Financial Institutions, Inc.

NASDAQ: FISI

First Quarter 2018 Earnings Presentation

April 26, 2018

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 services 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 March 31, 2018

Assets:	$4.15 billion
Loans:	$2.79 billion
Deposits:	$3.38 billion
Shareholders' Equity:	$380.3 million
NPAs(1)/Total Assets:	0.27%
Employees:	~ 650
ROACE (TTM):	9.68%
ROATCE(2) (TTM):	12.35%
ROAA (TTM):	0.88%
Annualized Dividend Per Share:	$0.96
Closing Stock Price Per Share:	$29.60
Dividend Yield (annualized):	3.29%
Market Capitalization:	$470.7 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

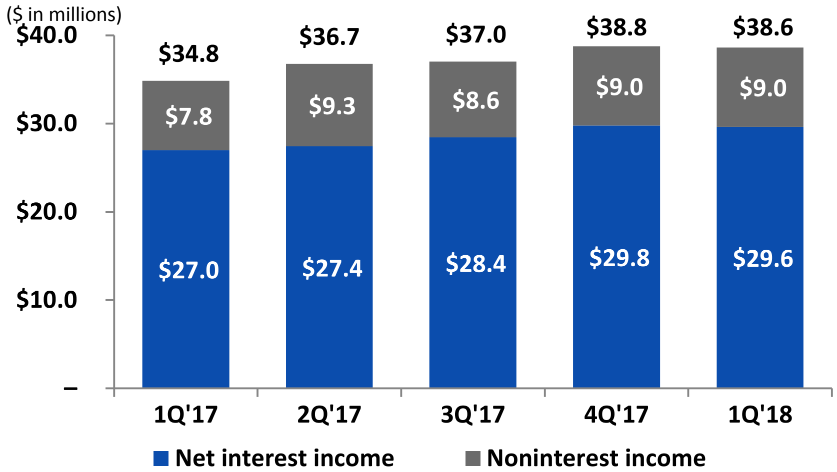
First Quarter 2018 Highlights

- Diluted earnings per share of $0.56 was $0.04, or 7.7%, higher than the first quarter of 2017
- Net interest income of $29.6 million was $2.6 million, or 9.8%, higher than the first quarter of 2017
- Noninterest income of $9.0 million was $1.1 million, or 14.7%, higher than the first quarter of 2017
- Return on average common equity was 9.95%
  - Return on average tangible common equity was 12.52% (1)
- Total assets, interest-earning assets, loans and deposits all reached record-high levels at quarter-end:
  - Total assets increased $47.2 million during the quarter, to $4.15 billion
  - Total interest-earning assets increased $36.2 million during the quarter, to $3.82 billion
  - Total loans increased $58.2 million during the quarter, to $2.79 billion
  - Total deposits increased $169.8 million during the quarter, to $3.38 billion
- The Company declared a quarterly cash dividend of $0.24 per common share, a 9.1% increase from the most recent dividend. The first quarter dividend represented a 3.29% annualized yield as of March 31, 2018, and a return of 43% of first quarter net income to common shareholders
- Five Star Bank launched a new brand campaign in February designed to increase customer knowledge surrounding the services offered in community banking, wealth management and insurance and to increase awareness of the Five Star brand in key urban growth markets
  - The campaign tag line – Today is tomorrow in progress – reinforces the goal of providing solutions today that lead to financial well-being in the future

(1) Refer to "Non-GAAP Reconciliation" in Appendix

First Quarter 2018

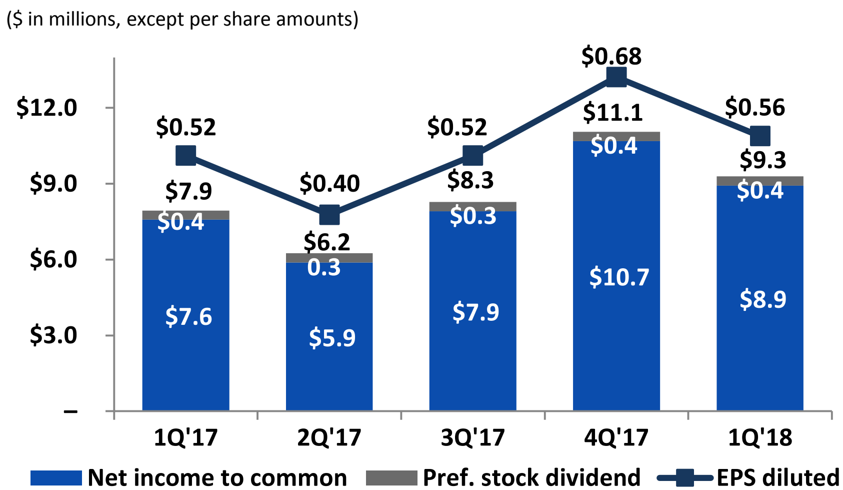
Revenue



Results Summary

	1Q'17	4Q'17	1Q'18
Return on average assets	0.86%	1.09%	**0.92%**
Return on average common equity	10.02%	11.88%	**9.95%**
Return on average tangible common equity[(1)]	13.30%	15.03%	**12.52%**
Net interest margin	3.23%	3.25%	**3.19%**
Efficiency ratio[(2)]	59.09%	59.62%	**61.85%**
Dividends per share	$0.21	$0.22	**$0.24**
Dividend yield (annualized)	2.58%	2.81%	**3.29%**

