assistant Vice President, Asset Liability Analyst
Robert E. Pierce, Assistant Vice President, Financial Reporting Manager
Randy Pray, Assistant Vice President, Purchasing Manager, Canton
Susan C. Rider, Assistant Vice President, Assistant Controller

ADMINISTRATION

Timothy J. Baker, Senior Vice President, Special Projects Director, Canton
Bernadette R. Barber, Senior Vice President, Chief Human Resources Officer
Harold M. Wentworth, Senior Vice President, Director of Sales and Marketing
Diane C. Seaman, Vice President, HR Manager/Organizational Development
Kristine M. Besaw, Assistant Vice President, Human Resources Manager, Canton
Michelle L. Cring, Assistant Vice President, Benefits Manager
Donna J. Drengel, Assistant Vice President, Corporate Secretary, Board and Shareholder Relations
Michael F. Joyce, Assistant Vice President, Facilities Manager
Mark V. Kratts, Assistant Vice President, Human Resources Manager, Olean
John A. Puchir, Assistant Vice President, Sales Manager
Lorie M. Semmel, Assistant Vice President, Human Resources Manager/HRIS

TECHNOLOGY & OPERATIONS

J. Michael Wilson, Senior Vice President, Chief Technology Officer
George Joseph (Jerry) Burke, Vice President, Director of Technology Services
Robin E. Dumas, Vice President, Electronic Banking Manager, Canton
Brian R. Gaffney, Vice President, Manager of Technology Projects
Patricia A. Hayes, Vice President, Loan Operations Manager, Olean
Nancy M. Lewis, Vice President, Item Processing Manager, Olean
Christina E. Sullivan, Vice President, Deposit Operations Manager, Canton
Tracie M. Clayson, Assistant Vice President, System Administrator Loan Operations
Aaron S. Friot, Assistant Vice President, Information Security Officer, Canton
Allyson B. Houston, Assistant Vice President, Technical Project Administrator, Olean
Frank A. Palmisano, Assistant Vice President, Technical Support Manager
Johnathan V. Whitton, Assistant Vice President, Technical Project Administrator, Canton

RISK MANAGEMENT

Paul J. Ward, Senior Vice President, Chief Risk Officer
Mark J. Houghtaling, Vice President, Credit Risk Manager
Dianne L. Parks, Vice President, Corporate Compliance Officer, Canton
Stuart A. Smith, Vice President, Security Officer
Lynne M. Wadsworth, CIA, CFSA, Vice President, Corporate Auditor
Anthony A. Antonello, Assistant Vice President, Assistant Security Officer
Melissa R. Cloce, Assistant Vice President, Compliance Manager, Canton
William McLaughlin, Assistant Vice President, Loan Reviewer
Tiffany T. Yordan, Assistant Vice President, Senior Auditor

COMMUNITY BANK

BRANCH SERVICES

Judith A. Meyer, Vice President, Regional Branch Services Administrator, Olean

BUSINESS BANKING

Bath

Michael G. Austin, Vice President, Commercial Loan Officer
Canton

Robert F. Zehr, Vice President, Senior Indirect Market Manager
DeWitt/Syracuse

Joseph F. Serbun, Vice President, Commercial Banking Officer
Dunkirk, Vineyard Drive

Daniel L. Drozdiel, Vice President, Commercial Loan Officer
Dunkirk, Central Avenue

David P. Warren, Vice President, Commercial Loan Officer
Geneva

Stephen H. Rich, Vice President, Commercial Lending Team Leader

James M. King, Vice President, Senior Agricultural Loan Officer

Loren C. Herod, Vice President, Agricultural Loan Officer

Andrew B. Rice, Assistant Vice President, Agricultural Loan Officer

Dominick (Jim) Vedora, Assistant Vice President, Commercial Loan Officer
Lakewood

