



Community  
FINANCIAL SYSTEM, INC.






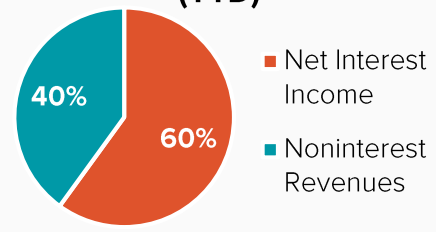

# Investment Thesis

COMMUNITY FINANCIAL SYSTEM, INC. | NYSE: CBU

SEPTEMBER 2024

# About CBU

**SUCCESSFUL AND GROWING FINANCIAL SERVICES COMPANY** operating four scaled, complementary business lines

Community Financial System, Inc.		Banking	Employee Benefit Services	Insurance Services	Wealth Management Services
					
<p><b>Operating Revenue Mix (YTD)</b></p>  <ul style="list-style-type: none"> <li>Net Interest Income (60%)</li> <li>Noninterest Revenues (40%)</li> </ul>		<ul style="list-style-type: none"> <li>Large bank capabilities with local service</li> <li>Strong market share</li> </ul> 	<ul style="list-style-type: none"> <li>Retirement Plan &amp; Benefits Administration</li> <li>Actuarial &amp; Pension Services</li> <li>Public-Sector Benefits &amp; VEBA</li> <li>Health &amp; Welfare Plans</li> <li>Collective Investment Fund</li> </ul>	<ul style="list-style-type: none"> <li>Top 66 Insurance Broker in the U.S.</li> <li>P&amp;C, Benefits, HR Consulting</li> <li>Offices in NY, PA, MA, FL and SC</li> </ul>	<ul style="list-style-type: none"> <li>Investment &amp; Insurance Services</li> <li>Trust Services</li> <li>Asset Management</li> <li>Retirement Plan Consulting</li> <li>Financial Planning</li> <li>Outsourced Partner Solutions</li> </ul>
<b>TTM Operating Revenue<sup>1</sup></b>  <b>3-Yr Operating Revenue<sup>1,2</sup> CAGR (TTM basis)</b>	<p><b>\$712.7M</b> total revenues</p>	<p><b>\$503.8M</b> operating revenues<sup>2</sup></p>	<p><b>\$129.7M</b> operating revenues<sup>2</sup></p>	<p><b>\$48.3M</b> operating revenues<sup>2</sup></p>	<p><b>\$35.6M</b> operating revenues<sup>2</sup></p>
	<p><b>5.5%</b></p>	<p><b>4.8%</b></p>	<p><b>6.1%</b></p>	<p><b>13.9%</b></p>	<p><b>3.6%</b></p>

<sup>1</sup> Operating revenue is a non-GAAP measure. Please see Appendix for details.

<sup>2</sup> Segment-level operating revenue results. Segment results include certain intercompany transactions that are eliminated in consolidation to Community Financial System, Inc. Segment-level operating results are presented utilizing methodology consistent with the Company's Segment Information disclosure in its Quarterly Report on Form 10-Q for the periods ended March 31, 2024 and June 30, 2024 in accordance with Accounting Standards Codification 280: Segment Reporting.

Trailing twelve months ("TTM") and year to date ("YTD") figures used throughout this presentation refer to the period ending 6/30/2024 unless otherwise noted.



