Financial Institutions, Inc.

NASDAQ: FISI

Second Quarter 2017 Earnings Presentation

July 25, 2017

Safe Harbor Statement

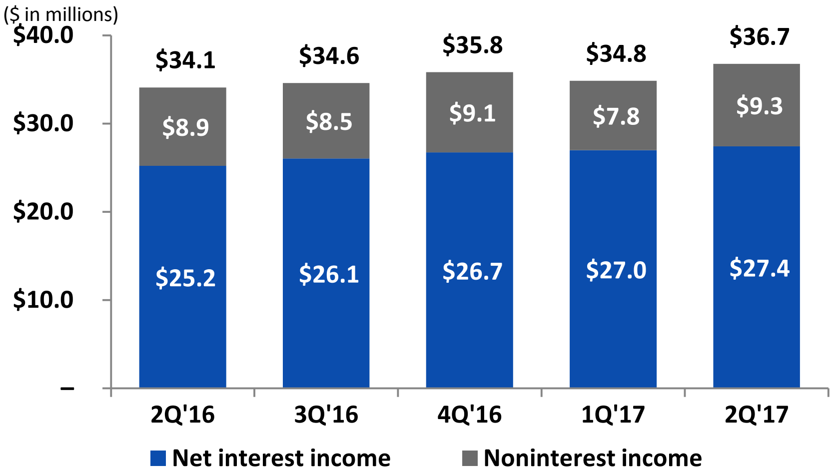
Statements contained in this presentation which are not historical facts and which pertain to future operating results of Financial Institutions, Inc. (the “Company”) and its subsidiaries constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. 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.

Second Quarter 2017 Highlights

- Net interest income of $27.4 million increased $2.2 million, or 8.8%, as compared to the second quarter of 2016
- Noninterest income of $9.3 million was $417 thousand, or 4.7%, higher than the second quarter of 2016
- Total assets, interest-earning assets and loans all reached record-high levels at quarter-end:
  - Total assets increased $31.7 million during the quarter, to $3.89 billion
  - Total interest-earning assets increased $69.5 million during the quarter, to $3.59 billion
  - Total loans increased $114.2 million during the quarter, to $2.52 billion
- The quarterly cash dividend of $0.21 per common share represented a 2.83% annualized dividend yield as of June 30, 2017, and a return of 53% of second quarter net income to common shareholders
- Total risk-based capital was 13.09% at quarter-end, representing a strong capital position to support future growth
- The Company launched an “at-the-market” equity offering program under which it may sell up to $40 million of its common stock
  - Net proceeds of $16.7 million were received from the sale of 571,597 shares of common stock during the quarter
- Shareholders elected Donald K. Boswell to the Board of Directors, the fourth new board member added over the course of the past three years

Second Quarter 2017

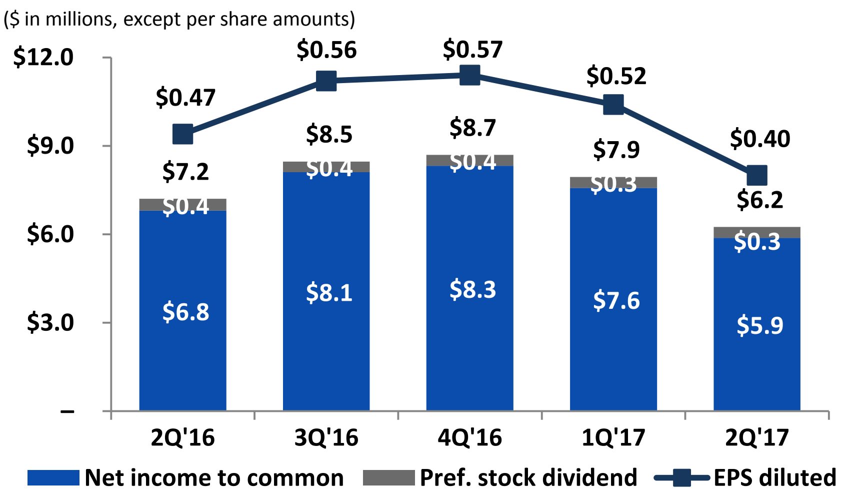
Revenue



Results Summary

	2Q'16	1Q'17	2Q'17
Return on average assets	0.82%	0.86%	**0.65%**
Return on average common equity	9.10%	10.02%	**7.38%**
Return on average tangible common equity[1]	12.22%	13.30%	**9.65%**
Net interest margin	3.23%	3.23%	**3.18%**
Efficiency ratio[2]	66.00%	59.09%	**64.10%**
Dividends per share	$0.20	$0.21	**$0.21**
Dividend yield (annualized)	3.09%	2.58%	**2.83%**

