The Bank operates more than 200 customer facilities across Upstate New York and Northeastern Pennsylvania through its banking subsidiary, Community Bank, N.A. At year-end 2016 the Company had assets of approximately $8.7 billion, placing the DeWitt, N.Y. headquartered company among the country’s 150 largest financial institutions. In October 2016 the Company entered into a definitive agreement to acquire Merchants Bancshares, Inc., Vermont’s largest statewide independent bank, with total assets of nearly $1.9 billion, deposits of $1.5 billion and 32 banking offices. In December 2016, the Company entered into an agreement to acquire Northeast Retirement Services, Inc. ("NRS"), a leading provider of plan accounting, transfer agency, fund administration, trust and retirement plan services. NRS became a subsidiary of Benefit Plans Administrative Services, Inc., a wholly-owned subsidiary of Community Bank System, in February 2017 when the transaction was completed.

The Company’s principal business focus is building additional value into the enterprise through disciplined organic growth combined with selective and strategic acquisitions, and a consistent approach to business regardless of economic conditions. The Company’s performance goal is to generate more than 10 percent average annual total shareholder return over time.

Community Bank’s market-leading branch system serves predominantly non-urban markets where it has earned the first or second deposit market share in 75 percent of the towns where it operates.

Approximately 36 percent of the Company’s 2016 revenue came from noninterest sources, with nearly 60 percent of that from its benefits administration, wealth management and insurance services businesses. In 2016, the Company’s financial services businesses generated just under $90 million in revenue, an increase of 37 percent from $65 million in 2015.

The Company’s disciplined approach to lending has provided an enviable risk profile for the Bank, where asset quality metrics have remained consistently better than industry and peer group averages.

The Company’s consistent approach to business has resulted in it being named one of the nation’s best large banks each of the last eight years in the annual Forbes.com® analysis of America’s 100 largest financial institutions.

Community Bank System has raised its cash dividend for 24 consecutive years, a significant milestone and evidence of the Company’s belief that payment of a meaningful and growing dividend is an important component of providing favorable long-term returns to its shareholders.

CBU has raised its cash dividend for 24 consecutive years.
CBU was ranked 3rd best for 2017 in an analysis of America’s best and worst large banks by Forbes® Magazine.

Total Shareholder Returns (Annualized)
Through December 31, 2016, or Most Recent Available, Including Reinvestment of Dividends

<table>
<thead>
<tr>
<th></th>
<th>1 YEAR</th>
<th>5 YEARS</th>
<th>10 YEARS</th>
<th>15 YEARS</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBU</td>
<td>59.0%</td>
<td>21.2%</td>
<td>14.6%</td>
<td>14.9%</td>
</tr>
<tr>
<td>S&amp;P 600 Commercial Bank</td>
<td>44.7%</td>
<td>22.6%</td>
<td>3.1%</td>
<td>5.8%</td>
</tr>
<tr>
<td>KBW Regional Bank</td>
<td>40.4%</td>
<td>20.5%</td>
<td>5.6%</td>
<td>8.6%</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>12.0%</td>
<td>14.6%</td>
<td>6.9%</td>
<td>6.7%</td>
</tr>
<tr>
<td>DJIA</td>
<td>16.5%</td>
<td>12.9%</td>
<td>7.5%</td>
<td>7.3%</td>
</tr>
</tbody>
</table>

Source: Bloomberg

Community Bank has increased its cash dividend by 60% over the past 10 years.
TO OUR SHAREHOLDERS, CUSTOMERS AND EMPLOYEES:

INVESTING IN THE FUTURE

2016 marked Community Bank’s 150th anniversary, a milestone we’ve proudly celebrated across our communities. From our humble beginnings in 1866 as St. Lawrence County National Bank, we’ve grown to nearly $8.7 billion in assets across the Adirondacks, the North Country, the Southern Tier, Western New York and Northeastern Pennsylvania. In 2017, we’ll cross the $10 billion asset threshold as we expand into New England with the acquisition of Vermont-based Merchants Bancshares, Inc. We believe our growth as a bank and success as a community partner over these 150 years is a direct result of our custom to always invest in — and embrace — the future.

The future energizes us. Each day and each year, we challenge ourselves to deliver more. How can we better serve our customers, engage our employees and reward our shareholders? How can we be a better financial partner, employer and investment? The answer in every one of our 150 years has been the same: be consistent, stick to what we know, do right by our communities, and do it better than anyone else.

We did well by this mission in 2016. Our record operating results and financial performance once again placed us among the best large U.S. banks, as evaluated by Forbes® Magazine in its eighth annual analysis of “America’s Best Banks.” In its January 2017 list, Forbes® ranked Community Bank third among the 100 largest publicly-traded banks and thrifts, based on a comparison of ten different metrics related to asset quality, capital adequacy, growth and profitability, and which included financial institutions ranging in asset size from just under $8 billion to $2.5 trillion. This marks Community Bank’s highest ranking in the eight years that Forbes® has produced this analysis. In fact, we’ve ranked 12th or higher in every year, with top 10 rankings for six of the annual reviews. We believe that our record of regularly placing near the top of these rankings reflects our consistently strong operating performance.

Likewise, in 2016 we raised our cash dividend for the 24th consecutive year, maintaining our place among the select group of “dividend achievers” that populate the S&P High Yield Dividend Aristocrats® Index. This index measures the performance of companies within the S&P Composite 1500® that have followed a managed-dividends policy of consistently increasing dividends every year for at least 20 years. We are pleased to note that even among this elite group of investment peers, Community Bank again outperformed the index as a whole on the basis of a one-year total return to shareholders, returning 59.0 percent for the year ended December 31, 2016, compared to the index average of 20.7 percent. We outperformed the index average for the three-, five- and ten-year periods ended December 31, 2016 as well.

Our pride in this history is exceeded only by our optimism for the future.

We believe 2017 will rank among the most transformative years in Community Bank’s history — a year when our geography and operations will grow in meaningful ways, and our earnings power in tandem.
A RECORD 150TH YEAR

2016 was a solid year in nearly every respect. Record operating results for our 150th year reflect the ongoing core strength and operating trends across our franchise. The Oneida Financial transaction was successfully integrated throughout 2016, with strong loan growth, a highly positive level of deposit retention and significant growth in wealth management, insurance and employee benefit services revenues.

Overall, our consumer mortgage and consumer installment products demonstrated strength through the year, and our total loan portfolio grew at a modest but healthy pace of 3.1 percent, and over $147 million from 2015. Loan growth was matched with core deposit expansion of 5.0 percent, which is a highly productive performance in our markets. Commercial lending activity was fairly consistent throughout 2016, reflecting the highly competitive nature of this business in our markets.

Revenue expansion was significant as well. Noninterest income grew 26.5 percent from 2015 and was meaningfully impacted by the Oneida acquisition, which brought on a significant insurance business in addition to traditional banking relationships. Our employee benefits administration, wealth management and insurance businesses posted an overall 37 percent increase in revenues, with a significant portion of the growth coming from Oneida activities. Total non-margin revenues grew to constitute over 36 percent of total revenues, providing not just diversification but multiple points of opportunity for further growth.

Net interest margin measured 3.71 percent for the year, down slightly from 3.73 percent for 2015, as proactive and disciplined management of funding costs in 2016 continued to help offset the interest-rate-driven decline in our average earning asset yields.

Operating expenses continued to be managed in a disciplined fashion. Our efficiency ratio — the measure of costs incurred to generate revenue — rose modestly to 59.1 percent, from 57.9 percent in 2015, largely reflecting infrastructure investments in operations, capital planning, Dodd-Frank Act stress testing, and investments to strengthen risk management and compliance to be fully prepared to meet the higher organizational expectations of a $10 billion institution. We are proud to have operated with an efficiency ratio consistently below 60 percent since 2010, and we continue to believe our efficient management is a core competency which differentiates Community Bank from other banks. Over this same period, publicly traded U.S. banks reported efficiency ratios ranging from 70 percent to 73 percent, on average.