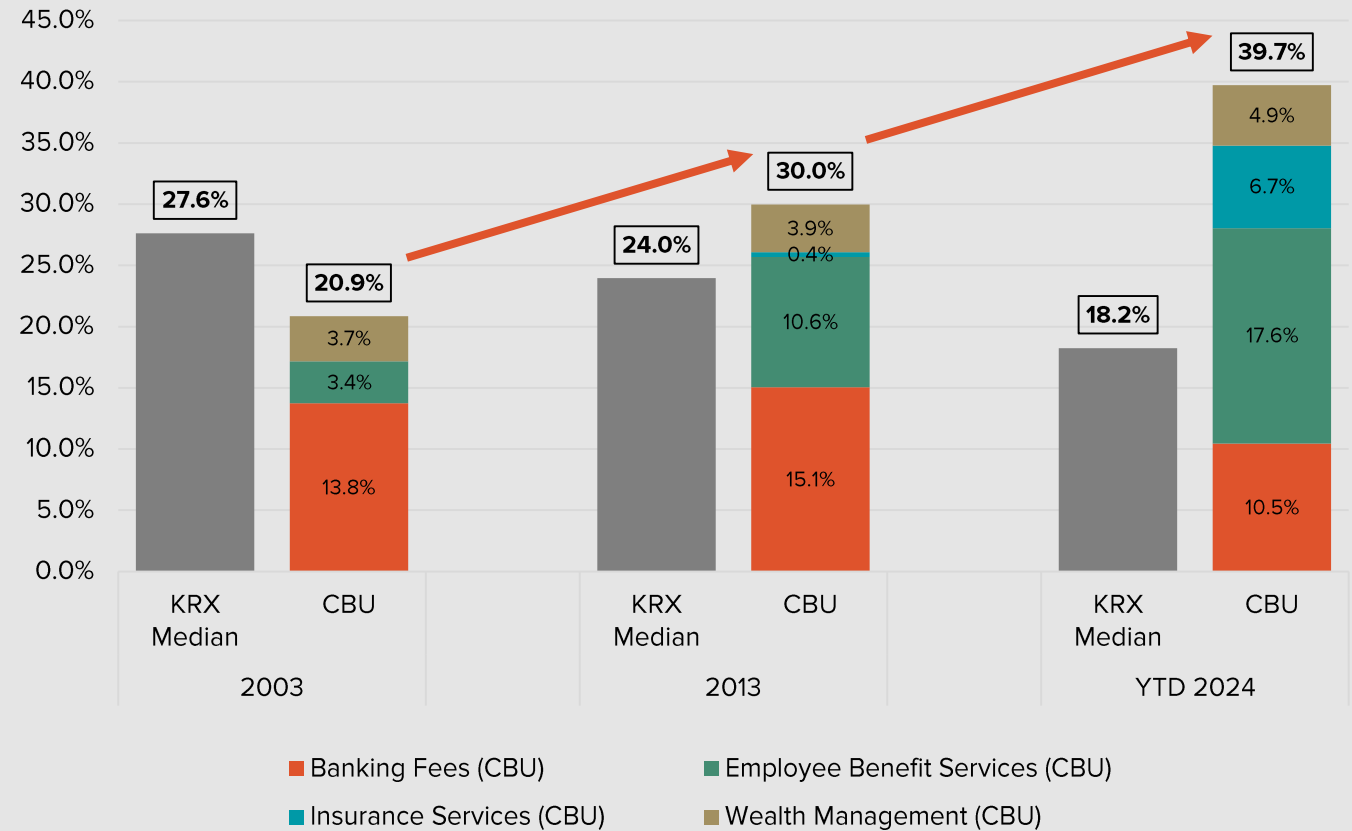
# Our Evolution Into a Diversified Financial Company

**YTD 2024 operating noninterest revenues were 40% of total operating revenues<sup>1</sup>**

- Top decile fee income performer<sup>2</sup>
- Longstanding focus on growing high quality, recurring noninterest revenues reduces revenue volatility
- 74% of CBU's YTD 2024 operating noninterest revenues<sup>1</sup> derived from its financial services businesses
  - Providing important revenue diversification with lower capital intensity and higher ROA
  - Higher multiple businesses that support overall CBU return and valuation advantage

<sup>2</sup> Ranked in the top decile for noninterest revenue as a percentage of operating revenue among nationwide public banks with assets between \$10 and \$50 billion on a TTM basis

**Operating Noninterest Revenues / Operating Revenues (FTE)<sup>1</sup>**



<sup>1</sup> Operating noninterest revenues and operating revenues (FTE) are non-GAAP measures. Please see Appendix for details. KRX peer group used throughout this presentation can be found in the appendix.



# Our Investment Thesis:

**Above Average Returns with Below Average Risk**



## Below Average Risk

**Manage Risk & Earnings Volatility through:**

- Revenue Diversity & Stability
- Cost of Funds Management
- Credit & Net Charge-off Management
- Risk-Weighted Asset Management