Roger E. Dickinson, Vice President, Commercial Lending Team Leader
Lowville

Kevin J. Kent, Vice President, Commercial Loan Officer

Joseph A. Monnat, Assistant Vice President, Agricultural Loan Officer

Richard E. Roes, Assistant Vice President, Agricultural Loan Officer

Malone

Thomas F. MacDonald, Vice President, Sr. Agricultural Loan Officer

Olean

Mark P. Saglimben, Vice President, Commercial Loan Team Leader

Scott P. Brechbuehl, Vice President, Commercial Loan Officer

Eric M. Garvin, Assistant Vice President, Commercial Loan Officer

James M. Knapp, Assistant Vice President, Commercial Loan Officer

Potsdam

Nicholas S. Russell, Senior Vice President of Commercial Lending
Northern Region

Ronald J. Bacon, Vice President, Commercial Loan Officer

Duane M. Pelkey, Vice President, Commercial Loan Officer

Watertown

Michelle D. Pfaff, Vice President, Commercial Loan Officer

Timothy D. Tallmadge, Vice President, Manager Special Assets

Michael J. Brassard, Vice President, Loan Workout Officer

Edward C. Ward, Vice President, Senior Agricultural Loan Officer

Wellsville

Douglas O. Frank, Vice President, Commercial Loan Officer

FIRST LIBERTY BANK & TRUST

Robert P. Matley, President, Pennsylvania Banking

Robert A. Cirko, Senior Vice President, Retail Banking Manager

Donna Skechus, Vice President, Special Projects Manager, Wilkes-Barre

Debbie Dunleavy, Assistant Vice President, Marketing Coordinator,
Scranton

Carol A. Scriven, Assistant Vice President, Human Resources Manager,
Jermyn

BRANCH SERVICES

J. Randall Palko, Vice President, Regional Branch Services Administrator,
Olyphant

Mary E. Tracewski, Assistant Vice President, Branch Administration
Specialist

BUSINESS BANKING

Hazleton

Arthur A. Tarone, Senior Vice President, Commercial Loan Officer

Olyphant

Barry J. Westington, Vice President, Loan Workout Officer

Scranton, Keyser Avenue

Warren C. Rozelle, Senior Vice President, Commercial Lending Team
Leader

Mary Elizabeth D'Andrea, Senior Vice President, Commercial
Loan Officer

Samuel DeStefano, Vice President, Indirect Lending/Business
Development Manager

Joseph S. Tomko, Senior Vice President, Commercial Loan Officer

Tunkhannock

Matthew Dougherty, Assistant Vice President, Commercial Loan Officer

Walter Sarafinko, Assistant Vice President, Commercial Loan Officer

Wilkes-Barre, Franklin St.

Richard D. Krokos, Senior Vice President, Commercial Lending
Team Leader

Joseph D. Angelella, Senior Vice President, Commercial Loan Officer

Edward E. Nork, Senior Vice President, Commercial Loan Officer

David P. Dobbs, Vice President, District Manager

Cynthia L. Lefko, Vice President, Cash Management Product and
Sales Manager

David M. McHale, Vice President, Commercial Loan Officer

Carmela D. Yanora, Assistant Vice President, Commercial Loan Officer

FINANCIAL SERVICES AND SUBSIDIARIES

TRUST SERVICES

Catherine B. Koebelin, CTFA, Vice President, Trust Officer, Olean

Vincent L. Mastrucci, Vice President, Investments/Corporate Trust
Officer, Scranton PA

Richard A. Siarniak, Vice President, Trust Employee Benefits, Scranton PA

Patricia E. Barie, CTFA, Trust Officer, Olean

Charlotte S. Carlson, CTFA, Trust Officer, Lakewood

Patricia A. Crolly, Trust Officer, Scranton PA

Robert P. Jewell, CFP®, Trust Officer, Horseheads

Paul J. Snodgrass, AIF, Trust Investment Officer, Canton

BENEFIT PLANS ADMINISTRATIVE SERVICES, LLC

6 Rhoads Drive, Utica, NY 13502

Barry S. Kublin, President

Robert A. Malczyk, Vice President, Sales

Paul M. Neveu, Vice President, Sales

Linda S. Pritchard, Vice President, Operations

HAND BENEFITS & TRUST, INC.

5700 Northwest Central Dr., Suite 400, Houston, TX 77092

William D. Hand, Chief Executive Officer

Stephen S. Hand, President

HARBRIDGE CONSULTING GROUP, LLC

1 Lincoln Center, Syracuse, NY 13201

Vincent F. Spina, President

Steven P. Chase, Vice President

Sarah E. Dam, Vice President

Kenneth M. Prell, Vice President

Sheila L. Yoensky, Vice President

NOTTINGHAM ADVISORS, INC.

500 Essay Road, Suite 220, Williamsville, NY 14221

Thomas S. Quealy, President, Chief Operating Officer

Nicholas Verbanic, Vice President, Portfolio Manager

Lawrence V. Whistler, Vice President, Portfolio Manager

Kathleen E. Strohmeier, Compliance Officer, Operations Manager

COMMUNITY INVESTMENT SERVICES, INC.