Net Income & EPS



Commentary

- Noninterest income excluding net gain on investment securities was $657 thousand higher than 4Q'17 and $1.4 million higher than 1Q'17.
- Salaries and employee benefits were $457 thousand higher than 4Q'17 and $2.1 million higher than 1Q'17 as a result of organic growth initiatives and $1.0 million of non-recurring expense in 1Q'18.
- Advertising and promotions expense increased $257 thousand from 4Q'17 and $515 thousand from 1Q'17 as a result of new Five Star Bank brand campaign launched in February '18.
- Provision for loan losses decreased $1.0 million from 4Q'17 and increased $168 thousand from 1Q'17. Net charge-offs in 1Q'18 were $1.6 million lower than 4Q'17 and $607 thousand lower than 1Q'17.
- Q1'18 effective tax rate of 19.6% reflects lower federal tax rate. Q4'17 rate of 5.0% reflects $2.9 million reduction in expense due to tax act (driven by revaluation adjustment to net deferred tax liability).

(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 (1Q’17 – 1Q’18)

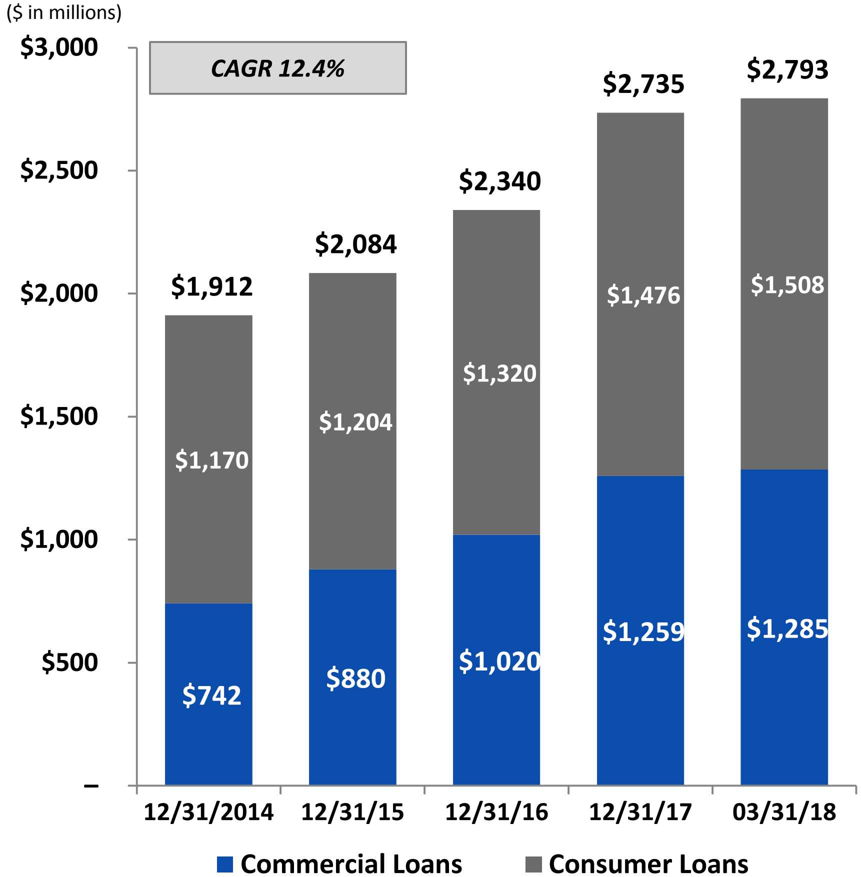
($ in millions, except per share amounts)

Earnings Summary	1Q'17	2Q'17	3Q'17	4Q'17	1Q'18
Average interest-earning assets	$3,478	$3,557	$3,669	$3,739	**$3,799**
Net interest margin	3.23%	3.18%	3.17%	3.25%	**3.19%**
Net interest income	27.0	27.4	28.4	29.8	**29.6**
Noninterest income	7.8	9.3	8.6	9.0	**9.0**
Total revenue	**$34.8**	**$36.7**	**$37.0**	**$38.8**	**$38.6**
Noninterest expense	($20.9)	($23.9)	($22.5)	($23.2)	**($24.1)**
Pre-provision net revenue	13.9	12.8	14.5	15.6	**14.5**
Provision for loan losses	(2.8)	(3.8)	(2.8)	(3.9)	**(2.9)**
Pre-tax net income	11.1	9.0	11.7	11.7	**11.6**
Income tax expense	(3.2)	(2.8)	(3.4)	(0.6)	**(2.3)**
Net income	**$7.9**	**$6.2**	**$8.3**	**$11.1**	**$9.3**
Preferred stock dividends	(0.3)	(0.3)	(0.4)	(0.4)	**(0.4)**
Net income available to common shareholders	**$7.6**	**$5.9**	**$7.9**	**$10.7**	**$8.9**

