

COMMUNITY BANK SYSTEM, INC.
Form 424B3
May 12, 2015

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Registration No. 333-203102**

PROPOSED MERGER YOUR VOTE IS VERY IMPORTANT

Dear Stockholder:

On February 24, 2015, the board of directors of Oneida Financial Corp. (Oneida Financial) unanimously approved an Agreement and Plan of Merger (the Merger Agreement) between Oneida Financial and Community Bank System, Inc. (Community Bank System). Oneida Financial is holding a special meeting on Wednesday, June 17, 2015 at 4:00 p.m., Eastern Time, at the Greater Oneida Civic Center, 159 Main Street, Oneida, New York 13421, for its stockholders of record on April 28, 2015, to vote on the proposals necessary to complete the merger. If Oneida Financial s stockholders approve the Merger Agreement and the merger is subsequently completed, Oneida Financial will merge with and into Community Bank System (the Merger), with Community Bank System continuing as the surviving entity.

If the Merger proposal is approved and the Merger is subsequently completed, subject to certain allocation procedures, each Oneida Financial stockholder may elect to receive for each outstanding share of Oneida Financial common stock, either: (i) \$20.00 in cash; (ii) 0.5635 shares of Community Bank System common stock; or (iii) a combination of both cash and common stock of Community Bank System provided that 60% of your Oneida Financial outstanding common stock will be exchanged for shares of Community Bank System common stock and the remaining 40% of your Oneida Financial outstanding common stock will be exchanged for cash. Your merger consideration election is subject to overall adjustment and allocation procedures that will result in 60% of Oneida Financial s common stock being converted into Community Bank System common stock and 40% of Oneida Financial s common stock being converted into cash. For more information, see the sections entitled Proposal I The Merger and The Merger Agreement.

On February 23, 2015, which was the last trading date on the New York Stock Exchange (NYSE) preceding the public announcement of the Merger, the trading price of Community Bank System s common stock was \$35.45 per share which, after giving effect to the 0.5635 exchange ratio, has an implied value of approximately \$19.98 per share. Based on this price with respect to the stock consideration, the exchange ratio of 0.5635, and the cash consideration of \$20.00 per share, upon completion of the Merger, an Oneida Financial stockholder who receives cash for 40% of his or her shares of common stock and stock for 60% of his or her shares of common stock would receive total merger consideration with an implied value of approximately \$19.99 per share. As of May 4, 2015, the most reasonably practicable date prior to the mailing of this Proxy Statement/Prospectus, the trading price of Community Bank System s common stock on the NYSE was \$34.79 which, after giving effect to the 0.5635 exchange ratio, has an implied value of approximately \$19.60 per share. Based on this price with respect to the stock consideration, and the cash consideration of \$20.00 per share, upon completion of the Merger, an Oneida Financial stockholder who receives cash for 40% of his or her shares of common stock and stock for 60% of his or her shares of common stock would receive total merger consideration with an implied value of approximately \$19.76 per share.

The market prices of Community Bank System common stock and Oneida Financial common stock will fluctuate before the completion of the Merger. You should obtain current stock price quotations for Community Bank System and Oneida Financial common stock before you vote. Community Bank System s common stock is listed on the NYSE under the symbol CBU. Oneida Financial s common stock is traded on the NASDAQ Global Market (NASDAQ) under the symbol ONFC.

Dear Stockholder:

Your board of directors has unanimously determined that the Merger and the Merger Agreement are advisable and in the best interests of Oneida Financial and its stockholders and unanimously recommends that you vote FOR the approval and adoption of the Merger Agreement, FOR approval, on an advisory basis, of the merger-related executive compensation payable to the Oneida Financial named executives in connection with the Merger, and FOR the adjournment proposal described in the Notice of Special Meeting of Stockholders.

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The Merger cannot be completed unless at least a majority of the issued and outstanding shares of Oneida Financial common stock entitled to vote at the special meeting vote in favor of the Merger. Whether or not you plan to attend the special meeting of stockholders, please take the time to vote by using the Internet, by telephone or by completing the enclosed proxy card and mailing it in the enclosed envelope. If you sign, date and mail your proxy card without indicating how you want to vote, your proxy will be counted as a vote FOR each of the proposals being voted on at Oneida Financial's special meeting. If you fail to vote, or you do not instruct your broker how to vote any shares held for you in street name, it will have same effect as voting AGAINST the Merger Agreement, but it will have no impact on the advisory, non-binding proposal to approve the merger-related executive compensation or the proposal to approve an adjournment of the special meeting.

This Proxy Statement/Prospectus is being delivered to Oneida Financial stockholders as Community Bank System's prospectus for its offering of Community Bank System common stock in connection with the Merger, and as a proxy statement for the solicitation of proxies from Oneida Financial stockholders to vote for the adoption of the Merger Agreement and approval of the Merger.

This Proxy Statement/Prospectus provides you with detailed information about the proposed Merger. It also contains or references information about Oneida Financial, Community Bank System and related matters. You are encouraged to read this document carefully. **In particular, you should read the Risk Factors section beginning on page 14 for a discussion of the risks you should consider in evaluating the proposed Merger and how it will affect you.**

On behalf of the board of directors, I thank you for your prompt attention to this matter.

Sincerely,

Michael R. Kallet
Chairman of the Board of Directors and
Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Merger, the issuance of the Community Bank System common stock in connection with the Merger or the other transactions described in this Proxy Statement/Prospectus, or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

The securities to be issued in connection with the Merger are not savings accounts, deposits or other obligations of any bank or savings association and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

This Proxy Statement/Prospectus is dated May 6, 2015, and is first being mailed to stockholders of Oneida Financial on or about May 12, 2015.

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182 Main Street
Oneida, New York 13421

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON JUNE 17, 2015

NOTICE IS HEREBY GIVEN that a special meeting of the stockholders of Oneida Financial Corp., (Oneida Financial), will be held at the Greater Oneida Civic Center, on June 17, 2015, at 4:00 p.m., Eastern Time, to consider and vote upon the following matters:

1. a proposal to approve and adopt the Agreement and Plan of Merger, dated as of February 24, 2015, by and between Community Bank System, Inc. (Community Bank System) and Oneida Financial (the Merger Agreement), which provides for the merger of Oneida Financial with and into Community Bank System with Community Bank System as the resulting company (the Merger);
2. a non-binding, advisory proposal to approve the compensation payable to the named executive officers of Oneida Financial in connection with the Merger (the Merger-Related Executive Compensation);
3. a proposal to approve one or more adjournments of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve and adopt the Merger Agreement (the adjournment proposal); and
4. to transact such other business as may properly come before the special meeting or any adjournments or postponements of the special meeting.

The Merger is described in more detail in this Proxy Statement/Prospectus, which you should read carefully and in its entirety before you vote. A copy of the Merger Agreement is attached as **Annex A** to this Proxy Statement/Prospectus. Only holders of record of Oneida Financial common stock at the close of business on April 28, 2015 are entitled to notice of and to vote at the special meeting and any adjournments or postponements of the special meeting.

Please vote as soon as possible. The affirmative vote of a majority of the outstanding shares of Oneida Financial common stock entitled to vote at the special meeting of stockholders is required for the approval and adoption of the Merger Agreement. Approval of the non-binding, advisory Merger-Related Executive Compensation proposal requires the affirmative vote of a majority of the votes cast on the proposal. Approval of the adjournment proposal requires the affirmative vote of a majority of the votes cast on the proposal.

If you fail to vote, or you do not instruct your broker how to vote any shares held for you in street name, it will have same effect as voting AGAINST the Merger Agreement.

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To ensure your representation at the special meeting of stockholders, please follow the voting procedures described in this Proxy Statement/Prospectus and on the enclosed proxy card. This will not prevent you from voting in person, but it will help to secure a quorum and avoid added solicitation costs. Your proxy may be revoked at any time before it is voted by following the instructions provided in the Proxy Statement/Prospectus.

ONEIDA FINANCIAL S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR ALL PROPOSALS.

BY ORDER OF THE BOARD OF DIRECTORS

Eric E. Stickels
Secretary

Oneida, New York
May 12, 2015

YOUR VOTE IS IMPORTANT!

Whether or not you plan to attend the special meeting in person, Oneida Financial urges you to submit your proxy as soon as possible by (1) calling the toll-free telephone number specified on the enclosed proxy card, (2) accessing the Internet website specified on the enclosed proxy card, or (3) completing, signing and dating the enclosed proxy card and returning it in the postage paid envelope provided. If your shares are held in the name of a bank, broker or other fiduciary, please follow the instructions on the voting card provided by such entity.

If you have any questions concerning the Merger or other matters to be considered at the Oneida Financial special meeting, would like additional copies of this Proxy Statement/Prospectus or need help voting your shares, please contact Oneida Financial s proxy solicitor:

**Laurel Hill Advisory Group, LLC
2 Robbins Lane
Suite 201
Jericho, NY 11753
888-742-1305**

PLEASE DO NOT SEND STOCK CERTIFICATES WITH THE PROXY CARD. YOU WILL BE SENT SEPARATE INSTRUCTIONS REGARDING THE SURRENDER OF YOUR STOCK CERTIFICATES.

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QUESTIONS AND ANSWERS ABOUT THE MERGER

The following are answers to certain questions that you may have regarding the merger and the special meeting. We urge you to read carefully the remainder of this Proxy Statement/Prospectus because the information in this section may not provide all the information that might be important to you in determining how to vote. Additional important information is also contained in the annexes to, and the documents incorporated by reference in, this Proxy Statement/Prospectus.

Q: Why am I receiving this document?

Community Bank System, Inc. (Community Bank System) and Oneida Financial Corp. (Oneida Financial) have agreed to combine under the terms of a merger agreement by and between Community Bank System and Oneida Financial, dated as of February 24, 2015 (the Merger Agreement), that is described in this Proxy Statement/Prospectus. A copy of the Merger Agreement is attached to this Proxy Statement/Prospectus as **Annex A**. In order to complete the merger of Oneida Financial with and into Community Bank System (the Merger), the A: stockholders of Oneida Financial must vote to approve and adopt the Merger Agreement. Oneida Financial will hold a special meeting of its stockholders to solicit this approval, as well as the non-binding advisory approval on the Merger-Related Executive Compensation and, if necessary, the approval of the adjournment proposal. This Proxy Statement/Prospectus contains important information about the Merger, the Merger Agreement, the special meeting of Oneida Financial stockholders, and other related matters, and we encourage you to read it carefully and in its entirety.

Q: Who is being asked to approve matters in connection with the Merger?

Only Oneida Financial stockholders are being asked to vote to approve the Merger-related proposals. Under Maryland law, Oneida Financial is required to obtain stockholder approval of the Merger. By this Proxy A: Statement/Prospectus, Oneida Financial s board of directors is soliciting proxies from Oneida Financial s stockholders to obtain the necessary approvals at the special meeting of stockholders as discussed below. Under Delaware law and New York Stock Exchange (NYSE) rules, Community Bank System is not required to obtain stockholder approval of the Merger.

Q: What will I receive in the Merger?

A: If the Merger proposal is approved and the Merger is subsequently completed, subject to certain allocation procedures, you may elect to receive, for each outstanding share of Oneida Financial common stock owned, either:

\$20.00 in cash, without interest;
0.5635 shares of Community Bank System common stock, plus cash in lieu of fractional shares; or
a combination of both cash and common stock of Community Bank System provided 60% of your Oneida Financial outstanding common stock will be exchanged for shares of Community Bank System common stock and the remaining 40% of your Oneida Financial outstanding common stock will be exchanged for cash.

The above consideration is subject to an allocation process to ensure that overall 40% of Oneida Financial s common stock is exchanged for cash and 60% of Oneida Financial s common stock is converted into Community Bank System common stock.

This Proxy Statement/Prospectus explains in more detail what amount of cash and/or Community Bank System common stock you may receive in the Merger. Because of certain limitations on the amount of cash and the number of shares Community Bank System will issue in the Merger, you may receive a combination of cash and shares of Community Bank System common stock even if you elect to receive only one type of merger consideration.

Accordingly, allocations of Community Bank System common stock and cash that you receive will depend on the elections made by other Oneida Financial stockholders. For details, see The Merger Agreement Conversion of Oneida Financial Common Stock, Election Procedures and Allocation Mechanism on pages 60 through 63.

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Q: What is the purpose of this document?

This document serves as Oneida Financial's proxy statement and as Community Bank System's prospectus. As a proxy statement, this document is being provided to Oneida Financial stockholders because the Oneida Financial board of directors is soliciting your proxy to vote to approve and adopt the Merger Agreement, to approve the Merger-Related Executive Compensation, and, if necessary, to approve the adjournment proposal. As a prospectus, Community Bank System is providing this document to Oneida Financial stockholders because Community Bank System is offering shares of its common stock in exchange for shares of Oneida Financial common stock in the Merger.

Q: What will happen to Oneida Financial as a result of the Merger?

If the Merger is completed, Oneida Financial will cease to exist. The Oneida Savings Bank (Oneida Savings Bank) and The State Bank of Chittenango, currently wholly-owned direct and indirect subsidiaries of Oneida Financial, respectively, will merge with and into Community Bank, N.A. (Community Bank), the wholly-owned subsidiary of Community Bank System, with Community Bank being the surviving bank.

Q: Could you tell me more about Community Bank System?

Community Bank System is the parent company of Community Bank and is a bank holding company registered under the Bank Holding Company Act of 1956, as amended (BHCA). Community Bank is a commercial banking franchise headquartered in Upstate New York, with 190 customer facilities and 187 ATMs ranging diagonally from Northern New York to the Southern Tier and west to Lake Erie, and in Northeastern Pennsylvania. Community Bank is a community retail bank committed to the philosophy of serving the financial needs of customers in local communities. Community Bank emphasizes the local character of business, knowledge of the customer and customer needs, comprehensive retail and small business products, and responsive decision-making at the branch and regional levels. Community Bank and its subsidiaries offer a range of commercial and retail banking and financial services in their market areas to business, individual, agricultural and government customers. Community Bank and its employees strive to support and to actively engage in important initiatives in local communities within the market areas it serves.

Community Bank System's common stock is publicly traded on the NYSE under the symbol CBU. At December 31, 2014, Community Bank System had on a consolidated basis approximately \$7.5 billion in total assets, \$5.9 billion in total deposits, \$4.2 billion in total loans and stockholders' equity of \$1.0 billion. For additional information about Community Bank System, see Where You Can Find More Information beginning on page 86.

Q: When is the Merger expected to be completed?

The parties are working to complete the Merger during the third quarter of 2015. Oneida Financial and Community Bank System must first obtain the necessary regulatory approvals and the approval of the Oneida Financial stockholders at the special meeting and satisfy other customary closing conditions. Oneida Financial and Community Bank System cannot assure you as to when or if all the conditions to the Merger will be met, and it is possible that the parties will not complete the Merger at all.

Q: What happens if the Merger is not completed?

If the Merger is not completed, Oneida Financial stockholders will not receive any consideration for their shares of common stock in connection with the Merger. Instead, Oneida Financial will remain an independent public company and its common stock will continue to be eligible for trading on the NASDAQ Global Market (NASDAQ). In the event of termination of the Merger Agreement under certain specified circumstances, Oneida Financial may be required to pay to Community Bank System a termination fee of \$4.93 million. See the description of the Merger Agreement under The Merger Agreement Termination Fee and Expenses beginning on page 71.

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Q: Does the board of directors of Oneida Financial have a recommendation on how I should vote on the Merger Agreement?

A: Yes. The board of directors of Oneida Financial believes that the proposed Merger is advisable and in the best interests of Oneida Financial and its stockholders and unanimously recommends that the stockholders of Oneida Financial vote FOR the approval and adoption of the Merger Agreement.

Q: Why am I being asked to cast a non-binding, advisory vote to approve the Merger-Related Executive Compensation?

A: The Securities and Exchange Commission (SEC), in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, adopted rules that require Oneida Financial to seek a non-binding, advisory vote with respect to certain payments that will or may be made to Oneida Financial s named executive officers in connection with the Merger. See Proposal I The Merger Financial Interests of Oneida Financial Directors and Certain Executive Officers in the Merger beginning on page 50 and Proposal II Merger-Related Executive Compensation beginning on page 76.

Q: What will happen if Oneida Financial s stockholders do not approve the Merger-Related Executive Compensation proposal at the special meeting?

A: Oneida Financial s named executive officers entered into employment and other related agreements with Oneida Financial prior to the contemplation of a potential transaction with Community Bank System or any other entity. Approval of the proposal related to the Merger-Related Executive Compensation is not a condition to completing the Merger. The vote with respect to the Merger-Related Executive Compensation is an advisory vote and will not be binding on Oneida Financial regardless of whether the Merger Agreement is approved and adopted.

Accordingly, as the compensation to be paid to the Oneida Financial executives in connection with the Merger is governed by the terms of the previously negotiated agreements and is contractually binding, such compensation will or may be payable if the Merger is completed regardless of the outcome of the advisory vote.

Q: Will the Merger-Related Executive Compensation be paid if the Merger is not consummated?

A: No. Payment of the Merger-Related Executive Compensation is contingent upon the consummation of the Merger.

Q: How do the directors and executive officers of Oneida Financial plan to vote?

A: All of the directors of Oneida Financial and certain executive officers of Oneida Financial and its subsidiaries have agreed to vote in favor of the Merger Agreement all shares of Oneida Financial common stock that they are entitled to vote. As of the close of business on the record date for the special meeting, the directors of Oneida Financial and certain executive officers of Oneida Financial and its subsidiaries together had the right to vote 1,175,129 shares, or approximately 16.71% of the outstanding Oneida Financial common stock.

Q: What risks should I consider before I vote on the Merger and make my election as to the form of merger consideration?

A: You should read the section entitled Risk Factors beginning on page 14 of this Proxy Statement/Prospectus.

Q: Is there other information I should consider?

A: Yes. Much of the business and financial information about each of the companies that may be important to you is not included in this document. Instead, that information is incorporated by reference to documents Oneida Financial and Community Bank System have separately filed with the SEC. This means that Oneida Financial and Community Bank System can satisfy their disclosure obligations to you by referring you to one or more documents separately filed by Community Bank System or Oneida Financial with the SEC. For additional information, see Where You Can Find More Information

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beginning on page 86, for a list of documents that they have incorporated by reference into this document and for instructions on how to obtain copies of those documents, free of charge.

Q: When and where will Oneida Financial stockholders meet?

A: Oneida Financial will hold a special meeting of its stockholders on June 17, 2015, at 4:00 p.m., Eastern Time, at the Greater Oneida Civic Center, 159 Main Street, Oneida, New York.

Q: Who can vote at the Oneida Financial special meeting?

A: Holders of record of Oneida Financial common stock at the close of business on April 28, 2015, which is the record date for the Oneida Financial special meeting, are entitled to vote at the special meeting.

Q: How many votes must be represented in person or by proxy at the Oneida Financial special meeting to have a quorum?

A: A majority of the shares of Oneida Financial common stock outstanding and entitled to vote at the special meeting, present in person or represented by proxy, constitutes a quorum at the special meeting.

Q: What vote by Oneida Financial stockholders is required to approve the Merger?

Approval of the Merger proposal will require the affirmative vote of the holders of at least a majority of the outstanding shares of Oneida Financial common stock entitled to vote. Submission of properly signed and dated proxies not designating an election will have the same effect as shares voted FOR the Merger proposal, FOR approval, on an advisory basis, of the Merger-Related Executive Compensation and FOR the adjournment proposal, if necessary. Abstentions and broker non-votes will have the same effect as shares voted AGAINST the Merger proposal, but they will have no impact on the advisory, non-binding proposal to approve the Merger-Related Executive Compensation or the proposal to approve an adjournment of the special meeting.

Q: What do I need to do now?

After you have carefully read this Proxy Statement/Prospectus and have decided how you wish to vote your shares, please vote your shares promptly. If you hold common stock in your name as a stockholder of record, Oneida Financial and Community Bank System request that you complete, sign, date and mail your proxy card in the enclosed postage paid return envelope as soon as possible. You may also authorize a proxy to vote your shares by telephone or through the Internet as instructed on the enclosed proxy card. If you hold your stock in street name through a bank, broker or other fiduciary, you must direct your bank or broker to vote in accordance with the instructions you have received from your bank, broker or other fiduciary. Submitting your proxy card, authorizing a proxy by telephone or through the Internet, or directing your bank, broker or other fiduciary to vote your shares will ensure that your shares are represented and voted at the special meeting.

If you sign, date and send in your proxy card and do not indicate how you want to vote, your proxy will be voted in favor of the Merger Agreement, the approval, on an advisory basis, of the Merger-Related Executive Compensation, and, if necessary, the adjournment proposal. If you fail to vote, or you do not instruct your broker how to vote any shares held for you in street name, it will have the same effect as voting against the Merger Agreement, but it will have no impact on the Merger Related Executive Compensation proposal or the adjournment proposal.

