Financial Institutions, Inc.

NASDAQ: FISI

Third Quarter 2017 Earnings Presentation

October 24, 2017

Safe Harbor Statement

Statements contained in this presentation which are not historical facts and which pertain to future operating results of Financial Institutions, Inc. (the "Company") and its subsidiaries constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Similarly, statements that describe the objectives, plans or goals of the Company are forward-looking. These forward-looking statements can generally be identified as such by the context of the statements, including words such as "believe," "expect," "anticipate," "plan," "may," "would," "intend," "estimate," "guidance" and other similar expressions, whether in the negative or affirmative. These forward-looking statements involve significant risks and uncertainties. All forward-looking statements made herein are qualified by the cautionary language in the Company's Annual Report on Form 10-K, its Quarterly Reports on Form 10-Q and other documents filed with the Securities and Exchange Commission. These documents contain and identify important factors that could cause actual results to differ materially from those contained in our projections or forward-looking statements. Except as required by law, the Company assumes no obligation to update any information presented herein. This presentation includes certain non-GAAP financial measures intended to supplement, not substitute for, comparable GAAP measures. Reconciliations of those non-GAAP financial measures to GAAP financial measures are provided in the Appendix to this presentation.

Overview of Financial Institutions, Inc.

Corporate Overview

- Diversified financial services holding company headquartered in Western New York
- Subsidiaries include:
  - Five Star Bank (regional community bank)
  - Scott Danahy Naylon, LLC (full-service insurance agency)
  - Courier Capital, LLC (investment advisory and wealth management firm)
- 53 banking locations in 15 contiguous counties in Western and Central New York
- Experienced management team with extensive market knowledge and industry experience
- Franchise offers products and revenue sources to a diversified mix of consumer, business and municipal customers
- Generating consistent, strong operating results
- Positioned for growth through key initiatives and market disruption

Key Statistics as of September 30, 2017

Assets:	$4.02 billion
Loans:	$2.62 billion
Deposits:	$3.28 billion
Shareholders' Equity:	$366.0 million
NPAs[(1)]/Total Assets:	0.32%
Employees:	~ 650
ROACE (TTM):	9.33%
ROATCE[(2)] (TTM):	12.20%
ROAA (TTM):	0.82%
Annualized Dividend Per Share:	$0.84
Closing Stock Price Per Share:	$28.80
Dividend Yield:	2.9%
Market Capitalization:	$450.0 million

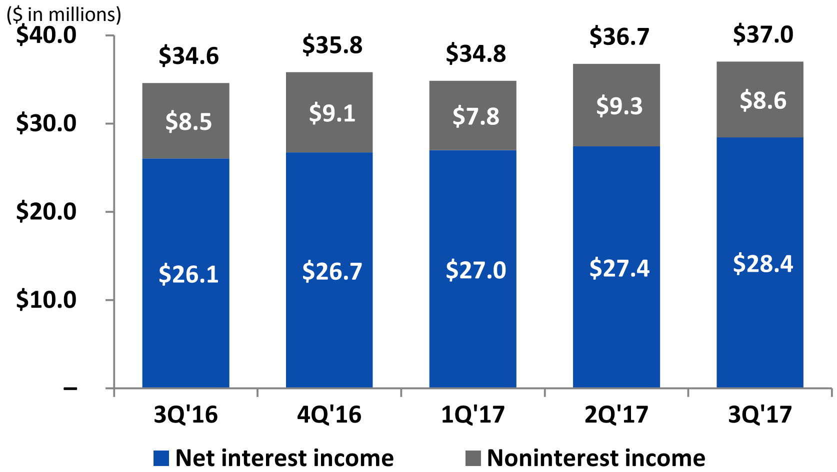
(1) NPAs include nonaccrual loans, loans past due 90 days or more and still accruing, and foreclosed assets
(2) Refer to "Non-GAAP Reconciliation" in Appendix

Third Quarter 2017 Highlights

- Net interest income of $28.4 million increased $2.4 million, or 9.2%, as compared to the third quarter of 2016
- Noninterest income of $8.6 million was $35 thousand, or 0.4%, higher than the third quarter of 2016
  - Excluding the net gain on investment securities from both periods, noninterest income was $8.4 million, 3.4% higher than the third quarter of 2016
- Total interest-earning assets, assets, loans and deposits all reached record-high levels at quarter-end:
  - Total interest-earning assets increased $115.3 million during the quarter, to $3.71 billion
  - Total assets increased $130.1 million during the quarter to, $4.02 billion
  - Total loans increased $99.4 million during the quarter to, $2.62 billion
  - Total deposits increased $149.0 million during the quarter to, $3.28 billion
- The Company declared a quarterly cash dividend of $0.21 per common share, which represented a 2.89% annualized dividend yield as of September 30, 2017, and a return of 40% of third quarter net income to common shareholders
- The Company made significant progress on its priority to grow Five Star Bank's residential mortgage lending business
- The Company continued its "at-the-market" equity offering program and sold 498,038 common shares, generating $13.5 million of gross proceeds ($13.0 million of net proceeds)
- Courier Capital acquired the assets of Robshaw & Julian Associates, a Western New York investment advisory firm

