

Emerald Groundhog Day Investment Forum

February 1, 2007

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Local People...Local Decisions®

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◆ Representatives

◆ Eddie L. Dunkleberger

Chairman, President and CEO

◆ Donald F. Holt

EVP and CFO



Disclaimer

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- ◆ *CMTY Profile*
- ◆ *Performance Trends*
- ◆ *The Challenge Ahead*
- ◆ *Strategic Focus*

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CMTY Profile

- ◆ **\$3.5 Billion in Total Assets**
 - ◆ 6 Regions: Centralized Support; Regional Delivery
 - ◆ 74 Locations: Central PA; Poconos to Maryland

- ◆ **Largest Financial Services Company**
Headquartered in Harrisburg, Pennsylvania's
Capital

- ◆ **Two pending acquisitions: East Prospect; BUCS**

- ◆ **Enviably Footprint; Desirable & Diversified**
Franchise

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Balance Sheet Profile

(in thousands)	<u>12/31/06</u>	<u>12/31/05</u>	<u>% Change</u>
Investments	\$ 659,136	\$ 628,585	5%
Loans, Net	2,347,263	2,214,100	6%
Intangibles	259,406	259,080	---
Deposits	2,513,182	2,294,367	10%
Borrowings	475,554	548,900	13%
Equity	486,161	476,673	2%

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- ◆ CMTY Profile
- ◆ ***Performance Trends:*** *(year over year distortion)*

2006: Full year of acquisition in 2006

- ◆ *2005: Mid-Year Merger*
- ◆
- ◆ The Challenge Ahead
- ◆ Strategic Focus

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GAAP Comparison (FTE)

(in thousands, except EPS)	2006	2005	
Net Interest Income	\$ 114,702	\$ 89,808	
Provision for Loan Loss	(2,050)	(2,300)	
Non-Interest Income	34,967	26,437	
Non-Interest Expenses	(84,885)	(66,864)	
Special Charges	- - -	(8,205)	
Income Taxes	(21,703)	(13,235)	
Net Income	\$ 41,031	\$ 25,641	
EPS	\$1.72	\$1.35	+27%

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Pro-Forma (without special charges)

(in thousands, except EPS)	2006	Pro-forma 2005	
Net Interest Income	\$ 114,702	\$ 89,808	
Provision for Loan Loss	(2,050)	(2,300)	
Non-Interest Income	34,967	26,437	
Non-Interest Expenses	(84,885)	(66,864)	
Income before taxes	62,734	47,081	
Income Taxes	(21,703)	(16,167)	
Net Income	\$ 41,031	\$ 30,914	
EPS	\$1.72	\$1.63	+6%

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Four Components of Performance

- ◆ *Net Interest Income*
- ◆ *Provision/Credit Quality*
- ◆ *Non-Interest Income*
- ◆ *Non-Interest Expense*

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Net Interest Income/Net Interest Margin

	2006		2005		Change	
	Amount	Yield/ Rate	Amount	Yield/ Rate	Amount	Yield/ Rate
Interest income	\$205,436	6.95%	\$149,456	6.26%		0.69%
Interest expense	90,734	3.56%	59,648	2.90%		0.66%
Net interest income	\$114,702		\$ 89,808		\$24,894	
Interest spread		3.39%		3.36%		0.03%
Impact of non-interest funds		0.49%		0.40%		0.09%
Net interest margin		<u>3.88%</u>		<u>3.76%</u>		<u>0.12%</u>

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Provision/Credit Quality

<u>Activity for the Period:</u>	<u>2006</u>	<u>2005</u>
Net Charge-Offs	\$ 1,389	\$ 824
Provision for Loan Losses	2,050	2,300
Net Charge-Offs to Average Loans	0.06%	0.05%