Earnings per share - diluted	$0.52	$0.40	$0.52	$0.68	**$0.56**
Weighted average common shares outstanding - diluted	14.5	14.7	15.3	15.8	**15.9**

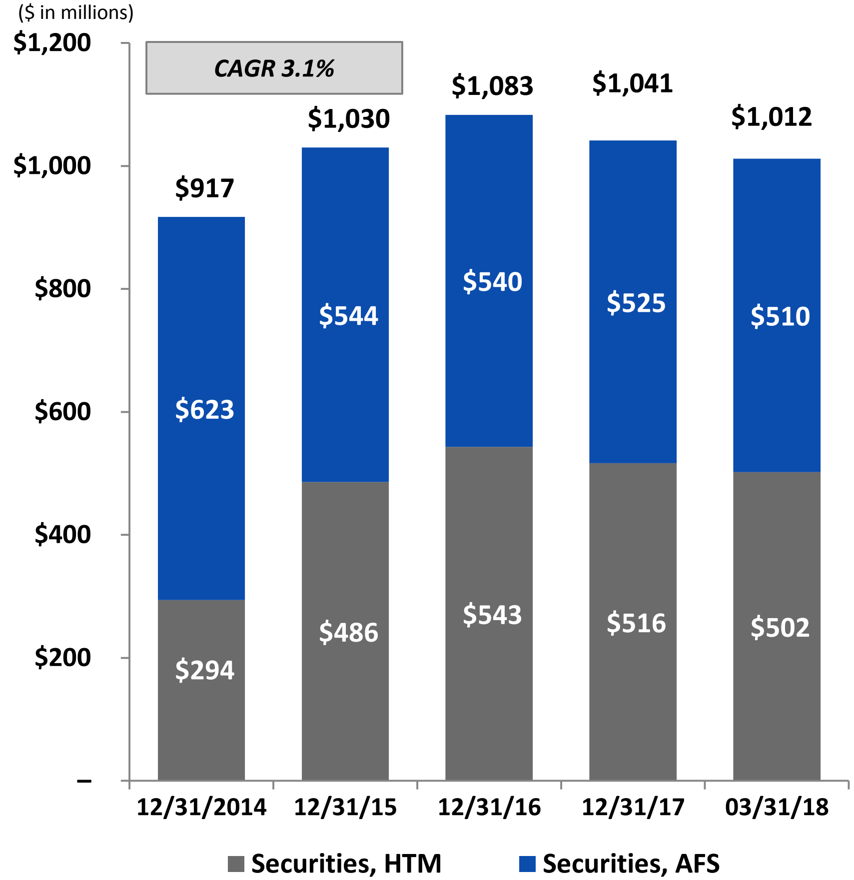
Asset Growth

Loans



	2014	2015	2016	2017	1Q '18
Loan Yield(1)	4.38%	4.21%	4.18%	4.22%	4.36%

Securities



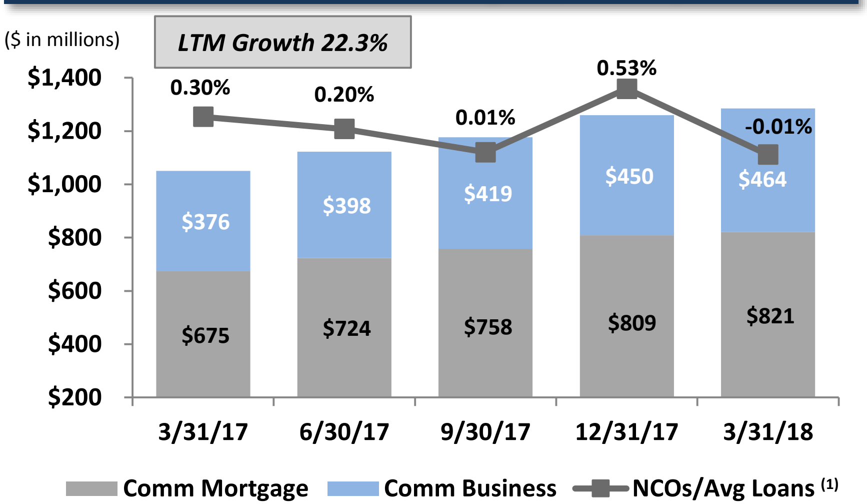
	2014	2015	2016	2017	1Q '18
Security Yield(2)	2.44%	2.46%	2.45%	2.48%	2.32%(3)

(1) Average yield for the period
(2) Average yield (tax equivalent basis) for the period
(3) Decrease due to lower federal tax rate in 2018