Third Quarter 2017

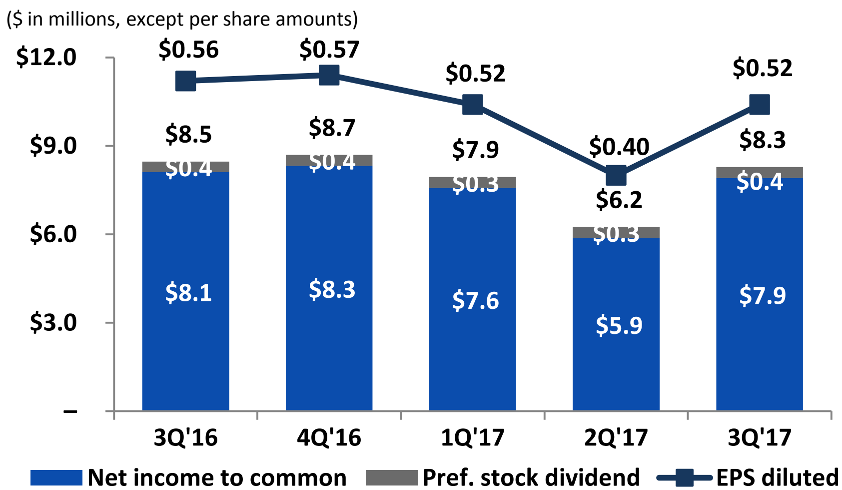
Revenue



Results Summary

	3Q'16	2Q'17	3Q'17
Return on average assets	0.94%	0.65%	**0.83%**
Return on average common equity	10.45%	7.38%	**9.21%**
Return on average tangible common equity(1)	13.87%	9.65%	**11.76%**
Net interest margin	3.23%	3.18%	**3.17%**
Efficiency ratio(2)	58.99%	64.10%	**59.75%**
Dividends per share	$0.20	$0.21	**$0.21**
Dividend yield (annualized)	2.93%	2.83%	**2.89%**

Net Income & EPS



Commentary

- Growth in net interest income driven by an increase in loans.
- Excluding 2Q'2017 $1.2 million non-cash fair value adjustment of contingent consideration liability and net gain on investment securities from all periods, noninterest income increased $467 thousand as compared to 2Q'17 and $277 thousand as compared to 3Q'16.
- Salaries and employee benefits increased $362 thousand from 2Q'17 and $1.0 million from 3Q'16, primarily as a result of organic growth initiatives (addition of talent).
- Loan loss provision decreased $1.0 million from 2Q'17, primarily due to the impact of the second quarter downgrade of one commercial credit relationship. Provision increased $841 thousand from 3Q'16 as result of the increase in loans.

(1) This is a non-GAAP measure that we believe is useful in understanding our financial performance and condition. Refer to the "Non-GAAP Reconciliation" in the Appendix.
(2) The efficiency ratio is calculated by dividing noninterest expense by net revenue, i.e., the sum of net interest income (fully taxable equivalent) and noninterest income before net gains on investment securities. This is a banking industry measure not required by GAAP.

Key Earnings Highlights

Quarterly Earnings Highlights (3Q'16 – 3Q'17)

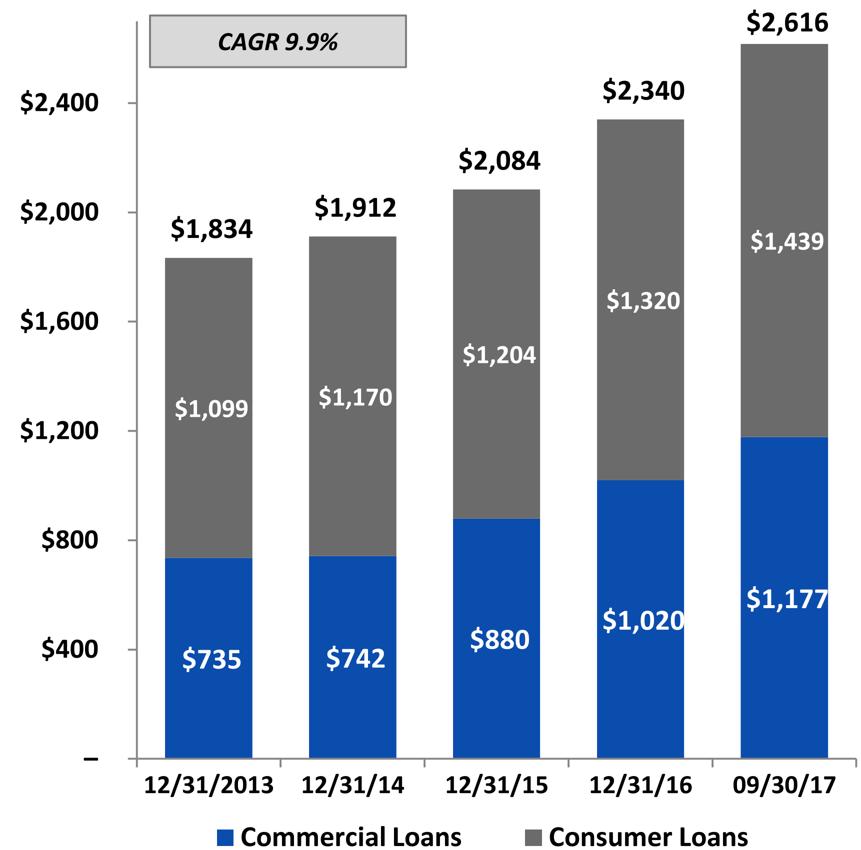
($ in millions, except per share amounts)

Earnings Summary	3Q'16	4Q'16	1Q'17	2Q'17	3Q'17
Average interest-earning assets	$3,317	$3,408	$3,478	$3,557	**$3,669**
Net interest margin	3.23%	3.22%	3.23%	3.18%	**3.17%**
Net interest income	26.1	26.7	27.0	27.4	**28.4**
Noninterest income	8.5	9.1	7.8	9.3	**8.6**
Total revenue	**$34.6**	**$35.8**	**$34.8**	**$36.7**	**$37.0**
Noninterest expense	($20.6)	($20.7)	($20.9)	($23.9)	**($22.5)**
Pre-provision net revenue	14.0	15.1	13.9	12.8	**14.5**
Provision for loan losses	(2.0)	(3.4)	(2.8)	(3.8)	**(2.8)**
Pre-tax net income	12.0	11.7	11.1	9.0	**11.7**
Income tax expense	(3.5)	(3.0)	(3.2)	(2.8)	**(3.4)**
Net income	**$8.5**	**$8.7**	**$7.9**	**$6.2**	**$8.3**
Preferred stock dividends	(0.4)	(0.4)	(0.3)	(0.3)	**(0.4)**
Net income available to common shareholders	**$8.1**	**$8.3**	**$7.6**	**$5.9**	**$7.9**
Earnings per share - diluted	$0.56	$0.57	$0.52	$0.40	**$0.52**
Weighted average common shares outstanding - diluted	14.5	14.5	14.5	14.7	**15.3**