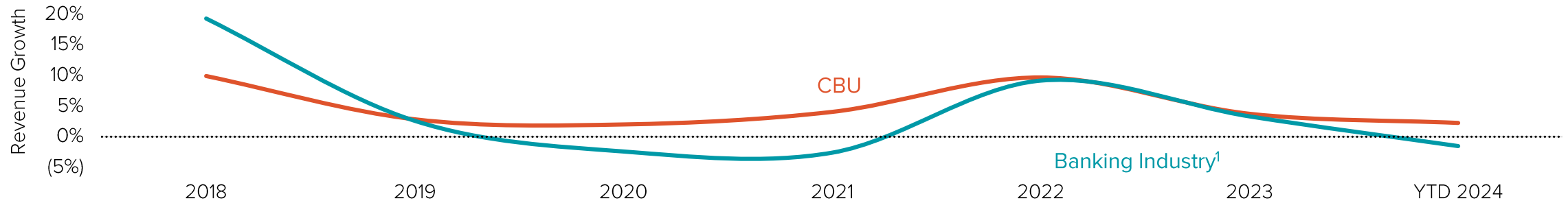
## Above Average Returns

**Provide Solid Earnings & Shareholder Return:**

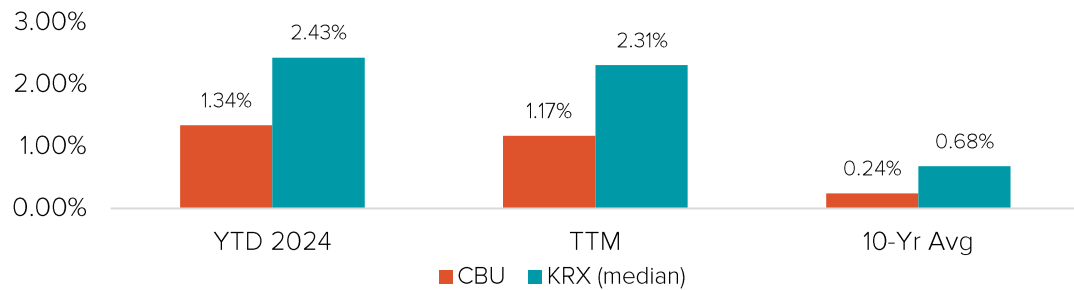
- Premium Return on Assets
- Long-term Shareholder Value & Return

# Below Average Risk

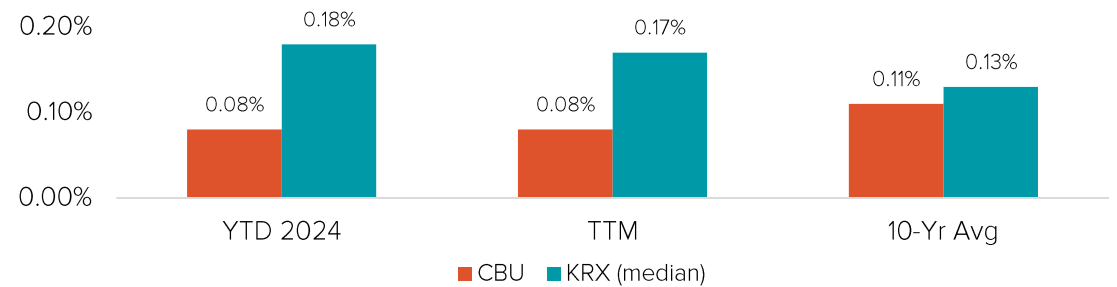
## Revenue Growth Stability



## Cost of Funds



## Net Charge-off Ratio



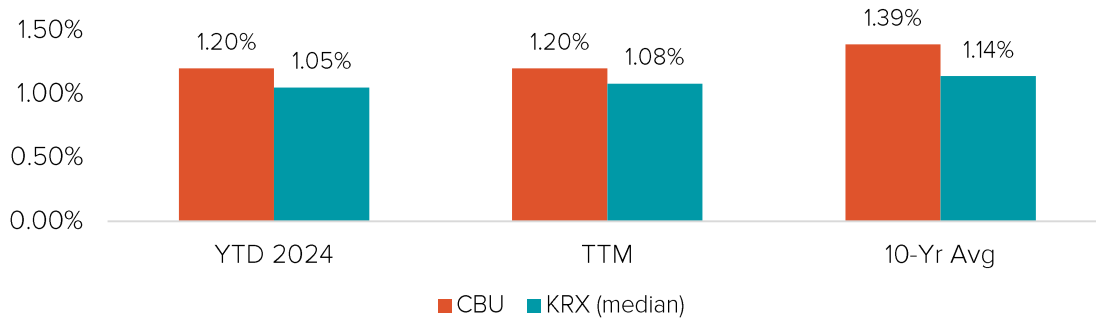
Sources: S&P Global, Internal filings

<sup>1</sup>Industry group is defined as U.S. Commercial Banks with assets between \$10 billion and \$50 billion