Charles E. Kopp, President, Lockport

Audrey Pound, Operations Manager, Lockport

Patricia L. Schneider, Vice President, Sales & Marketing, Lockport

CBNA INSURANCE AGENCY

Mark J. Moeller, President

117 Park Street, Tupper Lake, NY 12986

173 Margaret Street, Plattsburgh, NY 12901

6 Clinton Street, Heuvelton, NY 13654

Financial Consultants

David E. Bierwiler, Horseheads

Eric E. Brunet, Ogdensburg

Joseph M. Butler, Jr., Watertown

Thomas J. Ciolek, Olean

Chad E. Colbert, Gouverneur

Gerald T. Coyne, Minooka

Carmen D. DeGiglio, Olean

Daniel P. Drappo, CFP®, Black River

James G. Durso, Waterloo

Kevin C. Gildner, CFP®, Wellsville

Justin P. Hooper, Plattsburgh
 Randall J. Hulick, Springville
 Jessica A. Keller, Wellsville Main St.
 Paul A. LaPointe, Potsdam
 Rick P. Little, Tunkhannock
 John B. McCarthy, Clifton Springs
 Stephen V. Modrovsky, Wilkes-Barre
 Albert F. Nitto, Dansville
 Deborah W. Their, Scranton
 Helen M. Willman, Lakewood

Branch Locations

Community Bank Northern Market

Black River
 Christina S. Meagher, Assistant Vice President, Manager
 Boonville (101 Main Street and Headwaters Plaza)
 Tina M. Paczkowski, Assistant Vice President, Manager
 Brushton
 James H. McElwain, Manager
 Canton
 David R. Peggs, Vice President, Manager
 Chateaugay
 Barbara J. LaVoie, Manager
 Clayton
 Rita J. Walldroff, Assistant Vice President, District Manager
 Gouverneur
 Kenneth W. Snyder, Vice President, District Manager
 Harrisville
 Susan M. Smith, Branch Supervisor
 Hermon
 Connie J. Green, Branch Supervisor
 Heuvelton
 Jewel M. LaComb, Manager
 Lowville (7605 State Street and 7395 Turin Road)
 Adam J. Smykla, Vice President, District Manager
 Mary L. Peters, Assistant Vice President, Retail Service Officer
 Madrid
 Marsha L. Watson, Manager
 Malone (Elm Street and West End)
 Shawn T. McNerney, Vice President, District Manager
 Lawrence P. Fleury, Assistant Vice President, Retail Service Officer
 Massena
 Kent G. Backus, Vice President, Manager
 Norwood
 Susanne Perkins, Branch Supervisor
 Ogdensburg (825 State Street)
 Robert L. Seymour, Vice President, District Manager
 Ogdensburg (320 Ford Street)
 Sandra M. Kendall, Vice President, Manager
 Old Forge
 Barbara B. Criss, Vice President, Manager
 Plattsburgh (Route #3)
 Ellen DeLong, Branch Manager
 Plattsburgh (Margaret Street)
 Bryan Tuthill, Branch Manager
 Port Leyden
 Debra S. Roberts, Branch Supervisor
 Potsdam (64-70 Market Street and May Road)
 Joyce E. Lalonde, Vice President, District Manager
 Helen M. Hollinger, Assistant Vice President, Retail Service Officer
 Pulaski
 Steven P. Gaffney, Vice President, Manager
 Saranac Lake
 Susan Goetz, Branch Manager
 St. Regis Falls
 Patricia A. Bory, Manager

Star Lake
 Keitha Kerr, Manager
 Tupper Lake (75 Park Street)
 Gail Auclair, Branch Manager
 Tupper Lake (3 Main Street)
 Brenda Matthie, Branch Supervisor
 Waddington
 Brenda L. Matthie, Branch Supervisor
 Watertown (1125 Arsenal Street)
 Elizabeth A. Brown, Assistant Vice President, Manager
 Watertown (216 Washington Street)
 Catherine Ward, Vice President, Manager
 West Carthage
 Shirley E. Bloss, Assistant Vice President, Manager