Q: Should Oneida Financial stockholders send in their stock certificates with the enclosed proxy?

No. Oneida Financial stockholders SHOULD NOT send in any stock certificates now with the enclosed proxy card. An election form and transmittal materials, with instructions for their completion will be provided to Oneida Financial stockholders under separate cover and the stock certificates should be sent with those materials at that time.

If an Oneida Financial stockholder fails to return a completed election form with such stockholder's stock certificates, or suitable guarantee of delivery, prior to the expiration of the election period, a letter of transmittal with instructions for submitting such stock certificates will be mailed to such stockholder shortly following the effective time of the Merger.

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Q: If my shares are held in street name by my broker, will the broker vote my shares for me?

No. Your broker will vote your shares only if you provide instructions on how to vote. You should instruct your broker how to vote your shares, following the directions your broker provides. If you do not give instructions to your broker, your broker will not be able to vote your shares.

Q: What if I fail to instruct my broker?

If you do not provide your broker with instructions and your broker submits an unvoted proxy, referred to as a broker non-vote, the broker non-vote will be counted toward a quorum at the special meeting, but it will have the same effect as a vote against the approval and adoption of the Merger Agreement, but it will have no impact on the advisory, non-binding proposal to approve the Merger-Related Executive Compensation or the proposal to approve an adjournment of the special meeting.

Q: Can I attend the special meeting and vote my shares in person?

Yes. All common stockholders, including common stockholders of record and common stockholders who hold their shares through banks, brokers, nominees or any other holder of record, may attend the special meeting. Holders of record of Oneida Financial common stock can vote in person at the special meeting. If you hold shares in street name and wish to attend the special meeting, you must ask your broker or bank how to vote those shares in person at the special meeting.

Q: Can I change my vote?

Yes. An Oneida Financial common stockholder who is a stockholder of record and has given a proxy may revoke it at any time before its exercise at the special meeting by (i) giving written notice of revocation to Oneida Financial's corporate secretary, (ii) properly submitting to Oneida Financial a duly executed proxy bearing a later date or (iii) attending the special meeting and voting in person. Any common stockholder entitled to vote in person at the special meeting may vote in person regardless of whether a proxy has been previously given, and such vote will revoke any previous proxy, but the mere presence of a common stockholder at the special meeting will not constitute revocation of a previously given proxy. If you hold your shares in street name through a bank, broker or other fiduciary, you should contact your bank, broker or other fiduciary to revoke your proxy. Any written notices of revocation and other communications with respect to revocation of proxies should be addressed to Oneida Financial as follows: Oneida Financial Corp., Corporate Secretary, Eric E. Stickels, 182 Main Street, Oneida, New York 13421, which must be received by 11:59 p.m., Eastern time, on June 16, 2015.

Proxies may also be revoked via the Internet or telephone by following the instructions on your proxy card.

Q: How do I make an election as to the form of merger consideration I wish to receive in the Merger?

Community Bank System will mail to each Oneida Financial stockholder an election form/letter of transmittal which will contain instructions for making a selection of merger consideration and for surrendering your stock certificates in exchange for the merger consideration. American Stock Transfer & Trust Company, LLC, the exchange agent for the Merger, must receive your properly completed election form/letter of transmittal and your stock certificates, or suitable guarantee of delivery, by no later than the election deadline in order for your choice as to the form of merger consideration to be considered with those made by the other Oneida Financial stockholders. Oneida Financial and Community Bank System expect the election deadline will be 5:00 p.m., Eastern Time, on June 26, 2015, but they will notify you if this date changes.

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Q: What happens if I don't make a valid election as to the form of merger consideration before the election deadline?

If you do not make a valid election as to the form of merger consideration before the election deadline, all shares of Oneida Common Stock held by you will be converted into the right to receive either the common stock of Community Bank System pursuant to the exchange ratio of 0.5635, \$20.00 in cash per share, or any combination of Community Bank System common stock and cash, as determined by Community Bank System pursuant to the allocation procedures described in this Proxy Statement/Prospectus. If the Merger is completed, the exchange agent will send you a new letter of transmittal that you can use to surrender your shares of Oneida Financial in exchange for the merger consideration.

Q: Can I change my election as to the form of merger consideration?

Yes. You can change your election as to the form of merger consideration by submitting a new election form/letter of transmittal. For a change to be effective, the exchange agent must receive your election form/letter of transmittal before the election deadline.

Q: What are the material U.S. federal income tax consequences of the Merger to me?

Oneida Financial has received a legal opinion that the Merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. If you exchange your shares of Oneida Financial common stock solely for Community Bank System common stock, you should not recognize any gain or loss except for the cash you receive instead of any fractional share of Community Bank System common stock. If you exchange your shares of Oneida Financial common stock solely for cash, you should recognize gain or loss on the exchange. If you exchange your shares of Oneida Financial common stock for a combination of Community Bank System common stock and cash, you should recognize capital gain, but not any loss on the exchange. Because the allocations of cash and Community Bank System common stock that you will receive will depend on the elections made by other Oneida Financial stockholders (with respect to elections of all stock or all cash), you will not know the actual tax consequences of the Merger to you until the allocations are completed. **This tax treatment may not apply to all Oneida Financial stockholders. Determining the actual tax consequences of the Merger to Oneida Financial stockholders can be complicated. Oneida Financial stockholders should consult their own tax advisor for a full understanding of the Merger's tax consequences that are particular to each stockholder.** For further information, see Proposal I The Merger Material U.S. Federal Income Tax Consequences of the Merger beginning on page 54.

Q: Are Oneida Financial's stockholders entitled to seek appraisal or dissenters' rights if they do not vote in favor of the approval of the Merger Agreement?

No. As a holder of Oneida Financial common stock, and in accordance with Oneida Financial's articles of incorporation, you are not entitled to appraisal or dissenters' rights under the Maryland General Corporation Law in connection with the Merger. See Proposal I The Merger No Appraisal or Dissenters' Rights beginning on page 59.

Q: How are my shares in The Oneida Savings Bank Employee Stock Ownership Plan and the Oneida Savings Bank 401(k) Savings Plan voted?

Under the terms of The Oneida Savings Bank Employee Stock Ownership Plan (the ESOP), the ESOP trustee votes all shares held by the ESOP, but each participant in the ESOP may direct the trustee how to vote the shares of Oneida Financial common stock allocated to his or her account. The ESOP trustee, subject to the exercise of its fiduciary responsibilities, will vote unallocated shares of common stock and allocated shares for which no voting instructions are received in the same proportion as the allocated shares for which it has received timely voting instructions. A participant in the Oneida Savings Bank 401(k) Savings Plan (the 401(k) Plan) is entitled to direct the trustee as to the shares in the Oneida Financial Corp. Stock Fund credited to his or her account. The 401(k) Plan trustee, subject to the

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exercise of its fiduciary responsibilities, will vote all shares for which no directions are given or for which instructions were not timely received in the same proportion as shares for which the 401(k) Plan trustee received voting instructions.

If you are a participant in the ESOP or the 401(k) Plan, you will receive a separate voting instruction form for shares allocated to your ESOP account or 401(k) Plan by which you can direct the plan trustee how to vote your shares held by either plan.

WHO CAN HELP ANSWER YOUR QUESTIONS

If you want to ask any questions about the Merger or the merger consideration to be issued in the Merger, you should contact:

Laurel Hill Advisory Group, LLC
2 Robbins Lane
Suite 201
Jericho, NY 11753
888-742-1305

Both Community Bank System and Oneida Financial file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (SEC). You may read and copy any reports, statements or other information that Community Bank System or Oneida Financial files at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. Community Bank System's and Oneida Financial's public filings are also available at the Internet site maintained by the SEC at <http://www.sec.gov>. Community Bank System's and Oneida Financial's public filings are also available from Community Bank System and Oneida Financial, respectively, at the address shown below or at their respective websites: www.communitybankna.com or www.oneidafinancial.com.

Community Bank System has filed a registration statement to register with the SEC the shares of Community Bank System common stock to be issued to Oneida Financial stockholders in the Merger. This document is a part of the registration statement and constitutes a prospectus of Community Bank System and a proxy statement of Oneida Financial for its special meeting of stockholders. As allowed by SEC rules, this document does not contain all the information that stockholders can find in the registration statement or the exhibits to the registration statement. The SEC allows Community Bank System and Oneida Financial to incorporate by reference certain information into this document, which means that Community Bank System and Oneida Financial can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be a part of this document, except for any information which contradicts information contained directly in this document. See *Where You Can Find More Information* beginning on page 86 to find out where you can find more information about the documents incorporated by reference.

If you wish to obtain an additional copy of this document, or any other information, without charge upon written or oral request, see *Where You Can Find More Information* beginning on page 86 to find out where you can find more information about Community Bank System and Oneida Financial, or contact:

Community Bank System, Inc.
Donna J. Drengel
Investor Relations

Oneida Financial Corp.
Eric E. Stickels
President, COO and Corporate Secretary

Community Bank System, Inc.
5790 Widewaters Parkway
DeWitt, New York 13214
(315) 445-7313

Oneida Financial Corp.
182 Main Street
Oneida, New York 13421
(315) 363-2000

To obtain timely delivery of these documents, you must request the information no later than June 10, 2015 in order to receive them before the special meeting.

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SUMMARY

*This summary highlights selected information from this document and may not contain all the information that is important to you. For a more complete understanding of the Merger and for a more complete description of the legal terms of the Merger, we encourage you to read this entire Proxy Statement/Prospectus carefully, its annexes, as well as the additional documents referred to in this Proxy Statement/Prospectus. See *Where You Can Find More Information* beginning on page 86.*

The Merger Agreement is attached to this document as Annex A. Please read that document carefully. It is the legal document that governs the Merger and your rights in the Merger.

Information about the Companies (Page 22)

Community Bank System, Inc.

5790 Widewaters Parkway
DeWitt, New York 13214
(315) 445-2282

Community Bank System is a bank holding company operating Community Bank, which currently has 190 customer facilities and 187 ATMs in 35 counties in Upstate New York: Allegany, Broome, Cattaraugus, Cayuga, Chautauqua, Chenango, Chemung, Clinton, Delaware, Erie, Essex, Franklin, Hamilton, Herkimer, Jefferson, Lewis, Livingston, Oneida, Onondaga, Ontario, Oswego, Otsego, St. Lawrence, Saratoga, Schoharie, Schuyler, Seneca, Steuben, Tioga, Tompkins, Ulster, Warren, Washington, Wayne, and Yates, and six counties in Northern Pennsylvania: Bradford, Carbon, Lackawanna, Luzerne, Susquehanna and Wyoming. Community Bank and its subsidiaries offer a broad range of commercial banking, trust, pension administration, investment and financial services to business, individual, agricultural and government customers.

Community Bank is Community Bank System's principal operating subsidiary. At December 31, 2014, Community Bank System had on a consolidated basis approximately \$7.5 billion in total assets, \$5.9 billion in total deposits, \$4.2 billion in total loans and \$1.0 billion of stockholders' equity.

Community Bank System common stock is currently listed on the NYSE under the symbol CBU.

Oneida Financial Corp.

182 Main Street
Oneida, New York 13421
(315) 363-2000

Oneida Financial, a Maryland corporation, is the parent savings and loan holding company of Oneida Savings Bank. Oneida Savings Bank is a New York chartered savings bank headquartered in Oneida, New York, with 12 banking offices located in Madison and Oneida Counties. Oneida Savings Bank was originally founded in 1866 as a mutual savings bank, and in 1998 it converted to a New York chartered stock savings bank as part of its reorganization into a mutual holding company corporate structure. In 2010, Oneida Financial completed its conversion from a mutual holding company to a stock holding company and sold concurrently approximately \$31.5 million of common stock. Oneida Savings Bank and its subsidiaries offer a broad range of banking, trust, investment and financial services to business, individual and government customers.

Oneida Savings Bank is Oneida Financial's principal operating subsidiary. At December 31, 2014, Oneida Financial had on a consolidated basis approximately \$798.2 million in total assets, \$689.2 million in total deposits, \$369.9 million in total loans and \$95.8 million of stockholders' equity.

Oneida Financial common stock is currently listed on NASDAQ under the symbol ONFC.

Oneida Financial and Community Bank System Propose a Merger of Community Bank System and Oneida Financial (Page 27)

Oneida Financial and Community Bank System are proposing a merger of Oneida Financial with and into Community Bank System, with Community Bank System as the surviving entity. Immediately following the Merger, the parties will merge Oneida Savings Bank and The State Bank of Chittenango, wholly-owned

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banking subsidiaries of Oneida Financial, with and into Community Bank, a wholly-owned banking subsidiary of Community Bank System, with Community Bank as the surviving entity (the Bank Merger).

In the Merger, You May Elect to Receive Either Cash, Shares of Community Bank System or a Combination of Both (Page 60)

If the Merger proposal is approved and the Merger is subsequently completed, subject to certain allocation procedures, you may elect to receive, for each outstanding share of Oneida Financial common stock owned, either:

\$20.00 in cash, without interest;

0.5635 shares of Community Bank System common stock, plus cash in lieu of fractional shares; or a combination of both cash and common stock of Community Bank System provided 60% of your Oneida Financial common stock will be exchanged for shares of Community Bank System common stock, pursuant to the exchange ratio of 0.5635, and the remaining 40% of your Oneida Financial common stock will be exchanged for \$20.00 in cash per share.

The above consideration is subject to an allocation process that requires that overall 40% of Oneida Financial shares of common stock to be exchanged for cash and 60% of Oneida Financial s common stock be converted into Community Bank System common stock.

To enable you to make this election, Community Bank System will mail separately an election form/letter of transmittal. Please read the instructions to the election form/letter of transmittal, and complete, sign and return it with your Oneida Financial stock certificates or appropriate guarantee of delivery before the election deadline of June 26, 2015. If you do not make a valid election as to the form of merger consideration before the election deadline, all of your shares of Oneida Financial common stock will be converted into the right to receive either the common stock of Community Bank System pursuant to the exchange ratio of 0.5635, \$20.00 in cash per share, or any combination of Community Bank System common stock and cash, as determined by Community Bank System and pursuant to the allocation procedures described in this Proxy Statement/Prospectus.

Your Election of Merger Consideration is Subject to Certain Allocation Procedures (Page 63)

Oneida Financial and Community Bank System have agreed that no more than 60% of the outstanding shares of Oneida Financial common stock will be exchanged for shares of Community Bank System common stock, and that no more than 40% of the outstanding shares of Oneida Financial common stock will be exchanged for cash. Depending on the elections made by the other Oneida Financial stockholders, your election as to the form of merger consideration may be subject to certain allocation mechanisms which are designed to ensure compliance with the aggregate limitations on the form of merger consideration described in the preceding sentence. Accordingly, unless you elect to receive the combination of cash for 40% of your Oneida Financial shares, and Community Bank System common stock for 60% of your Oneida Financial shares, Oneida Financial and Community Bank System cannot assure you that you will receive the form of consideration that you elect with respect to all of the shares of Oneida Financial common stock you hold. However, if you own 100 or fewer shares of Oneida Financial common stock and elect to receive only cash in the Merger, you will receive only cash in the Merger.

Oneida Financial and Community Bank System Expect that Oneida Financial Stockholders Will Own Approximately 5.5% of the Combined Company Following the Merger (Page 24)

At the completion of the Merger, if 60% of the outstanding shares of Oneida Financial common stock are exchanged for shares of Community Bank System common stock at an exchange ratio of 0.5635, Oneida Financial stockholders are expected to own approximately 5.5% of the outstanding shares of common stock of the combined company. The actual ownership percentage of the Oneida Financial stockholders in the combined company could be higher if the actual exchange ratio of the Merger, which may be adjusted if Oneida Financial's board of directors elects to terminate the Merger Agreement in the event that the market price of Community Bank System's common stock, over a specified period before the consummation of Merger, falls outside of a certain range and Community Bank System elects to increase the exchange ratio, as described in the Merger Agreement section on page 67.

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**Recommendation of the Oneida Financial Board of Directors
(Page 25)**

Oneida Financial's board of directors has unanimously approved the Merger Agreement, and recommends a vote FOR approval and adoption of the Merger Agreement, FOR the approval, on an advisory basis, of the Merger-Related Executive Compensation, and FOR the adjournment proposal, if necessary. See the section entitled Proposal I The Merger Oneida Financial's Reasons for the Merger; Recommendation of Oneida Financial's Board of Directors beginning on page 34 of this Proxy Statement/Prospectus.

**Oneida Financial's Financial Advisor Provided a Fairness
Opinion to Oneida Financial's Board of Directors in connection
with the Merger (Page 36)**

In connection with the Merger, Oneida Financial's financial advisor, Keefe, Bruyette & Woods, Inc. (KBW), delivered a written opinion, dated February 24, 2015, to the Oneida Financial board of directors as to the fairness, from a financial point of view and as of the date of the opinion, to the holders of Oneida Financial common stock of the merger consideration in the proposed Merger. The full text of the opinion, which describes the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by KBW in preparing the opinion, is attached as **Annex B** to this Proxy Statement/Prospectus. **The opinion was for the information of, and was directed to, the Oneida Financial board of directors (in its capacity as such) in connection with its consideration of the financial terms of the Merger. The opinion did not address the underlying business decision of Oneida Financial to engage in the Merger or enter into the Merger Agreement or constitute a recommendation to the Oneida Financial board of directors in connection with the Merger, and it does not constitute a recommendation to any holder of Oneida Financial common stock or any shareholder of any other entity as to how to vote in connection with the Merger or any other matter (including, with respect to holders of Oneida Financial common stock, what election any such stockholder should make with respect to the stock consideration or the cash consideration (or any combination thereof)).**

Share Information and Market Price (Page 74)

Community Bank System common stock is traded on the NYSE under the symbol CBU. Oneida Financial common stock is traded on NASDAQ under the symbol ONFC. The following table shows the closing or last sale prices of Community Bank System common stock and Oneida Financial common stock on February 23, 2015 and May 4, 2015. February 23, 2015 is the last full trading day prior to the announcement of the signing of the Merger Agreement. May 4, 2015 was the last practicable trading day for which information was available prior to the date of this document. The equivalent price per share of Oneida Financial common stock is determined by multiplying the closing price of Community Bank System common stock by the 0.5635 exchange ratio.

	Community Bank System	Oneida Financial	Equivalent Market Value Per Share
Closing Sale Prices Per Share on:	Historical	Historical	
February 23, 2015	\$ 35.45	\$ 12.79	\$ 19.98

May 4, 2015

\$ 34.79

\$ 19.49

\$ 19.60

The market prices of both Community Bank System common stock and Oneida Financial common stock will fluctuate before the Merger. Oneida Financial and Community Bank System encourage you to obtain current market prices.

The Special Meeting will be held on June 17, 2015 (Page 24)

A special meeting of the Oneida Financial stockholders will be held at the Greater Oneida Civic Center, 159 Main Street, Oneida, New York 13421, at 4:00 p.m., Eastern Time, on June 17, 2015. At the special meeting, stockholders of Oneida Financial will vote on a proposal to approve and adopt the Merger Agreement and an advisory vote on the Merger-Related Executive Compensation, and if necessary, the adjournment proposal.

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The Record Date for the Special Meeting is April 28, 2015; Each Share will Entitle You to One Vote on the Merger (Page 24)

You are entitled to vote at the special meeting if you owned shares of Oneida Financial common stock as of the close of business on April 28, 2015, the record date. On the record date, there were 7,032,540 shares of Oneida Financial common stock outstanding and entitled to vote. Each share of Oneida Financial common stock entitles its holder to one vote on any matter that may properly come before the special meeting, including the proposal to approve the Merger Agreement.

Vote Required (Page 24)

The approval and adoption of the Merger Agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Oneida Financial common stock entitled to vote at the special meeting of stockholders. Approval of the Merger-Related Executive Compensation proposal requires the affirmative vote of a majority of the votes cast on the proposal. Approval of the adjournment proposal, if necessary to solicit additional proxies if there are not sufficient votes to adopt and approve the Merger Agreement, requires the affirmative vote of a majority of the votes cast on the proposal.

Broker non-votes and abstentions would have the same effect as a vote **AGAINST** the Merger Agreement, but they will have no effect on the Merger-Related Executive Compensation proposal or the adjournment proposal.