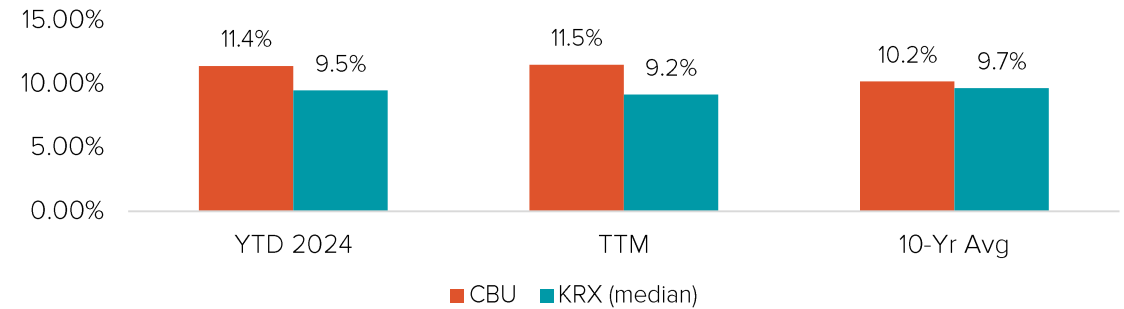


# Above Average Returns

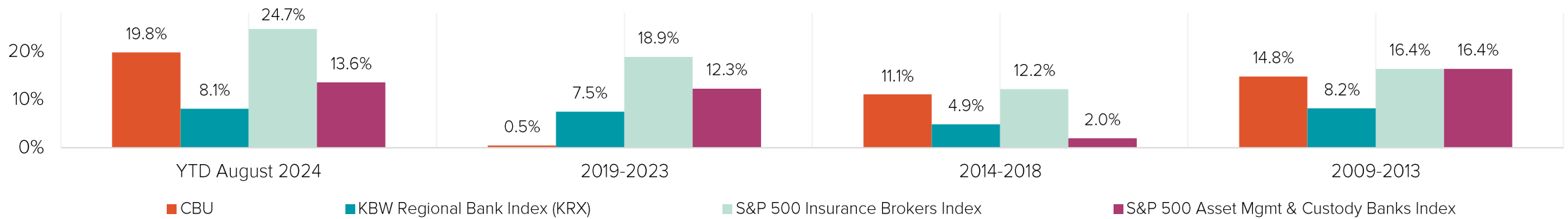
## Core Return on Assets<sup>1</sup>



## Core Return on Equity<sup>1</sup>



## Total Shareholder Return<sup>2</sup>



Sources: S&P Global, Internal filings

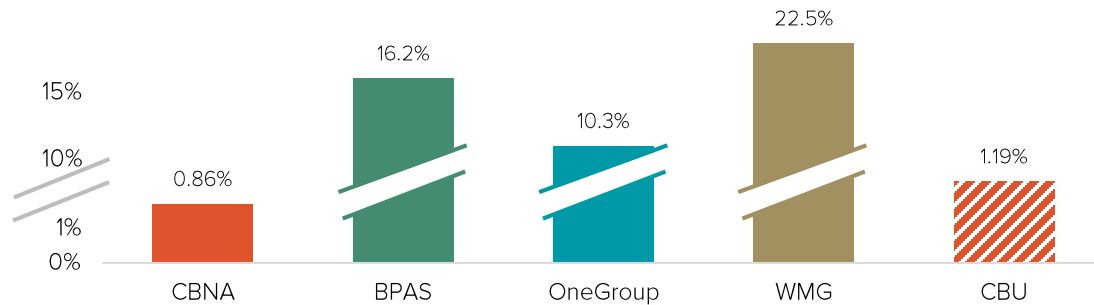
<sup>1</sup> Core income, a non-GAAP measure, is net income after taxes and before extraordinary items, less net income attributable to noncontrolling interest, gain or loss on the sale of securities, amortization of intangibles, goodwill and nonrecurring items. Core ROA is defined as core income divided by average period assets; annualized. Core ROE is defined as core income divided by average period equity; annualized.