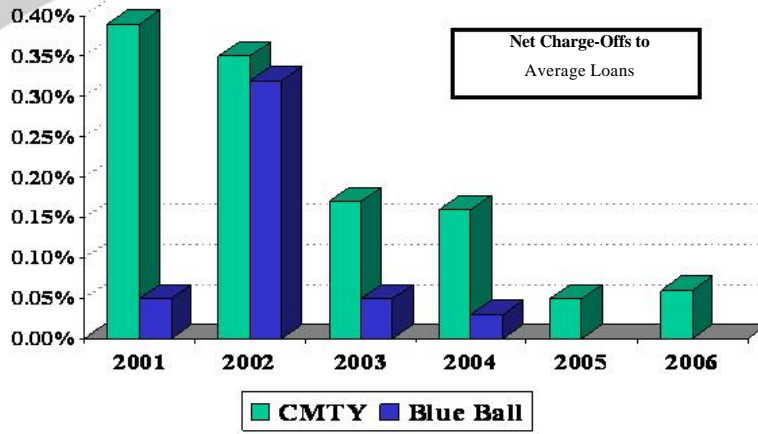
<u>Problem Loan Trends:</u>	<u>12/31/2006</u>	<u>12/31/2005</u>
Accruing Loans Past 90 Days	\$ 659	\$ 22
Non-Accrual Loans	10,662	9,060
Total Risk Elements	11,358	10,529
Allowance to Loans	1.00%	1.03%
Allowance to Non-Accrual Loans	222%	253%

(dollars in thousands)

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Provision/Credit Quality

Charge Off History



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Non-Interest Income: Summary

	2006	2005	Change	
			Amount	%
Investment management and trust	\$ 4,394	\$ 2,692	\$ 1,702	63%
Service charges: deposits	11,507	9,413	2,094	22%
Other service charges	7,272	5,452	1,820	33%
Insurance premium/commissions	4,120	3,350	770	23%
Mortgage banking	2,172	2,354	(182)	(8)%
Earnings on investment in life insurance	2,725	2,063	662	32%
Other	2,045	854	1,191	139%
	<u>34,235</u>	<u>26,178</u>	<u>8,057</u>	<u>31%</u>
Security gains	732	259	473	183%
Total non-interest income	<u>\$34,967</u>	<u>\$26,437</u>	<u>\$ 8,530</u>	<u>32%</u>

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Non-Interest Income

(Excluding Security Gains)

- ◆ AUM at \$414 million with addition of Sentry (Q4)
- ◆ *Retail investment sales remain brisk*
- ◆ Insurance operations augmented by mid-May acquisition of Lancaster Co (PA) agency
- ◆ *Electronic Payment Fees (Debit Transactions)*
Provided Lift; Awareness Programs
- ◆ Cooling Mortgage Market Curbed Growth in Mortgage Brokerage and Title Insurance Fees
- ◆ *Two favorable purchase-related adjustments*
(\$900,000)

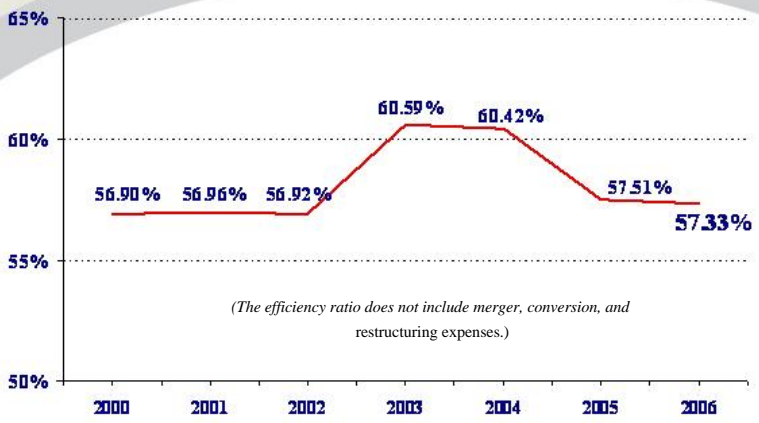
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Non-Interest Expense Trend