Asset Growth

Loans

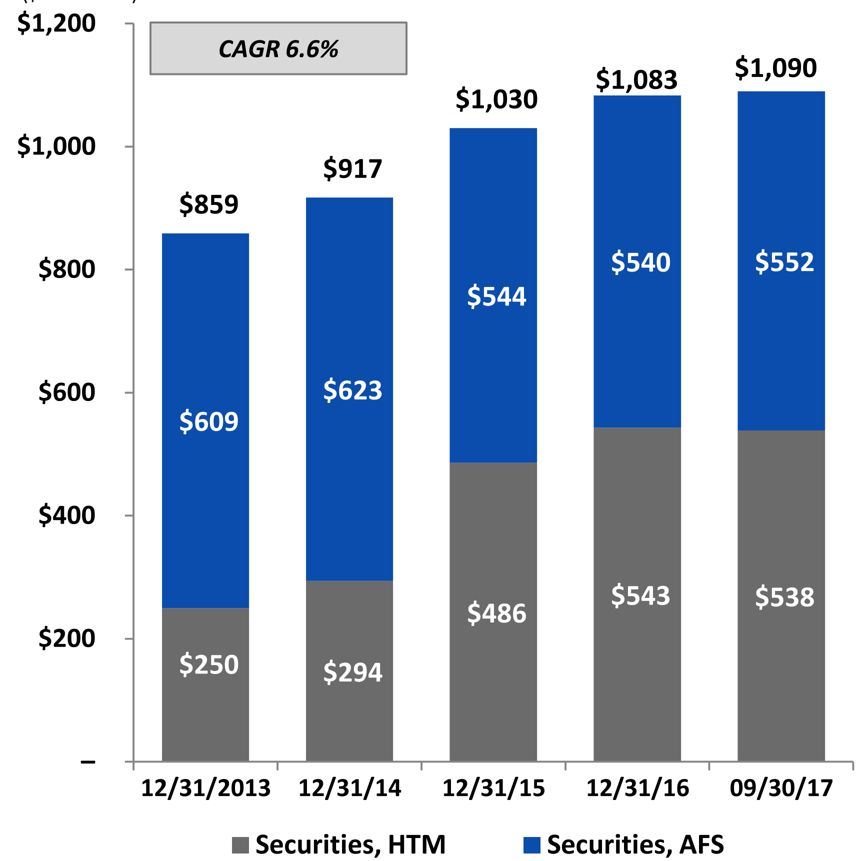
($ in millions)



	2013	2014	2015	2016	YTD'17
Loan Yield[1]	4.65%	4.38%	4.21%	4.18%	4.20%

Securities

($ in millions)

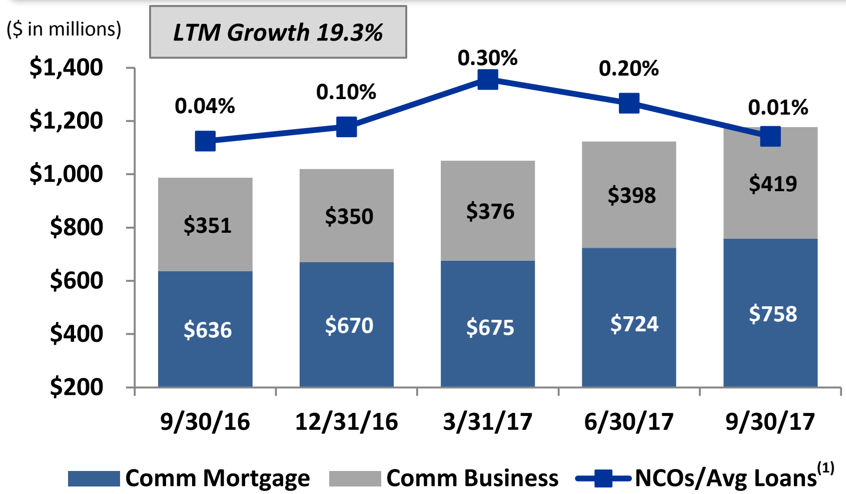


	2013	2014	2015	2016	YTD'17
Security Yield[2]	2.41%	2.44%	2.46%	2.45%	2.46%

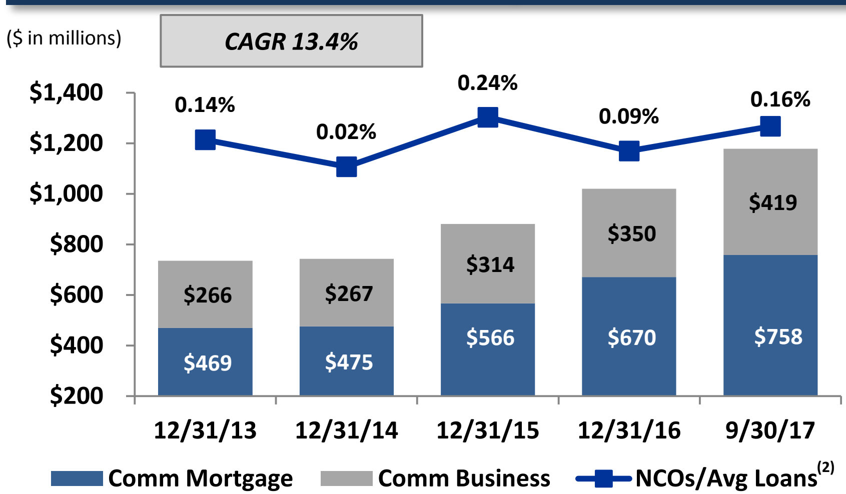
[1] Average yield for the period
[2] Average yield (tax equivalent basis) for the period