2016 was also a continuation of the favorable overall asset quality results that are part of our credit DNA. Our reserves represented over seven years of annualized net charge-offs at December 31st. Our 2016 net charge-off results were again favorable at just 13 basis points, and nonperforming loans, comprised of both legacy and acquired loans, ended the year at $23.7 million, or 0.48 percent of total loans. Although we don’t see signs of asset quality headwinds on the horizon, it would be unlikely that we will see significant improvements to current asset quality results.

Likewise, we are pleased with the ability of our strong and growing business to offset a significant increase in our New York State tax rate. The $0.07 earnings per share impact from incremental state income taxes was absorbed by franchise growth, as total EPS for 2016 reached $2.32, up 6 percent from $2.19 in 2015.

Average Interest-Earning Assets  In millions

$9,000

$6,000

$3,000

$0,000

07 08 09 10 11 12 13 14 15 16

10-Year CAGR = 7.2%
TRANSFORMATIONAL CHANGE

In recent years our industry has been stratified into the “big” and the “small.” A community bank at heart and in history, up until now we have been characterized as “small.” But, with the economic events of recent years, banking regulators have lowered the key threshold of “big bank” size to just $10 billion in assets. Banks that exceed this size bear significantly more complex requirements related to compliance, risk management and general regulatory oversight, through what is referred to as Dodd-Frank Act Stress Testing, or “DFAST.”

We’ve been transparent in the efforts and costs we’ve undertaken to prepare for approaching this threshold. As we grew in 2015 and 2016, we established and communicated a road map that would provide for a mid-2017 DFAST reporting capability, regardless of whether we’d actually reached the $10 billion threshold by that time. We proceeded with our plans, implementing and building out DFAST systems and reporting capabilities. When our October 2016 agreement to acquire Merchants Bancshares, Inc. made crossing the $10 billion asset mark imminent, we were well prepared.

The DFAST threshold is near. But — once crossed, our strategy remains the same. We’ll be focused on growing our earnings and dividends in a disciplined and sustainable fashion for the benefit of our shareholders — and not growth for its own sake.

Asset growth aside, the Merchants acquisition brings truly exciting opportunities to Community Bank. The largest statewide independent bank in Vermont, Merchants has the third largest deposit market share in the state, with a growing presence in Western Massachusetts. In addition to assets of nearly $1.9 billion, it brings total deposits of $1.5 billion, 32 banking offices, and one of the strongest loan books in the country. Merchants’ cumulative credit losses over the past 10 years, including through the credit crisis, is just 27 basis points — total. Their high-quality balance sheet is funded by an attractive, low-cost core deposit base very similar to ours. And most importantly, the culture of Merchants and Community Bank are identical. Above all, we each value humility, work ethic, respect for others, and a commitment to excellence and achievement.

We believe Merchants is an exceptionally strong and attractive institution in every respect, including its board and governance, its leadership, its people, its markets, its performance, and its balance sheet. We are very judicious with our capital and very judicious with our business partners, and believe we have chosen wisely.

We are progressing through the regulatory review and approval process, and we believe that the acquisition will be completed around mid-year 2017. We’re very pleased that Merchants’ President and CEO Geoffrey Hesslink will be remaining with the Company, serving as our New England Regional President.

Additionally, in December 2016 we entered into an agreement to acquire Northeast Retirement Services, Inc. (“NRS”), a leading provider of plan accounting, transfer agency, fund administration, trust and retirement plan services. NRS officially joined our Benefit Plans Administrative Services, Inc. (“BPAS”) subsidiary upon deal closing in February 2017. The combination of NRS and BPAS creates a subsidiary with over $80 million in annual fee revenue, over $50 billion in trust assets and 3,800 retirement and other employee benefit plan administration clients throughout the United States and Puerto Rico. The NRS deal nicely represents the kind of non-banking growth opportunities that we believe build tremendous value into our franchise, without necessarily adding to the balance sheet in the way bank transactions do.

In both Merchants and NRS, we found low-risk, high-quality partners with whom we expect to create above-average returns for our shareholders.
EXCITEMENT AHEAD

Central to our success is the dedicated work of our outstanding Board of Directors, and 2017 brings a number of changes.

Per our Board’s policy regarding term limits for the chairs and committees, Nicholas DiCerbo’s term as Board Chair expired at the close of 2016. Nick has served as Board Chair since 2011 and as a Director since 1984, and has been an integral part of the decision-making that has elevated Community Bank System to a four-state market presence and more than 200 banking locations. Nick will now serve as Chair of the Strategic/Executive Committee, and will also serve on both the Risk and Trust and Financial Services Committees.

We are thrilled that Sally A. Steele, Esq., will ably assume Nick’s role as Chair of the Board. A Director of the Company since the acquisition of Grange National Banc Corp. in 2003, Sally is an outstanding leader with significant knowledge of our institution which she will apply in guiding the governance activities of the Company in the coming years.

With deep gratitude we thank Jim Gibson, whose mandatory retirement at age 70 culminated seven years of service to Community Bank’s Board. Jim joined the Board in 2009, following his retirement from partnership as a public accountant with KPMG, and his financial expertise brought tremendous insight to our Audit and Compensation Committees.

In 2017 we will also welcome two new Directors from Merchants, continuing our long history of benefiting from our acquired institutions’ leaders’ expertise and insights. Jeffrey L. Davis and Raymond C. Pecor, III will be joining the Board to support our ongoing efforts in our new markets.

We are confident that the meaningful changes on the horizon for Community Bank in 2017 set the stage for an abundant future for our Company. We intend to continue delivering on our duty to manage and grow our organization in a disciplined fashion, including crossing the $10 billion threshold in a manner that optimizes the economic outcome for our shareholders.

We’re grateful for your continued support of Community Bank System, Inc. in an era of great industry change. It is an honor to look ahead to a future of shared successes with our customers, shareholders and employees in 2017 and beyond. The future is exciting, and we cannot wait to embrace it.

Sally A. Steele Chairman of the Board

Mark E. Tryniski President and Chief Executive Officer
**Community Bank Franchise Overview**

- **Total Branch Locations**: 194
- **Total ATMs**: 202
- **Total Counties Served**:
  - New York: 36
  - Pennsylvania: 6
- **Average Deposits per Branch**: $34.5 million

**Merchants Bank Franchise Overview**

- **Total Branch Locations**: 32
- **Total ATMs**: 33
- **Total Counties Served**:
  - Vermont: 12
  - Massachusetts: 1
- **Average Deposits per Branch**: $47.2 million

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**Banking Services**

**Focus on Core Deposit Funding**

- Non-Maturity Interest-Bearing: 67%
- Noninterest-Bearing: 23%
- Time Deposits: 10%

**Diverse Loan Portfolio**

- Consumer Mortgage: 37%
- Business Lending: 30%
- Consumer Direct/Indirect: 25%
- Home Equity: 8%

**Expanding Service Footprint**

Number of total offices

- **210**
- **140**
- **70**

*at conclusion of Merchants acquisition

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Noninterest-bearing deposits represent nearly a quarter of CBU’s total deposits.

Noninterest income derived from general banking services totaled more than $66 million in 2016.
The Company’s financial services businesses have grown at a 13% compounded annual growth rate (CAGR) over the past 10 years.

In 2016, employee benefit, wealth management, and insurance services accounted for 58% of total noninterest income.