<sup>2</sup> Total returns for periods noted; include reinvestment of dividends

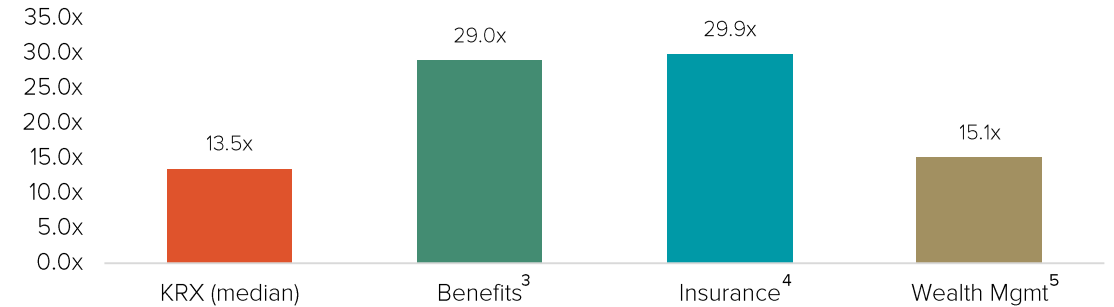


# Our System Produces Premium Results

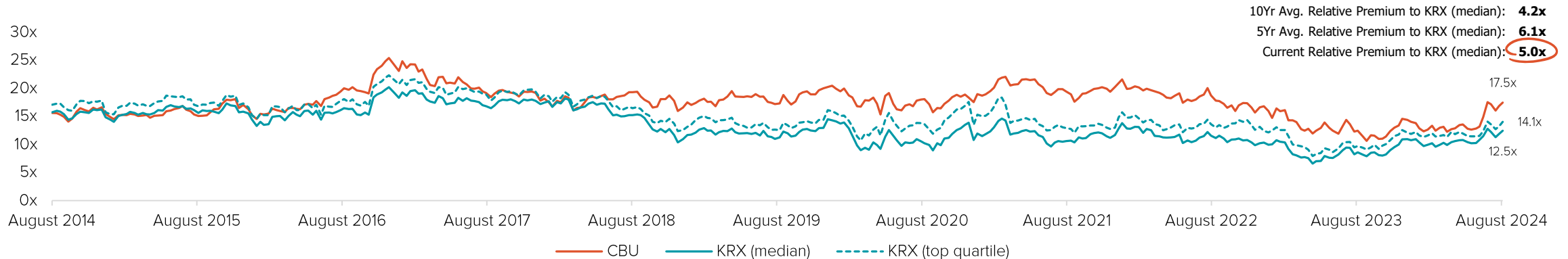
## Operating Return on Assets (“ROA”)<sup>1</sup>



## Peer Valuation (Price/ TTM EPS)



## CBU Valuation (Price/ TTM Core<sup>2</sup> EPS)



Analysis current as of 8/30/2024

Sources: S&P Global, Internal filings

<sup>1</sup> TTM results. Operating ROA is a non-GAAP measure. Please see Appendix for details.

<sup>2</sup> Core income, a non-GAAP measure, is net income after taxes and before extraordinary items, less net income attributable to noncontrolling interest, gain or loss on the sale of securities, amortization of intangibles, goodwill and nonrecurring items.

<sup>3</sup> Median multiple among the following publicly traded firms: ADP, BR, HQY, PAYX, SEIC, SSNC

<sup>4</sup> Median multiple among the following publicly traded insurance brokers: AJG, AON, BRO, MMC

<sup>5</sup> Median multiple among the following publicly traded firms: AMG, AMK, ENV, LPLA, RJF, SF





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# Appendix

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SEPTEMBER 2024



# KRX Peer Group

Peer Company Name	Ticker	Location	Total Assets <sup>1</sup>
New York Community Bancorp, Inc.	NYCB	Hicksville, NY	\$119,055
Webster Financial Corporation	WBS	Stamford, CT	\$76,838
Popular, Inc.	BPOP	Hato Rey, PR	\$72,845
Valley National Bancorp	VLV	Morristown, NJ	\$62,059
Wintrust Financial Corporation	WTFC	Rosemont, IL	\$59,782
Synovus Financial Corp.	SNV	Columbus, GA	\$59,606
Old National Bancorp	ONB	Evansville, IN	\$53,120
Columbia Banking System, Inc.	COLB	Tacoma, WA	\$52,047
BOK Financial Corporation	BOKF	Tulsa, OK	\$50,403
Pinnacle Financial Partners, Inc.	PNFP	Nashville, TN	\$49,367
Cullen/Frost Bankers, Inc.	CFR	San Antonio, TX	\$48,843
Cadence Bank	CADE	Tupelo, MS	\$47,984
F.N.B. Corporation	FNB	Pittsburgh, PA	\$47,715
SouthState Corporation	SSB	Winter Haven, FL	\$45,494
UMB Financial Corporation	UMBF	Kansas City, MO	\$45,343
Associated Banc-Corp	ASB	Green Bay, WI	\$41,624
Prosperity Bancshares, Inc.	PB	Houston, TX	\$39,762
Bank OZK	OZK	Little Rock, AR	\$36,836
BankUnited, Inc.	BKU	Miami Lakes, FL	\$35,428
Hancock Whitney Corporation	HWC	Gulfport, MS	\$35,412
Banc of California, Inc.	BANC	Los Angeles, CA	\$35,244
Fulton Financial Corporation	FULT	Lancaster, PA	\$31,770
Commerce Bancshares, Inc.	CBSH	Kansas City, MO	\$30,569
First Interstate BancSystem, Inc.	FIBK	Billings, MT	\$30,290
United Bankshares, Inc.	UBSI	Charleston, WV	\$29,957