Commercial Banking

Commercial Banking – Quarterly



Commercial Banking – Annual



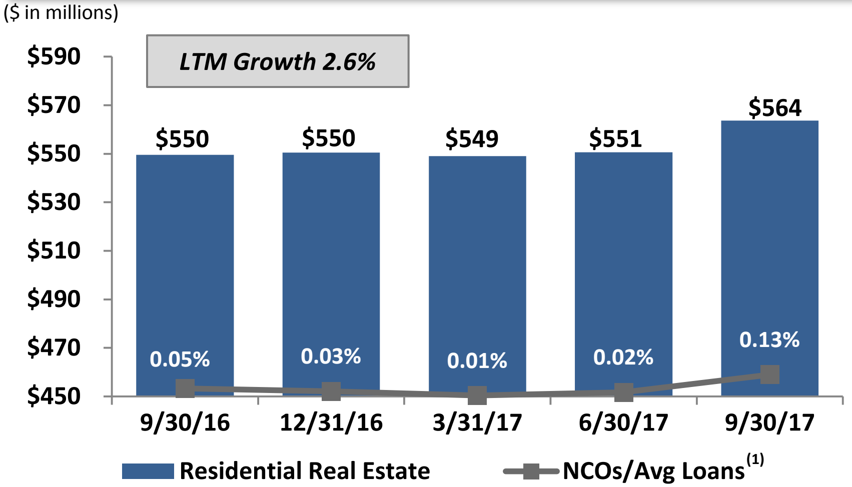
Commentary

- Strong year-over-year growth in Commercial Mortgage Loans (CRE and owner occupied) of 19.1% and Commercial Business Loans (C&I) of 19.6%
- Includes growth in higher-yielding Small Business Commercial Lending
- Five Star Bank was the #3 SBA lender in Rochester/Buffalo combined and #49 SBA lender in the U.S. for the 2017 SBA year ended September 30[3]
- Over the past 21 months we have taken advantage of market disruption to complete strategic hires, adding lenders in nearly all categories
  - Hiring experienced professionals from competing institutions
  - They bring market experience, knowledge and relationships
  - We are seeing the impact of these hires in loan growth
- Five Star Bank is gaining momentum in becoming financial partner of choice
  - Provides a wide spectrum of products: credit, deposit, insurance, wealth advisory and treasury
  - Responsive to changing customer needs

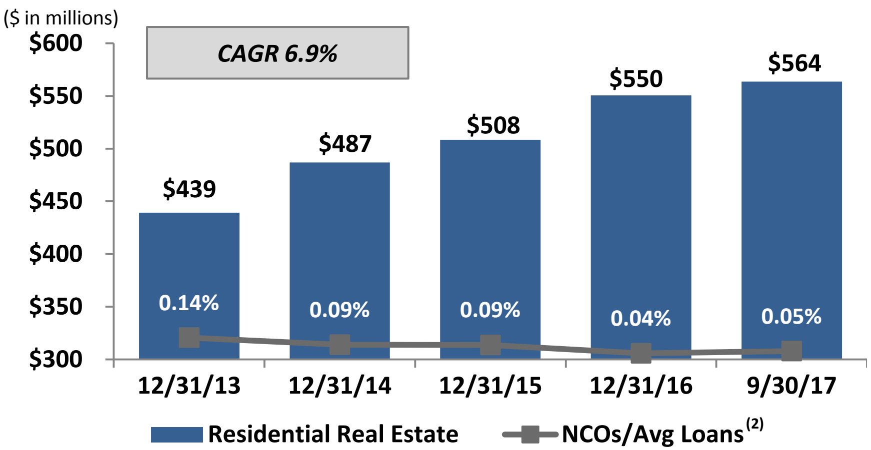
(1) For the quarter (annualized)
(2) For the year/year-to-date (annualized)
(3) SBA rankings based on Units; Five Star Bank was the #2 SBA lender in Rochester/Buffalo based on dollar volume

Residential Real Estate Loans and Lines

Residential Real Estate – Quarterly



Residential Real Estate – Annual



Commentary

- In-market originations through mortgage loan originators and Five Star Bank branch network
- Includes term loans and lines
- Product builds relationships
- Continuing the build out of residential mortgage production capabilities to capitalize on market disruption in Buffalo and Rochester
  - Balance sheet capacity
  - Community bank delivery model
- Strategic hires in 2016 and 2017 are expected to result in significant increase in traditional mortgage banking
  - Senior Residential Lending Administrator and Mortgage Operations Manager in 4Q 2016
  - Two Community Development Loan Officers in February 2017
  - 16 residential mortgage professionals (including loan officers, processors and underwriters) hired in Buffalo and branches
- Increased mortgage lending is expected to result in positive balance sheet impact as well as fee generation