Employee Benefit Services
BPAS, Inc., and its subsidiaries, provides on a national basis: employee benefit trust services; collective investment fund, retirement plan and VEBA & HRA/HSA plan administration services; actuarial services; and healthcare consulting services.

In 2016 BPAS served approximately 400,000 plan participants, held $19 billion in assets under custody, employed 270 professionals, and operated from 10 offices located in New York, New Jersey, Pennsylvania, Texas and Puerto Rico.

In December 2016, the Company announced an agreement to acquire Northeast Retirement Services, Inc. (“NRS”), a leading provider of plan accounting, transfer agency, fund administration, trust and retirement plan services. The combination of BPAS and NRS creates a platform with over $80 million of annual revenue, more than $50 billion of trust assets, and 3,800 clients across the United States and Puerto Rico.

Wealth Management and Insurance Services

INVESTMENT ADVISORY/ASSET MANAGEMENT
Community Investment Services, Inc., The Carta Group, Inc., Nottingham Advisors, Inc., and the Trust Department of Community Bank, NA provide investment advisory and asset management services to individuals, corporations, corporate pension and profit sharing plans, and charitable foundations.

INSURANCE
The OneGroup NY, Inc. is a full-service insurance agency offering personal and commercial property insurance and other risk management products and services to individuals, corporations, not-for-profits and municipalities.

Financial Services Revenue Diversity

<table>
<thead>
<tr>
<th>Revenue Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Benefit Service Revenues</td>
<td>52%</td>
</tr>
<tr>
<td>Insurance Revenues</td>
<td>26%</td>
</tr>
<tr>
<td>Wealth Management Services Revenues</td>
<td>22%</td>
</tr>
</tbody>
</table>
This marks the sixth time that CBU has been ranked among the top 10 best banks in Forbes® analysis of America’s 100 largest banks and thrifts. This year’s analysis was based on a comparison of ten different metrics related to growth, asset quality, capital adequacy and profitability. The following charts display the financial metrics used in the 2017 analysis and compare CBU’s results to the median values of the 100 largest financial institutions.

Community Bank System ranked third in the eighth annual Forbes.com® ranking of “America’s Best Banks 2017.”

Forbes® analysis ranked banks based on September 30, 2016 regulatory data.

After placing among the top 12 banks for eight consecutive years, Forbes® ranked CBU third this year, its best placement yet.
Over the past 10 years, CBU has grown revenue at a compound annual growth rate of 8.7%, outpacing operating expense growth of 7.5%.

Community Bank System's book value per share has grown by more than 75% since the end of 2006.

### FINANCIAL PERFORMANCE

#### Selected Financial Highlights

<table>
<thead>
<tr>
<th>Income Statement</th>
<th>2016 (in millions)</th>
<th>2006 (in millions)</th>
<th>CAGR (10-year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>$273.9</td>
<td>$134.8</td>
<td>7.4%</td>
</tr>
<tr>
<td>Noninterest income</td>
<td>155.6</td>
<td>51.7</td>
<td>11.7%</td>
</tr>
<tr>
<td>Total revenue</td>
<td>429.5</td>
<td>186.5</td>
<td>8.7%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>266.8</td>
<td>129.6</td>
<td>7.5%</td>
</tr>
<tr>
<td>Provision for loan loss</td>
<td>8.1</td>
<td>6.6</td>
<td>2.1%</td>
</tr>
<tr>
<td>Net income</td>
<td>$103.8</td>
<td>$38.4</td>
<td>10.5%</td>
</tr>
<tr>
<td>Net interest margin</td>
<td>3.71%</td>
<td>3.91%</td>
<td>N/A</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Per Share Data</th>
<th>2016 (in millions)</th>
<th>2006 (in millions)</th>
<th>CAGR (10-year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diluted earnings per share</td>
<td>$2.32</td>
<td>$1.26</td>
<td>6.3%</td>
</tr>
<tr>
<td>Operating earnings per share&lt;sup&gt;1&lt;/sup&gt;</td>
<td>2.33</td>
<td>1.33</td>
<td>5.8%</td>
</tr>
<tr>
<td>Cash dividends declared</td>
<td>1.26</td>
<td>0.78</td>
<td>4.9%</td>
</tr>
<tr>
<td>Book value</td>
<td>26.96</td>
<td>15.37</td>
<td>5.8%</td>
</tr>
<tr>
<td>Tangible book value</td>
<td>$17.12</td>
<td>$7.17</td>
<td>9.1%</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Balance Sheet Data</th>
<th>End of period, in millions</th>
<th>2016 (in millions)</th>
<th>2006 (in millions)</th>
<th>CAGR (10-year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>$8,668</td>
<td>$4,498</td>
<td>6.8%</td>
<td></td>
</tr>
<tr>
<td>Loans, net</td>
<td>4,949</td>
<td>2,702</td>
<td>6.4%</td>
<td></td>
</tr>
<tr>
<td>Deposits</td>
<td>7,076</td>
<td>3,168</td>
<td>8.4%</td>
<td></td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>$1,198</td>
<td>$462</td>
<td>10.0%</td>
<td></td>
</tr>
</tbody>
</table>

<sup>1</sup> Operating earnings per share excludes the tax-effected impact of any gains or losses on sales of investment securities and debt extinguishments, acquisition expenses, litigation settlements, and other special charges.
Core deposits make up 90% of our funding and are a strength and a focus at CBU.

Community Bank System’s success has been the result of a consistent strategy that we have followed for more than 20 years. We have invested in and grown a market-leading branch system which serves predominantly non-urban markets.

Simply put, we operate as a community bank with local decision-making, provide a broad array of banking and financial services to retail, commercial and municipal customers, and leverage our deep knowledge of these markets to build strong core account relationships.

Using this approach, we have earned a dominant market share in much of Upstate New York where there is rational and modest growth, but where we have achieved solid performance over time. Throughout our Upstate New York and Northeast Pennsylvania service area we have the 1st or 2nd deposit market share in 75 percent of the towns where we do business.

Our operating objective is to continue to grow our branch network, primarily through a disciplined acquisition strategy, and with an occasional de novo location. At the 2016 year end, we were one of the largest community banks based in Upstate New York with approximately $8.7 billion in assets and more than 200 customer facilities. In the coming months we will complete the acquisition of Merchants Bancshares, Inc. and gain entry to the Vermont marketplace, with a partner that has the number three market position for the entire state. At that time we’ll crest the $10 billion asset threshold, which will subject the Company to additional regulation and increased supervision, an outcome for which we have been carefully preparing.

Despite our increased size — our total assets have more than quadrupled since 2000 — we continue to operate like a $1 billion bank, with decentralized decision-making and a focus on the smaller customers within our service footprint who don’t seem to interest our larger competitors. We focus on generating and retaining core deposit accounts which is illustrated by our modest percentage of time deposits in relation to total deposits. We are adept at functioning in a non-urban environment where growth is stable and typically within a range of two to five percent.

Along with being an efficient and effective gather of deposits, our understanding of our market area enables us to function particularly effectively as an in-footprint lender. Our disciplined approach to lending has resulted in exceptional asset quality, even through the worst recession since the Great Depression, and our conservative approach to risk management makes our returns particularly robust relative to risk taken.

Importantly, we have never retreated from our markets or customers during economic downturns, nor do we see that as a possibility in the future. Our banking strategy has been sound and as such, we haven’t needed to significantly change it. We continue to seek to grow through disciplined organic and acquired opportunities and we remain focused on cultivating profitable customer relationships.
INVESTING IN A SUCCESSFUL GROWING COMMUNITY BANK
A core operating objective is to grow noninterest revenues by developing banking-related fee income and by growing existing financial services business units.