Oneida Financial and Community Bank System Expect Directors of Oneida Financial and Certain Executive Officers of Oneida Financial and its Subsidiaries to Vote Their Shares in Favor of Approving the Merger (Page 24)

On the record date, the directors of Oneida Financial and certain executive officers of Oneida Financial and its subsidiaries, including certain related parties, had voting power with respect to an aggregate of 1,175,129 shares of Oneida Financial common stock, or approximately 16.71% of the shares of the Oneida Financial common stock then outstanding. Each director of Oneida Financial and certain executive officers of Oneida Financial and its subsidiaries holding, in the aggregate, approximately 16.71% of the outstanding Oneida Financial common stock executed an agreement that generally commits such persons to vote all of their shares of Oneida Financial common stock in favor of the Merger Agreement.

Terms of the Merger Agreement (Page 60)

The Merger Agreement is attached to this document as **Annex A**. We encourage you to read the Merger Agreement carefully and in its entirety as it is the legal document that governs the Merger and your rights in it. You are also encouraged to read the section entitled **Risk Factors** beginning on page 14.

The Merger Agreement provides that Oneida Financial will merge with and into Community Bank System, with Community Bank System continuing as the surviving corporation. Following the Merger, Oneida Savings Bank and The State Bank of Chittenango will merge with and into Community Bank, with Community Bank being the

continuing bank.

Oneida Financial and Community Bank System Must Obtain Regulatory Approvals to Complete the Merger (Page 57)

Community Bank System was required to make filings with or obtain approvals from certain regulatory authorities to effect the Merger. In addition, before Oneida Financial and Community Bank System can complete the Merger, they will make all filings and obtain all regulatory approvals required for the merger of their banking subsidiaries, Community Bank, Oneida Savings Bank and The State Bank of Chittenango. Required approvals for the Merger and the Bank Merger include the approvals of the New York Department of Financial Services, the Federal Reserve Board, and the Office of the Comptroller of the Currency (the OCC). In addition, Community Bank System must apply to list the common stock to be issued in the Merger on the NYSE.

Conditions to Completion of the Merger (Page 65)

In addition to the approval and adoption of the Merger by Oneida Financial stockholders and the receipt of all required regulatory approvals and expiration or termination of all statutory waiting periods in respect thereof as described above, each party's obligation to complete the Merger is also subject to the satisfaction or waiver (to the extent permitted under applicable law) of certain other conditions, including:

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the SEC declaring effective the registration statement that covers the Community Bank System common stock to be issued in the Merger;

Oneida Financial stockholders approving the Merger Agreement by the affirmative vote of at least a majority of the shares outstanding and entitled to vote at the special meeting;

Community Bank System and Oneida Financial receiving all approvals or consents required by law from any applicable governmental agency, and all applicable notice or waiting periods expiring;

no court or regulatory actions, nor any judgments, orders, decrees or injunctions, having been instituted or issued by any governmental authority, court, or administrative agency preventing or seeking to prevent the consummation of the Merger;

the representations and warranties made by Community Bank System and Oneida Financial in the Merger Agreement continuing to be true and correct as of the effective time of the Merger (subject to the materiality standards set forth in the Merger Agreement);

the New York Stock Exchange approving for listing the Community Bank System common stock to be issued in the Merger; and

Luse Gorman, PC (Luse Gorman), Oneida Financial's outside legal counsel, delivering an opinion to Oneida Financial, dated as of the date of this Proxy Statement/Prospectus and as of the closing date of the Merger, to the effect that the Merger will qualify as a tax-free reorganization under Section 368 of the Internal Revenue Code.

Fees and Expenses; Termination Fee (Page 71)

Oneida Financial and Community Bank System will each pay its own expenses in connection with the Merger, except that the parties will share equally all filing fees paid to the SEC in connection with the registration statement for the Merger, and all costs associated with the printing and mailing of this document. If, however, the Merger Agreement is terminated under certain circumstances, Oneida Financial must pay a termination fee of \$4.93 million as set forth in the Merger Agreement. Generally, the termination fee will become payable in connection with a competing third party offer to acquire Oneida Financial.

Terminating the Merger Agreement (Page 66)

Either Oneida Financial or Community Bank System may terminate the Merger Agreement under certain circumstances, including if:

both companies consent in writing to the termination;

the Merger is not completed before December 31, 2015, unless failure to consummate the Merger by such date was principally due to the party seeking to terminate failing to perform the covenants set forth in the Merger Agreement;

any governmental entity issues a final and non-appealable order prohibiting the completion of the Merger;

Oneida Financial stockholders do not approve the Merger Agreement at the special meeting; or

the other party materially breaches, and does not cure within 30 days, any of the representations, warranties or covenants it has made under the Merger Agreement, and the breach entitles the non-breaching party to terminate the Merger Agreement.

Oneida Financial may terminate the Merger Agreement if (i) Community Bank System's stock price falls below thresholds set forth in the Merger Agreement and Community Bank System does not increase the exchange ratio pursuant to a prescribed formula in the Merger Agreement, or (ii) Oneida Financial's board of directors recommends to Oneida Financial stockholders a Superior Proposal, as defined in the Merger Agreement, or Oneida Financial signs a letter of intent, definitive agreement or similar document with respect to a Superior Proposal, in accordance with the procedures in the Merger Agreement.

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Community Bank System may terminate the Merger Agreement if the Oneida Financial board of directors fails to recommend approval, or withdraws its approval of, the Merger, or fails to include its recommendation for approval of the Merger Agreement in this Proxy Statement/Prospectus.

Financial Interests of Oneida Financial Management in the Merger (Page 50)

In considering the recommendation of the Oneida Financial board of directors, you should be aware that certain of the directors and executive officers of Oneida Financial have financial interests in the Merger that are different from or in addition to, and may conflict with, interests of other Oneida Financial stockholders. Oneida Financial's board of directors was aware of these interests and considered these interests, among other matters, when making its decision to approve the Merger Agreement, and in recommending that Oneida Financial stockholders vote to approve and adopt the Merger Agreement.

The material interests considered by Oneida Financial's board of directors were as follows:

Michael R. Kallet and Eric E. Stickels will join the boards of directors of Community Bank System and Community Bank following the consummation of the Merger.

The ability to cancel stock options with an exercise price of less than \$20.00 in exchange for a cash payment equal to \$20.00 minus the exercise price for each option.

The acceleration of vesting of outstanding restricted stock awards, which will be exchanged for the Merger consideration.

Oneida Savings Bank or its wholly-owned subsidiary, OneGroup NY, Inc., previously entered into employment agreements with its executive officers which entitle them to certain payments and benefits upon a qualifying termination in connection with a change in control such as the Merger. The aggregate benefit from these employment agreements is approximately \$4.26 million, assuming each executive officer has a qualifying termination event in connection with the Merger.

Certain executive officers are entitled to receive a pro-rata bonus, payable under the Oneida Financial and Oneida Savings Bank non-equity incentive plans. Such bonuses would be paid in a lump sum at the effective time of the Merger.

Executive officers and directors of Oneida Financial and its subsidiaries will receive continued indemnification coverage and continued coverage under directors' and officers' liability insurance policies.

These interests are described in more detail in the section of this Proxy Statement/Prospectus entitled "Proposal I The Merger Financial Interests of Oneida Financial's Directors and Certain Executive Officers in the Merger" beginning on page 50. The Oneida Financial board knew about these interests and determined that they did not affect the benefits of the Merger to Oneida Financial stockholders.

Directors of Community Bank System and Community Bank Following the Merger (Page 72)

If the Merger is completed, two of Oneida Financial's directors, Michael R. Kallet and Eric E. Stickels, will be appointed to serve as members of Community Bank System's board of directors, in addition to the 12 current directors of Community Bank System. These two new directors of Community Bank System will also be appointed to serve on the board of directors of Community Bank. In addition, Community Bank System has agreed to nominate and recommend for election Michael R. Kallet and Eric E. Stickels at Community Bank System's next annual meeting of stockholders for which they are standing for election.

There are Differences in Stockholder Rights (Page 79)

The rights of Oneida Financial stockholders are currently governed by Maryland law and Oneida Financial's articles of incorporation and bylaws. If the Merger is completed, certain Oneida Financial stockholders will become stockholders of Community Bank System and their rights will be governed by Delaware law and Community Bank System's certificate of incorporation and bylaws. There are certain differences in the rights of stockholders of the two companies. These differences are described in more detail in the section of this Proxy Statement/Prospectus entitled Comparison of Rights of Holders of Oneida Financial Common Stock and Community Bank System Common Stock beginning on page 79.

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Material U.S. Federal Income Tax Consequences of the Merger (Page 54)

If you exchange your shares of Oneida Financial common stock solely for Community Bank System common stock, you should not recognize any gain or loss except with respect to the cash you receive instead of any fractional share of Community Bank System common stock. If you exchange your shares of Oneida Financial common stock solely for cash, you should recognize gain or loss on the exchange. If you exchange your shares of Oneida Financial common stock for a combination of Community Bank System common stock and cash, you should recognize capital gain, but not any loss on the exchange. Because the allocations of cash and Community Bank System common stock that you will receive will depend on the elections made by other Oneida Financial stockholders (with respect to elections of all stock or all cash), you will not know the actual tax consequences of the Merger to you until the allocations are completed. Oneida Financial's counsel is not able to provide an opinion regarding whether this tax treatment will apply to any individual stockholder. However, any cash received in lieu of a fractional share interest (only whole shares of Community Bank System common stock will be received by Oneida Financial stockholders) will be treated as received in full payment for such fractional share of stock and as capital gain or loss.

For further information, see Proposal I The Merger Material U.S. Federal Income Tax Consequences of the Merger.

This tax treatment may not apply to all Oneida Financial stockholders. Determining the actual tax consequences of the Merger to Oneida Financial stockholders can be complicated. Oneida Financial stockholders should consult their own tax advisor for a full understanding of the Merger's tax consequences that are particular to each stockholder.

Risk Factors (Page 14)

You should consider all the information contained in or incorporated by reference into this Proxy Statement/Prospectus in deciding how to vote for the proposals presented in the Proxy Statement/Prospectus. In particular, you should consider the factors described under Risk Factors.

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The following tables summarize selected historical consolidated financial data for Community Bank System and Oneida Financial. The Income Statement Data / Operating Data for 2014, 2013 and 2012 and the Balance Sheet Data / Financial Condition Data at December 31, 2014 and 2013 have been derived from the audited consolidated financial statements which have been incorporated by reference into this Proxy Statement/Prospectus. The Income Statement Data / Operating Data for the years ended December 31, 2011 and 2010 as well as the Balance Sheet Data / Financial Condition Data for the years ended December 31, 2012, 2011 and 2010 are derived from the companies annual financial statements which were prepared in accordance with U.S. GAAP and are not incorporated in this Proxy Statement/Prospectus. The information is only a summary and should be read in conjunction with each company's financial statements and related notes and management's discussions and analysis contained in the annual, quarterly and other reports filed with the SEC. See Where You Can Find More Information beginning on page 86 of this Proxy Statement/Prospectus.

Community Bank System, Inc. Selected Historical Financial Data

(In thousands except per share data and ratios)	Years Ended December 31,				
	2014	2013	2012	2011	2010
Income Statement Data:					
Loan interest income	\$185,527	\$188,197	\$192,710	\$192,981	\$178,703
Investment interest income	70,693	75,962	88,690	77,988	69,578
Interest expense	11,792	26,065	50,976	61,556	66,597
Net interest income	244,428	238,094	230,424	209,413	181,684
Provision for loan losses	7,178	7,992	9,108	4,736	7,205
Noninterest income	119,020	108,748	98,955	89,283	88,792
Gain (loss) on investment securities & early retirement of long-term borrowings, net	0	(6,568)	291	(61)	0
Acquisition expenses, litigation settlement, and contract termination charges	2,923	2,181	8,247	4,831	1,365
Other noninterest expenses	223,657	219,074	203,510	185,541	175,521
Income before income taxes	129,690	111,027	108,805	103,527	86,385
Net income	91,353	78,829	77,068	73,142	63,320
Diluted earnings per share	2.22	1.94	1.93	2.01	1.89
Balance Sheet Data:					
Cash equivalents	\$12,870	\$11,288	\$84,415	\$203,082	\$114,996
Investment securities	2,512,974	2,218,725	2,818,527	2,151,370	1,742,324
Loans, net of unearned discount	4,236,206	4,109,083	3,865,576	3,471,025	3,026,363
Allowance for loan losses	(45,341)	(44,319)	(42,888)	(42,213)	(42,510)
Intangible assets	386,973	390,499	387,134	360,564	311,714
Total assets	7,489,440	7,095,864	7,496,800	6,488,275	5,444,506

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Deposits	5,935,264	5,896,044	5,628,039	4,795,245	3,934,045					
Borrowings	440,122	244,010	830,134	830,329	830,484					
Shareholders' equity	987,904	875,812	902,778	774,583	607,258					
Capital and Related Ratios:										
Cash dividends declared per share	\$1.16	\$1.10	\$1.06	\$1.00	\$0.94					
Book value per share	24.24	21.66	22.78	20.94	18.23					
Tangible book value per share ⁽¹⁾	15.63	12.80	13.72	11.85	9.49					
Market capitalization (in millions)	1,554	1,604	1,084	1,028	925					
Tier 1 leverage ratio	9.96	%	9.29	%	8.40	%	8.38	%	8.23	%
Total risk-based capital to risk-adjusted assets	18.75	%	17.57	%	16.20	%	15.51	%	14.74	%

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(In thousands except per share data and ratios)	Years Ended December 31,									
	2014		2013		2012		2011		2010	
Tangible equity to tangible assets ⁽¹⁾	8.92	%	7.68	%	7.62	%	7.12	%	6.14	%
Dividend payout ratio	51.6	%	56.0	%	54.3	%	49.3	%	49.2	%
Period end common shares outstanding	40,748		40,431		39,626		36,986		33,319	
Diluted weighted-average shares outstanding	41,232		40,726		39,927		36,454		33,553	
Selected Performance Ratios:										
Return on average assets	1.23	%	1.09	%	1.08	%	1.18	%	1.16	%
Return on average equity	9.65	%	9.04	%	8.82	%	10.36	%	10.66	%
Net interest margin	3.91	%	3.91	%	3.88	%	4.07	%	4.04	%
Noninterest income/operating income (FTE)	31.4	%	30.0	%	28.6	%	28.4	%	31.1	%
Efficiency ratio ⁽²⁾	57.9	%	59.3	%	57.4	%	57.6	%	59.4	%
Asset Quality Ratios:										
Allowance for loan losses/total loans	1.07	%	1.08	%	1.11	%	1.22	%	1.40	%
Nonperforming loans/total loans	0.56	%	0.54	%	0.75	%	0.85	%	0.61	%
Allowance for loan losses/nonperforming loans	190	%	201	%	147	%	144	%	230	%
Loan loss provision/net charge-offs	117	%	122	%	108	%	94	%	109	%
Net charge-offs/average loans	0.15	%	0.17	%	0.23	%	0.15	%	0.21	%

The tangible book value per share and the tangible equity to tangible asset ratio excludes goodwill and identifiable intangible assets, adjusted for deferred tax liabilities generated from tax deductible goodwill. The ratio is not a (1) financial measurement required by accounting principles generally accepted in the United States of America.

However, management believes such information is useful in analyzing the relative strength of Community Bank System's capital position and in evaluating its performance.

(2) Efficiency ratio provides a ratio of operating expenses to operating income. It excludes intangible amortization, acquisition expenses, litigation settlement and contract termination charges from expenses, and gains and losses on investment securities and early retirement of long-term borrowings from income, while adding a fully-taxable equivalent adjustment. The efficiency ratio is not a financial measurement required by accounting principles generally accepted in the United States of America. However, the efficiency ratio is used by management in assessing financial performance specifically as it relates to noninterest expense control. Management also believes such information is useful to investors in evaluating Community Bank System's performance.

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Oneida Financial Corp. Selected Historical Financial Data

Selected Financial Condition Data:	At December 31,				
	2014	2013	2012	2011	2010
	(dollars in thousands)				
Total assets	\$798,169	\$742,484	\$681,391	\$663,713	\$661,579
Cash and cash equivalents	31,075	42,183	19,803	40,572	33,741
Loans receivable, net	367,859	335,701	311,703	286,604	284,479
Mortgage-backed securities	115,911	98,994	90,907	92,755	89,882
Investment securities	189,818	169,012	166,539	148,049	158,589
Trading securities	3,900	5,063	5,630	7,010	7,691
Goodwill and other intangibles	26,288	26,582	27,017	24,947	24,519
Interest bearing deposits	603,482	551,603	492,455	481,505	486,985
Non-interest bearing deposits	85,688	85,647	75,810	69,119	65,179
Borrowed funds		1,000	6,000	11,000	12,000
Total stockholders equity	95,773	90,644	92,981	87,902	83,361

Selected Operating Data:	Years ended December 31,				
	2014	2013	2012	2011	2010
	(dollars in thousands, except per share data)				
Total interest income	\$22,556	\$22,403	\$22,765	\$23,783	\$23,780
Total interest expense	2,634	2,603	3,173	4,023	5,681
Net interest income	19,922	19,800	19,592	19,760	18,099
Provision for loan losses	500	500	740	1,050	1,650
Net interest income after provision for loan losses	19,422	19,300	18,852	18,710	16,449
Net investment gains (losses)	2,451	484	796	58	(901)
Change in fair value of trading securities	(1,163)	1,935	620	199	103
Impairment of other asset			(1,886)		
Non-interest income	32,054	29,207	26,613	24,654	22,888
Non-interest expense	45,882	41,932	36,801	35,548	33,452
Intangible amortization	294	452	339	391	412
Income before income taxes	6,588	8,542	7,855	7,682	4,675
Income tax provision	1,460	2,456	2,095	1,953	914
Net income	\$5,128	\$6,086	\$5,760	\$5,729	\$3,761
Earnings per share basic	\$0.74	\$0.88	\$0.84	\$0.82	\$0.53
Earnings per share diluted	\$0.73	\$0.87	\$0.84	\$0.82	\$0.53
Cash dividends paid	\$0.48	\$0.48	\$0.48	\$0.48	\$0.30

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Selected Financial Ratios:	Years ended December 31,									
	2014		2013		2012		2011		2010	
Performance ratios:										
Return on average assets (ratio of net income to average total assets)	0.66	%	0.86	%	0.85	%	0.86	%	0.60	%
Return on average equity (ratio of net income to average equity)	5.44	%	6.58	%	6.40	%	6.46	%	5.14	%
Interest rate spread ⁽¹⁾	2.90	%	3.16	%	3.28	%	3.30	%	3.25	%
Net interest margin ⁽²⁾	2.95	%	3.23	%	3.37	%	3.41	%	3.38	%
Efficiency ratio ⁽³⁾	88.28	%	85.55	%	79.63	%	80.04	%	80.99	%
Non-interest income to average total assets	4.12	%	4.12	%	3.94	%	3.70	%	3.67	%
Non-interest expense to average total assets	5.93	%	5.97	%	5.49	%	5.40	%	5.39	%
Ratio of average interest-earning assets to average interest-bearing liabilities	116.37	%	116.52	%	115.74	%	115.47	%	112.56	%
Average equity to average total assets	12.12	%	13.03	%	13.32	%	13.33	%	11.73	%
Equity to total assets (end of period)	12.00	%	12.21	%	13.65	%	13.24	%	12.60	%
Tangible equity to tangible assets (end of period) ⁽⁴⁾	9.00	%	8.95	%	10.09	%	9.86	%	9.24	%
Dividend payout ratio ⁽⁵⁾	65.42	%	55.05	%	56.98	%	58.74	%	56.07	%
Asset quality ratios:										
Nonperforming assets to total assets ⁽⁶⁾	0.07	%	0.08	%	0.32	%	0.79	%	1.15	%
Nonperforming loans to total loans	0.08	%	0.16	%	0.23	%	0.50	%	1.38	%
Net charge-offs to average loans	0.03	%	0.05	%	0.29	%	0.85	%	0.09	%
Allowance for loan losses to loans receivable, net	0.95	%	0.93	%	0.89	%	1.02	%	1.51	%
Allowance for loan losses to nonperforming loans	1,144.44	%	587.90	%	382.37	%	201.81	%	107.54	%
Bank Regulatory Capital Ratios:										
Total capital (to risk-weighted assets)	16.54	%	15.97	%	15.16	%	15.62	%	15.15	%
Tier 1 capital (to risk-weighted assets)	15.77	%	15.25	%	14.50	%	14.91	%	14.11	%
Tier 1 capital (to average assets)	9.36	%	9.03	%	9.33	%	9.62	%	9.17	%
Number of full-service banking offices	12		11		11		12		11	
Number of FTEs	358		354		325		330		325	

(1) The average of interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities for the period.

(2) The net interest margin represents net interest income as a percent of average interest-earning assets for the period.