	2006	2005	Change	
			Amount	%
Salary and benefits	\$ 46,434	\$ 36,998	\$ 9,436	26%
Occupancy and equipment expense	14,117	11,355	2,762	24%
Marketing expense	1,752	2,036	(284)	(14)%
Telecommunications expense	2,243	1,359	884	65%
Amortization of intangibles	2,639	1,424	1,215	85%
Other expenses	17,700	13,692	4,008	29%
Subtotal	84,885	66,864	18,021	27%
Merger, conversion, and restructuring	---	8,205	(8,205)	---
	\$ 84,885	\$ 75,069	\$ 9,816	13%

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2006: Efficiency Trends



Performance Goals

Guideposts Under Purchase Accounting

	<u>2006</u>
◆ <i>ROTE range of 17% to 22%</i>	19.6%
◆ <i>Core EPS Growth of 10%</i>	6%
◆ <i>Annual Asset Growth of 10%</i>	28%
◆ <i>Non-Interest Income to 30%</i>	23%
◆ <i>Efficiency Ratio to 55%</i>	57.3%

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Performance Metrics

		2006	
Traditional Metric	Corresponding Purchase Accounting Metric *	Traditional	Purchase Accounting*
Efficiency	Operating		
Ratio	Efficiency Ratio	57.33%	55.55%
EPS	Operating EPS	\$1.72	\$1.79
ROA	ROTA	1.21%	1.36%
ROE	ROTE	8.63%	19.57%
Equity to Assets	Tangible Equity to Assets	13.90%	7.05%

* Non-GAAP Measures

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Capital Levels

	2006	2005	“Well-Capped”
Regulatory Tier 1	8.67%	8.17%	6%
Regulatory Total	11.53%	10.99%	10%
Tangible Equity to Assets	7.05%	7.14%	n/a
Equity to Assets	13.90%	14.30%	n/a

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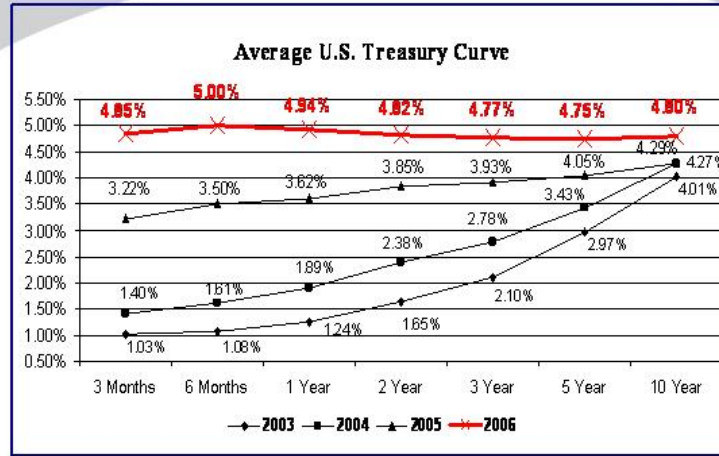
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- ◆ Performance Trends
- ◆ *The Challenges Ahead*
- ◆ Strategic Focus

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The Challenges Ahead

◆ Inverted Yield Curve



The Challenge: Margin Compression

	2006			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Asset yield	7.05%	7.08%	6.93%	6.74%
Funding Cost	3.85%	3.66%	3.46%	3.24%
Interest spread	3.20%	3.42%	3.47%	3.50%
Net interest margin	3.71%	3.90%	3.94%	3.98%
Net interest income	\$28,089	\$28,854	\$28,917	\$28,842

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The Challenge: Margin Trend

Change from Previous Quarter During 2006

Increase / (Decrease)

[expressed in basis points - bp]

	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Earning Asset yield	(3 bp)	15 bp	19 bp	21 bp
Funding costs – CD's	26 bp	25 bp	19 bp	25 bp
% of Funding from CD's	49.1%	47.9%	47.5%	43.9%