Noninterest Income Growth

![Noninterest Income Growth Chart]

An important component of the Company’s long-term business strategy has been to invest in and to substantially grow noninterest revenue to reduce dependence on net interest margin. This is particularly important during periods when the margin narrows as has been the case in recent years. Our success at meeting this objective is illustrated by both the longer-term trends and the near-term growth that has been realized for these businesses. Over the past 10 years noninterest income has more than tripled from $51.7 million in 2006, to $156.0 million for 2016. Compared to 2015, fee income increased by $32.7 million, an increase of 26.5 percent, reflecting both organic growth in these businesses and a full year of revenue from the Oneida Financial acquisition. Along with growth in relation to the 2015 revenue, noninterest income as a percentage of total revenue increased from 33 percent to 36 percent in 2016.

Banking service fees, which are more than 42 percent of noninterest income for 2016, were up 14.5 percent to $66 million, both a result of the Oneida acquisition and as a result of organic growth.

Starting in 1996, with the acquisition of Benefit Plan Administrators ("BPAS"), the Company has made a strong commitment to acquire and build financial services businesses that can complement the banks service offerings, or that can function independently of the Bank’s activities.

BPAS has the capability of being both a complementary service for the Banks customers, and of building a high-performing business which services customers from all over the United States as well as Puerto Rico. BPAS provides benefits administration and consulting services, including: defined contribution plan benefit administration; actuarial services; health care and benefit plan consulting, collective investment fund administration; and VEBA/HRA administration.

BPAS services its nationwide clientele from several offices that are located in Upstate New York, Metropolitan New York, Philadelphia, Pittsburgh, Houston, Boston and Puerto Rico. During the past eight years BPAS has grown revenues at a compound annual growth rate of just under 11 percent, and with the completion of the acquisition of Northeast Retirement Services in February, BPAS is expected to realize a significant increase in revenue during 2017.

The Company’s wealth management and insurance business also realized significant growth in 2016 as it more than doubled from $20.2 million in 2015 to $43.3 million. This strong growth was a reflection of the 2016 integration of the insurance and wealth management businesses acquired as part of the Oneida Financial transaction.

The Company’s wealth management and insurance businesses are focused primarily on the Bank’s service areas of Upstate New York and Northeast Pennsylvania and provide trust services, asset management and advisory as well as insurance agency services. These businesses have realized an eight-year compound annual growth rate of more than 12 percent, and finished 2016 with nearly $5 billion in assets under management.
INVESTING IN GENERATING DIVERSIFIED REVENUE STREAMS
Community Bank’s roots reach back 150 years to the North Country of Upstate New York, and into many of towns and villages that are the antithesis of the state’s urban centers. As we have grown and expanded our service area, we have continued to seek out similar markets across Upstate New York and into Northeastern Pennsylvania, where we are a strong competitor. These regions are not known for their dynamic growth prospects, but they are known to be stable low-growth markets that aren’t subject to boom and bust cycles. While we have successfully grown organically, it has always made sense to explore opportunities to supplement that growth in other ways.

Acquisitions have been an important part of the Company’s long-term strategic growth initiative and we have consistently invested in the growth of noninterest revenues, as well as banking acquisitions that strengthen our market position or expand our service area. The Company has earned a reputation for being an effective acquirer by focusing on transactions that are manageable in size, accretive to earnings and importantly, low risk. Since 1985, we have expanded our banking franchise through 18 successful whole bank or branch acquisitions. In 1996, we made our first investment in non-bank fee revenue by acquiring Benefit Plan Administrators. Since that time we have made nine acquisitions which have grown our financial services revenues to just under $90 million for 2016.

Other recent transactions have included the acquisition of Oneida Financial Corp. in early December 2015, adding 12 branches, $699 million in deposits and improving our market share in the Syracuse and Utica-Rome metropolitan areas. The Oneida transaction also added product and service offerings in benefit administration, wealth management and insurance which complemented our financial services offerings. In the fourth quarter of 2013, we effectively integrated eight branches that we acquired in Northeast Pennsylvania from Bank of America, which added $303 million in deposits, as well as scale to our Pennsylvania banking operations. We completed another branch transaction during the third quarter of 2012, when we acquired 19 branches (12 after consolidations) from HSBC and First Niagara. This transaction expanded our presence in a variety of Upstate New York markets and added $800 million in deposits. And in the second quarter of 2011, we completed the acquisition Wilber Corporation adding 22 Central New York locations, $870 million in assets and $772 million in deposits.

In October 2016, we announced a definitive agreement to acquire Merchants Bancshares, with total assets of nearly $1.9 billion, deposits of $1.5 billion and 32 banking offices. Merchants is the largest statewide independent bank in Vermont with 11 percent market share and is ranked third in deposits. This transaction offered an opportunity to further diversify our geographical markets and customer base by expanding into Vermont and Western Massachusetts. It offered a natural expansion of our existing footprint in Upstate New York, into smaller markets similar to those in which we currently operate. Merchants is a very high-quality franchise including its people, its markets, its performance, and its balance sheet, and provides an exceptionally strong and attractive transaction in every respect.

In February 2017, we completed the acquisition of Northeast Retirement Services (“NRS”), a leading provider of plan accounting, transfer agency, fund administration, trust and retirement plan services. NRS, which is located just outside of Boston, Massachusetts, became a subsidiary of Benefit Plans Administrative Services, Inc. (“BPAS”), creating an organization with over $80 million in annual revenue, over $50 billion in trust assets and 3,800 retirement and other employee benefit plan administration clients throughout the United States and Puerto Rico.
INVESTING IN ACQUISITIONS THAT SUPPLEMENT GROWTH
Executive Management

COMMUNITY BANK, N.A.
REGIONAL ADVISORY BOARDS

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

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

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

Mark Tryniski
President and Chief Executive Officer
Joined CBU in 2003 and has previously served as Chief Financial Officer and Chief Operating Officer. Prior to joining the Company he was a partner with PricewaterhouseCoopers.

Scott Kingsley
Executive Vice President, Chief Financial Officer
Joined CBU in 2004. Prior to joining the Company, he served as CFO of Carlisle Engineered Products.

Joe Getman
Executive Vice President, General Counsel
Prior to joining the Company in 2008, he provided corporate counsel to CBU as a senior partner at Bond, Schoeneck & King, PLLC.

Brian Donahue
Executive Vice President, Chief Banking Officer
Joined the Company in 1993. During his 25 years of service to the Company, he has served as Chief Credit Officer and Senior Loan Officer for the Bank’s Southern Region.
Board of Directors

Sally A. Steele  
Chairman of the Board  
Attorney at Law;  
Director since 2003

Brian R. Ace  
Laceyville Hardware, Owner;  
Governance, Chair;  
Trust and Financial Services Committee;  
Director since 2003

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

Nicholas A. DiCerbo  
DiCerbo & Palumbo, Partner;  
Strategic/Executive Committee, Chair;  
Trust and Financial Services Committee;  
Director since 1984

James A. Gabriel  
Franklin & Gabriel, Owner;  
Trust and Financial Services Committee, Chair;  
Risk Committee, Vice Chair;  
Strategic/Executive Committee;  
Director since 1984

John Parente  
CP Media, LLC, CEO;  
Risk Committee, Chair;  
Strategic/Executive Committee;  
Audit/Compliance Committee;  
Director since 2010

John F. Whipple  
Buffamante Whipple Buttafaro, P.C., CEO;  
Audit/Compliance Committee, Vice Chair;  
Governance Committee;  
Stress Testing Subcommittee;  
Director since 2010

Brian R. Ace  
Laceyville Hardware, Owner;  
Governance, Chair;  
Trust and Financial Services Committee;  
Director since 2003

Sally A. Steele  
Chairman of the Board  
Attorney at Law;  
Director since 2003

Note: All bank board members participate in the Risk Committee

James W. Gibson, Jr.  
The Board of Directors is deeply  
grateful to Jim Gibson for his important  
guidance to Community Bank System Inc.  
during his seven years of service as  
a Director. Mr. Wilson, who joined  
the Company’s Board in 2009,  
has served on the Audit/Compliance/Risk  
Management and Compensation  
Committees. Prior to joining the Board,  
he was a partner at KPMG, LLP.