The efficiency ratio represents non-interest expense divided by the sum of net interest income and non-interest income, excluding net impairment losses, net investment gains (losses) and changes in fair value of trading securities.

(4) Tangible equity represents total equity less goodwill and other intangible assets, and tangible assets represents total assets less goodwill and other intangibles.

(5) The dividend payout ratio represents total dividends paid divided by net income and reflects the waiver of dividends by Oneida Financial, MHC.

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The following table sets forth the aggregate cash dividends declared and paid or waived per period, which is calculated by multiplying the dividends declared per share by the number of shares outstanding as the applicable record date.

	At or For the Years Ended December 31,				
	2014	2013	2012	2011	2010
	(in thousands)				
Dividends paid to public stockholders	\$3,354	\$3,351	\$3,282	\$3,365	\$2,109
Dividends payable to Oneida Financial MHC					1,552
Dividends waived by Oneida Financial MHC					(1,552)
Total dividends paid	\$3,354	\$3,351	\$3,282	\$3,365	\$2,109

(6) Non-performing assets include non-performing loans and non-accrual trust preferred securities.

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The following table summarizes the per share information for Community Bank System and Oneida Financial on a historical, pro forma and equivalent basis. The pro forma and pro forma per equivalent share information gives effect to the Merger as if the Merger had been effective on the date presented in the case of the book value data, and as if the Merger had been effective as of the beginning of each period presented in the case of the earnings per share and the cash dividends data. The pro forma information assumes that 60% of the outstanding shares of Oneida Financial common stock will be exchanged for shares of Community Bank System common stock in the Merger. As described elsewhere in this Proxy Statement/Prospectus, the exchange ratio may be adjusted in the event Oneida Financial invokes its right to terminate the Merger Agreement if the average closing price of Community Bank System common stock for a specified period prior to Closing is less than \$28.39 and Community Bank System common stock underperforms a specified peer-group index by more than 20%, and Community Bank System elects to increase the exchange ratio, otherwise, the Merger Agreement may be terminated by Oneida Financial.

The pro forma information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the impact of factors that may result as a consequence of the Merger or consider any potential impacts of current market conditions or the Merger on revenues, expense efficiencies, asset dispositions, and share repurchases, among other factors, nor the impact of possible business model changes. As a result, the pro forma results are not necessarily indicative of what would have occurred had the Merger taken place on the assumed dates, nor do they represent an attempt to predict or suggest future results. You should read the information in the following table in conjunction with the historical financial information and related notes contained in the annual, quarterly and other reports filed by Community Bank System and Oneida Financial with the SEC. See **Where You Can Find More Information** beginning on page 86. You should not rely on the pro forma information as being indicative of the results that Community Bank System will achieve in the Merger.

Per Common Share Data:	Historical		Pro Forma	
	Community Bank System	Oneida Financial	Combined Company ⁽¹⁾⁽²⁾⁽³⁾	Oneida Financial Equivalent ⁽⁴⁾
Basic Earnings				
For the year ended December 31, 2014	\$ 2.24	\$ 0.74	\$ 2.20	\$ 1.24
Diluted Earnings				
For the year ended December 31, 2014	\$ 2.22	\$ 0.73	\$ 2.17	\$ 1.22
Cash Dividends				
For the year ended December 31, 2014	\$ 1.16	\$ 0.48	\$ 1.16	\$ 0.65
Book Value				
As of the year ended December 31, 2014	\$ 24.24	\$ 13.63	\$ 24.88	\$ 14.02

- The pro forma combined basic earnings and diluted earnings of Community Bank System common stock are based on the pro forma combined net income for Community Bank System and Oneida Financial divided by total pro forma common shares or diluted common shares of the combined entities. The pro forma information includes adjustments related to the fair value of assets and liabilities and is subject to adjustment as additional information becomes available and as additional analyses are performed. The pro forma information does not include transactional costs or anticipated cost savings or adjustments related to the fair value of assets and liabilities.
- (1) The pro forma combined book value of Community Bank System common stock is based on the pro forma combined common stockholders equity of Community Bank System and Oneida Financial divided by total pro

forma common shares of the combined entities. The pro forma information does not include transactional costs or anticipated cost savings or adjustments related to the fair value of assets and liabilities.

(3) Cash dividend amounts are the same as historical because no change in dividend policy is expected as a result of the Merger.

The Oneida Financial equivalent is calculated by multiplying the amounts in the Combined Company column by (4) the 0.5635 exchange ratio, which represents the number of shares of Community Bank System common stock Oneida Financial's stockholders will receive for each share of Oneida Financial common stock owned.

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RISK FACTORS

In addition to the other information contained in or incorporated by reference into this Proxy Statement/Prospectus, including the matters addressed under the section titled Cautionary Statement Regarding Forward-Looking Statements, you should consider carefully the risk factors described below in deciding how to vote. You should also read and consider the risk factors associated with the businesses of Community Bank System and Oneida Financial because these risk factors may affect the operations and financial results of the combined company. Community Bank System's risk factors may be found in Community Bank System's Annual Report on Form 10-K for the year ended December 31, 2014. Oneida Financial's risk factors may be found in Oneida Financial's Annual Report on Form 10-K for the year ended December 31, 2014. See Where You Can Find More Information.

Because the price of Community Bank System common stock will fluctuate, Oneida Financial stockholders cannot be certain of the market value of the merger consideration.

On February 23, 2015, which was the last trading date preceding the public announcement of the Merger, the trading price of Community Bank System's common stock was \$35.45, which, after giving effect to the 0.5635 exchange ratio, has an implied value of approximately \$19.98 per share. Based on this price with respect to the stock consideration, the exchange ratio of 0.5635, and the cash consideration of \$20.00 per share, upon completion of the Merger, an Oneida Financial stockholder who receives cash for 40% of his or her shares of common stock and receives stock for 60% of his or her shares of common stock would receive total merger consideration with an implied value of approximately \$19.99 per share. As of May 4, 2015, the most reasonably practicable date prior to the mailing of this Proxy Statement/Prospectus, the trading price of Community Bank System's common stock was \$34.79, which, after giving effect to the 0.5635 exchange ratio, has an implied value of approximately \$19.60 per share. Based on this price with respect to the stock consideration, and the cash consideration of \$20.00 per share, upon completion of the Merger, an Oneida Financial stockholder who receives cash for 40% of his or her shares of common stock and receives stock for 60% of his or her shares of common stock would receive total merger consideration with an implied value of approximately \$19.76 per share.

The price of Community Bank System common stock may increase or decrease before and after completion of the Merger. Upon completion of the Merger, each share of Oneida Financial common stock will be converted into merger consideration consisting of shares of Oneida Financial common stock, \$20.00 in cash (without interest), or a combination thereof, pursuant to the terms of the Merger Agreement. If an Oneida Financial stockholder receives Community Bank System common stock as merger consideration, the implied value of the merger consideration that such stockholder will receive for each share of Oneida Financial common stock will depend on the price per share of Community Bank System common stock at the time the shares are received. The closing price of Community Bank System common stock on the date that the Merger is completed may vary from the closing price of Community Bank System common stock on the date Community Bank System and Oneida Financial announced the Merger, on the date that this Proxy Statement/Prospectus is being mailed to Oneida Financial stockholders, and on the date of the special meeting of Oneida Financial stockholders. Any change in the market price of Community Bank System common stock prior to completion of the Merger will affect the implied value of the merger consideration that Oneida Financial stockholders will receive upon completion of the Merger. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in Community Bank System's and Oneida Financial's respective businesses, operations and prospects, and regulatory considerations. Many of these factors are beyond the control of Community Bank System and Oneida Financial.

You may not receive the form of merger consideration that you elect.

The consideration to be received by Oneida Financial stockholders in the Merger is subject to the requirement that 60% of the outstanding shares of Oneida Financial common stock be exchanged for Community Bank System common stock and the remaining 40% be exchanged for cash. Accordingly, unless you elect to receive the combination of Community Bank System common stock for 60% of your Oneida Financial shares and cash for 40% of your Oneida Financial shares, or unless you own 100 or fewer shares of Oneida Financial common stock and elect to receive only cash, there is no assurance that you will receive the form of consideration that you elect with respect to all shares of Oneida Financial common stock you hold.

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There is a risk that you will receive a portion of the merger consideration in the form that you do not elect that could result in, among other things, tax consequences that differ from those that would have resulted had you received the form of consideration you elected, including with respect to the recognition of taxable gain to the extent cash is received.

Oneida Financial will be subject to business uncertainties and contractual restrictions while the Merger is pending.

Uncertainty about the effect of the Merger on employees and customers may have an adverse effect on Oneida Financial and, consequently, on Community Bank System. These uncertainties may impair Oneida Financial's ability to attract, retain and motivate key personnel until the Merger is consummated, and could cause customers and others that deal with Oneida Financial to seek to change existing business relationships with Oneida Financial. Retention of certain employees by Oneida Financial may be challenging while the Merger is pending, as certain employees may experience uncertainty about their future roles with Community Bank System. If key employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with Community Bank System,

Community Bank System's business following the Merger could be harmed. In addition, the Merger Agreement restricts Oneida Financial from operating its business other than in the ordinary course, and prohibits it from taking specified actions until the Merger occurs without the consent of Community Bank System. These restrictions may prevent Oneida Financial from pursuing business opportunities that may arise prior to the completion of the Merger. See the section entitled "The Merger Agreement - Conduct of Business Prior to Completion of the Merger; Covenants" beginning on page 68 of this Proxy Statement/Prospectus for a description of the restrictive covenants applicable to Oneida Financial.

There is no assurance when or even if the Merger will be completed.

Completion of the Merger is subject to satisfaction or waiver of a number of conditions. See the section entitled "The Merger Agreement - Conditions to the Merger" beginning on page 65. There can be no assurance that Community Bank System and Oneida Financial will be able to satisfy the closing conditions or that closing conditions beyond their control will be satisfied or waived.

Community Bank System and Oneida Financial can mutually agree at any time to terminate the Merger Agreement, even if Oneida Financial stockholders have already voted to approve the Merger Agreement. Community Bank System and Oneida Financial can also terminate the Merger Agreement under other specified circumstances. See the section entitled "The Merger Agreement - Termination" beginning on page 66.

The fairness opinion delivered to Oneida Financial's board of directors does not reflect changes in circumstances subsequent to the date of the fairness opinion.

KBW, financial advisor to Oneida Financial in connection with the Merger, delivered its opinion to the board of directors of Oneida Financial on February 24, 2015. The opinion of KBW speaks only as of such date. Changes in the operations and prospects of Oneida Financial or Community Bank System, general market and economic conditions and other factors beyond the control of Oneida Financial or Community Bank System may significantly alter the value of Oneida Financial or the prices of shares of Community Bank System common stock or Oneida Financial common stock by the time the Merger is completed. KBW's opinion does not speak as of the time the Merger will be completed or as of any date other than the date of such opinion. Oneida Financial's board of directors' recommendation that

Oneida Financial will be subject to business uncertainties and contractual restrictions while the Merger is pending.

Oneida Financial common stockholders vote FOR adoption of the Merger Agreement, however, is made as of the date of this Proxy Statement/Prospectus. For a description of KBW's opinion, please see the section entitled Proposal I The Merger Opinion of Oneida Financial's Financial Advisor beginning on page 36. For a description of the other factors considered by Oneida Financial's board of directors in determining to approve the Merger and the other transactions contemplated in the Merger Agreement, see the section entitled Proposal I The Merger Background of the Merger and Proposal I The Merger Oneida Financial's Reasons for the Merger; Recommendation of Oneida Financial's Board of Directors, beginning on page 27 and page 34, respectively.

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Community Bank System may fail to implement the Merger successfully, achieve savings and realize the other anticipated benefits from the Merger, which would adversely affect Community Bank System's financial condition and results of operations.

The Merger involves the integration of two companies that have previously operated independently. The difficulties of combining the operations of the two companies include: integrating personnel with diverse business backgrounds; integrating core processing systems, and converting customers to new systems; and retaining key employees. As a result, Community Bank System may not be able to operate the combined company as effectively as it expects. Community Bank System may also fail to achieve the anticipated potential benefits of the Merger as quickly or as cost effectively as it anticipates or may not be able to achieve those benefits at all. The management of Community Bank System will have to dedicate substantial effort to integrating the two companies and, therefore, its focus and resources may be diverted from other strategic opportunities and from operational matters.

In addition, certain employees of Oneida Financial and its subsidiaries may not be employed after the Merger. Employees of Oneida Financial and its subsidiaries that Community Bank System wishes to retain may elect to terminate their employment as a result of the Merger, which could delay or disrupt the integration process. It is possible that the integration process could result in the disruption of the ongoing business of Community Bank System and its subsidiaries following the Merger or cause inconsistencies in standards, controls, procedures and policies that adversely affect the ability of Community Bank System and its subsidiaries to maintain relationships with Oneida Financial's and its subsidiaries' customers and employees or to achieve the anticipated benefits of the Merger.

Regulatory approvals may not be received, may take longer than expected or impose conditions that are not presently anticipated.

Before the Merger may be completed, Community Bank System must obtain various approvals or consents, including approvals or consents from the OCC, the Federal Reserve Board and the New York State Department of Financial Services. These governmental entities, including the OCC, may impose conditions on the completion of the Merger or require changes to the terms of the Merger Agreement or the manner in which Oneida Financial or Community Bank System conducts its business. Although Community Bank System and Oneida Financial do not currently expect that any such conditions or changes will be imposed, there can be no assurance that they will not be. Such conditions or changes could have the effect of delaying completion of the Merger or imposing additional costs on or limiting the revenues of Community Bank System, any of which might have a material adverse effect on Community Bank System following the Merger.

There can be no assurance as to whether the regulatory approvals will be received, the timing of those approvals, or whether any conditions will be imposed.

Certain of Oneida Financial's officers and directors have interests that are different from, or in addition to, interests of Oneida Financial stockholders generally.

Oneida Financial's stockholders should be aware that some of Oneida Financial's directors and executive officers have interests in the Merger and have arrangements that are different from, or in addition to, those of Oneida Financial stockholders in general. Oneida Financial's board of directors was aware of these interests and considered these

interests, among other matters, when making its decision to approve the Merger Agreement, and in recommending that Oneida Financial stockholders vote in favor of the Merger Agreement.

The material interests considered by Oneida Financial's board of directors were as follows:

Messrs. Kallet and Stickels will join the boards of directors of Community Bank System and Community Bank following the consummation of the Merger.

The ability to receive, in respect of stock options with an exercise price of less than \$20.00, a cash payment equal to \$20.00 minus the exercise price for each option.

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The acceleration of vesting of outstanding restricted stock awards, which will be exchanged for the merger consideration.

Oneida Savings Bank or its wholly-owned subsidiary, OneGroup NY, Inc., previously entered into employment agreements with its executive officers which entitle them to certain payments and benefits upon a qualifying termination in connection with a change in control such as the Merger.

Certain executive officers are entitled to receive a pro-rata bonus, payable under the Oneida Financial and Oneida Savings Bank non-equity incentive plans. Such bonuses would be paid in a lump sum at the effective time of the Merger.

Executive officers and directors of Oneida Financial and its subsidiaries will receive continued indemnification coverage for their acts or omissions while serving in those capacities and continued coverage under directors and officers liability insurance policies.

For a more complete description of these interests, see Proposal I The Merger Financial Interests of Oneida Financial Directors and Certain Executive Officers in the Merger beginning on page 50.

The shares of Community Bank System common stock to be received by Oneida Financial common stockholders as a result of the Merger will have different rights from the shares of Oneida Financial common stock they currently hold.

Following completion of the Merger, Oneida Financial stockholders who receive the stock consideration will no longer be stockholders of Oneida Financial but will instead be stockholders of Community Bank System. There will be differences between the current rights of Oneida Financial stockholders and the rights of Community Bank System stockholders that may be important to Oneida Financial stockholders. See Comparison of Rights of Holders of Oneida Financial Common Stock and Community Bank System Common Stock beginning on page 79 for a detailed description of the stockholder rights for each company.

The price of Community Bank System common stock might decrease after the Merger.

Upon completion of the Merger, holders of Oneida Financial common stock who receive stock consideration will become stockholders of Community Bank System. Community Bank System common stock could decline in value after the Merger. The market value of Community Bank System common stock fluctuates based upon various factors, including changes in the business, operations or prospects of Community Bank System, market assessments of the Merger, regulatory considerations, market and economic considerations, and other factors. Further, the market price of Community Bank System common stock after the Merger may be affected by factors different from those currently affecting the common stock of Community Bank System or Oneida Financial. The businesses of Community Bank System and Oneida Financial differ and, accordingly, the results of operations of the combined company and the market price of Community Bank System's shares of common stock after the Merger may be affected by factors different from those currently affecting the independent results of operations and market price of each of Community Bank System or Oneida Financial. For a discussion of the businesses of Community Bank System and Oneida Financial and of certain factors to consider in connection with their businesses, see the documents incorporated by reference into this Proxy Statement/Prospectus and referred to under Where You Can Find More Information beginning on page 86.

Oneida Financial common stockholders will have a reduced ownership and voting interest in the combined organization after the Merger and will exercise less influence over management of the combined organization.

Oneida Financial's common stockholders currently have the right to vote in the election of the board of directors of Oneida Financial and on other matters affecting Oneida Financial. Upon the completion of the Merger, each Oneida Financial common stockholder who receives shares of Community Bank System common stock will become a stockholder of Community Bank System with a percentage ownership of the combined organization that is much smaller than the stockholder's percentage ownership of Oneida Financial. It is expected that the former common stockholders of Oneida Financial as a group will receive shares in the Merger constituting less than 6.0% of the outstanding shares of Community Bank System common stock

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immediately after the Merger. Accordingly, Oneida Financial's common stockholders will have significantly less influence on the management and policies of Community Bank System than they now have on the management and policies of Oneida Financial.

Oneida Financial stockholders who hold their stock certificates and make elections will be unable to sell their shares in the market pending the Merger.

Oneida Financial stockholders may elect to receive cash, stock or mixed consideration in the Merger by completing an election form to be mailed separately to each stockholder. Elections will require that stockholders making the election surrender their Oneida Financial stock certificates. This means that during the time between when the election is made and the date the Merger is completed, Oneida Financial stockholders will be unable to sell their Oneida Financial common stock. If the Merger is unexpectedly delayed, this period could extend for a significant period of time. Oneida Financial stockholders can shorten the period during which they cannot sell their shares by delivering their election shortly before the election deadline. However, elections received after the election deadline will not be accepted or honored.

Three class action lawsuits have been filed against Oneida Financial and the members of the Oneida Financial board of directors, as well as Community Bank System, challenging the Merger, and an adverse judgment in such lawsuits may prevent the Merger from becoming effective or from becoming effective within the expected timeframe. In addition, Oneida Financial has filed for declaratory judgment against FinPro, Inc., and an adverse judgment in such lawsuit could adversely impact Oneida Financial.

Oneida Financial and the members of the Oneida Financial board of directors are named as defendants in three purported class action lawsuits challenging the Merger, brought, in each case, by a single Oneida Financial stockholder, seeking, among other things, to enjoin the defendants from consummating the Merger on the agreed-upon terms. Community Bank System is also named as a defendant in the lawsuits. See Proposal I The Merger Litigation Relating to the Merger beginning on page 58 for more information about the class action lawsuits related to the Merger that have been filed.

One of the conditions to the closing of the Merger is that no order, decree or injunction issued by a court or agency of competent jurisdiction that enjoins or prohibits the consummation of the Merger shall be in effect. If the plaintiffs in the class action lawsuits are successful in obtaining a final injunction prohibiting the defendants from consummating the Merger on the agreed-upon terms, then such injunction may prevent the Merger from becoming effective, or from becoming effective within the expected timeframe, even if Oneida Financial and Community Bank System waive this closing condition.

Oneida Financial has filed a complaint alleging that FinPro, Inc. has wrongfully demanded a \$1.42 million services fee in connection with the Merger for which it has provided no services and for which fee it has no right to receive, contractually or otherwise. As a result, Oneida Financial is seeking a declaratory judgment nullifying the improper demand made by FinPro, Inc., and any purported agreement on which the demand is allegedly based, and FinPro, Inc. has asserted counterclaims against Oneida Financial seeking money damages. An adverse judgment in such lawsuit could adversely impact Oneida Financial.

Termination of the Merger Agreement could negatively impact Oneida Financial.