Community Bank Southern Market

Addison
 Robin K. Knapp, Assistant Vice President, Manager
 Alfred
 Beth L. Plaisted, Branch Supervisor
 Allegany
 Stephanie L. Kolkowski, Assistant Vice President, Manager
 Angelica
 Diana L. Guilford, Branch Supervisor
 Bath
 Joel P. Brazie, Assistant Vice President, Manager
 Belfast
 Sandra K. Taber, Branch Supervisor
 Bolivar
 Susan M. Jordan, Branch Supervisor
 Brocton
 Phyllis A. Crockett, Manager
 Canandaigua
 Paul E. Lepore, Vice President, Manager
 Cassadaga
 Susan C. Sekuterski, Manager
 Cato
 Linda A. Schmidtgal, Assistant Vice President, Manager
 Clifton Springs (26 East Main Street)
 Debra A. Murphy, Vice President, District Manager
 Theresa P. Dorgan, Vice President, Manager
 Russell L. Williamson, Vice President, Commercial Loan Officer
 Tina Bounds, Assistant Vice President, Mortgage
 Processing Specialist
 Clifton Springs (One Clifton Plaza)
 Deanna L. Nissen, Branch Supervisor
 Clymer
 Laurie L. Harvey, Manager
 Corning West Market Street
 Wendy B. Daines, Vice President, Manager
 Corning North
 Michael Procopio, Manager
 Cuba
 Mary M. Quigley, Vice President, Manager
 Dansville
 Jody R. Tonkery, Vice President, District Manager
 Susan M. Colegrove, Manager
 Carolyn M. Scoppa, Assistant Vice President, Retail
 Service Officer
 Dunkirk (3909 Vineyard Drive)
 Daniel L. Drozdiel, Vice President, District Manager
 Dunkirk (345 Central Avenue)
 Jean M. Coughlin, Assistant Vice President, Manager
 Elmira
 Denise E. Allen, Vice President, District Manager
 Erwin/Painted Post
 June Brewer, Branch Supervisor
 Falconer
 Joann W. Anderson, Assistant Vice President, Manager
 Fillmore
 Julie A. Hall, Manager

Franklinville
Sandra S. Wolfer, Manager

Geneva
Edward L. (Ned) Clark, Vice President, Manager
Ronald J. Telarico, Assistant Vice President, Retail Service Officer

Gowanda
Sandra T. Gaylord, Vice President, Manager

Hammondsport
Kelly L. Bussman, Assistant Vice President, Manager

Hannibal
Debra A. Davis, Assistant Vice President, District Manager

Hornell
Melissa M. Ponticello, Manager

Horseheads-Consumer Square
Cynthia A. Welliver, Manager

Houghton College
Julie Hall, Manager

Interlaken
Jacqueline M. Robinson, Manager

Ithaca
Evelyne Caron, Manager

Jamestown (1281 N. Main Street)
Kathleen S. Bemus, Assistant Vice President, Manager

Jamestown (25 Main Street - Brooklyn Square)
Lee R. Johnson, Retail Service Officer

Lakewood
Lisa R. Allenson, Assistant Vice President, District Manager

Livonia
Deborah Fitch, Manager

Moravia
Kathleen M. Longyear, Manager

Mount Morris
Klaas W. deWaard, Manager

Naples
Jill S. Ripley, Manager

Newark Plaza
Barbara A. Viola, Vice President, Manager

Nichols
Kathleen M. Bowen, Assistant Vice President, Manager

North Collins
Ellen M. Pavlovic, Assistant Vice President, Manager

Olean (201 North Union Street)
Jody L. Collins, Vice President, District Manager
Theresa M. Raftis, Assistant Vice President, Retail Service Officer

Olean (Delaware Park)
Robin K. Bowser, Branch Supervisor

Ovid
Joyce A. Tavelli, Assistant Vice President, Manager

Owego
Florence Rossi, Assistant Vice President, Manager

Palmyra
Cheryl A. Ford, Manager

Penn Yan (151 Main Street)
Thomas R. May, Vice President, Manager

Penn Yan (272 Lake Street)
Connie C. West, Assistant Vice President, Manager

Phelps
Brenda K. Westcott, Manager

Portville (1471 E. State Road)
Beverly J. Geise, Manager

Portville (7 North Main Street)
Kelly A. Crandall, Branch Supervisor

Randolph
Diane M. Lecceardone, Branch Supervisor

Ripley
Patricia J. Knight, Manager

Rushville
Brenda M. St. Mary, Branch Supervisor

Salamanca
Marilyn J. Harvey, Manager

Seneca Falls
David W. Sloan, Vice President, District Manager
Betty A. Verzillo, Assistant Vice President, Manager

Sherman
Denise G. Carlson, Assistant Vice President, Manager

Silver Creek
Mark J. Catalano, Assistant Vice President, District Manager

Skaneateles
Robert E. Marsh, Assistant Vice President, Manager

Waterloo
Larry D. Ledgerwood, Vice President, Manager

Watkins Glen
Laurel M. Fox, Manager

Wellsville (4196 Bolivar Road)
Virginia L. Elliott, Assistant Vice President, Manager

Wellsville (113 Main Street)
David E. Newton, Vice President, District Manager

Woodhull
Lynn S. Vitale, Branch Supervisor

Yorkshire
Joseph D. Fore, Assistant Vice President, Manager

First Liberty Bank & Trust

Carbondale
Bobbi Ann Davis, Branch Supervisor

Clarks Summit (100 Old Lackawanna Trail & 931 S. State St.)
Theresa A. Collins, Assistant Vice President, Manager