Michael R. Kallet  
Retired Chairman and CEO  
of Oneida Financial Corp.;  
Trust and Financial Services Committee;  
Director since 2013

Neil E. Fesette  
Fesette Realty, LLC and Fesette Property  
Management, Owner, President and CEO;  
Compensation Committee, Chair;  
Governance Committee;  
Strategic/Executive Committee;  
Director since 2010

James A. Gabriel  
Franklin & Gabriel, Owner;  
Trust and Financial Services Committee, Chair;  
Risk Committee, Vice Chair;  
Strategic/Executive Committee;  
Director since 1984

Edward S. Mucenski  
Pinto, Mucenski, Hooper, Van House & Company, P.C.,  
Partner and Managing Director;  
Audit/Compliance Committee, Chair;  
Compensation Committee;  
Stress Testing Subcommittee;  
Director since 2010

John Parente  
CP Media, LLC, CEO;  
Risk Committee, Chair;  
Strategic/Executive Committee;  
Audit/Compliance Committee;  
Director since 2010

Michael R. Kallet  
Retired Chairman and CEO  
of Oneida Financial Corp.;  
Trust and Financial Services Committee;  
Director since 2013

Eric E. Stickels  
Retired President, COO and Secretary  
of Oneida Financial Corp.;  
Stress Testing Subcommittee, Chair;  
Trust and Financial Services Committee;  
Director since 2015

Edward S. Mucenski  
Pinto, Mucenski, Hooper, Van House & Company, P.C.,  
Partner and Managing Director;  
Audit/Compliance Committee, Chair;  
Compensation Committee;  
Stress Testing Subcommittee;  
Director since 2010

John F. Whipple  
Buffamante Whipple Buttafaro, P.C., CEO;  
Audit/Compliance Committee, Vice Chair;  
Governance Committee;  
Stress Testing Subcommittee;  
Director since 2010

Eric E. Stickels  
Retired President, COO and Secretary  
of Oneida Financial Corp.;  
Stress Testing Subcommittee, Chair;  
Trust and Financial Services Committee;  
Director since 2015

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

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

James W. Gibson, Jr.  
The Board of Directors is deeply  
grateful to Jim Gibson for his important  
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a Director. Mr. Wilson, who joined  
the Company’s Board in 2009,  
has served on the Audit/Compliance/Risk  
Management and Compensation  
Committees. Prior to joining the Board,  
he was a partner at KPMG, LLP.
ADMINISTRATION

EXECUTIVE
Mark E. Tryniski, President and Chief Executive Officer
Scott A. Kingsley, Executive Vice President, Commercial Banking Officer
A. Edward Nork, Commercial Banking Officer
Stacia Arnaud, Commercial Banking Officer
John Pekarovsky, Commercial Banking Officer
George J. (Joe) Getman, Executive Vice President, General Counsel

RETAIL & BUSINESS BANKING
Joseph Serbun, Senior Vice President, Chief Credit Officer
Hal Wentworth, Senior Vice President, Retail Banking and Marketing
Richard Heidrick, Senior Vice President, Consumer Banking
George Burke, Senior Vice President, Mortgage Banking
Joseph Sutars, Senior Vice President, Municipal Banking Director
Barbara Maculioch, Regional President Northeast Pennsylvania
Robert Cirko, Senior Vice President, Regional Retail Banking Manager
Scott Boser, Vice President, Director of Mortgage Banking
Lynne Wadowsworth, Branch Services Administrator
Cynthia Lefko, Cash Management Product and Sales Manager
Deborah Baker, Collections Manager

CREDIT ADMINISTRATION
Stephen Hardy, Senior Vice President, Chief Credit Administrator
Nancy Mastrucci, Senior Credit Manager
Mark Guenthner, Special Assets Manager
Denise Rhoads, Commercial Appraisal Manager

FINANCE & TREASURY MANAGEMENT
Joseph Lemchak, Senior Vice President, Chief Investment Officer
Deresha Durkee, Corporate Purchasing Manager
Brian Fancher, Assistant Corporate Controller
Laura Maitice, Accounting Operations and Regulatory Reporting Manager
Denelle Michalski, Financial Controls Manager
Robert Pierce, Subsidiary Accounting and Financial Reporting Manager

ADMINISTRATIVE SERVICES
Bernadette Barber, Senior Vice President, Chief Human Resources Officer
Danielle Cima, Associate General Counsel, Corporate Secretary
Michael Abdo, Associate General Counsel
Brett Fisk, Director of Facilities
Donna Drengel, Board Secretary and Shareholder Relations

INFORMATION TECHNOLOGY & OPERATIONS
J. Michael Wilson, Senior Vice President, Chief Information Officer
Susan Fox, Senior Vice President, Chief Information Officer
Aaron Frst, Director of Information Technology
Robin Dumais, Electronic Banking Manager
Barbara Snyder, Loan Operations Manager
Christina Sullivan, Director of Business Information Systems
Paula Demo, Deposit Operations Manager
Tyanna Roseman, Corporate Projects Manager

RISK MANAGEMENT
Paul Ward, Senior Vice President, Chief Risk Officer
Mark Houghtaling, Director of Loan Review
Daniel O’Connell, Director of Internal Audit
Dorothy Guastiere, Chief Compliance Officer
Timothy Miller, Director of Information Security

COMMUNITY BANK COMMERCIAL BANKING OFFICERS

WESTERN REGION
James Rahill, Senior Commercial Bank Officer
David Alm, Senior Commercial Banking Officer
Mark Saglimben, Senior Commercial Banking Officer
David McKinley, Commercial Banking Officer
Scott Brechbuehl, Commercial Banking Officer
Gretchen Copella, Commercial Banking Officer
Patrick Gorman, Commercial Banking Officer
Michael Boza, Agricultural Banking Officer

NORTHERN REGION
Nicholas Russell, Senior Vice President, Commercial Banking
Ronald Bacon, Senior Commercial Banking Officer
Kevin Kent, Commercial Banking Officer
Paul Connelly, Commercial Banking Officer
Craig Stevens, Commercial Banking Officer
Jeffrey Fallon, Commercial Banking Officer
Patricia Duffy, Agricultural Banking Officer
Duane Pelkey, Commercial Banking Officer
Aaron Kimmich, Agricultural Banking Officer

SOUTHERN REGION
Stephen Rich, Commercial Banking Team Leader
Loren Herod, Agricultural Banking Team Leader
Arthur Sable, Commercial Banking Officer
D. James Vedora, Commercial Banking Officer
Mark Miller, Commercial Banking Officer
Charles Van Hoof, Agricultural Banking Officer
Rebecca Snyder, Agricultural Banking Officer

CENTRAL REGION
Jeffrey Lord, Commercial Banking Team Leader
Edward Michalek, Commercial Banking Officer
John Connelly, Commercial Banking Officer
Allison Mosher, Commercial Banking Officer

SMALL BUSINESS UNDERWRITING
Michael Austin, Small Business Loan Manager
Richard Sisson, Underwriter
Beth Robbins, Underwriter

PENNSYLVANIA REGION
Warren Rozelle, Commercial Banking Team Leader
Richard Kazmerick, Commercial Banking Team Leader
Paul Bayrum, Commercial Banking Officer
Matthew Dougherty, Commercial Banking Officer
Mary Elizabeth D’Andrea, Commercial Banking Officer
Neil King, Commercial Banking Officer
Walter Sarratino, Commercial Banking Officer
David McHale, Commercial Banking Officer
A. Edward Nork, Commercial Banking Officer
Stacia Arnaud, Commercial Banking Officer
John Pekarovsky, Commercial Banking Officer