Net Income & EPS



Commentary

- Growth in net interest income driven by increase in loans
- 2Q'17 results reflect two valuation adjustments related to SDN subsidiary; net negative impact of $375 thousand
  - Noninterest income includes $1.2 million non-cash fair value adjustment of contingent consideration liability
  - Noninterest expense includes $1.6 million non-cash goodwill impairment charge
- Loan loss provision increased $1.1 million from 1Q'17 primarily due to $925 thousand impact of downgrade of one commercial credit relationship and impact of growth in total loan portfolio
- Increase of $617 thousand in salaries and benefits from 1Q'17 primarily due to $385 thousand increase in health care claims plus organic growth initiatives including mortgage lending expansion

(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

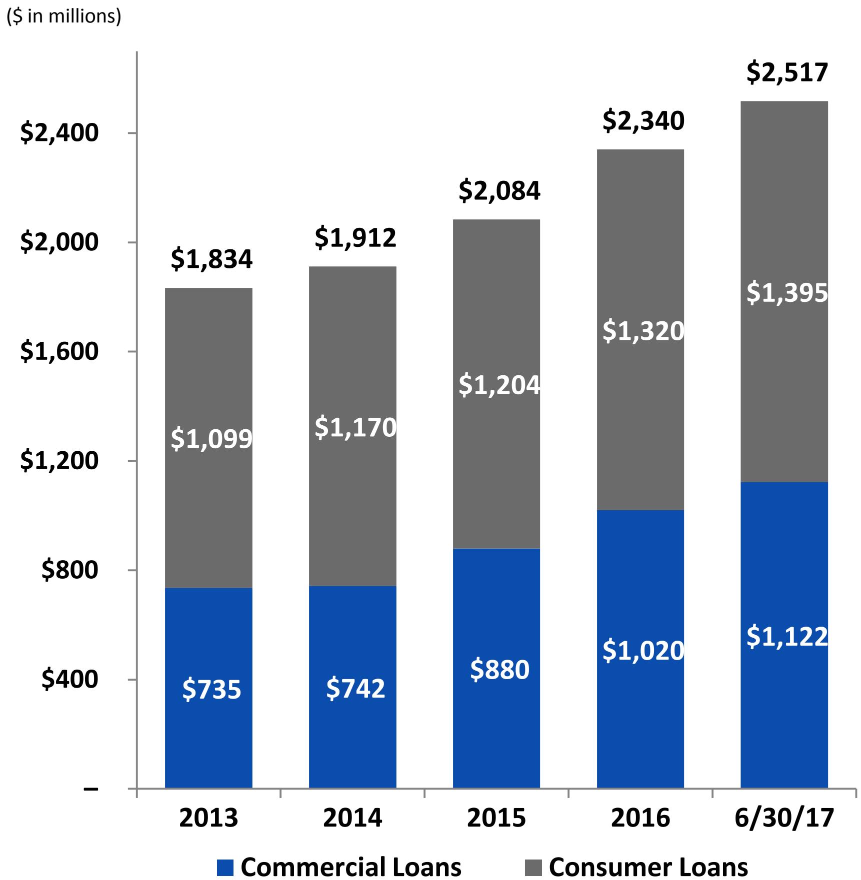
Quarterly Earnings Highlights (2Q'16 – 2Q'17)

($ in millions, except per share amounts)

Earnings Summary	2Q'16	3Q'16	4Q'16	1Q'17	2Q'17
Average interest-earning assets	$3,230	$3,317	$3,408	$3,478	**$3,557**
Net interest margin	3.23%	3.23%	3.22%	3.23%	**3.18%**
Net interest income	25.2	26.1	26.7	27.0	**27.4**
Noninterest income	8.9	8.5	9.1	7.8	**9.3**
Total revenue	**$34.1**	**$34.6**	**$35.8**	**$34.8**	**$36.7**
Noninterest expense	($22.1)	($20.6)	($20.7)	($20.9)	**($23.9)**
Pre-provision net revenue	12.0	14.0	15.1	13.9	**12.8**
Provision for loan losses	(1.9)	(2.0)	(3.4)	(2.8)	**(3.8)**
Pre-tax net income	10.1	12.0	11.7	11.1	**9.0**
Income tax expense	(2.9)	(3.5)	(3.0)	(3.2)	**(2.8)**
Net income	**$7.2**	**$8.5**	**$8.7**	**$7.9**	**$6.2**
Preferred stock dividends	(0.4)	(0.4)	(0.4)	(0.3)	**(0.3)**
Net income available to common shareholders	**$6.8**	**$8.1**	**$8.3**	**$7.6**	**$5.9**
Earnings per share - diluted	$0.47	$0.56	$0.57	$0.52	**$0.40**
Weighted average common shares outstanding - diluted	14.5	14.5	14.5	14.5	**14.7**