Daleville
Susan Pitoniak, Manager

Dickson City
Corrine Kuzmick, Manager

Edwardsville
Kim Eichhorn, Assistant Vice President, Manager

Hazleton (Airport Road)
Paula Palance, Vice President, Manager

Jermyn
Patricia M. Calabro, Vice President, Manager

Jessup
Susan M. Russick, Assistant Vice President, Manager

Kingston (Wyoming Avenue)
Gary J. Missal, Assistant Vice President, Manager

Laceyville
Kevin W. Huyck, Assistant Vice President, Manager

Lawton
Douglas M. Jackson, Manager

Little Meadows
Douglas M. Jackson, Branch Supervisor

Meshoppen
Greg M. Culver, Manager

Noxen/Bowman's Creek
Mary T. Kern, Manager

Olyphant
Mary Z. Bieszczad, Vice President, Manager

Pittston
Nolan Ayres, Assistant Vice President, Manager

Scranton - Keyser Avenue
David C. Griffin, Vice President, Manager

Scranton - Minooka - Davis Street
David H. Lencicki, Vice President, Manager

Scranton - N. Washington Ave.
Lee B. Walter, Vice President, Manager
Charlotte M. Menago, Assistant Vice President, Branch Assistant

Scranton - Wyoming Avenue
Lisa Browning, Assistant Vice President, Manager

Towanda
Karen O. Glosenger, Manager

Tunkhannock
Karen M. Fuller, Vice President, District Manager
Paula L. Coleman, Assistant Vice President, Retail Service Officer

Trucksville/Back Mountain
John P. Peterson, Vice President, Manager

Wilkes Barre (Franklin Street)
Susanne M. Mullin, Vice President, Manager

Wyalusing
Sandy L. Wentovich, Manager

Shareholder Information

Corporate Headquarters

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

Stock Listing

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

Annual Meeting

Wednesday, May 21, 2008
1:00 p.m.

Regina A. Quick Center for the Arts
St. Bonaventure University,
St. Bonaventure, NY 14778

Transfer Agent and Registrant of Stock

Shareholders requiring a change of name, address or ownership of stock, or information about shareholder records, lost or stolen certificates, and dividend checks, direct deposit and reinvestment should contact:
American Stock Transfer & Trust Company
59 Maiden Lane
New York, NY 10038
800-937-5449
www.amstock.com

Investor Information

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

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

Ms. Josephine Anne E. Rurka
Investor Relations Department
Community Bank System, Inc.
5790 Widewaters Parkway
DeWitt, NY 13214-1883
315-445-7300
josie.rurka@communitybankna.com

Independent Auditors

The Board of Directors appointed PricewaterhouseCoopers LLP as auditor for the company for the year ended December 31, 2007.

Analyst Coverage

The following analysts published research about Community Bank System in 2007:

FTN Midwest Research
David Darst
Phone: 615-734-6162
david.darst@ftnmidwest.com

Janney Montgomery Scott
Richard Weiss
Phone: 215-665-6224
rweiss@jmsonline.com

Keefe, Bruyette & Woods
Damon Del Monte
Phone: 860-722-5908
ddelmonte@kbw.com

Investor's Choice Program

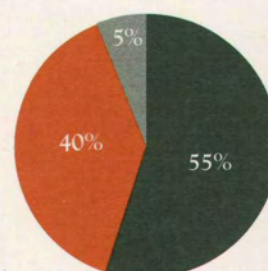
CBU offers convenient, low-cost options for investors wishing to steadily buy shares. For information, contact:

Ms. Donna J. Drengel
Shareholder Relations Department
Community Bank System, Inc.
5790 Widewaters Parkway
DeWitt, NY 13214-1883
Phone: 315-445-7313
donna.drengel@communitybankna.com
or
American Stock Transfer & Trust Co.
59 Maiden Lane
New York, NY 10038
800-278-4353
www.amstock.com

Stock Price Data

The following table contains the high, low and closing prices of Community Bank System's common stock, as well as its average daily trading volume, during each quarter of 2007.

	Ave. High	Low	Close	Daily Volume
Q4	21.85	17.70	19.87	196,300
Q3	21.69	16.61	19.52	179,600
Q2	21.38	19.63	20.02	136,400
Q1	23.63	19.64	20.92	104,100



■ Institutional
■ Individual
■ Executive Officers/Directors

STOCK OWNERSHIP

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 • fax 315.445.7347 • Communitybankna.com