SYRACUSE/ONEIDA REGION
Luke Fagan, Commercial Banking Team Leader
Russell Brewster, Commercial Banking Team Leader
Russell Sturz, Commercial Banking Officer
Joseph Pedrotti, Commercial Banking Officer
William Baldwin, Commercial Banking Officer
Steven Potter, Commercial Banking Officer
Thomas Lewin, Commercial Banking Officer
Dean Shlitzmacher, Commercial Banking Officer
Trevor Bacon, Commercial Banking Associate
WEALTH MANAGEMENT GROUP
Paul Restante, Managing Director
Theresa Kalil-Lennon, Senior Vice President, Regional Sales Manager, Central/East
David Coon, Senior Vice President, Regional Sales Manager, Western NY
Daniel Drappo, Senior Financial Consultant, Regional Sales Coordinator, St. Lawrence
Stephen McFadden, Financial Consultant, Regional Sales Coordinator, Adirondack

TRUST SERVICES
Catherine Koebelin, Senior Vice President, Chief Trust Officer, Olean
Charles Perrillo, Senior Vice President, Chief Trust Investment Officer, Oneonta
Amy Schlee, Senior Trust Officer, Olean
Patricia Barie, Senior Trust Officer, Oneonta
Jennifer Crites-Lebeau, Trust Officer, Olean
Patricia Crolly, Trust Officer, Scranton
Shannon Hyzer, Trust Officer, Oneonta
Robert Jewell, Senior Trust Officer, Elmira
Linda Meyer Lambert, Trust Officer, Olean
Thomas LaPage, Trust Officer, Canton
Patricia Lowe, Trust Operations Officer, Olean
Richard Mastracci, Corporate Trust Officer, Scranton
Adam Neibank, Trust Investment Officer, Oneonta
Christine Petras, Trust Investment Officer, Oneonta
Paul Snodgrass, Trust Investment Officer, Canton
Brett Zielasko, Trust Officer, Oneida

NOTTINGHAM ADVISORS, LLC
100 Corporate Parkway, Suite 338, Amherst, NY
Thomas Quealy, Chief Executive Officer
Lawrence Whistler, President, Chief Investment Officer
Karen Mohn, Chief Compliance Officer
Nicholas Verbanic, Vice President, Portfolio Manager

ONE GROUP
706 North Clinton Street, Syracuse, NY
Pierre Morriseau, Chief Executive Officer
John Catanzarita, Chief Operating Officer
Alison Dunn, Senior Vice President, HR and Employee Benefits
Chris Mason, Executive Vice President, Commercial Lines
Ron Heath, Chief Sales and Marketing Officer

COMMUNITY INVESTMENT SERVICES, INC.
Paul Restante, President
Theresa Kalil-Lennon, Senior Vice President, Sales Manager
Chasity Jaynes, Operations Manager
Laurel Pellettiere, Compliance Manager
Garry Payne, Carta Group
Jeremy Caza, Carta Group

FINANCIAL CONSULTANTS
Peter Albano, Wilkes-Barre
Charles Baracco, Syracuse
Donald Bower III, Elmira
Eric Brunet, Ogdensburg
Joseph Butler, Jr., Watertown
Thomas Cielick, Olean/Avon
Shawn Derrick, Wellsville
Daniel Drappo, Watertown
James Durso, Wellsville
Robert Eckermann, Cazenovia
Timothy Forman, Lake Placid
Kevin Gildner, Wellsville
Joseph Hatfield, Oneida
Justin Hopper, Plattsburgh
Randal Hulick, Springville
Kathy Kafferberger, Chittenango
Rick Little, Jerimyn
Andrew Mangano, Fulton
Jude McDonough, Scranton PA
Stephen McFadden, Plattsburgh
James Mersfelder, Syracuse
Chad Murray, Falconer
Charles Nicola, Oneonta
David O’Neil, Jr., Boonville
Brent Patry, Oneonta/Norwich
Robert Stanley, Minooka

BENEFIT PLAN SERVICES
Barry Kublin, Chief Executive Officer

BPAS
6 Rhoads Drive, Utica, NY
Paul M. Neveu, President, BPAS, LLC
Robert A. Malczyk, Vice President, Director of Sales
Linda S. Pritchard, Senior Vice President, Recordkeeping Services
3501 Masons Mill Road, Suite 505, Huntington Valley, PA
Mary Anne Geary, Senior Vice President, DC Plan Services
Richard Schultz, Senior Vice President, Fiduciary Services

BPAS ACTUARIAL AND PENSION SERVICES
706 North Clinton Street, Syracuse, NY
Vincent F. Spina, President
Steven P. Chase, Senior Vice President
Sarah E. Dam, Senior Vice President
335 Lexington Ave., 5th Floor, New York, NY
Sheryl Gabriel, Senior Vice President

HAND BENEFITS & TRUST
820 Gessner, Suite 1250, Houston, TX
W. David Hand, Chief Executive Officer
Stephen Hand, President
James Goodwin, Vice President

BPAS TRUST COMPANY PUERTO RICO
644 Fernandez Juncos Ave, Suite 301, San Juan, PR
Alfredo Matheu, BPAS President, Puerto Rico
## COMMUNITY BANK
### NORTHERN NEW YORK MARKET