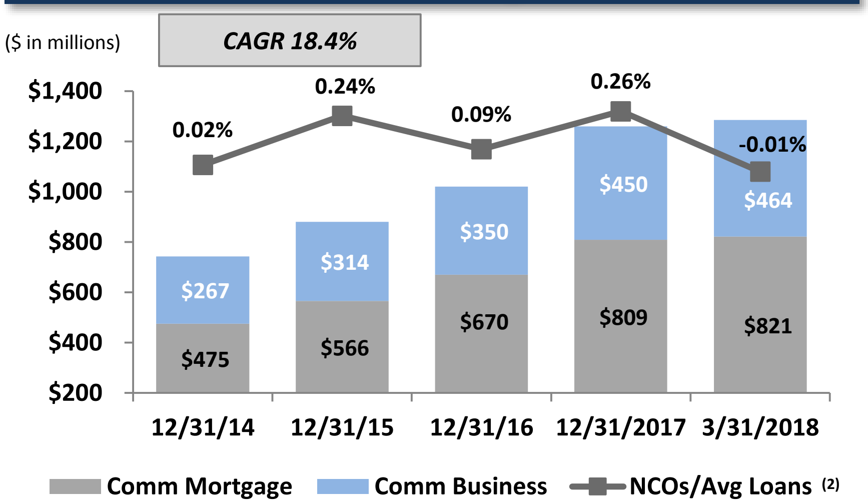
Commercial Banking

- Strong year-over-year growth in commercial mortgage loans of 21.6% and commercial business loans of 23.6%
- First Quarter ‘18 growth of 1.5% in commercial mortgage loans and 3.1% in commercial business loans reflected impact of high volume of loan closings in December 2017, reducing pipeline of loans approved for closing
- Includes growth in higher-yielding Small Business Commercial Lending
- We have taken advantage of market disruption with strategic hires, adding lenders in nearly all categories
  - Hiring experienced professionals from competing institutions
  - They bring market experience, knowledge and relationships
  - Attracting new customers and generating new loan business
- Five Star Bank is gaining momentum in becoming financial partner of choice
  - Provides a wide spectrum of products
  - Responsive to changing customer needs

Commercial Banking – Quarterly



Commercial Banking – Annual

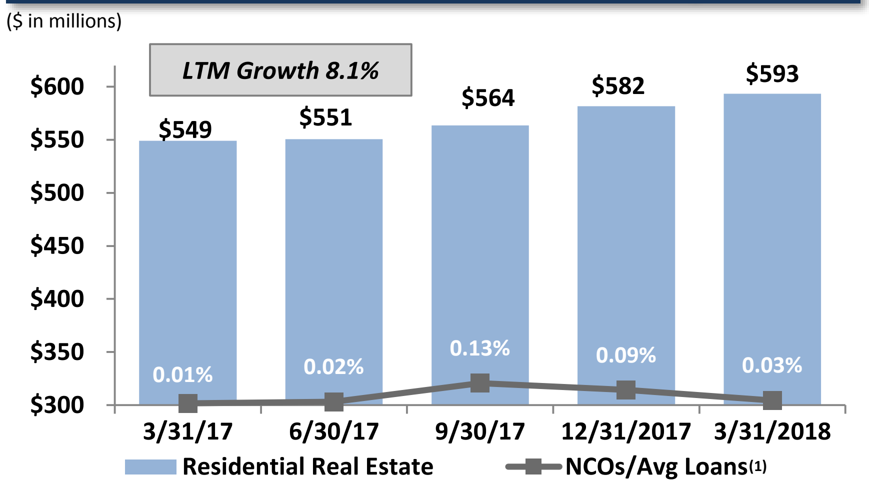


(1) For the quarter (annualized)
(2) For the year/year-to-date (annualized)

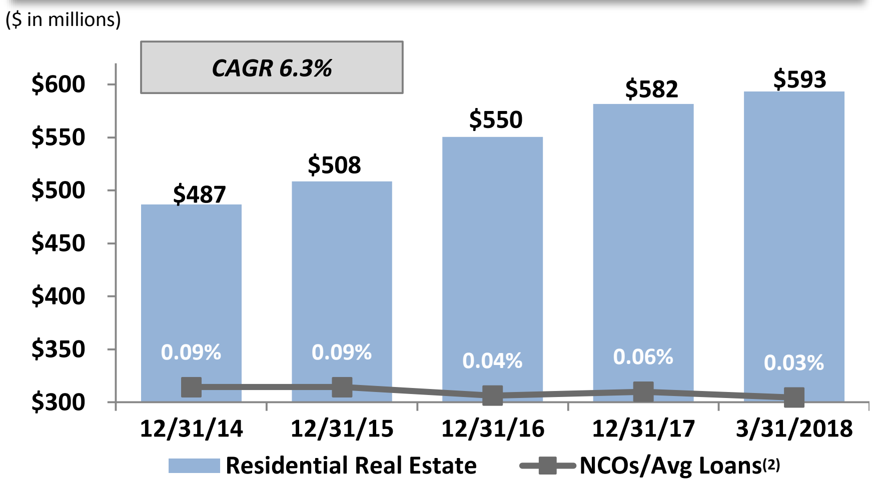
Residential Real Estate Loans and Lines

- In-market originations through mortgage loan originators and Five Star Bank branch network
- Includes term loans and lines
- Continuing the build out of residential mortgage production capabilities to capitalize on market disruption in Buffalo and Rochester
  - Community bank delivery model
- In 2017, added 8 mortgage loan officers (“MLOs”)and back-office support personnel to underwrite and process production
- Line of business provides opportunity to establish relationships with new customers
  - Loan and deposit relationships
  - Opportunity to provide wealth management and insurance services
- Increased mortgage lending is expected to result in positive balance sheet impact as well as fee generation