If the Merger Agreement is terminated, there may be various adverse consequences. For example, if the Merger Agreement is terminated and Oneida Financial's board of directors seeks another merger or business combination partner, Oneida Financial stockholders cannot be certain that Oneida Financial will be able to find a party willing to pay an equivalent or greater price than the price Community Bank System has agreed to pay in the Merger, or that such party has the same level of experience in merger and acquisition transactions. In addition, Oneida Financial's businesses could be impacted adversely by the failure to timely consummate the Merger, without realizing any of the anticipated benefits of completing the Merger, or the market price of Oneida Financial common stock could decline to the extent that the current market price reflects a market assumption that the Merger will be completed. In addition, termination of the Merger Agreement would increase the possibility of downgrades by Oneida Financial's credit rating agencies or regulatory actions that could adversely affect Oneida Financial's businesses. Furthermore, if the Merger Agreement is terminated under certain circumstances, Oneida Financial may be required to pay a termination

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fee of \$4.93 million to Community Bank System. The payment of the termination fee could have a material adverse effect on Oneida Financial's financial condition. See The Merger Agreement Termination Fee and Expenses beginning on page 71.

The Merger Agreement limits Oneida Financial's ability to pursue alternatives to the Merger.

The Merger Agreement contains a no-shop provision that, subject to limited exceptions, limits Oneida Financial's ability to initiate, solicit, encourage or knowingly facilitate any inquiries or competing third-party proposals, or engage in any negotiations, or provide any confidential information, or have any discussions with any person relating to a proposal to acquire all or a significant part of Oneida Financial. In addition, Oneida Financial has agreed to pay Community Bank System a termination fee in the amount of \$4.93 million in the event that Community Bank System terminates the Merger Agreement for certain reasons. These provisions might discourage a potential competing acquirer that might have an interest in acquiring all or a significant part of Oneida Financial from considering or proposing that acquisition even if it were prepared to pay consideration with a higher per share market price than that proposed in the Merger, or might result in a potential competing acquirer proposing to pay a lower per share price to acquire Oneida Financial than it might otherwise have proposed to pay.

Until the Merger is consummated or until the Merger Agreement is terminated in accordance with its terms, Oneida Financial can consider and participate in discussions and negotiations with respect to, and furnish non-public information to a person submitting, an alternative unsolicited bona fide takeover proposal (subject to its obligation to pay a termination fee under certain circumstances) so long as the Oneida Financial board of directors determines in good faith, after consultation with its outside legal counsel, that failure to do so would result in a violation of its fiduciary duties to Oneida Financial stockholders under Maryland law and, after reasonable inquiry and consultation with its financial advisor, that such alternative takeover proposal constitutes a superior proposal or would reasonably be likely to result in a superior proposal and that the person making the unsolicited proposal is capable of consummating the transaction. Oneida Financial has agreed to give Community Bank System 72 hours advance notice before any Oneida Financial board of directors meeting at which the board of directors is reasonably likely to consider a superior proposal or taking such action to recommend another superior proposal to the Oneida Financial stockholders. In addition, Oneida Financial cannot enter into a definitive agreement with respect to another takeover proposal which it considers to be superior without giving Community Bank System three business days to match the superior proposal. Unless the Merger Agreement is terminated in accordance with its terms, Oneida Financial must proceed to hold a meeting of its stockholders to consider the Merger Agreement with Community Bank System notwithstanding Oneida Financial's receipt of an alternative takeover proposal.

Goodwill incurred in the Merger may negatively affect Community Bank System's financial condition.

To the extent that the merger consideration, consisting of cash plus the number of shares of Community Bank System common stock to be issued in the Merger, exceeds the fair value of the net assets, including identifiable intangibles of Oneida Financial, that amount will be reported as goodwill by Community Bank System. In accordance with current accounting guidance, goodwill will not be amortized but will be evaluated for impairment annually. A failure to realize expected benefits of the Merger could adversely impact the carrying value of the goodwill recognized in the Merger, and in turn negatively affect Community Bank System's financial condition.

In certain circumstances, the cash merger consideration received may be taxed as a dividend rather than capital gains and Oneida Financial's counsel is not able to provide an opinion regarding whether this tax treatment will apply to any individual stockholder.

In certain circumstances, the cash merger consideration received by an Oneida Financial stockholder who receives Community Bank System common stock and cash may be taxed as a dividend rather than as a capital gain. This could arise if there has not been a meaningful reduction in the stockholder's interest in Community Bank System as a result of the exchange. For purposes of this determination, the stockholder generally will be treated as if the stockholder first exchanged all of the stockholder's shares of Oneida Financial common stock solely for Community Bank System common stock and then Community Bank System immediately redeemed a portion of the Community Bank System common stock in exchange for the cash the stockholder actually

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received. Moreover, the Oneida Financial stockholder may be deemed to constructively own shares of Community Bank System common stock held by members of the stockholder's family or certain entities in which the stockholder has an ownership or beneficial interest, and certain stock options may be aggregated with the stockholder's shares of Community Bank System common stock. Because the determination as to whether a stockholder's interest has been meaningfully reduced based on facts and circumstances unique to each stockholder, the opinion received from Oneida Financial's counsel does not opine as to such treatment at the individual stockholder level.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Proxy Statement/Prospectus that are not historical facts may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (referred to as the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (referred to as the Securities Exchange Act), and are intended to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. You can identify these statements from the use of the words may, will, should, could, would, plan, potential, estimate, project, believe, intend, anticipate, expect, target and similar.

These forward-looking statements are subject to significant risks, assumptions and uncertainties, including among other things, changes in general economic and business conditions and the risks and other factors set forth in the Risk Factors section beginning on page 14.

Additional factors that could cause the results of Community Bank System or Oneida Financial to differ materially from those described in the forward-looking statements can be found in the filings made by Community Bank System and Oneida Financial with the Securities and Exchange Commission, including the Community Bank System Annual Report on Form 10-K for the fiscal year ended December 31, 2014 and the Oneida Financial Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Because of these and other uncertainties, Community Bank System's and Oneida Financial's actual results, performance or achievements, or industry results, may be materially different from the results indicated by these forward-looking statements. In addition, Community Bank System's and Oneida Financial's past results of operations do not necessarily indicate Community Bank System's and Oneida Financial's combined future results. You should not place undue reliance on any of the forward-looking statements, which speak only as of the dates on which they were made. Neither Community Bank System nor Oneida Financial is undertaking an obligation to update these forward-looking statements, even though its situation may change in the future, except as required under the federal securities laws. All forward-looking statements contained in this document are qualified by these cautionary statements.

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THE COMPANIES

Community Bank System

Community Bank System is a Delaware corporation registered as a bank holding company under the BHCA. Community Bank System was incorporated in April 1983. At December 31, 2014, Community Bank System had on a consolidated basis approximately \$7.5 billion in total assets, \$5.9 billion in total deposits, \$4.2 billion in total loans and \$1.0 billion of stockholders' equity. Its common stock is publicly traded on the NYSE under the symbol CBU.

Community Bank System, with its principal executive offices in DeWitt, New York, is the parent company of Community Bank, and is among the country's 150 largest financial institutions.

Community Bank is a commercial banking franchise with 190 customer facilities and 187 ATMs stretching diagonally from Northern New York to the Southern Tier and west to Lake Erie, and in Northern Pennsylvania. Community Bank is a national bank and a member of the Federal Reserve System and the Federal Home Loan Bank System, and its deposits are insured by the FDIC, up to applicable limits.

Community Bank System's business strategy is to operate as a profitable, diversified financial services company providing a variety of banking and other financial services, with an emphasis on consumer and residential mortgage lending and commercial business loans to small and medium-sized businesses. As a result of consolidation of small to medium-sized financial institutions and the de-emphasis on retail branch banking by larger bank holding companies in the markets Community Bank serves, Community Bank believes there is a significant opportunity for a community-focused bank to provide a full range of financial services to small and middle-market commercial and retail customers. Most of Community Bank's branches are located in small towns and villages where competition is less intense. Community Bank emphasizes comprehensive retail and small business products and responsive, decentralized decision-making which reflect Community Bank's knowledge of its local markets and customers.

Through its subsidiaries, Community Bank System offers a wide range of commercial and retail banking and financial services to businesses, individuals, agricultural and government customers. Community Bank's deposit account services include checking, interest-bearing checking, money market, savings, certificates of deposit and individual retirement accounts. It also offers residential and farm loans, business lines of credit, working capital facilities, inventory and dealer floor plans, as well as installment, commercial, term and student loans. Community Bank's lending focuses predominantly on consumer and small to medium-sized business borrowers, which enables its loan portfolio to be highly diversified. Because Community Bank believes that there is a significant potential market for financial services and products, it offers a full range of services to satisfy its customers' financial needs. In addition to traditional banking services and products, it offers personal trust, employee benefit trust, benefits administration and consulting, investment and insurance services to customers in our banking markets as well as in other parts of the country. Community Bank System's subsidiary, Benefit Plans Administrative Services, Inc., is a leading provider of employee benefits administration and trust services, and actuarial and consulting services to customers on a national scale.

For additional information concerning the business of Community Bank System and its financial condition, results of operations and prospects, you should refer to the documents incorporated in this document by reference. See [Where You Can Find More Information](#) on page 86.

Oneida Financial Corp.

Oneida Financial is a Maryland corporation and a registered savings and loan holding company under the Home Owners Loan Act, as amended. Oneida Financial was incorporated in March 2010. At December 31, 2014, Oneida Financial had on a consolidated basis approximately \$798.2 million in total assets, \$689.2 million in total deposits, \$369.9 million in total loans and \$95.8 million of stockholders' equity. Oneida Financial's common stock is publicly traded on NASDAQ under the symbol ONFC. Oneida Financial's executive offices are located at 182 Main Street, Oneida, New York 13421.

Oneida Financial is the parent company of Oneida Savings Bank. Oneida Savings Bank is a New York chartered savings bank headquartered in Oneida, New York, with 12 banking offices in Madison and Oneida Counties. Oneida Savings Bank was originally founded in 1866 as a mutual savings bank. In 1998, Oneida Savings Bank converted to a New York chartered stock savings bank as part of its reorganization into a

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mutual holding company and concurrently completed a public offering of common stock. In 2010, Oneida Financial completed its conversion from a mutual holding company to a stock holding company structure and concurrently sold additional shares of common stock. Since 1998, Oneida Savings Bank has grown its traditional community banking franchise organically and through acquisitions of banks and non-bank companies that offer insurance sales, financial services, employee benefits consulting and other risk management products and services. The expansion into insurance and other financial services businesses has enabled Oneida Savings Bank to evolve from a traditional savings bank to a full-service financial services organization.

Oneida Savings Bank's deposits are insured by the FDIC up to the maximum amount permitted by law. Oneida Savings Bank is engaged primarily in the business of accepting deposits from customers and using those deposits, together with funds generated from operations and borrowings to make one-to-four family residential and commercial real estate loans, consumer loans and commercial business loans, and to invest in mortgage-backed and other securities. Municipal deposit banking services are provided through a limited purpose commercial bank subsidiary, The State Bank of Chittenango. Oneida Savings Bank also sells insurance and other commercial services and products, provides employee benefits services and offers risk management services to help mitigate and prevent work related injuries through OneGroup NY, Inc. (formerly Bailey & Haskell Associates, Inc.), a wholly owned subsidiary of Oneida Savings Bank. Oneida Savings Bank provides financial and investment advisory services through Oneida Wealth Management, Inc., a wholly owned subsidiary of Oneida Savings Bank.

For additional information concerning the business of Oneida Financial and its financial condition, results of operations and prospects, refer to the documents Oneida Financial has filed with the SEC. See [Where You Can Find More Information](#) beginning on page 86.

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SPECIAL MEETING OF ONEIDA FINANCIAL STOCKHOLDERS

General

Oneida Financial will hold a special meeting of its stockholders on June 17, 2015 at 4:00 p.m., Eastern Time, at the Greater Oneida Civic Center, 159 Main Street, Oneida, New York 13421. At the special meeting, the Oneida Financial board of directors will ask you to vote on a proposal to approve and adopt the Merger Agreement, as well as a proposal to approve the Merger-Related Executive Compensation. You may also be asked to vote to adjourn or postpone the special meeting of stockholders if necessary to solicit additional proxies if there are not sufficient votes at the time of the meeting to approve the Merger Agreement.

Record Date; Voting Power

Holders of record of Oneida Financial common stock at the close of business on April 28, 2015, are entitled to vote at the special meeting. This date is called a record date. As of the record date, there were 7,032,540 issued and outstanding shares of Oneida Financial common stock. Oneida Financial stockholders have one vote per share on any matter that may properly come before the special meeting. Brokers who hold shares of Oneida Financial common stock as nominees will not have discretionary authority to vote these shares without instructions from the beneficial owners. Any shares of Oneida Financial common stock for which a broker has submitted an executed proxy but for which the beneficial owner has not given instructions on voting to the broker are referred to as broker non-votes. Broker non-votes will have the same effect as voting AGAINST the Merger Agreement, but they will have no impact on the advisory, non-binding proposal to approve the Merger-Related Executive Compensation or the proposal to approve an adjournment of the special meeting.

Quorum; Vote Required

The presence in person or by proxy of the holders of a majority of the shares of Oneida Financial common stock outstanding as of the close of business on the record date will constitute a quorum for the transaction of business at the special meeting. If you return valid proxy instructions or attend the meeting in person, your shares will be counted for purposes of determining whether there is a quorum, even if you abstain from voting. Broker non-votes also will be counted for purposes of determining the existence of a quorum.

Proposal I: Approval and Adoption of the Merger Agreement. Approval and adoption of the Merger Agreement requires the affirmative vote of a majority of the outstanding shares of Oneida Financial common stock entitled to vote on the Merger Agreement. Failure to return a properly executed and dated proxy card or to vote in person will have the same effect as a vote against the Merger Agreement. Abstentions and broker non-votes will have the same effect as voting against the Merger Agreement.

Proposal II: Approval of the Merger-Related Executive Compensation. Approval of the Merger-Related Executive Compensation proposal requires the affirmative vote of a majority of the votes cast on the proposal. Abstentions and broker non-votes will not affect whether the proposal is approved.

Proposal III: Approval of the adjournment proposal. The affirmative vote of a majority of the votes cast on the

proposal is required to approve the proposal to adjourn the special meeting if necessary to solicit additional proxies if there are not sufficient votes to approve the Merger Agreement. Abstentions and broker non-votes will not affect whether the proposal is approved.

Shares Held by Oneida Financial Directors and Certain Officers; Voting to Approve Merger Agreement

On the record date, the directors of Oneida Financial and certain executive officers of Oneida Financial and its subsidiaries, including certain of their related parties, had voting power with respect to an aggregate of 1,175,129 shares of Oneida Financial common stock, or approximately 16.71% of the shares of Oneida Financial common stock then outstanding. All of the directors of Oneida Financial and certain executive officers of Oneida Financial and its subsidiaries holding, in the aggregate, approximately 16.71% of the outstanding Oneida Financial common stock have agreed to vote in favor of the approval of the Merger Agreement all of the shares of Oneida Financial common stock that they are entitled to vote.

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Recommendation of the Oneida Financial Board of Directors

The board of directors of Oneida Financial has unanimously approved the Merger Agreement and the transactions contemplated by it. The board believes that the Merger is advisable and in the best interests of the Oneida Financial stockholders. It unanimously recommends that Oneida Financial stockholders vote **FOR** approval and adoption of the Merger Agreement. You are also asked to vote **FOR** the approval, on an advisory basis, of the Merger-Related Executive Compensation, and **FOR** the adjournment proposal, if necessary. Oneida Financial could use any adjournment or postponement for the purpose of allowing additional time to solicit proxies. See Proposal I The Merger Oneida Financial's Reasons for the Merger; Recommendation of Oneida Financial's Board of Directors beginning on page 34.

Voting and Revocation of Proxies

Oneida Financial has enclosed a form of proxy with this document. To ensure your representation at the special meeting, Oneida Financial recommends that you vote by proxy even if you plan to attend the special meeting. You can always change your vote at the special meeting. Voting instructions are included on your proxy form. If you properly complete and timely submit your proxy, your shares will be voted as you have directed. You may vote for, against, or abstain with respect to the approval and adoption of the Merger Agreement, the approval of the Merger-Related Executive Compensation and the approval of the adjournment proposal, if necessary. Proxies that are properly signed and dated but which do not specify voting instructions will be voted **FOR** the approval and adoption of the Merger Agreement, **FOR** the approval, on an advisory basis, of the Merger-Related Executive Compensation, and **FOR** the proposal to adjourn or postpone the special meeting, if necessary, and in the discretion of the proxy holders as to any other matter which may properly come before the special meeting.

If you deliver a properly executed and dated proxy, you may revoke the proxy at any time before it is exercised at the special meeting. You may revoke your proxy either by:

filing with the Secretary of Oneida Financial prior to the special meeting, at Oneida Financial's principal executive offices, a written revocation of the proxy; or

submitting a new proxy with a later date; or
attending the special meeting and voting in person.

Being present at the special meeting, by itself, will not revoke the proxy. You must vote in person if you wish to revoke the proxy. All written notices of revocation and other communication with respect to the revocation of proxies should be addressed to:

Oneida Financial Corp.
Eric E. Stickels, Secretary
182 Main Street
Oneida, New York 13421

If your shares are held in street name, you must follow the instructions from your broker regarding voting and revocation of proxies.

Participants in the ESOP or 401(k) Plan

If you participate in the ESOP or if you hold shares through the 401(k) Plan, you will receive a voting instruction form for each plan that reflects all shares you may direct the trustees to vote on your behalf under the plans. Under the terms of the ESOP, the ESOP trustee votes all shares held by the ESOP, but each ESOP participant may direct the trustee how to vote the shares of common stock allocated to his or her account. The ESOP trustee, subject to the exercise of its fiduciary duties, will vote all unallocated shares of Oneida Financial common stock held by the ESOP and allocated shares for which no voting instructions are received in the same proportion as shares for which it has received timely voting instructions. Under the terms of the 401(k) Plan, a participant is entitled to direct the trustee as to the shares in the Oneida Financial Corp. Stock Fund credited to his or her account. The 401(k) Plan trustee will vote all shares for which no directions are given or for which instructions were not timely received in the same proportion as shares for which the trustee received voting instructions, subject to the exercise of its fiduciary duties. Your voting instructions to each plan's trustee must be received or voted online or by telephone by 3:00 a.m., Eastern Time, June 10, 2015.

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Solicitation of Proxies

Oneida Financial will pay for the cost of this proxy solicitation. In addition to solicitation by mail, Laurel Hill Advisory Group, LLC, a proxy solicitation firm, will assist Oneida Financial in soliciting proxies for the special meeting. Oneida Financial will pay \$6,000, plus expenses, for these services. Oneida Financial will, upon request, reimburse brokers, banks and other nominees for their expenses in sending proxy materials to their customers who are beneficial owners and obtaining their voting instructions. Additionally, directors, officers and employees of Oneida Financial may solicit proxies from stockholders by telephone, in person or through other means. These persons will not receive additional compensation, but they will be reimbursed for the reasonable out-of-pocket expenses they incur in connection with this solicitation, if any.

Other Matters

Oneida Financial is unaware of any matter to be presented at the special meeting other than the proposal to approve and adopt the Merger Agreement, the proposal to approve, on an advisory basis, the Merger-Related Executive Compensation, and the proposal to approve one or more adjournments of the special meeting, if necessary or appropriate, including adjournments to permit further solicitations of proxies in favor of the Merger. If other matters are properly presented at the special meeting, the persons named in the proxy will have authority to vote all properly executed and dated proxies in accordance with their judgment on any such matter. Proxies that have been designated to vote against approval of the Merger Agreement will not be voted in favor of any proposal to adjourn or postpone the special meeting for the purpose of soliciting additional proxies to approve the Merger Agreement.

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PROPOSAL I THE MERGER

*The detailed terms of the Merger are contained in the Merger Agreement attached as **Annex A** to this document. The following discussion and the discussion under the caption *The Merger Agreement* describe the more important aspects of the Merger and the material terms of the Merger Agreement. These descriptions are only a summary and are qualified in their entirety by reference to the Merger Agreement, which is attached as **Annex A**. You are urged to read the Merger Agreement carefully because it is the legal document that governs your rights in the Merger.*

General

Effect of the Merger; Management. The Merger Agreement provides that, after approval by the stockholders of Oneida Financial and the satisfaction or waiver of the other conditions to the Merger, Oneida Financial will merge with and into Community Bank System, with Community Bank System as the surviving corporation. The certificate of incorporation and bylaws of Community Bank System will be the certificate of incorporation and bylaws of Community Bank System after the Merger. The directors and officers of Community Bank System immediately prior to the Merger will be the directors and officers of Community Bank System after the Merger until they resign or until their successors are duly elected and qualified. In addition, Michael R. Kallet and Eric E. Stickels, each currently a director of Oneida Financial, will be elected to the board of directors of Community Bank System effective as of the closing date of the Merger.