<table>
<thead>
<tr>
<th>Location</th>
<th>Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADAMS</td>
<td>Christopher M. Castle</td>
</tr>
<tr>
<td>ALEXANDRIA BAY</td>
<td>Bethany Todd</td>
</tr>
<tr>
<td>AUSABLE FORKS</td>
<td>Valerie Daniels</td>
</tr>
<tr>
<td>BLACK RIVER</td>
<td>Margaret Farone</td>
</tr>
<tr>
<td>BOONVILLE</td>
<td>Debra Roberts</td>
</tr>
<tr>
<td>CANTON</td>
<td>Marsha Watson</td>
</tr>
<tr>
<td>CHAMPLAIN</td>
<td>Melissa M. Peryea</td>
</tr>
<tr>
<td>CHATEAUGAY</td>
<td>Sherry Langdon</td>
</tr>
<tr>
<td>CLAYTON</td>
<td>Lori Fearsides</td>
</tr>
<tr>
<td>FORT COVINGTON</td>
<td>Gayle Miner</td>
</tr>
<tr>
<td>GOVERNEUR</td>
<td>Diane Easton</td>
</tr>
<tr>
<td>HARRISVILLE</td>
<td>Karen Pierce</td>
</tr>
<tr>
<td>HERMON</td>
<td>Connie Green</td>
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<tr>
<td>HEUVELTON</td>
<td>Richard Tacchino</td>
</tr>
<tr>
<td>INDIAN LAKE</td>
<td>Brenda Langhearn</td>
</tr>
<tr>
<td>LAKE PLACID</td>
<td>Katie Stephenson</td>
</tr>
<tr>
<td>LONG LAKE</td>
<td>Vincen Novak</td>
</tr>
<tr>
<td>LOWVILLE (STATE STREET)</td>
<td>Tina Paczkowski, District Manager</td>
</tr>
<tr>
<td>LOWVILLE (TOWN ROAD)</td>
<td>Stephen Allen, Manager</td>
</tr>
<tr>
<td>LYONS FALLS</td>
<td>Susan Krist</td>
</tr>
<tr>
<td>MADRID</td>
<td>Michelle Hollister</td>
</tr>
<tr>
<td>MALONE (ELM STREET)</td>
<td>Darcy King, District Manager</td>
</tr>
<tr>
<td>MALONE (WEST MAIN STREET)</td>
<td>Stacey Brunell, Manager</td>
</tr>
<tr>
<td>MASSENA</td>
<td>Sue Perkins</td>
</tr>
<tr>
<td>NORTH CREEK</td>
<td>Lori DeMaris</td>
</tr>
<tr>
<td>NORTWOOD</td>
<td>Emily Losey</td>
</tr>
<tr>
<td>OGDENSBURG (STATE STREET)</td>
<td>Matthew Honeywell, Manager</td>
</tr>
<tr>
<td>OGDENSBURG (FORD STREET)</td>
<td>Denise Barse, Manager</td>
</tr>
<tr>
<td>OLD FORGE</td>
<td>Barbara Criss</td>
</tr>
<tr>
<td>PLATTSBURGH (MARGARET STREET)</td>
<td>Kathryn Reynolds, Manager</td>
</tr>
<tr>
<td>PLATTSBURGH (ROUTE 3)</td>
<td>Kent Backus, Regional Retail Banking Manager</td>
</tr>
<tr>
<td>PLATTSBURGH (IN-STORE – WAL-MART)</td>
<td>Arlene Favreau, Branch Supervisor</td>
</tr>
<tr>
<td>POTSDAM (MARKET STREET AND MAY ROAD)</td>
<td>Victoria Strader, Manager</td>
</tr>
<tr>
<td>SARANAC LAKE (BROADWAY AND LAKE FLOWER)</td>
<td>Brenda Darrah, District Manager</td>
</tr>
<tr>
<td>ST. REGIS FALLS</td>
<td>Sheri Fleury</td>
</tr>
<tr>
<td>STAR LAKE</td>
<td>Connie Green</td>
</tr>
<tr>
<td>TICONDEROGA</td>
<td>Maria Beuerlein</td>
</tr>
<tr>
<td>TUPPER LAKE</td>
<td>John Salamy</td>
</tr>
<tr>
<td>WADDITION</td>
<td>Emily Losey</td>
</tr>
<tr>
<td>WATERTOWN (ARSENAL STREET)</td>
<td>Elizabeth Brown, Manager</td>
</tr>
<tr>
<td>WATERTOWN (216 WASHINGTON STREET)</td>
<td>Rita J. Walldroff, Regional Retail Banking Manager</td>
</tr>
<tr>
<td>WEST CARTHAGE</td>
<td>Naura L. Christman</td>
</tr>
<tr>
<td>WHITEHALL</td>
<td>Holly A. Rabideau</td>
</tr>
</tbody>
</table>

## COMMUNITY BANK
### SOUTHERN NEW YORK MARKET

<table>
<thead>
<tr>
<th>Location</th>
<th>Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADDISON</td>
<td>Robin Knapp</td>
</tr>
<tr>
<td>ALFRED</td>
<td>Beth Plaisted</td>
</tr>
<tr>
<td>ALLEGANY</td>
<td>Stephanie Kolikowski</td>
</tr>
<tr>
<td>AVON</td>
<td>Deborah Fetch</td>
</tr>
<tr>
<td>ANGELICA</td>
<td>Diana Grastorf</td>
</tr>
<tr>
<td>BATH</td>
<td>Joel Brazie</td>
</tr>
<tr>
<td>BELFAST</td>
<td>Brandy Bundick</td>
</tr>
<tr>
<td>BOLIVAR</td>
<td>Judy Gilliland</td>
</tr>
<tr>
<td>CANANDAIGUA (COUNTY ROAD 11)</td>
<td>Ashley Braun, Branch Supervisor</td>
</tr>
<tr>
<td>CANANDAIGUA (SOUTH MAIN STREET)</td>
<td>Christopher Bross, Manager</td>
</tr>
<tr>
<td>CASSADAGA</td>
<td>Susan Sekuterski</td>
</tr>
<tr>
<td>CATO</td>
<td>Tiesha Combes</td>
</tr>
<tr>
<td>CLIFTON SPRINGS</td>
<td>Theresa Dorgan</td>
</tr>
<tr>
<td>CLYMER</td>
<td>Laurie Harvey</td>
</tr>
<tr>
<td>CORNING (WEST MARKET STREET)</td>
<td>Wendy Daines, Manager</td>
</tr>
<tr>
<td>CORNING NORTH</td>
<td>Robert Awamapato</td>
</tr>
<tr>
<td>CUBA</td>
<td>Shavonne Henderson</td>
</tr>
</tbody>
</table>
DANSVILLE
Jody Tonkery, District Manager
Melissa Ponticello, Manager

DUNKIRK (VINEYARD DRIVE)
Jason DeChard, Manager

DUNKIRK (CENTRAL AVENUE)
Jean Coughlin, Manager

ELMIRA
Denise Allen, District Manager

ERWIN/PAINTED POST
Todd Selander, Branch Supervisor

FALCONER
Joan Anderson, Manager

FILLMORE
Julie Hall, District Manager

FRANKLINVILLE
Sandra Wolfer, Manager

GENESEO
Lisa Kime, Manager

GENEVA (CANANDAIGUA ROAD)
Tina Jackson, Manager

GENEVA (GENEVA STREET)
John Latanyshyn, Manager

GOWANDA
Ralph Swanson, Manager

HAMMONDSPORT
Kelly Buzzmann, Manager

HORNELL
Sandra Aiken, Manager

HORSEHEADS (CONSUMER SQUARE)
Glenn Parsons, Manager

HOUGHTON COLLEGE
Julie Hall, District Manager

INTERLAGEN
Denise Ector, Manager

ITHACA
Michael MacDonald, Manager

JAMESTOWN (NORTH MAIN STREET)
Kathleen Berinus, Manager

JAMESTOWN (MAIN STREET - BROOKLYN SQUARE)
Glori Taylor, Manager

LAKESIDE
Lisa Alkerson, District Manager

LIVONIA
Ronda Howard, Manager

MORAVIA
Michael Pizzola, Manager

MOUNT MORRIS
Susan Neelin, Manager

NAPLES
Joliette Pendleton, District Manager

NEWARK (CHURCH STREET)
Phylis A. Adriaansen, Manager

NEWARK PLAZA
Ann Young, Manager

NICHOLS
Kathleen Brown, Manager

NORTH COLLINS
Robin Hofman, Manager

OLEAN (NORTH UNION STREET)
Eric M. Garvin, Regional Retail Banking Manager
Jody Spears, District Manager

OLEAN (DELAWARE PARK)
Kelly Crandall, Manager

ORCHARD PARK
Kristen Woodarek, Manager

OVID
Jacqueline Robinson, Manager

OWEGO
Florence Rossi, Manager

PALMYRA
Cheryl Ford, Manager

PENN YAN (MAIN STREET)
Thomas May, Manager

PENN YAN (LAKE STREET)
Kelly Smith, Manager

PHELPS
Mary Niles, Manager

PORTVILLE (EAST STATE ROAD)
Brenda Blackwell, Manager

PORTVILLE (NORTH MAIN STREET)
Katrina Savitchuff, Branch Supervisor

RANDOLPH
Diane Lecoardone, Manager

RIPLEY
Shara Post, Branch Supervisor

RUSHVILLE
Christine Copper, Manager

SALAMANCA
Robin Bower, Manager

SENeca FALLS
David Sloan, Regional Retail Banking Manager
Christine Plate, Manager