Peer Company Name	Ticker	Location	Total Assets <sup>1</sup>
Texas Capital Bancshares, Inc.	TCBI	Dallas, TX	\$29,855
WaFd, Inc.	WAFD	Seattle, WA	\$28,581
Glacier Bancorp, Inc.	GBCI	Kalispell, MT	\$27,805
Simmons First National Corporation	SFNC	Pine Bluff, AR	\$27,369
United Community Banks, Inc.	UCBI	Blairsville, GA	\$27,057
Ameris Bancorp	ABCB	Atlanta, GA	\$26,521
Atlantic Union Bankshares Corporation	AUB	Glen Allen, VA	\$24,761
Provident Financial Services, Inc.	PFS	Jersey City, NJ	\$24,070
First Hawaiian, Inc.	FHB	Honolulu, HI	\$23,992
Bank of Hawaii Corporation	BOH	Honolulu, HI	\$23,301
Cathay General Bancorp	CATY	Los Angeles, CA	\$23,235
Home Bancshares, Inc. (Conway, AR)	HOMB	Conway, AR	\$22,920
Eastern Bankshares, Inc.	EBC	Boston, MA	\$21,044
WSFS Financial Corporation	WSFS	Wilmington, DE	\$20,745
Independent Bank Corp.	INDB	Rockland, MA	\$19,411
First BanCorp.	FBP	San Juan, PR	\$18,881
Trustmark Corporation	TRMK	Jackson, MS	\$18,452
Pacific Premier Bancorp, Inc.	PPBI	Irvine, CA	\$18,332
First Financial Bancorp.	FFBC	Cincinnati, OH	\$18,166
Hope Bancorp, Inc.	HOPE	Los Angeles, CA	\$17,375
CVB Financial Corp.	CVBF	Ontario, CA	\$16,151
<b>Community Financial System, Inc.</b>	<b>CBU</b>	<b>Dewitt, NY</b>	<b>\$15,907</b>
First Financial Bankshares, Inc.	FFIN	Abilene, TX	\$13,164
Brookline Bancorp, Inc.	BRKL	Boston, MA	\$11,635
First Commonwealth Financial Corporation	FCF	Indiana, PA	\$11,627

<sup>1</sup>\$ in millions, as of June 30, 2024



# Reconciliation of GAAP and Non-GAAP

Community Financial System, Inc.'s management uses the term "non-GAAP" financial measures in their analysis of the Company's performance and operations. Management believes that these non-GAAP financial measures help investors and analysts measure underlying core performance and improves comparability to other organizations that have not engaged in acquisitions or restructuring activities. These disclosures should not be viewed as a substitute for financial measures determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP financial measures that may be presented by other companies. The types of non-GAAP financial measures used in this presentation include:

- Tangible equity, tangible common equity, tangible assets and tangible book value and tangible book value per share are non-GAAP financial measures which Community Financial System, Inc.'s management uses to assess the quality of capital and believes that investors may find useful in their analysis, although these metrics are not necessarily comparable to similar non-GAAP financial measures used by other companies. Tangible equity is calculated by excluding the balance of goodwill and other intangible assets from the calculation of total equity and adding back the amount of the deferred tax liability related to tax deductible goodwill and other intangible assets. Tangible common equity is calculated by excluding the balance of goodwill and other intangible assets from the calculation of stockholders' equity and adding back the amount of the deferred tax liability related to tax deductible goodwill and other intangible assets. Tangible assets is calculated by excluding the balance of goodwill and other intangible assets from the calculation of total assets and adding back the amount of the deferred tax liability related to tax deductible goodwill and other intangible assets. Tangible book value per share is calculated by dividing tangible common equity by the number of shares outstanding at a point in time.
- Net interest margin on a fully tax-equivalent ("FTE") basis, includes an adjustment to net interest income that represents taxes that would have been paid had nontaxable investment securities and loans been taxable. The adjustment attempts to enhance the comparability of the performance of assets that have different tax liabilities.
- Operating earnings, operating revenues, operating revenues (FTE), operating noninterest revenues and operating noninterest expenses are non-GAAP financial measures which Community Financial System, Inc. believes investors may find useful in their analysis to better reflect core performance and enhance comparability to both banking and non-banking organizations. Operating earnings is calculated by excluding the net of tax effect of acquisition expenses, acquisition-related contingent consideration adjustment, net gain (loss) on sale of investments, unrealized gain (loss) on equity securities, amortization of intangible assets, gain (loss) on debt extinguishment, acquisition-related provision for credit losses, restructuring expenses and litigation accrual expenses from net income. Operating revenues is calculated by excluding unrealized gain (loss) on equity securities, gain (loss) on sales of investment securities and the gain (loss) on debt extinguishment from total revenues. Operating revenues (FTE) is calculated by adding the fully tax-equivalent (FTE) adjustment that is applied to net interest income to operating revenues. Operating noninterest revenues is calculated by excluding unrealized gain (loss) on equity securities, gain (loss) on sales of investment securities and the gain (loss) on debt extinguishment from total noninterest revenues. Operating noninterest expenses is calculated by excluding acquisition expenses, acquisition-related contingent consideration adjustment, amortization of intangible assets, restructuring expenses and litigation accrual expenses from noninterest expenses.
- Operating pre-tax, pre-provision net revenue, a non-GAAP financial measure, subtracts the provision for credit losses, acquisition-related expenses, unrealized gain (loss) on equity securities, loss on sales of investment securities, gain on debt extinguishment, amortization of intangible assets, restructuring expenses, and litigation accrual from income before income taxes. The Company's management believes this information helps investors and analysts measure and compare the Company's performance through a credit cycle by excluding the volatility in the provision for credit losses associated with the impact of CECL, helps investors and analysts measure underlying core performance and improves comparability to other organizations that have not engaged in acquisitions or restructuring activities.