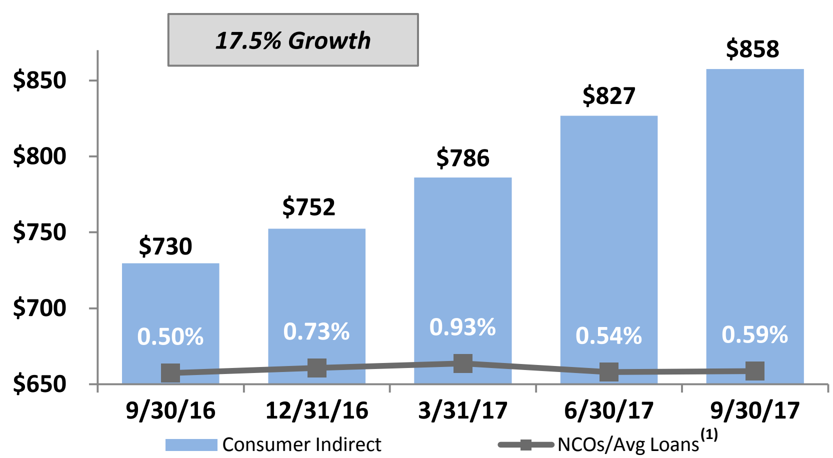
(1) For the quarter (annualized)
(2) For the year/year-to-date (annualized)

Consumer Indirect Lending

- $858 Million Portfolio at September 30, 2017
  - 32.8% of total loans
  - Has represented more than 30% of total loans since 2010 (peak of 34.7% at 12/31/13)
- Strong Dealer Relationships
  - Dealer network of nearly 500 franchised new automobile dealerships
  - No independents, specialty or non-auto dealers
- Relatively Short Duration Allows for Rapid Re-pricing
  - Weighted average interest rate of 2017 new loan production increasing due to upward rate movement
- Natural Risk Dispersion – More Units with Smaller Loan Size

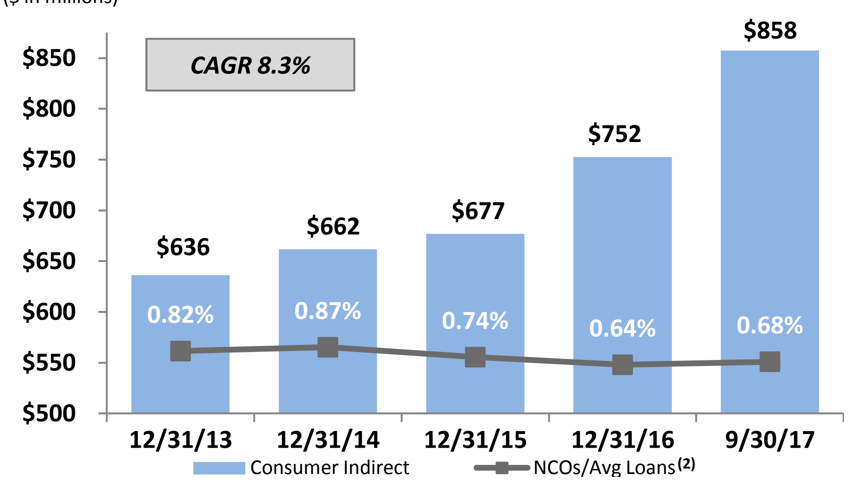
Consumer Indirect – Quarterly

($ in millions)



Consumer Indirect – Annual

($ in millions)



(1) For the quarter (annualized)
(2) For the year/year-to-date (annualized)

Consumer Indirect Lending is a Core Competency

- Experienced Consumer Indirect Management Team
  - Average industry experience of 25+ years
  - Key personnel obtained auto finance experience at Charter One Auto Finance (originated more than $2 billion annually in 21 states and serviced portfolio of $6.5 billion)
- Consistent and Disciplined Philosophy Focused on Applicant's Credit History and Ability to Repay
- Prime Lending Operation
  - Portfolio average FICO score of 728 at September 30, 2017
  - Little to no subprime lending: Less than 1.6% of portfolio with FICO scores below 630
- We Operate in Markets We Know
  - Upstate New York: From Buffalo to Albany and Lake Ontario to the Pennsylvania border
  - Northern and Central Pennsylvania
  - Similar economic environments and credit characteristics; Limited mass transportation
- We Leverage New/Used Mix to Achieve Desired Risk/Reward Outcomes
  - Since 2008, new car percentage of originations has ranged from a low of 32% in '09 to a high of 49% in '12
  - During the first nine months of 2017, new car percentage of originations was 42%
- Strong System and Back-End Controls
  - Automation of workflows
  - Consistent application of credit standards
  - Enforcement of key controls
  - Robust reporting to monitor production, performance, overrides and exceptions