Bank Merger. Immediately following the Merger of Community Bank System and Oneida Financial, Oneida Savings Bank and The State Bank of Chittenango will merge with and into Community Bank, with Community Bank as the surviving entity. After the Bank Merger, branches of Oneida Savings Bank and The State Bank of Chittenango will become branches of Community Bank.

Closing; Effectiveness of the Merger. Oneida Financial and Community Bank System will close the Merger on the fifth business day, or any other day they mutually agree to, after the satisfaction or waiver of all conditions to the Merger Agreement and after they obtain all necessary regulatory approvals. The Merger will become effective on the date and at the time that Community Bank System and Oneida Financial file a certificate or articles of merger with each of the Delaware Secretary of State and the Maryland State Department of Assessments and Taxation.

The companies expect to complete the Merger in the third quarter of calendar year 2015, but they must first obtain the necessary regulatory approvals and the approval of Oneida Financial stockholders at the special meeting, and satisfy other customary closing conditions. The companies cannot assure you as to when or if all the conditions to the Merger will be met or waived, and it is possible they will not complete the Merger at all.

Background of the Merger

From time to time, the Oneida Financial board of directors has considered various strategic alternatives to enhance stockholder value, including potential acquisitions, strategic partnerships and merger transactions. In addition, Oneida Financial's board of directors regularly reviews and discusses at meetings of the board of directors Oneida Financial's financial performance, market, operating and regulatory risks, management succession plans, opportunities for organic and product growth, stock performance and valuations and strategies to maximize stockholder value.

Oneida Financial's board of directors has also considered the difficulty in growing profitably and operating a financial institution under current economic, regulatory and competitive conditions. Like most community banks, Oneida

Financial has incurred higher costs in complying with new banking laws, regulations and policies, as well as higher costs associated with changes in technology that affect the way customers do their banking business. Oneida Financial's board and management have considered both organic growth strategies and business combinations with other financial institutions as a means of absorbing such higher operating costs by achieving greater economies of scale.

From time to time, senior management from other local financial institutions, including Community Bank System, have contacted Oneida Financial's senior management regarding potential strategic business combinations. The board of directors of Oneida Financial was made aware of these discussions.

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Since completing its conversion from a mutual holding company to a stock holding company and concurrent stock offering in 2010, which raised \$31.5 million in gross proceeds, Oneida Financial has deployed its capital through strategic initiatives, including expanding its insurance, trust and investment services, establishing a securities broker-dealer subsidiary, and by investing in technology to expand its e-commerce and mobile banking platforms. In addition, Oneida Financial has sought to manage its capital by paying quarterly cash dividends.

Community Bank System has historically grown both organically and through strategic acquisitions. Community Bank System has acquired and successfully integrated nine whole bank acquisitions and five different branch acquisitions in the last 15 years, and in so doing, has significantly expanded its Upstate New York and northeastern Pennsylvania banking franchise. Consistent with this strategy, in 2014 Community Bank System's board of directors continued to discuss and analyze market conditions, the mergers and acquisitions market in Upstate New York and potential opportunities for growth, with its senior management and RBC Capital Markets, LLC (RBC), which has served as a financial advisor and investment banking firm to Community Bank System since 2010. These continued discussions included a review of the operating results, business franchise and financial characteristics of a number of community banks, including Oneida Financial.

In October 2014, Oneida Financial's board of directors held its annual strategic planning retreat wherein it invited KBW to update the board of directors on the banking industry in general, the current mergers and acquisitions market in particular, and industry trends, both generally and as they related to Oneida Financial. KBW is a nationally recognized investment banking firm and acted as Oneida Financial's financial advisor in connection with its conversion to a stock holding company in 2010. A representative from Oneida Financial's legal counsel, Luse Gorman, also provided a review of the fiduciary and legal obligations applicable to directors when considering a sale or merger of a company and, together with representatives of KBW, provided an overview of the process involved with selling or merging a bank or savings bank holding company. As in prior years, management and the board of directors also discussed current issues related to banking and Oneida Financial, including cyber security, Oneida Financial's increasing regulatory burden and compliance costs as well as higher costs associated with upgrading technology, its limited access to capital markets, its general strategic options, its prospects as a stand-alone institution and, with feedback from KBW, Oneida Financial's potential valuation in a merger transaction.

At the annual strategic planning retreat, there was a discussion with KBW regarding potential strategic business combinations with other financial institutions, which could involve Oneida Financial as an acquirer or as an acquiree. Seventeen financial institutions were considered, six as possible acquirers of Oneida Financial and eleven as possible acquisition targets by Oneida Financial. Community Bank System was one of the six financial institutions considered as a possible acquirer of Oneida Financial. After review of publicly available financial and stock market information relating to the financial institutions considered, with particular focus on each acquirer's financial capacity to pay, it appeared to the board that Community Bank System was the potential acquirer in the best position to offer a premium acquisition price to Oneida Financial's stockholders. Also, it appeared to the board from the review that the acquisition of one of the potential targets (Company A) offered the best opportunity to enhance stockholder value in a transaction in which Oneida Financial would be an acquirer.

At a regularly scheduled meeting of the Oneida Financial board of directors on October 28, 2014, the board again discussed the strategic matters considered at the annual strategic planning retreat. During this meeting, the board of directors encouraged Michael R. Kallet, Chairman of the Board of Directors and Chief Executive Officer of Oneida Financial, and Eric E. Stickels, President and Chief Operating Officer of Oneida Financial, to continue to assess the possibility of potential business combinations.

At a regularly scheduled meeting of the executive committee of the board of directors (the Executive Committee) on November 11, 2014, the Executive Committee renewed its discussion with Messrs. Kallet and Stickels related to

potential strategic business combinations, including the two different strategic business combinations with Community Bank System and Company A. The Executive Committee concurred that Messrs. Kallet and Stickels should informally explore and discuss a potential strategic business combination with the senior management of Community Bank System and of Company A.

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At Messrs. Kallet's and Stickels' invitation, on November 13, 2014, Mark E. Tryniski, President and Chief Executive Officer of Community Bank System, met with Messrs. Kallet and Stickels. During the meeting, Messrs. Kallet and Stickels inquired as to whether Community Bank System was interested in a potential acquisition of Oneida Financial, and Mr. Tryniski expressed interest in exploring such a potential transaction. The meeting also included a general discussion about their respective companies, including their respective business strategies, business cultures and potential synergies between Community Bank System and Oneida Financial. Mr. Tryniski stated that Community Bank System would conduct additional analyses before responding to Oneida Financial. Shortly after this meeting, Mr. Tryniski contacted RBC to inform them about his discussions with Messrs. Kallet and Stickels and directed RBC to begin conducting a general analysis of Oneida Financial.

At a regularly scheduled meeting of the Oneida Financial board of directors on November 25, 2014, Messrs. Kallet and Stickels reviewed with the board their discussions with Mr. Tryniski and presented information concerning Community Bank System's historical and current financial performance, as well as Oneida Financial's historical and current financial performance. The directors discussed Community Bank System and its potential interest in acquiring Oneida Financial and the potential impact of any transaction on Oneida Financial's stockholders, communities in which Oneida Savings Bank operates, and Oneida Savings Bank's customers and employees. They also discussed Oneida Financial's potential strategic fit and benefits of a business combination with Community Bank System. Messrs. Kallet and Stickels noted that representatives of Community Bank System and Oneida Financial had not discussed any transaction terms, and that if discussions were to continue, they expected Community Bank System to present Oneida Financial with a written indication of interest. After discussion of this information, the Oneida Financial board of directors authorized Messrs. Kallet and Stickels to continue exploratory discussions with Community Bank System.

At Messrs. Kallet's and Stickels' invitation, on November 26, 2014, the Chief Executive Officer of Company A met with Messrs. Kallet and Stickels. The Chief Executive Officer of Company A indicated that Company A was intent on remaining independent and was not interested in a strategic business combination with Oneida Financial. No further discussions occurred between Oneida Financial and Company A. On December 9, 2014, Messrs. Kallet and Stickels informed the Executive Committee that Company A was not interested in a strategic business combination with Oneida Financial.

On December 12, 2014, Mr. Tryniski contacted Mr. Stickels and requested a meeting on December 18, 2014 with Messrs. Kallet and Stickels. On December 16, 2014, Messrs. Kallet and Stickels informed the Oneida Financial board of directors of Mr. Tryniski's request for a meeting, and the board of directors again authorized Messrs. Kallet and Stickels to continue discussions and negotiations with Community Bank System, to confer with special counsel as needed, and to keep Oneida Financial Directors Kent and Haskell apprised of the communications and progress during the holiday period. The board was also advised that a special meeting of the board of directors could be necessary prior to the board's regularly scheduled January meeting.

At the December 18, 2014 meeting between Messrs. Tryniski, Kallet and Stickels, Mr. Tryniski discussed the results of Community Bank System's general analysis of Oneida Financial and again expressed its interest in acquiring Oneida Financial. At the end of the meeting, Mr. Tryniski presented a letter to Messrs. Kallet and Stickels that provided Community Bank System's preliminary analysis of Oneida Financial and possible benefits related to a potential acquisition of Oneida Financial by Community Bank System. Community Bank System's letter included a price range of \$17.00 to \$18.00 per share which would represent a market premium of approximately 30% to 40%. Additionally, the letter detailed possible benefits of a strategic business combination between Community Bank System and Oneida Financial, including a merger of companies with similar business cultures, creating an expanded branch network for customer convenience, expansion of benefits for Oneida Financial employees, and potential representation on Community Bank System's board of directors by current Oneida Financial board members. The

meeting concluded with no indication from Messrs. Kallet and Stickels regarding the potential acceptability of terms contained in the letter or agreement with Community Bank System's analysis contained in the letter.

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In the afternoon of December 18, 2014, Messrs. Kallet and Stickels contacted Luse Gorman to advise them of the meeting with Mr. Tryniski, the contents of the letter from Community Bank System and the previous events to date.

On December 19, 2014, Messrs. Kallet and Stickels contacted Directors Kent and Haskell to inform them of the letter from Community Bank System and to discuss its contents. Directors Kent and Haskell, as well as Messrs. Kallet and Stickels, agreed that the price range analysis in the December 18 letter would not generate significant interest among members of the board, but authorized Messrs. Kallet and Stickels to continue discussions during the holidays and to enter into a confidentiality and non-disclosure agreement with Community Bank System if discussions continued.

In the afternoon of December 19, 2014, Oneida Financial and Community Bank System each entered into a Mutual Confidentiality and Non-Disclosure Agreement to formally begin due diligence and to provide both companies an opportunity to share non-public information.

In a letter dated December 24, 2014, Messrs. Kallet and Stickels provided additional financial and non-financial information regarding Oneida Financial for Community Bank System to consider and evaluate in preparation for further discussions, including, among other things, brief summaries of Oneida Savings Bank's history, its mission and its employee structure. Also included in this letter was an explanation as to why a merger with Oneida Financial and its non-banking operations offered Community Bank System a unique opportunity to have an immediate impact on the combined organization.

On January 9, 2015, Messrs. Tryniski, Kallet and Stickels met to further discuss Community Bank System's interest in acquiring Oneida Financial. At the meeting, the participants discussed Oneida Financial's non-banking lines of business and how the two companies might agree upon pricing with respect to the different lines of business. The participants agreed to meet again to further discuss a potential strategic business combination between the two companies.

On January 13, 2015, Oneida Financial's Executive Committee met to discuss the status of discussions with Community Bank System. Messrs. Kallet and Stickels updated the Executive Committee regarding their discussions with Mr. Tryniski and the ongoing due diligence process. The Executive Committee again authorized Messrs. Kallet and Stickels to continue the discussions with Community Bank System.

On January 15, 2015, Messrs. Tryniski, Kallet and Stickels met again to discuss (i) the terms and provisions each company would expect to see in an indication of interest, if so prepared and presented by Community Bank System, (ii) Oneida Financial's 2015 budget, (iii) potential possible synergies between the two companies, and (iv) the performance of Oneida Financial's non-banking subsidiaries.

On January 21, 2015, at Community Bank System's regular monthly board meeting, RBC presented its transaction analysis of a potential merger between Oneida Financial and Community Bank System, which included information on Oneida Savings Bank's branch network and Oneida Financial's senior management, financial position and operating results, as well as pro forma financial information and an overview of comparable deal terms and comparable deal merger consideration. After extensive discussion and RBC's presentation, the Community Bank System board of directors unanimously approved the terms of an indication of interest and instructed Mr. Tryniski to continue negotiations with Oneida Financial and to begin negotiations of a definitive merger agreement.

On January 21, 2015, Oneida Financial received a letter from Community Bank System (the "indication of interest"), which updated and expanded upon the December 18 letter from Community Bank System, and was subject to its completion of due diligence. The indication of interest provided for merger consideration of \$20.00 for each share of Oneida Financial common stock, of which 60% would be paid in Community Bank System common stock based on a

fixed exchange ratio and 40% would be paid in cash. This indication of interest also provided, among other things, for a termination fee of 4.0% of the aggregate transaction value, an expectation that all branch and customer contact personnel would be retained, and that Messrs. Kallet and Stickels would be asked to join the boards of directors of Community Bank System and Community Bank. Messrs. Kallet and Stickels were not offered positions of employment with Community Bank System or Community Bank following the proposed merger.

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In the afternoon of January 21, 2015, Messrs. Kallet and Stickels discussed the indication of interest with Directors Kent and Haskell and with Luse Gorman. Luse Gorman advised Messrs. Kallet and Stickels to inform KBW of the indication of interest and to direct KBW to prepare for a preliminary discussion of the financial aspects of the potential transaction with the board of directors. Following this discussion, Messrs. Kallet and Stickels contacted KBW.

On January 27, 2015, at the regular meeting of the Oneida Financial board of directors, the board reviewed and considered the indication of interest from Community Bank System. Members of Oneida Financial's management team were present, and representatives of Luse Gorman and KBW participated telephonically. Representatives of KBW discussed with the board various financial aspects of the proposed merger that KBW had preliminarily analyzed. During this discussion, the board noted that when compared to mergers in the Mid-Atlantic area announced since 2012 with deal values between \$100 million and \$500 million, the price offered by Community Bank System significantly exceeded the median price on a tangible book value basis, on a core deposit premium basis, and on a long term earnings per share basis. Additionally, the board of directors again discussed other financial institutions that could be potential acquirers of Oneida Financial, and their capacity to pay a premium similar to that being offered by Community Bank System. After review of publicly available financial and stock market information relating to Community Bank System and such other financial institutions, it again appeared to the board that it was unlikely that other potential acquirers of Oneida Financial could pay an amount that equaled or exceeded the aggregate consideration proposed by Community Bank System.

Additionally, representatives of Luse Gorman reviewed with the board of directors their fiduciary duties in connection with a potential business combination with Community Bank System or other potential acquirers, and the regulatory requirements and timing associated with the regulatory approvals that would be necessary to complete the proposed transaction. Following extensive discussions of the terms of Community Bank System's proposal, including the board's request that certain provisions of the indication of interest be changed, such as the amount of the break-up fee and the methodology of allocating shares between stock and cash, the Oneida Financial board of directors unanimously accepted the indication of interest as a basis to begin negotiating a definitive merger agreement with Community Bank System. The Oneida Financial board of directors also authorized management to continue reverse due diligence on Community Bank System and commence negotiations of a definitive merger agreement. Additionally, the board of directors formed a Merger Committee consisting of John E. Haskell, Daniel L. Maneen and Rodney D. Kent (the Merger Committee) to review and assess developments with respect to the potential merger with Community Bank System, and to assist and advise Messrs. Kallet and Stickels as needed in connection with the negotiations of the terms of the definitive merger agreement.

On January 30, 2015, a virtual data room was created by Oneida Financial, with the assistance of KBW, and Oneida Financial began to provide the virtual data room with due diligence documents requested by Community Bank System.

On February 7, 2015 and February 10, 2015, Community Bank System conducted further due diligence on Oneida Financial, including on-site due diligence of Oneida Financial's loan portfolio, branch locations and other matters as well as interviews of Oneida Financial's senior management.

On February 12, 2015, Bond Schoeneck & King PLLC (BSK), outside lead counsel for Community Bank System, sent Luse Gorman the initial draft of a definitive merger agreement for the transaction.

Between February 12, 2015 and February 24, 2015, Luse Gorman exchanged proposed revisions to the draft definitive agreement with BSK based on input and comments received from Oneida Financial senior management, the Merger Committee and KBW, and worked with BSK towards finalizing a draft merger agreement. The revisions focused on,

among other things, narrowing the representations, warranties and covenants applicable to Oneida Financial and lowering the termination fee from 4% of the total merger consideration to 3.5% of the total merger consideration. During this same period, Oneida Financial conducted reverse due diligence concerning Community Bank System, which included on-site interviews with Community Bank System's senior management and further review of documents, which included both non-public and public information.

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A draft of the merger agreement was distributed to each member of the Oneida Financial board on February 20, 2015.

On the afternoon of February 23, 2015, the Merger Committee met with Messrs. Kallet and Stickels to review and discuss the status of the draft of the definitive merger agreement and due diligence results with respect to Community Bank System. After extensive discussion of the terms and conditions of the draft definitive merger agreement, the Merger Committee voted to recommend to the full board of directors that Oneida Financial approve the definitive merger agreement and proceed with the merger.

On February 24, 2015, the Oneida Financial board met to review and consider the terms and conditions of the draft definitive merger agreement that was distributed to the board on February 20, 2015. KBW was present at the meeting and Luse Gorman participated telephonically.

The meeting began with a summary by Mr. Stickels of the history of the negotiations and discussions with Community Bank System, as well as the due diligence process and results. Also at this meeting, KBW reviewed the financial aspects of the proposed Merger and rendered to the board its opinion (initially rendered verbally and confirmed by a written opinion dated February 24, 2015) to the effect that, as of such date and subject to the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by KBW as set forth in its opinion, the merger consideration in the proposed Merger was fair, from a financial point of view, to the holders of Oneida Financial common stock, as more fully described under Opinion of Oneida Financial's Financial Advisor.

After KBW's presentation, Luse Gorman reviewed a summary of the proposed definitive merger agreement which had previously been sent to each member of the board. Luse Gorman again reviewed the board's fiduciary duties as directors of Oneida Financial in connection with its consideration of the proposed Merger. Luse Gorman then reviewed in detail the terms and conditions of the proposed definitive merger agreement with Community Bank System, including the transaction structure, merger consideration, methodology for allocating shares between stock and cash consideration, the representations and warranties that were being made by each of Oneida Financial and Community Bank System, the reasons for the differences between the representations and warranties made by each of the parties, the covenants and responsibilities of each party between the date of the definitive merger agreement and the closing of the Merger, closing conditions including regulatory approvals and the expected timing for receipt of regulatory approvals, restrictions on Oneida Financial's ability to solicit other merger proposals pending consummation of the Merger, the ability of Oneida Financial to consider an alternative or superior proposal received by Oneida Financial, subject to certain conditions, the obligation of the board to call and hold a meeting to vote to approve the merger agreement, termination rights and the ability of either party to terminate the merger agreement, including the meaning of a material adverse effect standard or threshold for determining whether a breach of a representation, warranty or covenant exists, termination fees, employee benefits and other compensation matters. Representatives of Luse Gorman also reviewed with the directors the proposed terms of the voting agreement which Community Bank System asked that each director of Oneida Financial sign as a condition to entering into the merger agreement.

Following extensive discussion and after considering the foregoing and the proposed terms and conditions of the transaction documents, and taking into consideration the similarities between Community Bank System's business model and corporate culture with those of Oneida Financial, as well as the factors described under Oneida Financial's Reasons for the Merger; Recommendation of the Oneida Financial Board of Directors, the board of directors, having determined that the terms of the proposed Merger Agreement and the transactions contemplated thereby, including the Merger, were advisable to and in the best interests of Oneida Financial and its stockholders, unanimously approved the Merger Agreement. The board authorized Mr. Kallet to execute and deliver the Merger Agreement on behalf of Oneida Financial, and further authorized him, with the assistance of counsel, to make such changes to the definitive

Merger Agreement, provided that any such changes do not materially affect the significant terms of the Merger Agreement. The board also authorized the proper officers to take such steps that are necessary or appropriate to consummate the Merger, including preparing documents and applications to be filed with the necessary banking regulators to obtain regulatory approval, submitting the Merger and the Merger Agreement for consideration by Oneida Financial's stockholders, and holding the meeting of stockholders to approve the Merger. The board also
unanimously

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recommended that stockholders vote in favor of the approval of the Merger Agreement and the transactions contemplated thereby, including the Merger.

The Merger Agreement between Oneida Financial and Community Bank System was executed by the parties on February 24, 2015.