Residential Real Estate – Quarterly



Residential Real Estate – Annual

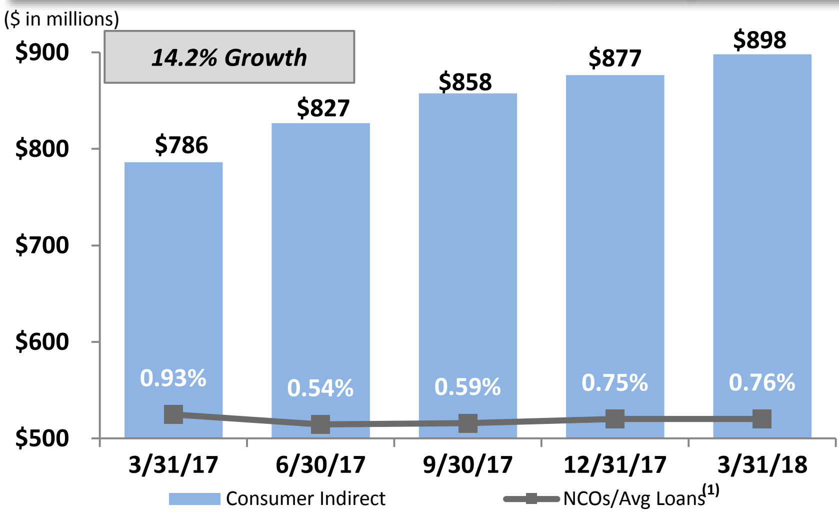


(1) For the quarter (annualized)
(2) For the year/year-to-date (annualized)

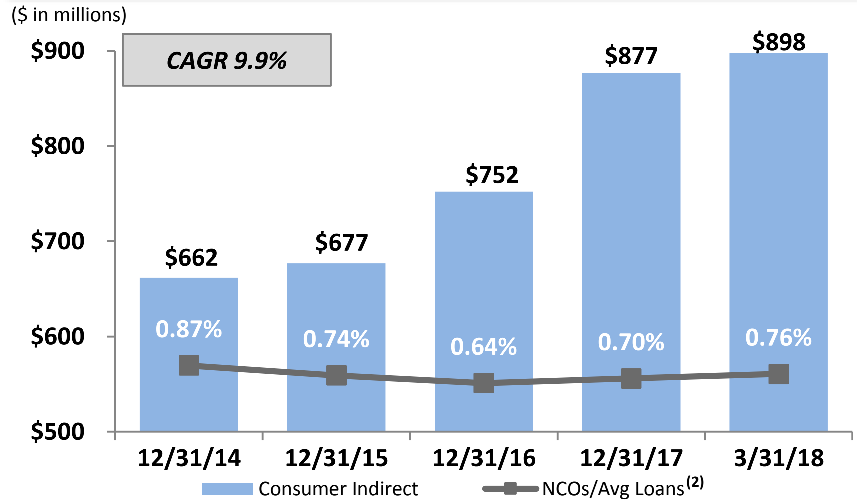
Consumer Indirect Lending

- $898 Million Portfolio at March 31, 2018
  - 32.15% of total loans
  - Has represented more than 30% of total loans since 2010 (peak of 34.7% at 12/31/13)
- Prime Lending Operation with average portfolio FICO score of 730 and less than 2% under 630
- Dealer network of nearly 500 franchised new automobile dealerships - No independents or non-autos
- Relatively Short Duration Allows for Rapid Re-pricing
  - Weighted average interest rate of 2018 new loan production increasing due to upward rate movement
- Natural Risk Dispersion – More Units with Smaller Loan Size
- Demonstrated track record of consistent performance through economic expansions, recessions and stagnation