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- ◆ CMTY Profile
- ◆ The Challenge Ahead
- ◆ Performance Trends
- ◆ ***Strategic Focus***
 - ◆ *Initiatives Beyond Margin*
 - ◆ *Vision*

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Strategic Focus: Revenue Enhancement

◆ Overdraft Protection:

- ◆ *Mature Product/ Conservative Introduction/ Customer Acceptance*
- ◆ *Opportunity for Changes: Reliable History & Observable Trends*
 - ◆ *Increase Fee Structure*
 - ◆ *Increase available limit*
 - ◆ *Increase limits for direct deposit*
- ◆ *“Business Overdraft Product”*

◆ Debit Card Usage

- ◆ *Signature Programs*
- ◆ *Customer awareness*
- ◆ *Electronic Payment proliferation*

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Strategic Focus: Revenue Enhancement

(continued)

◆ Retail Investment:

- ◆ *“Ramp up” license program*
- ◆ *45 active annuity licenses; up 50% by year-end*
- ◆ *7 “series 6” licenses*

◆ Insurance Agencies:

- ◆ *Full year of May 2006 Acquisition*
- ◆ *Term Life Initiative*

◆ SEG Programs (Selected Employer Group)

- ◆ *Overlay of credit union culture from BUCS*

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Strategic Focus: Expense Review

- ◆ Check Processing/ Imaging/ Power Proof

- ◆ Image Truncation:

- ◆ *Convert to Fee-based Service*
- ◆ *Encourage Migration to e-statement*
- ◆ *Reduce statement production/ mailing costs*

- ◆ Regional reorganization

- ◆ *Identified \$1.6 million in annual savings thus far*
- ◆ *Savings to occur in last three quarters of 2007*

- ◆ Office Rationalization

- ◆ *Office Consolidation*
- ◆ *Limited sale consideration: "fine tune"*

- ◆ Integrated Service Consolidation

- ◆ *Title insurance*
- ◆ *Property and Casualty Agencies*

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Strategic Vision: Overview

- ◆ **Our Mission:**

- ✓ Provider of choice

- ✓ Employer of choice

- ✓ Acquisition partner of choice

- ◆ ***Industry Consolidation: Two Pending Acquisitions***

- ◆ **East Prospect (core York County PA market)**

- ◆ **BUCS Financial (4 offices outside Baltimore)**

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BUCS Profile



Financial	
Assets (\$000s)	\$143,704
Loans (\$000s)	\$116,352
Deposits (\$000s)	\$104,705
Eq / Assets	8.01%
ROAA	0.38%
ROAE	4.63%
NPA s / Assets	0.35%

Non - Financial	
Charter:	Federal Thrift
Headquarters:	Owing Mills, MD
Branches:	4
Focus:	Consumer Oriented
Primary Markets:	Baltimore, Howard Counties
President:	Herb J. Moltzan
Inside Ownership:	31.9%

Other
BUCS has a strong relationship with healthcare insurance provider, CareFirst, since it initially served its employees as a credit union. BUCS derives a significant amount of fee income from its consumer business.

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Strategic Vision: Challenging Times

- ◆ **Current conditions require patience and restraint**
- ◆ *Refuse to sacrifice long-term viability for short-term “reach”*
- ◆ **Operating prerequisites:**
 - ◆ *Conservative Expansion*
 - ◆ *Cautious Optimism*
 - ◆ *Consistent Approach*

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Strategic Vision: Operating Prerequisites

- ◆ Conservative Expansion:
 - ◆ *Integrated Business Lines: Walk before you run*
 - ◆ *Deal Pricing: Driven by “achievable economics”*
 - ◆ *De-novo branching*
- ◆ Cautious Optimism:
 - ◆ *Rates will normalize*
 - ◆ *Underlying economy is solid*
 - ◆ *Credit quality is a staple*
- ◆ Consistent Approach
 - ◆ *Local market knowledge*
 - ◆ *Regional structure yields “market engagement”*

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Questions