The transaction was announced on the evening of February 24, 2015 by a press release issued jointly by Oneida Financial and Community Bank System.

Community Bank System's Reasons for the Merger

In reaching its determination to approve and adopt the Merger Agreement, the board of directors of Community Bank System considered a number of factors, including:

the complementary geographical locations of Oneida Financial's branch network, which will augment Community Bank System's operations in the market areas in Upstate New York where Community Bank System already has a significant presence;

the opportunity to further diversify Community Bank System's geographical markets and customer base as a whole, by increasing the size of its New York operations through the Merger, and to do so in markets similar to those in which it currently operates;

Community Bank System's past experience and success in the acquisition and integration of financial institutions with operations in Upstate New York;

the fact that the Merger is expected to be accretive to operating earnings per share of Community Bank System in 2015, exclusive of one-time acquisition related charges;

the potential for the combined company to enhance non-interest income growth by providing enhanced and additional financial products and services to the customers of Oneida Financial in the areas of benefit plan administration, investment management, comprehensive cash management, brokerage services and insurance;

the business, operations, technology, asset quality, competitive position, stock price performance, financial condition and results of operations of Oneida Financial on an historical and a prospective basis;

the anticipated operating efficiencies, cost savings and opportunities for revenue enhancements of the combined company following the completion of the Merger, and the likelihood that they would be achieved after the Merger;

the exchange ratio for the Merger and the resulting relative interests of Community Bank System stockholders in the common stock of the combined company, and the amount of total cash consideration to be paid in the Merger;

the fact that the mixture of merger consideration includes a combination of cash and stock subject to the overall requirement that not more than 40% of Oneida Financial common stock would be exchanged for cash;

the deal protection provided by the termination fee of \$4.93 million, payable under certain circumstances in the event of the termination of the Merger Agreement due to a competing offer or certain other reasons;

the intended tax treatment of the Merger as a tax-free reorganization for Community Bank System; and

the likelihood of receiving all of the regulatory approvals required for the Merger.

Based on these reasons, Community Bank System's board of directors unanimously approved the Merger Agreement and the Merger. This discussion of the factors considered by Community Bank System's board of directors does not list every factor considered by the board but includes all material factors considered by the board. In reaching its determination to approve and adopt the Merger Agreement, the board did not give relative or specific importance to each of the factors listed above, and individual directors may have given differing importance to different factors.

Please note that this explanation of the board's reasoning and all

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other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading Cautionary Statement Regarding Forward-Looking Statements beginning on page 21.

Oneida Financial's Reasons for the Merger; Recommendation of Oneida Financial's Board of Directors

In the course of its deliberations on the proposed transaction with Community Bank System, the Oneida Financial board of directors held numerous meetings and consulted with its legal counsel, Luse Gorman, with respect to its legal duties and the terms of the Merger Agreement; with Oneida Financial's financial advisor, KBW, with respect to the financial aspects of the transaction; and with senior management regarding, among other items, operational and due diligence matters. In reaching its decision to approve the Merger and the Merger Agreement and recommend the approval and adoption of the Merger Agreement by the stockholders of Oneida Financial, the Oneida Financial board considered a number of factors, including, among others, the following:

information concerning the business, earnings, operations, financial condition and prospects of Oneida Financial and Community Bank System, both individually and as a combined company;

the discussion and consideration by the board of directors and management of strategic alternatives available to Oneida Financial;

that the implied value of the merger consideration as of February 23, 2015 of \$19.99 for each share of Oneida Financial common represented a 2.02x multiple to Oneida Financial's tangible book value as of December 31, 2014, a 27.6x multiple to Oneida Financial's last twelve months earnings per share, and a 56.3% premium over the closing price of the Oneida Financial common stock on February 23, 2015 (the last trading day before public announcement of the Merger);

the fact that 60% of the merger consideration would be in stock of Community Bank System, which would allow Oneida Financial stockholders to participate in the future performance of the combined company;

the advantageous geographic fit of the branch networks of the combined company, given that Oneida Financial and Community Bank System currently serve contiguous markets with very little overlap;

the compatibility of the business cultures of Oneida Financial and Community Bank System;

the complementary nature of and potential synergies related to Oneida Financial's and Community Bank System's non-banking lines of business;

the historical performance of Community Bank System's common stock, the stock's liquidity in terms of average daily trading volume and the level of future cash dividends anticipated to be received by Oneida Financial stockholders;

the stock component of the merger consideration, including the exchange ratio, the potential value of the Community Bank System common stock to increase after the signing of the Merger Agreement and the ability of Oneida Financial to terminate the Merger Agreement if the price of Community Bank System's common stock drops more than 20% relative to both its price before public announcement of the transaction and the SNL Midcap U.S. Bank Index;

the cash component of the merger consideration, which gives Oneida Financial stockholders who desire liquidity an ability to receive cash;

the opinion, dated February 24, 2015, of KBW to the Oneida Financial board of directors as to the fairness, from a financial point of view and as of the date of the opinion, to the holders of Oneida Financial common stock of the merger consideration, as more fully described under Opinion of Oneida Financial's Financial Advisor beginning on page 36;

the terms of the Merger Agreement, including the fixed cash and stock consideration, the expected tax treatment of the Merger as a reorganization for United States federal income tax purposes, the size of the termination fee in relation to the overall deal size and Oneida Financial's ability to consider unsolicited offers from third parties in certain circumstances;

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the effect of the Merger on Oneida Savings Bank's customers, and the communities served by Oneida Savings Bank, as well as its effect on Oneida Savings Bank's employees. Oneida Financial's directors deemed the Merger with Community Bank System to be an opportunity to provide customers and the communities served by Oneida Savings Bank with increased financial services and increased access to those services through more branch offices. Oneida Financial's directors also considered the opportunities for career advancement in a larger organization that would be available to Oneida Financial employees who continue employment with the combined company after the Merger, and the severance benefits provided for in the Merger Agreement and under Community Bank System's policies for any Oneida Financial employees who do not continue employment with the combined company;

the ability of Community Bank System to complete the Merger, from a business, financial, and regulatory perspective, and its proven track record of successfully completing acquisition transactions;

the nature and amount of payments and other benefits to be received by Oneida Financial management in connection with the Merger pursuant to pre-existing Oneida Financial plans and compensation arrangements and the Merger Agreement; and

the fact that two representatives from the Oneida Financial board of directors will be directors of Community Bank System following the closing of the Merger.

Oneida Financial's board of directors also considered potential risks associated with the Merger in connection with its decision to approve the Merger Agreement and the Merger, including that other parties that might be interested in proposing a transaction with Oneida Financial could be discouraged from doing so given the terms of the Merger Agreement generally prohibiting Oneida Financial from soliciting, engaging in discussions or providing information regarding an alternative transaction, requiring Oneida Financial to pay a termination fee to Community Bank System under certain circumstances, and requiring Oneida Financial's directors and executive officers to execute agreements requiring them to vote in favor of the Merger with Community Bank System, with Community Bank System requiring the Oneida Financial directors and executive officers to execute such agreements as a condition to agreeing to enter into the Merger Agreement.

The foregoing discussion of the information and factors considered by Oneida Financial's board of directors is not exhaustive, but includes the material factors that the board of directors considered and discussed in approving and recommending the Merger Agreement and the Merger. In view of the wide variety of factors considered and discussed by Oneida Financial's board of directors in connection with its evaluation of the Merger and the complexity of these factors, the board of directors did not quantify, rank or assign any relative or specific weight to the foregoing factors. Rather, it considered all of the factors as a whole. The board of directors discussed the foregoing factors, and agreed that the Merger was in the best interests of Oneida Financial and its stockholders. In considering the foregoing factors, individual directors may have assigned different weights to different factors. The board of directors did not undertake to make any specific determination as to whether any factor, or particular aspect of any factor, supported or did not support its ultimate decision to approve the Merger Agreement and the Merger. The foregoing explanation of the reasoning of Oneida Financial's board of directors and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the cautionary statements set forth in Cautionary Statement Regarding Forward-Looking Statements on page 21.

For the reasons set forth above, Oneida Financial's board of directors has unanimously approved the Merger Agreement, has determined that the Merger Agreement and the transactions contemplated thereby, including the Merger and merger consideration, are advisable and in the best interests of Oneida Financial, and unanimously recommends that Oneida Financial stockholders vote FOR the proposal to approve and adopt the Merger Agreement, FOR the proposal to approve the Merger-Related Executive Compensation, and FOR the proposal to approve adjournment of the special meeting if there are insufficient votes at the time of the special meeting to approve the Merger Agreement.

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Opinion of Oneida Financial's Financial Advisor

Oneida Financial engaged KBW to render financial advisory and investment banking services to Oneida Financial, including an opinion to the Oneida Financial's board of directors as to the fairness, from a financial point of view, to the holders of Oneida Financial common stock of the merger consideration to be received by such stockholders in the proposed Merger of Oneida Financial with and into Community Bank System. Oneida Financial selected KBW because KBW is a nationally recognized investment banking firm with substantial experience in transactions similar to the Merger. As part of its investment banking business, KBW is continually engaged in the valuation of financial services businesses and their securities in connection with mergers and acquisitions.

As part of its engagement, representatives of KBW attended the meeting of the Oneida Financial's board of directors held on February 24, 2015, at which the Oneida Financial's board evaluated the proposed Merger. At this meeting, KBW reviewed the financial aspects of the proposed Merger and rendered to the Oneida Financial board an opinion to the effect that, as of such date and subject to the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by KBW as set forth in its opinion, the merger consideration in the proposed Merger was fair, from a financial point of view, to the holders of Oneida Financial common stock. The Oneida Financial Board approved the Merger Agreement at this meeting.

The description of the opinion set forth herein is qualified in its entirety by reference to the full text of the opinion, which is attached as **Annex B** to this document and is incorporated herein by reference, and describes the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by KBW in preparing the opinion.

KBW's opinion speaks only as of the date of the opinion. The opinion was for the information of, and was directed to, the Oneida Financial board (in its capacity as such) in connection with its consideration of the financial terms of the Merger. The opinion addressed only the fairness, from a financial point of view, of the merger consideration in the Merger to the holders of Oneida Financial common stock. It did not address the underlying business decision of Oneida Financial to engage in the Merger or enter into the Merger Agreement or constitute a recommendation to the Oneida Financial board in connection with the Merger, and it does not constitute a recommendation to any holder of Oneida Financial common stock or any stockholder of any other entity as to how to vote in connection with the Merger or any other matter (including, with respect to holders of Oneida Financial common stock, what election any such stockholder should make with respect to the stock consideration or the cash consideration (or any combination thereof)), nor does it constitute a recommendation on whether or not any such stockholder should enter into a voting, shareholders or affiliates agreement with respect to the Merger or exercise any other rights that may be available to such stockholder.

KBW's opinion was reviewed and approved by KBW's Fairness Opinion Committee in conformity with its policies and procedures established under the requirements of Rule 5150 of the Financial Industry Regulatory Authority.

In connection with the opinion, KBW reviewed, analyzed and relied upon material bearing upon the financial and operating condition of Oneida Financial and Community Bank System and the Merger, including, among other things:

a draft dated February 22, 2015 of the Merger Agreement (the most recent draft then made available to KBW); certain regulatory filings of Oneida Financial and Community Bank System, including the quarterly call reports filed with respect to each quarter during the three years ended December 31, 2014 for Oneida Financial and Community Bank System;

the audited financial statements and Annual Reports on Form 10-K for the three fiscal years ended December 31, 2013 of Oneida Financial;

the audited financial statements and Annual Reports on Form 10-K for the three fiscal years ended December 31, 2013 of Community Bank System;

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the unaudited financial statements and quarterly reports on Form 10-Q for the fiscal quarters ended March 31, 2014, June 30, 2014 and September 30, 2014 of Oneida Financial;

the unaudited financial statements and quarterly reports on Form 10-Q for the fiscal quarters ended March 31, 2014, June 30, 2014 and September 30, 2014 of Community Bank System;

the unaudited quarterly and fiscal year-end financial results for the period ended December 31, 2014 of Oneida Financial furnished to KBW by Oneida Financial;

the unaudited quarterly and fiscal year-end financial results for the period ended December 31, 2014 of Community Bank System furnished to us by Community Bank System;

certain other interim reports and other communications of Oneida Financial and Community Bank System to their respective stockholders; and

other financial information concerning the businesses and operations of Oneida Financial and Community Bank System furnished to KBW by Oneida Financial and Community Bank System or which KBW was otherwise directed to use for purposes of KBW's analyses.

KBW's consideration of financial information and other factors that it deemed appropriate under the circumstances or relevant to its analyses included, among other things, the following:

the historical and current financial position and results of operations of Oneida Financial and Community Bank System;

the assets and liabilities of Oneida Financial and Community Bank System;

the nature and terms of certain other merger transactions and business combinations in the banking industry; a comparison of certain financial and stock market information of Oneida Financial and Community Bank System with similar information for certain other companies the securities of which were publicly traded;

financial and operating forecasts and projections of Oneida Financial that were prepared by, and provided to KBW and discussed with KBW by, Oneida Financial management and that were used and relied upon by KBW at the direction of such management with the consent of the Oneida Financial Board;

publicly available consensus street estimates of Community Bank System for 2015 and 2016, as well as the long term growth rates based thereon which were prepared by and provided to KBW by Community Bank System management, all of which information was discussed with KBW by such management and used and relied upon by KBW based on such discussions with the consent of the Oneida Financial board; and

estimates regarding certain pro forma financial effects of the Merger on Community Bank System (including, without limitation, the cost savings and related expenses expected to result from the Merger), that were prepared by Community Bank System management, and provided to KBW and discussed with KBW by such management, and used and relied upon by KBW based on such discussions with the consent of the Oneida Financial board.

KBW also performed such other studies and analyses as it considered appropriate and took into account its assessment of general economic, market and financial conditions and its experience in other transactions, as well as its experience

in securities valuation and knowledge of the banking industry generally. KBW also held discussions with senior management of Oneida Financial and Community Bank System regarding the past and current business operations, regulatory relations, financial condition and future prospects of their respective companies and such other matters that KBW deemed relevant to its inquiry. KBW was not requested to, and did not, assist Oneida Financial with soliciting indications of interest from third parties other than Community Bank System regarding a potential transaction with Oneida Financial.

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In conducting its review and arriving at its opinion, KBW relied upon and assumed the accuracy and completeness of all of the financial and other information provided to it or that was publicly available and did not independently verify the accuracy or completeness of any such information or assume any responsibility or liability for such verification, accuracy or completeness. KBW relied upon management of Oneida Financial as to the reasonableness and achievability of the financial and operating forecasts and projections of Oneida Financial (and the assumptions and bases therefor) that were prepared by, and provided to KBW and discussed with KBW by, such management and KBW assumed that such forecasts and projections were reasonably prepared on a basis reflecting the best currently available estimates and judgments of such management, and that such forecasts and projections would be realized in the amounts and in the time periods estimated by such management. KBW further relied, with the consent of Oneida Financial, upon Community Bank System management as to the reasonableness and achievability of the publicly available consensus street estimates of Community Bank System referred to above and the long term growth rates based thereon that were prepared by Community Bank System management and provided to and discussed with KBW by such management, as well as the estimates regarding certain pro forma financial effects of the Merger on Community Bank System (and the assumptions and bases therefor, including, without limitation, the cost savings and related expenses expected to result from the Merger) that were prepared by and provided to KBW by such management, all of which information was discussed with KBW by such management. KBW assumed, with the consent of Oneida Financial, that all such information was consistent with (in the case of the Community Bank System street estimates referred to above), or was otherwise reasonably prepared on a basis reflecting, the best currently available estimates and judgments of Community Bank System management and that the forecasts, projections and estimates reflected in such information would be realized in the amounts and in the time periods estimated.

It is understood that the forecasts, projections and estimates of Oneida Financial and Community Bank System provided to KBW were not prepared with the expectation of public disclosure, that all such forecasts, projections and estimates, together with the publicly available consensus street estimates of Community Bank System referred to above, were based on numerous variables and assumptions that are inherently uncertain, including, without limitation, factors related to general economic and competitive conditions and that, accordingly, actual results could vary significantly from those set forth in such information. KBW assumed, based on discussions with the respective managements of Oneida Financial and Community Bank System, that such information provided a reasonable basis upon which KBW could form its opinion and KBW expressed no view as to any such information or the assumptions or bases therefor. KBW relied on all such information without independent verification or analysis and did not in any respect assume any responsibility or liability for the accuracy or completeness thereof.

KBW also assumed that there were no material changes in the assets, liabilities, financial condition, results of operations, business or prospects of either Oneida Financial or Community Bank System since the date of the last financial statements of each such entity that were made available to KBW. KBW is not an expert in the independent verification of the adequacy of allowances for loan losses and KBW assumed, without independent verification and with Oneida Financial's consent, that the aggregate allowances for loan losses for Oneida Financial and Community Bank System were adequate to cover such losses. In rendering its opinion, KBW did not make or obtain any evaluations or appraisals or physical inspection of the property, assets or liabilities (contingent or otherwise) of Oneida Financial or Community Bank System, the collateral securing any of such assets or liabilities, or the collectability of any such assets, nor did KBW examine any individual loan or credit files, nor did it evaluate the solvency, financial capability or fair value of Oneida Financial or Community Bank System under any state or federal laws, including those relating to bankruptcy, insolvency or other matters. Estimates of values of companies and assets do not purport to be appraisals or necessarily reflect the prices at which companies or assets may actually be sold. Because such estimates are inherently subject to uncertainty, KBW assumed no responsibility or liability for their accuracy.

KBW assumed, in all respects material to its analyses:

that the Merger and any related transaction (including the Bank Merger) would be completed substantially in accordance with the terms set forth in the Merger Agreement (the final terms of which KBW assumed would not differ in any respect material to KBW's analyses from the draft reviewed) with no additional payments or adjustments to the merger consideration;

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that the representations and warranties of each party in the Merger Agreement and in all related documents and instruments referred to in the Merger Agreement were true and correct;
that each party to the Merger Agreement and all related documents would perform all of the covenants and agreements required to be performed by such party under such documents;
that there were no factors that would delay or subject to any adverse conditions, any necessary regulatory or governmental approval for the Merger or any related transaction and that all conditions to the completion of the Merger and any related transaction would be satisfied without any waivers or modifications to the Merger Agreement;
and
that in the course of obtaining the necessary regulatory, contractual, or other consents or approvals for the Merger and any related transaction, no restrictions, including any divestiture requirements, termination or other payments or amendments or modifications, would be imposed that would have a material adverse effect on the future results of operations or financial condition of Oneida Financial, Community Bank System or the combined entity or the contemplated benefits of the Merger, including the cost savings and related expenses expected to result from the Merger.

KBW assumed, in all material respects to its analyses, that the Merger would be consummated in a manner that complied with the applicable provisions of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and all other applicable federal and state statutes, rules and regulations. KBW further assumed that Oneida Financial relied upon advice from its advisors (other than KBW) or other appropriate sources as to all legal, financial reporting, tax, accounting and regulatory matters with respect to Oneida Financial, Community Bank System, the Merger, any related transaction (including the Bank Merger), and the Merger Agreement. KBW did not provide advice with respect to any such matters.