Consumer Indirect – Quarterly



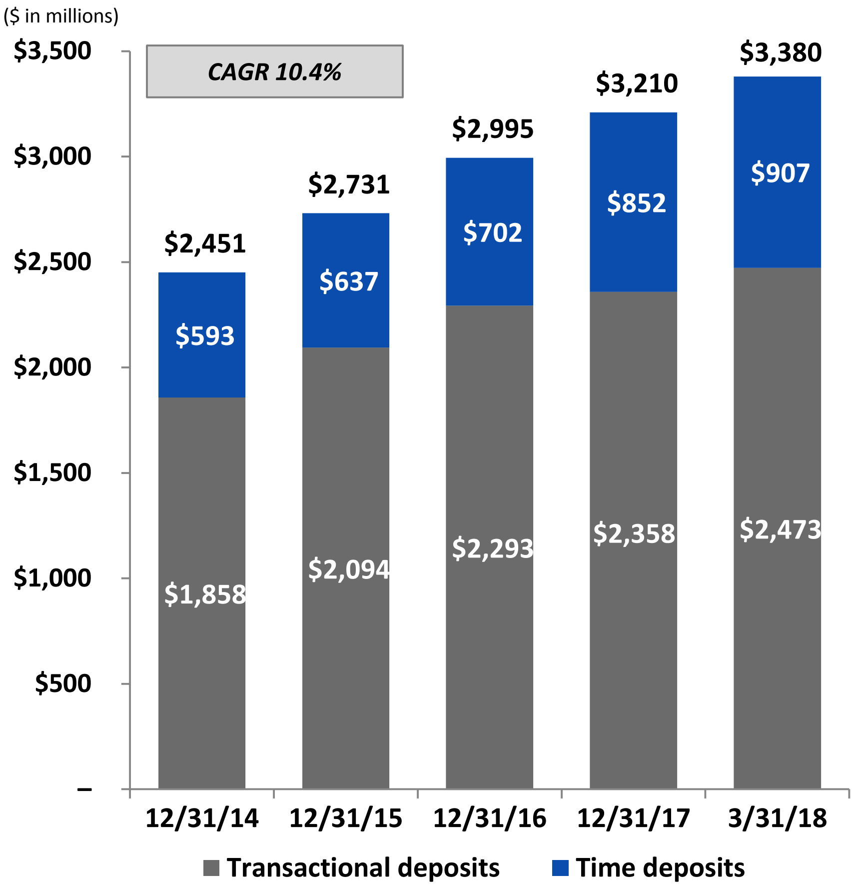
Consumer Indirect – Annual



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

Deposit Growth

Deposits (by account type)



	2014	2015	2016	2017	1Q '18
Cost of Deposits[1]	0.26%	0.27%	0.29%	0.35%	0.43%

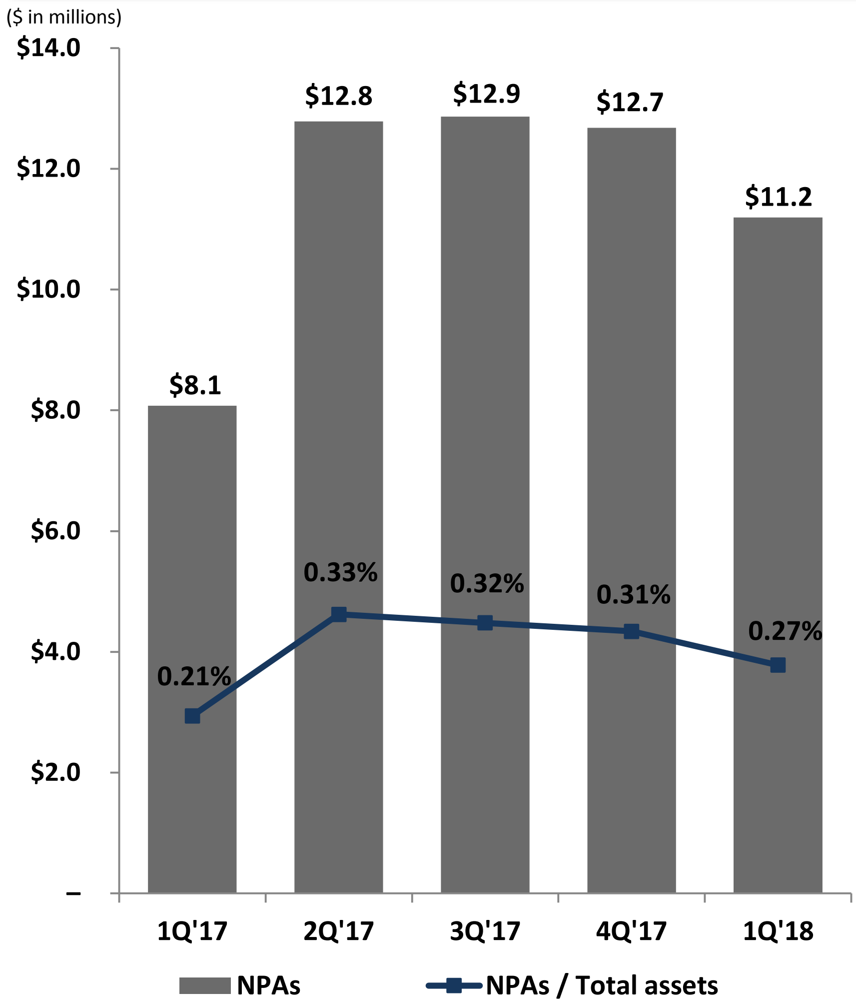
Commentary

- Increase in Q1'18 as compared to Q1'17 driven by organic growth
  - New financial solution centers in downtown Rochester and downtown Buffalo
  - Impact of successful CD and money market campaigns
- Q1'18 increase compared to year-end '17 primarily due to public deposit seasonality
- 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 municipal customers