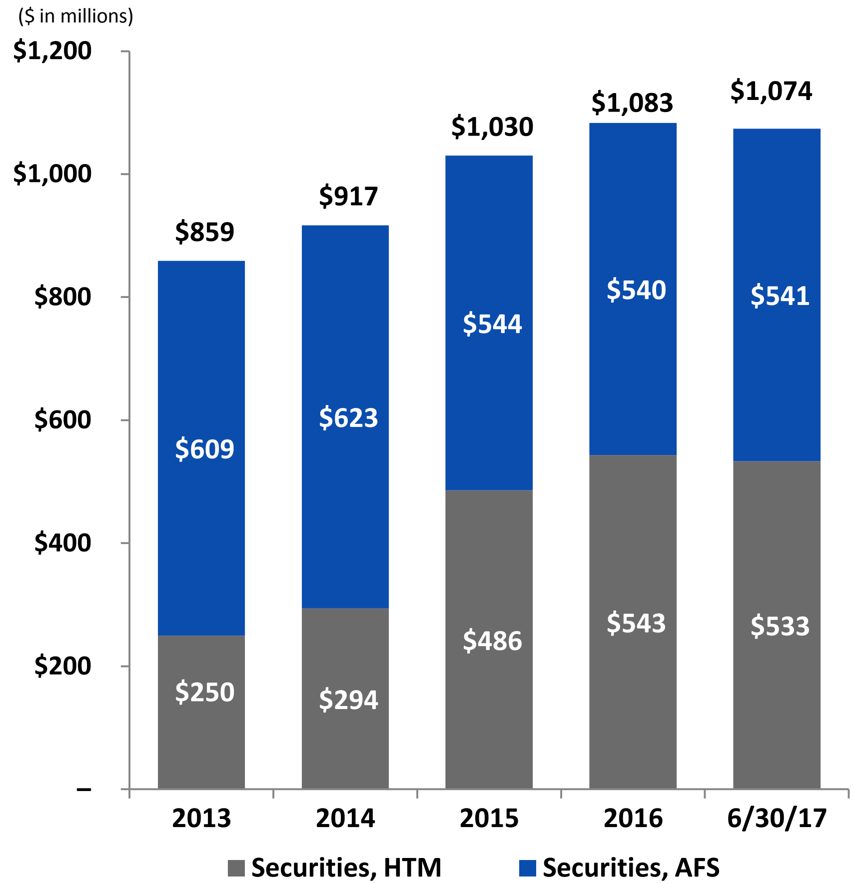
Asset Growth

Loans



	2013	2014	2015	2016	6/30/17
Loan Yield	4.65%	4.38%	4.21%	4.18%	4.16%

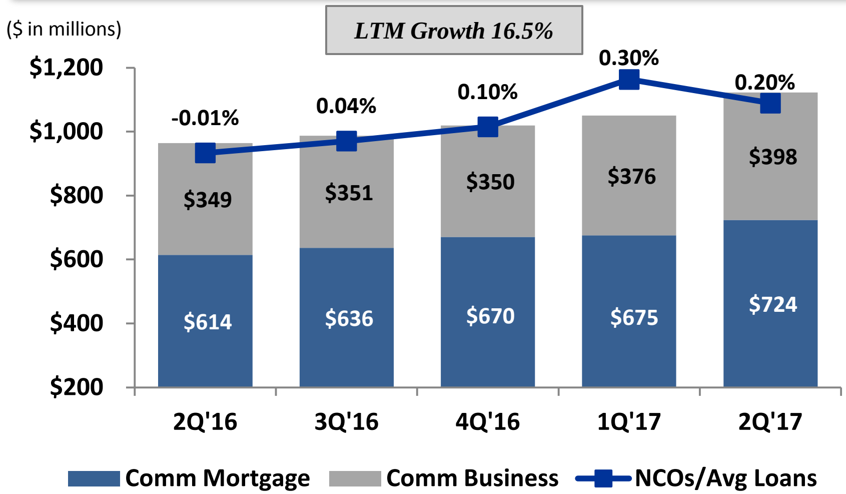
Securities



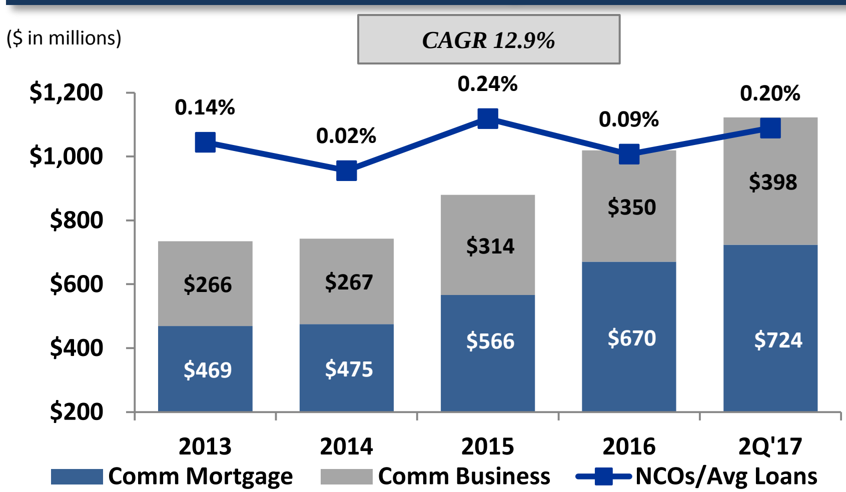
	2013	2014	2015	2016	6/30/17
Security Yield (TE)	2.41%	2.44%	2.46%	2.45%	2.47%

Commercial Banking

Commercial Banking – Quarterly



Commercial Banking – Annual



Commentary

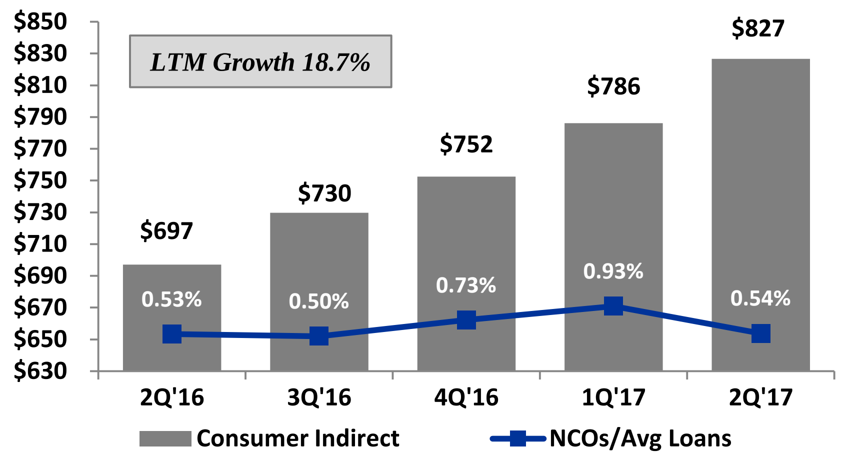
- Strong year-over-year growth in Commercial Mortgage Loans (CRE and owner occupied) of 17.9% and Commercial Business Loans (C&I) of 14.0%