KBW's opinion addressed only the fairness, from a financial point of view, as of the date of the opinion, of the merger consideration to be received by the holders of Oneida Financial common stock in the Merger to such holders. KBW expressed no view or opinion as to any other terms or aspects of the Merger or any related transaction (including the Bank Merger), including without limitation, the form or structure of the Merger (including the form of the merger consideration or the allocation thereof among cash and stock) or any related transaction, any consequences of the Merger to Oneida Financial, its stockholders, creditors or otherwise, or any terms, aspects or implications of any voting, support, stockholder or other agreements, arrangements or understandings contemplated or entered into in connection with the Merger or otherwise. KBW's opinion was necessarily based upon conditions as they existed and could be evaluated on the date of such opinion and the information made available to KBW through such date. Developments subsequent to the date of KBW's opinion may have affected, and may affect, the conclusion reached in KBW's opinion and KBW did not and does not have an obligation to update, revise or reaffirm its opinion. KBW's opinion did not address, and KBW expressed no view or opinion with respect to:

the underlying business decision of Oneida Financial to engage in the Merger or enter into the Merger Agreement;
the relative merits of the Merger as compared to any strategic alternatives that are, have been or may be available to or contemplated by Oneida Financial or the Oneida Financial board;
the fairness of the amount or nature of any compensation to any of Oneida Financial's officers directors or employees, or any class of such persons, relative to any compensation to the holders of Oneida Financial common stock;
the effect of the Merger or any related transaction on, or the fairness of the consideration to be received by, holders of any class of securities of Oneida Financial (other than the holders of Oneida Financial common stock solely with respect to the merger consideration, as set forth in KBW's opinion, and not relative to the consideration to be received by holders of any other class of securities), holders of any class of securities of Community Bank System or any other party to any transaction contemplated by the Merger Agreement;

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whether Community Bank System has sufficient cash, available lines of credit or other sources of funds to enable it to pay the aggregate cash consideration to the holders of Oneida Financial common stock at the closing of the Merger; the election by holders of Oneida Financial common stock to receive the stock consideration or the cash consideration, or a combination thereof, or the actual allocation between the stock consideration and the cash consideration among such holders (including, without limitation, any re-allocation thereof as a result of proration pursuant to the Merger Agreement), or the relative fairness of the stock consideration and the cash consideration; the actual value of the Community Bank System common stock to be issued in the Merger; any adjustment (as provided in the Merger Agreement) in the merger consideration (including the allocation thereof among cash and stock) assumed to be paid in the Merger for purposes of KBW's opinion; the prices, trading range or volume at which Oneida Financial common stock or Community Bank System common stock would trade following the public announcement of the Merger or the prices, trading range or volume at which Community Bank System common stock would trade following consummation of the Merger; any advice or opinions provided by any other advisor to any of the parties to the Merger or any other transaction contemplated by the Merger Agreement; or any legal, regulatory, accounting, tax or similar matters relating to Oneida Financial, Community Bank System, their respective stockholders, or relating to or arising out of or as a consequence of the Merger or any related transaction (including the subsidiary bank merger), including whether or not the Merger would qualify as a tax-free reorganization for United States federal income tax purposes.

In performing its analyses, KBW made numerous assumptions with respect to industry performance, general business, economic, market and financial conditions and other matters, which are beyond the control of KBW, Oneida Financial and Community Bank System. Any estimates contained in the analyses performed by KBW are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by these analyses. Additionally, estimates of the value of businesses or securities do not purport to be appraisals or to reflect the prices at which such businesses or securities might actually be sold. Accordingly, these analyses and estimates are inherently subject to substantial uncertainty. In addition, the KBW opinion was among several factors taken into consideration by the Oneida Financial Board in making its determination to approve the Merger Agreement and the Merger. Consequently, the analyses described below should not be viewed as determinative of the decision of the Oneida Financial board with respect to the fairness of the merger consideration. The type and amount of consideration payable in the Merger were determined through negotiation between Oneida Financial and Community Bank System and the decision to enter into the Merger Agreement was solely that of the Oneida Financial board.

The following is a summary of the material financial analyses presented by KBW to the Oneida Financial board in connection with its opinion. The summary is not a complete description of the financial analyses underlying the opinion or the presentation made by KBW to the Oneida Financial board, but summarizes the material analyses performed and presented in connection with such opinion. The financial analyses summarized below include information presented in tabular format. The tables alone do not constitute a complete description of the financial analyses. The preparation of a fairness opinion is a complex analytic process involving various determinations as to appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. In arriving at its opinion, KBW did not attribute any particular weight to any analysis or factor that it considered, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Accordingly, KBW believes that its analyses and the summary of its analyses must be considered as a whole and that selecting portions of its analyses and factors or focusing on the information presented below in tabular format, without considering all analyses and factors or the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the process underlying its analyses

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and opinion. For purposes of the financial analyses described below, KBW utilized an implied value of the merger consideration of \$19.99 per share of Oneida Financial common stock, consisting of the sum of (i) the implied value of the stock election consideration of 0.5635 of a share of Community Bank System common stock, based on the closing price of Community Bank System common stock on February 23, 2015 of \$35.45, multiplied by 60%, and (ii) the cash election consideration of \$20.00 multiplied by 40%. In addition to the financial analyses described below, KBW reviewed with the Oneida Financial board for informational purposes the implied transaction multiple for the proposed Merger of 21.3x Oneida's estimated 2016 earnings per share (EPS), using estimated 2016 EPS data for Oneida Financial provided by Oneida Financial management and based on the implied value of the merger consideration of \$19.99 per share of Oneida Financial common stock.

Selected Companies Analysis - Oneida. Using publicly available information, KBW compared the financial performance, financial condition and market performance of Oneida Financial to 18 selected banks and thrifts, referred to as the size peer group, traded on NASDAQ or the NYSE, headquartered in the Mid-Atlantic region (defined as Delaware, Maryland, New Jersey, New York, and Pennsylvania) and which have total assets between \$650 million and \$1.1 billion. Using publicly available information, KBW also compared the financial performance, financial condition and market performance of Oneida Financial to 10 selected banks and thrifts, referred to as the high fee income peer group, traded on NASDAQ or the NYSE, headquartered in the Mid-Atlantic region and which have total assets less than \$10 billion and fee income to revenue ratios greater than 30%. Mutual holding companies and merger targets were excluded from the selected companies.

The selected companies included in Oneida Financial's size peer group were:

Fox Chase Bancorp, Inc.	Parke Bancorp, Inc.
AmeriServ Financial, Inc.	Two River Bancorp
Community Financial Corporation	Severn Bancorp, Inc.
Cape Bancorp, Inc.	Mid Penn Bancorp, Inc.
ACNB Corporation	Royal Bancshares of Pennsylvania, Inc.
Ocean Shore Holding Co.	DNB Financial Corporation
Unity Bancorp, Inc.	Norwood Financial Corp.
1 st Constitution Bancorp	First Bank
CB Financial Services, Inc.	Stewardship Financial Corporation

To perform this analysis, KBW used profitability and other financial information for, or, in the case of information for the latest 12 month period or LTM, through, the most recent completed quarter available (which in the case of Oneida Financial was the fiscal quarter ended December 31, 2014 as provided by Oneida Financial management to the extent not publicly available) or as of the end of such quarter and market price information as of February 23, 2015. KBW also used 2015 and 2016 EPS estimates taken from consensus street estimates for the selected companies and estimates for Oneida Financial provided to KBW by Oneida Financial management. Certain financial data prepared by KBW, and as referenced in the tables presented below, may not correspond to the data presented in Oneida Financial's historical financial statements as a result of the different periods, assumptions and methods used by KBW to compute the financial data presented.

KBW's analysis showed the following concerning the financial performance of Oneida Financial and the selected companies in its size peer group:

Oneida Financial	Oneida Financial Peer Group Average	Median
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		25 th			75 th
		Percentile			Percentile
LTM Core Return on Average Assets ⁽¹⁾	0.60 %	0.55 %	0.65 %	0.64 %	0.83 %
LTM Core Return on Average Equity ⁽¹⁾	4.92 %	4.90 %	6.57 %	6.21 %	9.45 %
LTM Net Interest Margin	2.95 %	3.34 %	3.59 %	3.52 %	3.78 %
LTM Fee Income/Revenue Ratio ⁽²⁾	60.8 %	9.9 %	14.2 %	13.5 %	16.6 %
LTM Efficiency Ratio	87.0 %	72.1 %	68.8 %	66.7 %	64.8 %

(1) Core income excludes extraordinary items, gains/losses on sale of securities and nonrecurring items.

(2) Excludes gains/losses on sale of securities.

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KBW's analysis also showed the following concerning the financial condition of Oneida Financial and the selected companies in its size peer group:

	Oneida Financial	Oneida Financial Peer Group			
		25 th Percentile	Average	Median	75 th Percentile
Tangible Common Equity/Tangible Assets	9.00 %	7.11 %	8.97 %	8.73 %	9.78 %
Total Risk-Based Capital/Risk-Weighted Assets ⁽¹⁾	16.54 %	12.89 %	15.77 %	15.01 %	17.96 %
Loans/Deposits	53.9 %	83.2 %	92.9 %	93.2 %	98.6 %
Loan Loss Reserve/Gross Loans	0.94 %	1.13 %	1.46 %	1.27 %	1.60 %
Nonperforming Assets/Loans + OREO	0.35 %	3.71 %	3.20 %	2.06 %	1.54 %
LTM Net Charge-Offs/Average Loans	0.03 %	0.36 %	0.33 %	0.25 %	0.14 %

(1) Total risk-based capital ratios for Oneida, Ocean Shore Holding Co. and Severn Bancorp, Inc. are as reported by their respective savings bank subsidiaries.

In addition, KBW's analysis showed the following concerning the market performance of Oneida Financial and, to the extent publicly available, the selected companies in its size peer group (excluding the impact of the LTM EPS multiple for one of the selected companies considered to be not meaningful because it was greater than 30.0x):

	Oneida Financial	Oneida Financial Peer Group			
		25 th Percentile	Average	Median	75 th Percentile
One Year Stock Price Change	2.3 %	(5.3 %) %	1.9 %	0.2 %	9.6 %
One Year Total Return	6.2 %	(3.8 %) %	3.7 %	2.3 %	11.1 %
YTD Stock Price Change	(1.6 %) %	(3.6 %) %	0.3 %	0.4 %	2.0 %
Stock Price/Book Value per Share	0.94x	0.80x	0.94x	0.92x	1.08x
Stock Price/Tangible Book Value per Share	1.29x	0.86x	1.00x	1.01x	1.16x
Stock Price/LTM EPS	17.6x	11.7x	14.1x	13.6x	14.6x
Stock Price/2015 Est. EPS ⁽¹⁾	14.0x	12.4x	14.3x	13.5x	14.1x
Stock Price/2016 Est. EPS ⁽²⁾	13.6x	11.4x	13.2x	11.9x	13.0x
Dividend Yield ⁽³⁾	3.8 %	1.2 %	1.9 %	1.6 %	2.7 %
LTM Dividend Payout ⁽³⁾	66.2 %	8.8 %	25.2 %	20.7 %	36.9 %

(1) Estimated 2015 EPS data was not publicly available for AmeriServ Financial, Inc., ACNB Corporation, Unity Bancorp, Inc., 1st Constitution Bancorp, CB Financial Services, Inc., Parke Bancorp, Inc., Two River Bancorp, Severn Bancorp, Inc., Mid Penn Bancorp, Inc., Royal Bancshares of Pennsylvania, Inc., Norwood Financial Corp. and Stewardship Financial Corporation.

(2) Estimated 2016 EPS data was not publicly available for AmeriServ Financial, Inc., ACNB Corporation, Unity Bancorp, Inc., 1st Constitution Bancorp, CB Financial Services, Inc., Parke Bancorp, Inc., Two River Bancorp, Severn Bancorp, Inc., Mid Penn Bancorp, Inc., Royal Bancshares of Pennsylvania, Inc., Norwood Financial Corp. and Stewardship Financial Corporation.

(3) Dividend payout and yield calculated using current dividend annualized excluding special dividends.

The selected companies included in Oneida Financial's high fee income peer group were:

Community Bank System, Inc.

Bryn Mawr Bank Corporation

Tompkins Financial Corporation
Bancorp, Inc.
WSFS Financial Corporation
TriState Capital Holdings, Inc.

Univest Corporation of Pennsylvania
Arrow Financial Corporation
Orrstown Financial Services, Inc.
Shore Bancshares, Inc.

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KBW's analysis showed the following concerning the financial performance of Oneida Financial and the selected companies in its high fee income peer group:

	Oneida Financial	Oneida Financial High Fee Income Peer Group 25 th Percentile	Average	Median	75 th Percentile
LTM Core Return on Average Assets ⁽¹⁾	0.60 %	0.71 %	1.08 %	1.04 %	1.27 %
LTM Core Return on Average Equity ⁽¹⁾	4.92 %	5.92 %	10.61 %	10.29 %	12.00 %
LTM Net Interest Margin	2.95 %	3.18 %	3.34 %	3.50 %	3.82 %
LTM Fee Income/Revenue Ratio ⁽²⁾	60.8 %	31.9 %	36.3 %	33.0 %	37.4 %
LTM Efficiency Ratio	87.0 %	75.1 %	68.0 %	64.0 %	61.6 %

(1) Core income excludes extraordinary items, gains/losses on sale of securities and nonrecurring items.

(2) Excludes gains/losses on sale of securities.

KBW's analysis also showed the following concerning the financial condition of Oneida Financial and the selected companies in its high fee income peer group:

	Oneida Financial	Oneida Financial High Fee Income Peer Group 25 th Percentile	Average	Median	75 th Percentile
Tangible Common Equity/Tangible Assets	9.00 %	8.14 %	9.01 %	8.77 %	9.77 %
Total Risk-Based Capital/Risk-Weighted Assets ⁽¹⁾	16.54 %	12.87 %	14.43 %	13.72 %	16.13 %
Loans/Deposits	53.9 %	74.2 %	77.1 %	76.1 %	89.9 %
Loan Loss Reserve/Gross Loans	0.94 %	0.86 %	1.07 %	1.08 %	1.19 %
Nonperforming Assets/Loans + OREO	0.35 %	1.58 %	1.49 %	1.11 %	0.69 %
LTM Net Charge-Offs/Average Loans	0.03 %	0.40 %	0.29 %	0.20 %	0.12 %

(1) Total risk-based capital ratios for Oneida and WSFS Financial Corporation are as reported by their respective savings bank subsidiaries.

In addition, KBW's analysis showed the following concerning the market performance of Oneida Financial and the selected companies in its high fee income peer group (excluding the impact of the LTM EPS multiple for one of the selected companies considered to be not meaningful because it was negative):

	Oneida Financial	Oneida Financial High Fee Income Peer Group 25 th Percentile	Average	Median	75 th Percentile
One Year Stock Price Change	2.3 %	(3.9)%	(5.0)%	2.7 %	4.5 %
One Year Total Return	6.2 %	(3.4)%	(3.1)%	5.3 %	8.2 %
YTD Stock Price Change	(1.6)%	(6.8)%	(5.2)%	(4.6)%	(1.8)%
Stock Price/Book Value per Share	0.94x	0.98x	1.27x	1.28x	1.58x
Stock Price/Tangible Book Value per Share	1.29x	1.08x	1.57x	1.56x	2.01x
Stock Price/LTM EPS	17.6x	13.8x	14.4x	14.6x	16.0x
Stock Price/2015 Est. EPS ⁽¹⁾	14.0x	13.4x	15.4x	15.3x	16.9x
Stock Price/2016 Est. EPS ⁽²⁾	13.6x	10.9x	12.6x	12.5x	14.2x

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Dividend Yield ⁽³⁾	3.8	%	0.0	%	1.8	%	1.7	%	3.3	%
LTM Dividend Payout ⁽³⁾	66.2	%	0.0	%	26.3	%	24.1	%	52.6	%

(1) Dividend payout and yield calculated using current dividend annualized excluding special dividends.

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No company used as a comparison in the above selected companies analysis of Oneida Financial is identical to Oneida Financial. Accordingly, an analysis of these results is not mathematical. Rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies involved.

Select Transactions Analysis. KBW reviewed publicly available information related to 14 selected bank and thrift transactions announced since January 1, 2012 with acquired companies headquartered in the Mid-Atlantic region and announced transaction values between \$100 million and \$500 million. Terminated transactions and transactions in which the acquired company was a mutual holding company were excluded from the selected transactions. The selected transactions included in the group were:

Acquirer:	Acquired Company:
Cathay General Bancorp	Asia Bancshares, Inc.
Bridge Bancorp, Inc.	Community National Bank
S&T Bancorp, Inc.	Integrity Bancshares, Inc.
WesBanco, Inc.	ESB Financial Corporation
Bank of the Ozarks, Inc.	Interinvest Bancshares Corporation
National Penn Bancshares, Inc.	TF Financial Corporation
Bryn Mawr Bank Corporation	Continental Bank Holdings, Inc.
Center Bancorp, Inc.	ConnectOne Bancorp, Inc.
Provident Financial Services, Inc.	Team Capital Bank
Peoples Financial Services Corp.	Penseco Financial Services Corporation
Provident New York Bancorp	Sterling Bancorp
NBT Bancorp Inc.	Alliance Financial Corporation
Investors Bancorp, Inc.	Marathon Banking Corporation
Berkshire Hills Bancorp, Inc.	Beacon Federal Bancorp, Inc.

For each selected transaction, KBW derived the following implied transaction statistics, in each case based on the transaction consideration value per common share paid for the acquired company and the acquired company's then latest financial statements and next year EPS consensus street estimates for the acquired company to the extent publicly available prior to the announcement of the acquisition:

Price to tangible book value of the acquired company;

Tangible equity premium to core deposits (total deposits less time deposits greater than \$100,000) of the acquired company, referred to as core deposit premium;

Price to LTM EPS of the acquired company; and

Price to next year estimated EPS of the acquired company.

KBW also reviewed the price per common share paid for the acquired company for each selected transaction involving a publicly traded acquired company as a premium to the closing price of the acquired company one day prior to the announcement of the acquisition (expressed as a percentage and referred to as the one day market premium). The resulting transaction multiples and premiums for the selected transactions were compared with the corresponding transaction multiples and premiums for the proposed Merger based on the implied value of the merger consideration of \$19.99 per share of Oneida Financial common stock and using historical financial information for Oneida Financial as of or through December 31, 2014 as provided by Oneida Financial management to the extent not publicly available, 2015 EPS estimated data for Oneida Financial provided to KBW by Oneida Financial management and the closing price of Oneida Financial common stock on February 23, 2015.

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The results of the analysis are set forth in the following table:

	Community Bank System/Oneida Financial		Selected Transactions			
			25 th Percentile	Average	Median	75 th Percentile
Transaction Price/Tangible Book Value	2.02x		1.47x	1.72 %	1.71x	1.95x
Core Deposit Premium	11.6 %		7.5 %	10.6 %	9.6 %	14.9 %
Transaction Price/LTM EPS	27.6x		17.0x	21.8x	19.5x	23.8x
Transaction Price/Fwd. EPS	21.8x		14.1x	17.9x	20.0x	20.5x
One-Day Market Premium	56.3 %		20.7 %	36.5 %	26.7 %	48.9 %

No company or transaction used as a comparison in the above selected transaction analysis is identical to Oneida Financial or the proposed Merger. Accordingly, an analysis of these results is not mathematical. Rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies involved.

Relative Contribution Analysis. KBW analyzed the relative standalone contribution of Community Bank System and Oneida Financial to various pro forma balance sheet and income statement items and the pro forma market capitalization of the combined entity. This analysis did not include purchase accounting adjustments. To perform this analysis, KBW used (i) balance sheet data for Community Bank System and Oneida Financial as of December 31, 2014, (ii) LTM EPS data for Community Bank System and Oneida Financial as reported through December 31, 2014, (iii) 2015 and 2016 EPS consensus street estimates for Community Bank System, (iv) financial forecasts and projections relating to the net income of Oneida provided by Oneida management, and (v) market price data as of February 23, 2015. The results of KBW's analysis are set forth in the following table, which compares the results of KBW's analysis with the implied pro forma ownership percentages of Community Bank System and Oneida Financial stockholders in the combined company based on the stock consideration of 0.5635 of a share of Community Bank System common stock per share of Oneida Financial common stock at the 60% stock/40% cash aggregate merger consideration mix provided for in the Merger Agreement and also assuming 100% stock consideration for illustrative purposes:

	Community Bank System as a % of Total		Oneida Financial as a % of Total	
Ownership				
60% stock/40% cash	94 %		6 %	
100% stock/0% cash	91 %		9 %	
Balance Sheet				
Assets	90 %		10 %	
Gross Loans Held for Investment	92 %		8 %	
Deposits	90 %		10 %	
Tangible Common Equity	90 %		10 %	
Net Income to Common				
2014 GAAP Net Income	95 %		5 %	
2015 Estimated GAAP Net Income	93 %		7 %	

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2016 Estimated GAAP Net Income	94	%	6	%
Market Capitalization				
Pre-Deal Market Capitalization	94	%	6	%

Discounted Cash Flow Analysis. KBW performed a discounted cash flow analysis of Oneida Financial to estimate ranges for the implied equity value of Oneida Financial. In this analysis, KBW used financial forecasts and projections relating to the net income and assets of Oneida Financial prepared by and provided to KBW by Oneida Financial management, and assumed discount rates ranging from 12.0% to 15.0%. The ranges of values were derived by adding (i) the present value of the estimated free cash flows that Oneida

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Financial could generate over the five-year period from 2015 to 2019 as a standalone company, and (ii) the present value of Oneida Financial's implied terminal value at the end of such period. KBW assumed that Oneida Financial would maintain a tangible common equity to tangible assets ratio of 8.0% and would retain sufficient earnings to maintain that level. In calculating the terminal value of Oneida Financial, KBW applied a range of 12.0x to 16.0x estimated 2020 net income. This discounted cash flow analysis resulted in a range of implied values per share of Oneida Financial common stock of \$11.52 per share to \$15.70 per share.

The discounted cash flow analysis is a widely used valuation methodology, but the results of such methodology are highly dependent on the ass