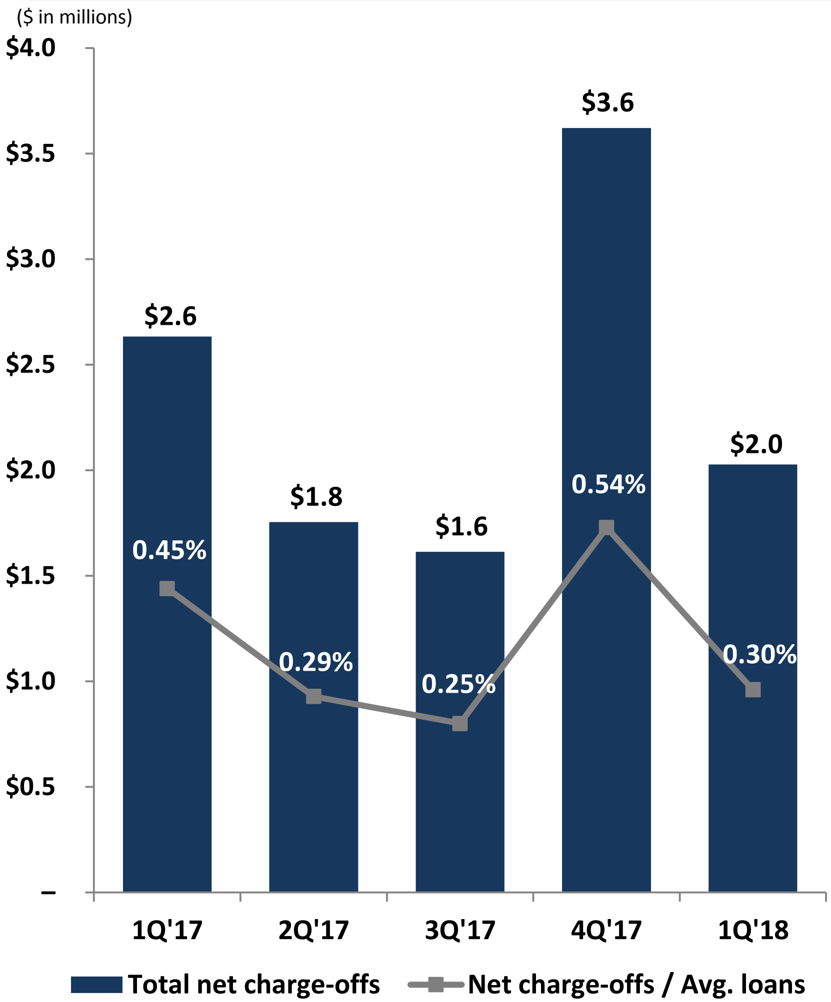
(1) For the year/year-to-date (annualized)