# Operating ROA

Dollars in thousands

	2019	2020	2021	2022	2023	2024 YTD	Q2 2024
Average total assets	\$11,043,173	\$12,896,499	\$14,835,025	\$15,567,139	\$15,242,884	<b>\$15,787,920</b>	<b>\$15,778,974</b>
Net income (GAAP)	\$169,063	\$164,676	\$189,694	\$188,081	\$131,924	<b>\$88,787</b>	<b>\$47,915</b>
<b>Return on assets (GAAP)</b>	<b>1.53%</b>	<b>1.28%</b>	<b>1.28%</b>	<b>1.21%</b>	<b>0.87%</b>	<b>1.13%</b>	<b>1.22%</b>
Operating net income (non-GAAP)	\$184,943	\$184,515	\$201,354	\$206,791	\$192,716	<b>\$94,284</b>	<b>\$50,515</b>
<b>Operating return on assets (non-GAAP)</b>	<b>1.67%</b>	<b>1.43%</b>	<b>1.36%</b>	<b>1.33%</b>	<b>1.26%</b>	<b>1.20%</b>	<b>1.29%</b>



# Operating Revenues

Dollars in thousands

	2003	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 YTD	Q2 2024
<b>Operating noninterest revenues (non-GAAP)</b>														
Noninterest revenues (GAAP)	\$35,231	\$102,180	\$119,020	\$123,299	\$155,625	\$202,423	\$224,059	\$230,619	\$228,419	\$246,235	\$258,725	\$214,834	\$144,675	\$74,390
Unrealized (gain) loss on equity securities	-	-	-	-	-	-	(657)	(19)	6	(17)	44	47	(883)	(867)
Loss (gain) on sales of investment securities	53	(80,768)	-	4	-	(2)	-	(4,882)	-	-	-	52,329	232	232
Loss (gain) on debt extinguishment	2,645	87,336	-	-	-	-	318	-	(421)	-	-	(242)	-	-
<b>Operating noninterest revenues (non-GAAP)</b>	<b>\$37,929</b>	<b>\$108,748</b>	<b>\$119,020</b>	<b>\$123,303</b>	<b>\$155,625</b>	<b>\$202,421</b>	<b>\$223,720</b>	<b>\$225,718</b>	<b>\$228,004</b>	<b>\$246,218</b>	<b>\$258,769</b>	<b>\$266,968</b>	<b>\$144,024</b>	<b>\$73,755</b>
<b>Operating revenues (FTE) (non-GAAP)</b>														
Net interest income (GAAP)	131,828	238,094	244,428	248,420	273,896	315,675	345,055	359,175	368,403	374,412	420,630	437,285	216,399	109,409
Noninterest revenues (GAAP)	35,231	102,180	119,020	123,299	155,625	202,423	224,059	230,619	228,419	246,235	258,725	214,834	144,675	74,390
Total revenues (GAAP)	167,059	340,274	363,448	371,719	429,521	518,098	569,114	589,794	596,822	620,647	679,355	652,119	361,074	183,799
Unrealized (gain) loss on equity securities	-	-	-	-	-	-	(657)	(19)	6	(17)	44	47	(883)	(867)
Loss (gain) on sales of investment securities	53	(80,768)	-	4	-	(2)	-	(4,882)	-	-	-	52,329	232	232
Loss (gain) on debt extinguishment	2,645	87,336	-	-	-	-	318	-	(421)	-	-	(242)	-	-
<b>Operating revenues (non-GAAP)</b>	<b>169,757</b>	<b>346,842</b>	<b>363,448</b>	<b>371,723</b>	<b>429,521</b>	<b>518,096</b>	<b>568,775</b>	<b>584,893</b>	<b>596,407</b>	<b>620,630</b>	<b>679,399</b>	<b>704,253</b>	<b>360,423</b>	<b>183,164</b>
Fully tax-equivalent adjustment (non-GAAP)	12,091	15,060	15,533	12,404	9,961	9,415	4,345	4,009	3,939	3,393	4,074	4,242	1,967	953
<b>Operating revenues (FTE) (non-GAAP)</b>	<b>\$181,848</b>	<b>\$361,902</b>	<b>\$378,981</b>	<b>\$384,127</b>	<b>\$439,482</b>	<b>\$527,511</b>	<b>\$573,120</b>	<b>\$588,902</b>	<b>\$600,346</b>	<b>\$624,023</b>	<b>\$683,473</b>	<b>\$708,495</b>	<b>\$362,390</b>	<b>\$184,117</b>
<b>Noninterest revenues/ total revenues (GAAP)</b>														
Noninterest revenues (GAAP)	35,231	102,180	119,020	123,299	155,625	202,423	224,059	230,619	228,419	246,235	258,725	214,834	144,675	74,390
Total revenues (GAAP)	167,059	340,274	363,448	371,719	429,521	518,098	569,114	589,794	596,822	620,647	679,355	652,119	361,074	183,799
<b>Noninterest revenues/ total revenues (GAAP)</b>	<b>21.1%</b>	<b>30.0%</b>	<b>32.7%</b>	<b>33.2%</b>	<b>36.2%</b>	<b>39.1%</b>	<b>39.4%</b>	<b>39.1%</b>	<b>38.3%</b>	<b>39.7%</b>	<b>38.1%</b>	<b>32.9%</b>	<b>40.1%</b>	<b>40.5%</b>
<b>Operating noninterest revenues/ operating revenues (FTE) (non-GAAP)</b>														
Operating noninterest revenues (non-GAAP)	37,929	108,748	119,020	123,303	155,625	202,421	223,720	225,718	228,004	246,218	258,769	266,968	144,024	73,755
Operating revenues (FTE) (non-GAAP)	181,848	361,902	378,981	384,127	439,482	527,511	573,120	588,902	600,346	624,023	683,473	708,495	362,390	184,117
<b>Operating noninterest revenues/ operating revenues (FTE) (non-GAAP)</b>	<b>20.9%</b>	<b>30.0%</b>	<b>31.4%</b>	<b>32.1%</b>	<b>35.4%</b>	<b>38.4%</b>	<b>39.0%</b>	<b>38.3%</b>	<b>38.0%</b>	<b>39.5%</b>	<b>37.9%</b>	<b>37.7%</b>	<b>39.7%</b>	<b>40.1%</b>