Consumer Indirect Lending is a Core Competency

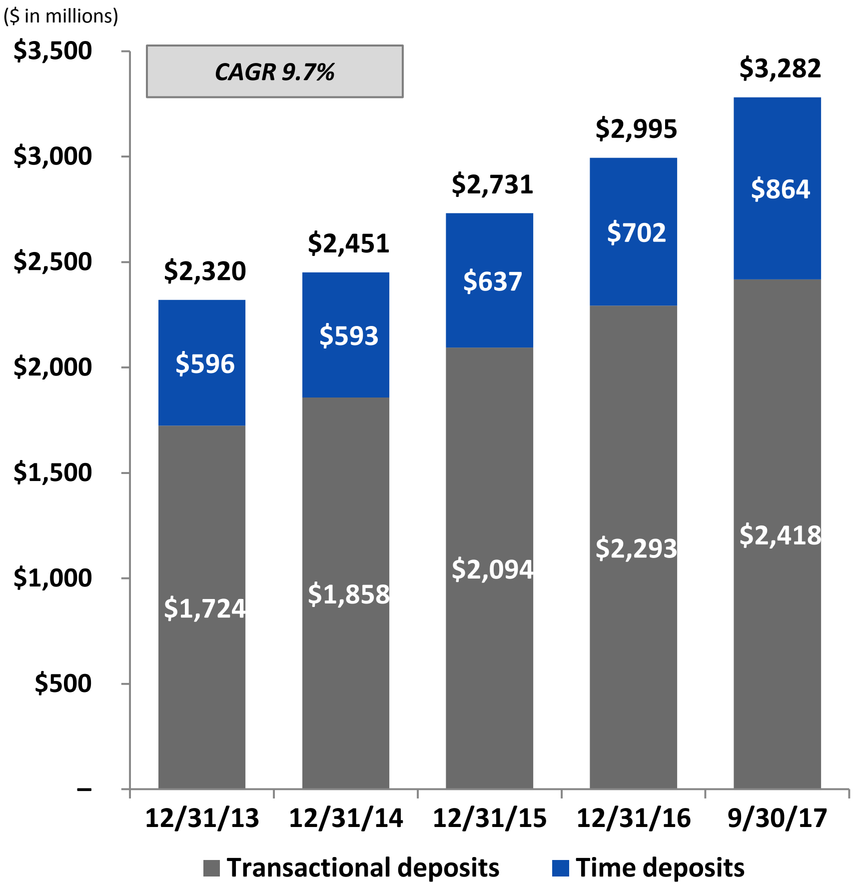
- Focus on Service to Support Premium Pricing
  - Quick turn times and extended hours
  - Ability to speak to an underwriter
  - Dealer preferred funding method
- Data-Driven Approach to Risk Management
  - Robust management information systems and expertise in monitoring the program

End Result is A Demonstrated Track Record of Consistent Performance through Expansion, Recession and Stagnation

- Delinquency at quarter-end between Q1’12 and Q3’17 ranged from a low of 0.18% to a high of 0.67%
- Annual net charge-offs between 2008 and 2016 ranged from a low of 0.60% to a high of 0.87%
- Net charge-offs for the first nine months of 2017 were 0.68% on an annualized basis

Deposit Growth

Deposits (by account type)



	2013	2014	2015	2016	YTD '17
Cost of Deposits[(1)]	0.28%	0.26%	0.27%	0.29%	0.34%

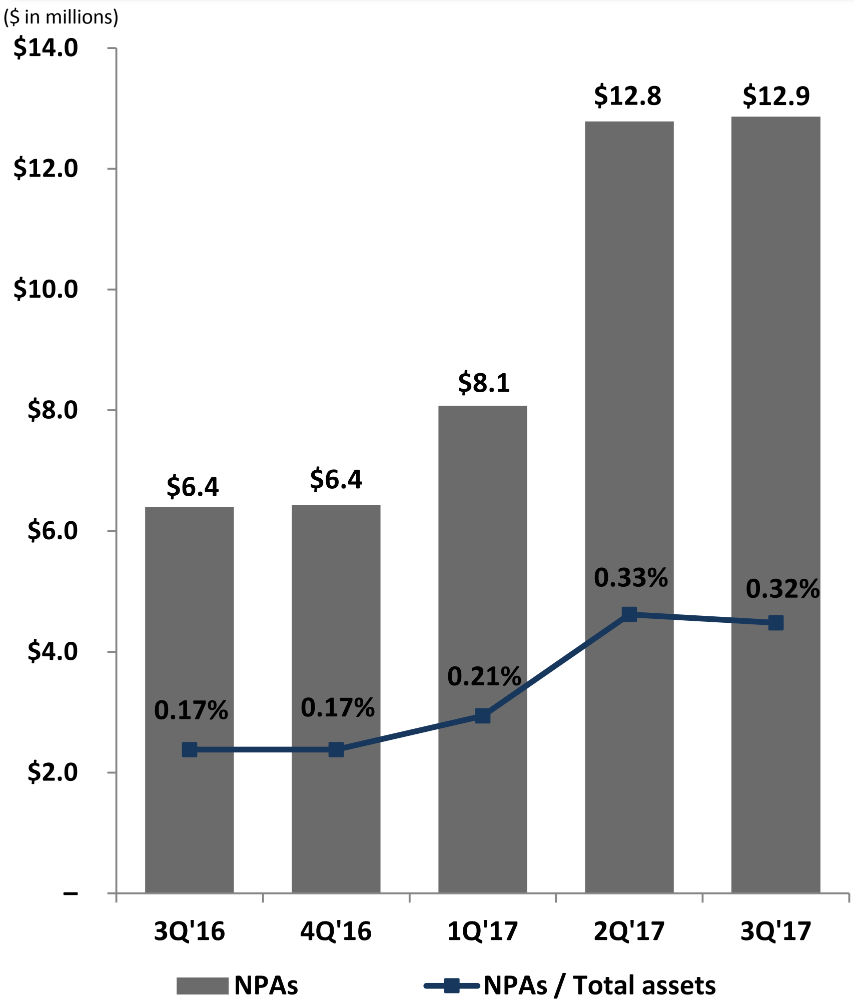
Commentary

- Increase in 2017 driven by organic growth
  - New financial solution centers in downtown Rochester and downtown Buffalo
  - Impact of successful CD and money market campaigns in the second quarter
- Combined Rochester and Buffalo markets represent attractive local deposit market of $34 billion
  - Current FSB market share is less than 4%
- Regional consolidation creates opportunities (i.e. KeyCorp's acquisition of First Niagara)
- Over the last few years there has been a lack of interest by the larger banks in the municipal business
  - Led to customers being attracted to community banks like Five Star
  - Dedicated sales force has also helped to drive growth in public deposits
  - FSB currently has approximately 320 customers