SHERMAN
Sharon Stevens, Manager

SILVER CREEK
Mark Catalano, District Manager

SPRINGVILLE (CASCADE DRIVE)
Mary Ann Lutz, Manager

SPRINGVILLE (NORTH BUFFALO STREET)
Brooke Baker, Manager

WElLSVILLE (BOLIVAR ROAD)
Lori Dzielski, Manager

WElLSVILLE (MAIN STREET)
Virginia Elliott, Manager

WESTFIELD
Carl Swan, Manager

WOODHULL
Ashley Quick, Manager

YORKSHIRE
Joseph Fite, Manager
COMMUNITY BANK
CENTRAL NEW YORK/ONEIDA MARKET

BOICEVILLE
Brad Bernard, Manager

CAMDEN
Michelle Szolnik, Manager

CANASTOTA
Lori Torrey, Manager

CAZENOVIA
Robin Gallup, Manager

CHITTENANGO
Roberta Button, Manager

CICERO
Denise Cavallo, Manager

COBLESKILL
Christy Roberts, Manager

COOPERSTOWN
(NORTH MAIN STREET AND OTSEGO, STATE HIGHWAY)
Naomi Duncan, Manager

DELI
Tina Seguare, Manager

DEWITT
Robert Liedka, Manager

DOWNSVILLE
Jean M. Lacey, Manager

FLEISCHMANN
Ana Benjamin, Manager

FULTON
Tina Stephens, Manager

HAMPTON
Janet Briggs, District Manager

HANNAH
Debra Davis, District Manager

JOHNSON CITY
Michelle Carstoss, Manager

MILFORD
Kevin Moore, Branch Supervisor

MORRIS
Emily Boss, Manager

NORWICH (STATE HIGHWAY)
Caryn Wake, Manager

NORWICH (BROAD STREET)
Leigh Ann Oделle, Manager

ONEIDA (CONVENIENCE)
Jackie Mowers, Manager

ONEIDA (MAIN)
Paul Lepore, Regional Retail Banking Manager
Cindy Lindauer, Manager

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

ONEONTA (CHESTNUT STREET)
Paula Morell, Manager

ONEONTA (GROVE STREET)
Mike Walling, District Manager

ONEONTA (FIREHOUSE)
Lesley Bohacek, Manager

OSWEGO
Fred Aldrich IV, Manager

OTSEGO
Beth Koncelik, Branch Supervisor

PULASKI
Steven P. Gaffney, Manager

ROME (GRIFFISS PARK)
Wendy Berg, Manager

ROME (TURIN ROAD)
Wendy Berg, Manager

SCHENECTADY
Gerald V. Coombs, Jr., Manager

SIDNEY
Bridget Fisk, District Manager
Sharon Cutting, Manager

SKANEATELES
Elizabeth Silliman, Manager

VERNON
Mollie Foster, Manager

WALTON
Donna A. Bundy, Manager

WESTMORELAND
Tina Paczkowski, District Manager

COMMUNITY BANK
PENNSYLVANIA MARKET

CARBONDALE
Bobbiann Davis, Manager

CLARKS SUMMIT
David Griffin, Manager

DALEVILLE
Susan Pitoniak, Manager

DICKSON CITY
Lisa Rochinski, Manager

EDWARDSVILLE
Denise Johnson, Manager

HAZLETON (NORTH STREET)
Susan Pitoniak, Manager

HAZLETON (NORTH CHURCH STREET)
Lori Roth, Manager

HAZLETON (WEST BROAD STREET)
Emmanuel Marty, Manager

JERMYN
John Peterson, Manager

JESSUP
Mary Bieszczad, Manager

KINGSTON (JAMES STREET)
Karen Shuster, Manager

LACEYVILLE
Greg Culver, Manager

LANSFORD
John Greybosh, Manager

LAWTON
Doug Jackson, Manager

LEHIGHTON
Dana Cammari, Manager

LITTLE MEADOWS
Doug Jackson, Manager

MESSENGER
Jennifer Ramey, Manager
MONTROSE
Steven Stranburg, Manager

NOXEN/BOWMAN’S CREEK
Colleen Bullock, Manager

OLYPHANT
Theresa Collins, District Manager

PITTSTON
Gary Missal, Manager

SCRANTON (KEYSER AVENUE)
Lisa Browning, Manager

SCRANTON (MINOOKA - DAVIS STREET)
David Lencicki, Manager

SCRANTON (NORTH WASHINGTON AVENUE)
Suzanne Kennedy, Manager

SCRANTON (WYOMING AVENUE)
Michelle Cook, Manager

TOWANDA
Lori Smith, Manager

TUNKHANNOCK
Brigitte Meikens, Manager

TRUCKSVILLE/BACK MOUNTAIN
Susanne M. Mullin, Manager

WILKES BARRE (FRANKLIN STREET)
David Dobbs, District Manager
Susan Russick, Manager

WILKES BARRE (SOUTH MAIN STREET)
Sandra Wheeler, Manager

WYALUSING
Karen Fuller, District Manager
A HISTORY OF INVESTING IN THE FUTURE

Community Bank has significantly enhanced and grown its banking franchise through 18 successful acquisitions since 1995. Since 2006, the Company has added a net of more than 80 retail locations through eight branch or whole-bank acquisitions. In October 2016, Community Bank announced an agreement to acquire Merchants Bancshares – its largest transaction to date – which will add 32 banking locations in Vermont and Western Massachusetts and $1.9 billion in assets.

ACQUISITION CHARACTERISTICS

Manageable-sized acquisitions
Largely in-market
Accretive to earnings and low risk
Organizations that are a cultural fit

BANK ACQUISITIONS

SINCE 2006

2017 Merchants Bancshares, Inc. (Pending) Whole Bank VT and Western MA
2015 Oneida Financial Corp. Whole Bank Central Upstate NY
2013 Bank of America 8 branches Northeast PA
2012 HSBC/First Niagara Financial Group, Inc. 19 branches Upstate NY
2011 Wilber Corporation Whole Bank Central Upstate NY
2008 Citizens Financial Group, Inc. 18 branches Northern NY
2007 TLNB Financial Corp. Whole Bank Northern NY
2006 ES&L Bancorp, Inc. Whole Bank Upstate NY
2006 ONB Corporation Whole Bank Upstate NY

PRIOR TO 2006

2000 to 2004 ($1.4 billion in assets) Whole Bank Upstate NY, Northeast PA (5 transactions)
1989 to 2004 ($1.3 billion in deposits) 75 branches Upstate NY (8 transactions)

Another element of the Company’s strategic profile is the continuous investment in and growth of noninterest revenues. In 2006, the company had noninterest income of $51.7 million which represented 28 percent of total revenue. For 2016, noninterest income more than tripled to $156 million and grew to 36 percent of total revenue. The Company remains an active acquirer of high-value financial services businesses as demonstrated by the December 2016 agreement to acquire Northeast Retirement Services, a leading provider of customized institutional trust services.

FINANCIAL SERVICES ACQUISITIONS

SINCE 2006

2017 Northeast Retirement Services Retirement plan administration
2015 OneGroup Insurance and benefits (Oneida Financial Corp.)
2014 Lifetime Benefit Solutions Benefits administration
2011 CAI Benefits, Inc. Benefits administration
2008 Alliance Benefit Group MidAtlantic Benefits administration
2007 CBNA Insurance Agency, Inc. Insurance (TLNB Financial)
2007 Hand Benefits & Trust, Inc. Benefits administration

PRIOR TO 2006

2003 BPAS-APS (Harbridge Consulting) Benefits administration
2000 Nottingham Advisors Asset management
1996 Benefit Plans Administrators (BPAS) Benefits administration
CORPORATE AND SHAREHOLDER INFORMATION

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, 2016.

ANALYST COVERAGE
The following analysts published research about Community Bank System in 2016:

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

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

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

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

Keefe, Bruyette & Woods Inc.
Collyn G. Gilbert / 973.549.4032
collin.gilbert@kbw.com

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

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

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

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

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

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

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.