# Core Results

Dollars in thousands, except per share data

	2019	2020	2021	2022	2023	2024 YTD	Q2 2024
Net income (GAAP)	\$169,063	\$164,676	\$189,694	\$188,081	\$131,924	<b>\$88,787</b>	<b>\$47,915</b>
Acquisition expenses, net of statutory tax effect <sup>1</sup>	6,801	3,897	554	3,966	50	<b>110</b>	<b>82</b>
Acquisition-related contingent consideration adjustments, net of statutory tax effect <sup>1</sup>	-	-	158	(237)	2,591	-	-
(Gain) loss on sales of investments, net of statutory tax effect <sup>1</sup>	(3,857)	-	-	-	41,340	<b>183</b>	<b>183</b>
Unrealized (gain) loss on equity securities, net of statutory tax effect <sup>1</sup>	(15)	5	(13)	35	37	<b>(698)</b>	<b>(685)</b>
Restructuring expenses, net of statutory tax effect <sup>1</sup>	-	-	-	-	919	-	-
Litigation accrual, net of statutory tax effect <sup>1</sup>	-	2,330	(79)	-	4,582	<b>94</b>	-
Amortization of intangible assets, net of statutory tax effect <sup>1</sup>	12,605	11,295	11,100	12,019	11,464	<b>5,888</b>	<b>3,063</b>
FDIC special assessment, net of statutory tax effect <sup>1</sup>	-	-	-	-	1,184	<b>237</b>	<b>(79)</b>
<b>Core income (non-GAAP)</b>	<b>\$184,597</b>	<b>\$182,203</b>	<b>\$201,414</b>	<b>\$203,864</b>	<b>\$194,091</b>	<b>\$94,601</b>	<b>\$50,479</b>

	2019	2020	2021	2022	2023	2024 YTD	Q2 2024
Core income (non-GAAP)	\$184,597	\$182,203	\$201,414	\$203,864	\$194,091	<b>\$94,601</b>	<b>\$50,479</b>
Average total assets (GAAP)	11,043,173	12,896,499	14,835,025	15,567,139	15,242,884	<b>15,787,920</b>	<b>15,778,974</b>
<b>Core ROAA (non-GAAP)</b>	<b>1.67%</b>	<b>1.41%</b>	<b>1.36%</b>	<b>1.31%</b>	<b>1.27%</b>	<b>1.20%</b>	<b>1.28%</b>

	2019	2020	2021	2022	2023	2024 YTD	Q2 2024
Core income (non-GAAP)	\$184,597	\$182,203	\$201,414	\$203,864	\$194,091	<b>\$94,601</b>	<b>\$50,479</b>
Average shareholders' equity (GAAP)	1,794,717	2,026,669	2,064,105	1,733,521	1,595,724	<b>1,657,543</b>	<b>1,633,875</b>
<b>Core ROAE (non-GAAP)</b>	<b>10.3%</b>	<b>9.0%</b>	<b>9.8%</b>	<b>11.8%</b>	<b>12.2%</b>	<b>11.4%</b>	<b>12.4%</b>

<sup>1</sup> 21% statutory tax rate used