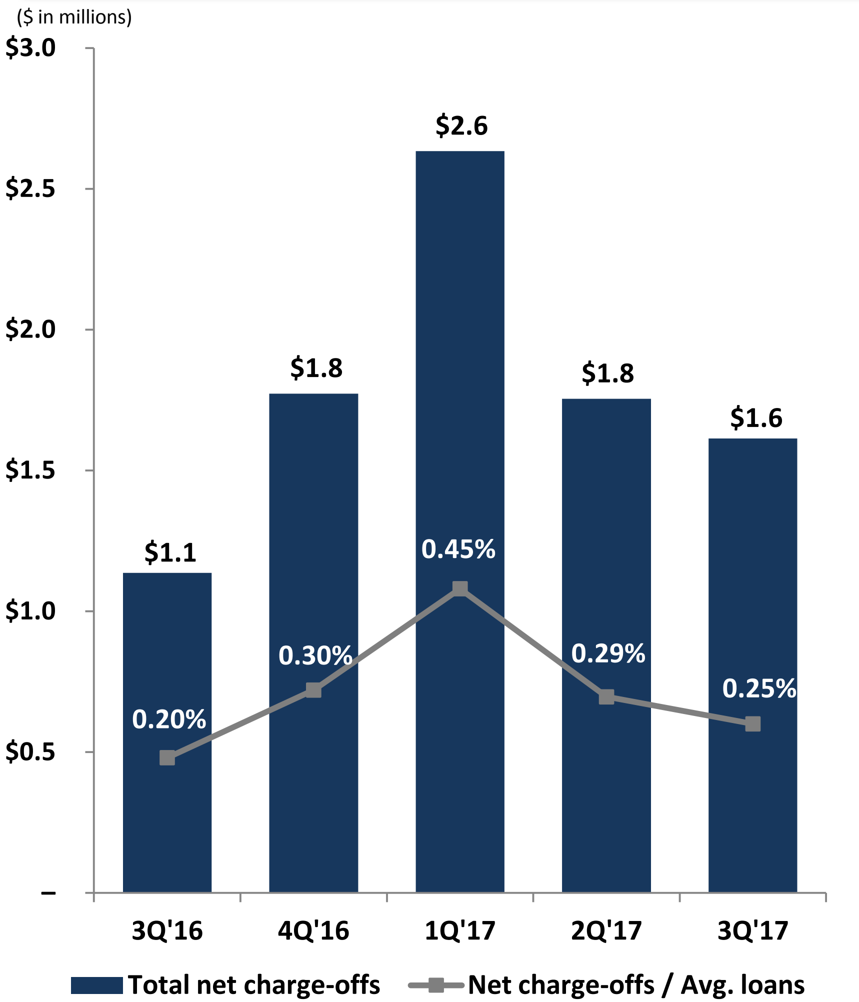
(1) For the year/year-to-date (annualized)