Asset Quality

Non-Performing Assets

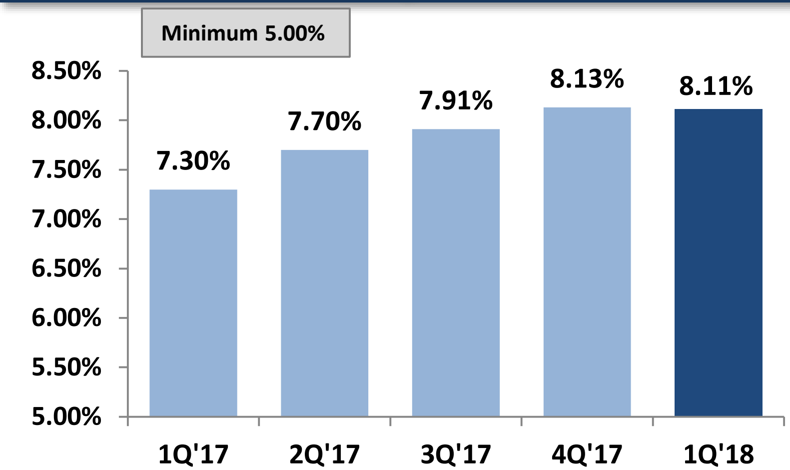


Net Charge-Offs

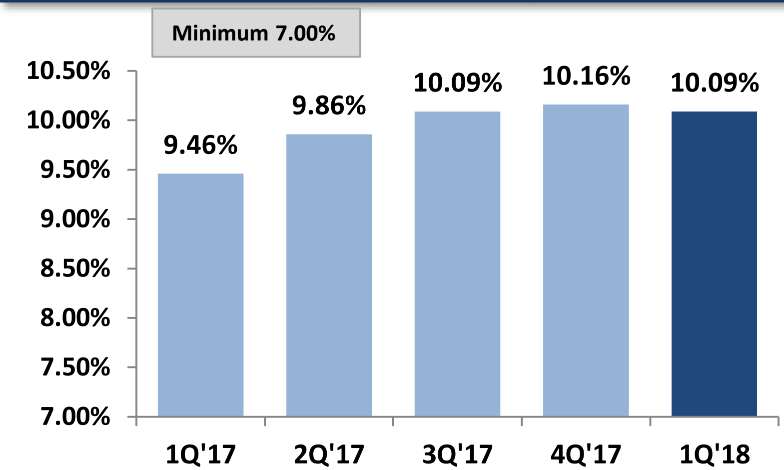


Capital Ratios

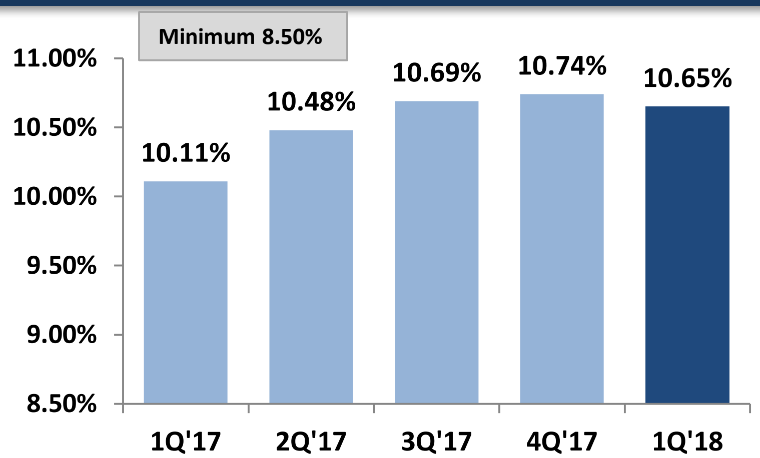
Leverage Ratio [1]



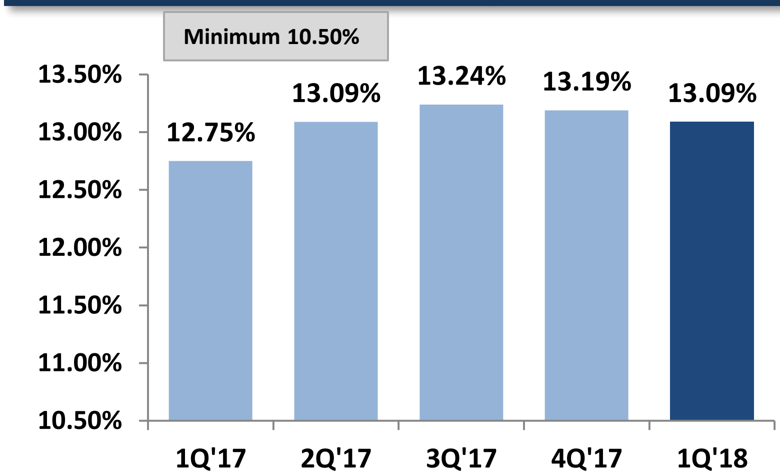
Common Equity Tier 1 Capital Ratio [1]



Tier 1 Capital Ratio [1]



Total Risk-Based Capital Ratio [1]



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

Appendix

Non-GAAP Reconciliation

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.

	Quarter ended,			TTM Ended
($ in thousands, except per share data)	3/31/2017	12/31/2017	3/31/2018	3/31/2018
Computation of ending tangible common equity:				
Common shareholders' equity	$ 308,348	$ 363,848	$ 362,973	$ 362,973
Less: Goodwill and other intangible assets, net	75,343	74,703	74,415	74,415
Tangible common equity	233,005	289,145	288,558	288,558
Computation of ending tangible assets:				
Total assets	$ 3,859,865	$ 4,105,210	$ 4,152,432	$ 4,152,432
Less: Goodwill and other intangible assets, net	75,343	74,703	74,415	74,415
Tangible assets	3,784,522	4,030,507	4,078,017	4,078,017
Tangible common equity to tangible assets (1)	6.16%	7.17%	7.08%	7.08%
Common shares outstanding	14,536	15,925	15,901	15,901
Tangible common book value per share (2)	$ 16.03	$ 18.16	$ 18.15	$ 18.15
Computation of average tangible common equity:				
Average common equity	$ 306,626	$ 357,079	$ 363,523	$ 345,213
Less: Average goodwill and other intangible assets, net	75,508	74,866	74,577	74,588
Average tangible common equity	231,118	282,213	288,946	270,625
Computation of average tangible assets:				
Average assets	$ 3,754,470	$ 4,028,063	$ 4,086,633	$ 3,977,974
Less: Average goodwill and other intangible assets, net	75,508	74,866	74,577	74,588
Average tangible assets	3,678,962	3,953,197	4,012,056	3,903,386
Net income available to common shareholders	7,578	10,693	8,923	33,409
Return on average tangible common equity (3)	13.30%	15.03%	12.52%	12.35%

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.