Asset Quality

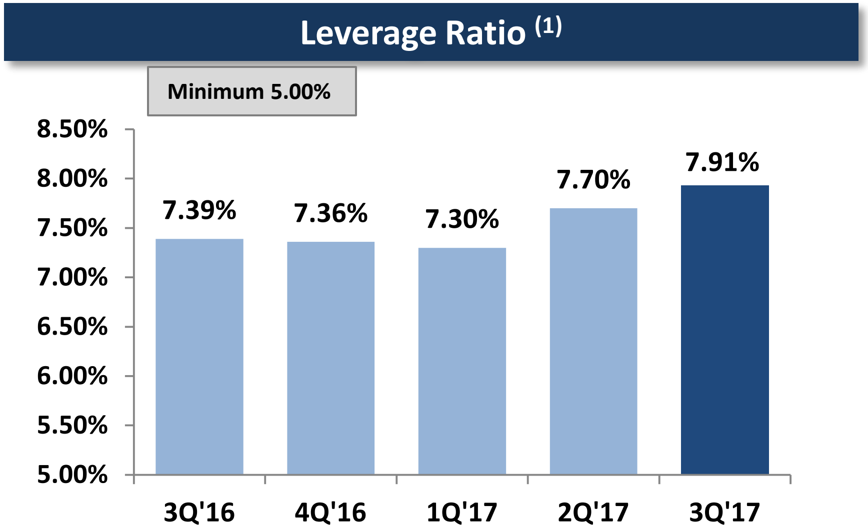
Non-Performing Assets

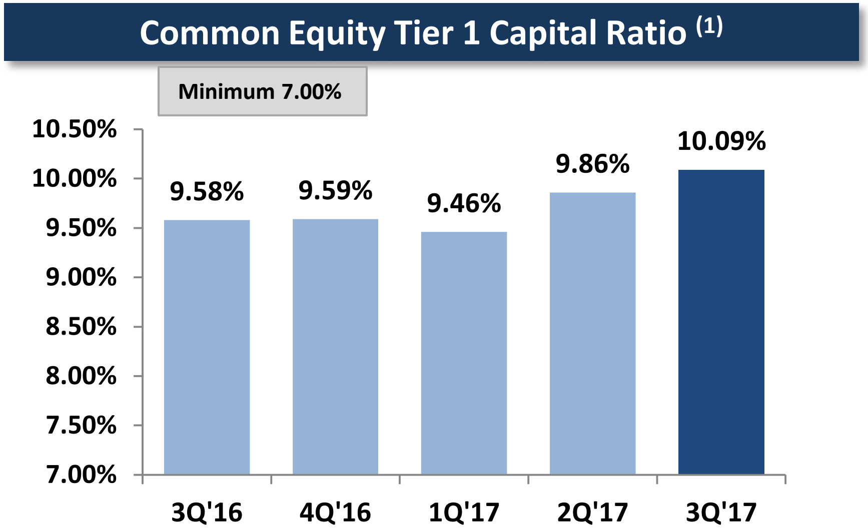


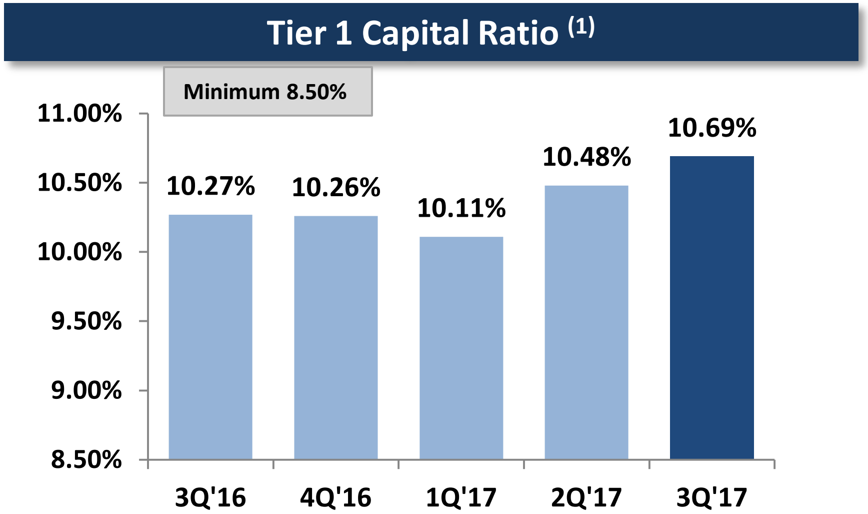
Net Charge-Offs

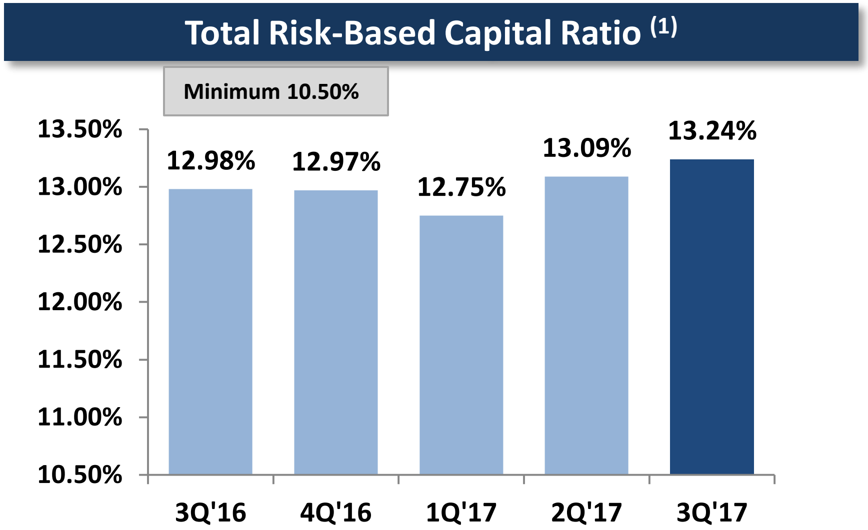


Capital Ratios









(1) Minimum capital ratios based on January 2019 fully phased-in Basel III requirements.

Appendix

Non-GAAP Reconciliation

Non-GAAP Financial Information

This presentation contains disclosure regarding tangible common equity, tangible assets, tangible common equity to tangible assets, tangible common book value per share, average tangible common equity, average tangible assets and return on average tangible common equity, which are determined by methods other than in accordance with U.S. generally accepted accounting principles ("GAAP"). The Company believes that these non-GAAP measures are useful to our investors as measures of the strength of the Company's capital and ability to generate earnings on tangible common equity invested by our shareholders. These non-GAAP measures provide supplemental information that may help investors to analyze our capital position without regard to the effects of intangible assets. Non-GAAP financial measures have inherent limitations and are not uniformly applied by issuers. Therefore, these non-GAAP financial measures should not be considered in isolation, or as a substitute for comparable measures prepared in accordance with GAAP. The comparable GAAP financial measures and reconciliation to the comparable GAAP financial measures are provided below.

GAAP to Non-GAAP Reconciliation	**Quarter ended,**			**TTM Ended**
($ in thousands, except per share data)	**9/30/2016**	**6/30/2017**	**9/30/2017**	**9/30/2017**
Computation of ending tangible common equity:				
Common shareholders' equity	$ 308,931	$ 330,301	$ 348,668	$ 348,668
Less: Goodwill and other intangible assets, net	75,943	73,477	74,997	74,997
Tangible common equity	232,988	256,824	273,671	273,671
Computation of ending tangible assets:				
Total assets	$ 3,687,365	$ 3,891,538	$ 4,021,591	$ 4,021,591
Less: Goodwill and other intangible assets, net	75,943	73,477	74,997	74,997
Tangible assets	3,611,422	3,818,061	3,946,594	3,946,594
Tangible common equity to tangible assets (1)	6.45%	6.73%	6.93%	6.93%
Common shares outstanding	14,528	15,127	15,626	15,626
Tangible common book value per share (2)	$ 16.04	$ 16.98	$ 17.51	$ 17.51
Computation of average tangible common equity:				
Average common equity	$ 308,524	$ 319,387	$ 340,981	$ 318,394
Less: Average goodwill and other intangible assets, net	76,116	74,954	73,960	75,055
Average tangible common equity	232,408	244,433	267,021	243,339
Computation of average tangible assets:				
Average assets	$ 3,593,672	$ 3,847,137	$ 3,951,002	$ 3,808,231
Less: Average goodwill and other intangible assets, net	76,116	74,954	73,960	75,055
Average tangible assets	3,517,556	3,772,183	3,877,042	3,733,176
Net income available to common shareholders	8,103	5,880	7,913	29,699
Return on average tangible common equity (3)	13.87%	9.65%	11.76%	12.20%

Source: Company filings.
(1) Tangible common equity divided by tangible assets.
(2) Tangible common equity divided by common shares outstanding.
(3) Net income available to common shareholders (annualized) divided by average tangible common equity.