- Includes growth in higher-yielding Small Business Commercial Lending
- Five Star Bank was the #2 SBA lender in Rochester/Buffalo combined and #32 SBA lender in the U.S. for the 2016 SBA year ended September 30[1]
- Over the past 18 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] SBA Rankings based on Units

Consumer Indirect

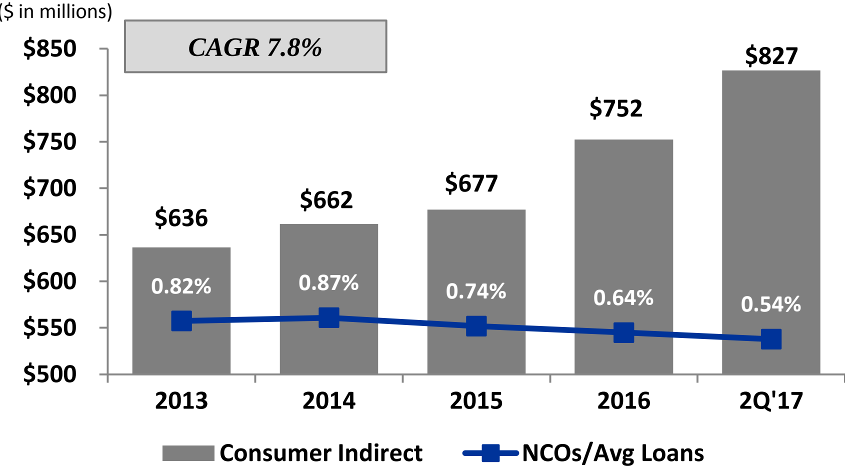
Consumer Indirect – Quarterly

($ in millions)



Consumer Indirect – Annual

($ in millions)

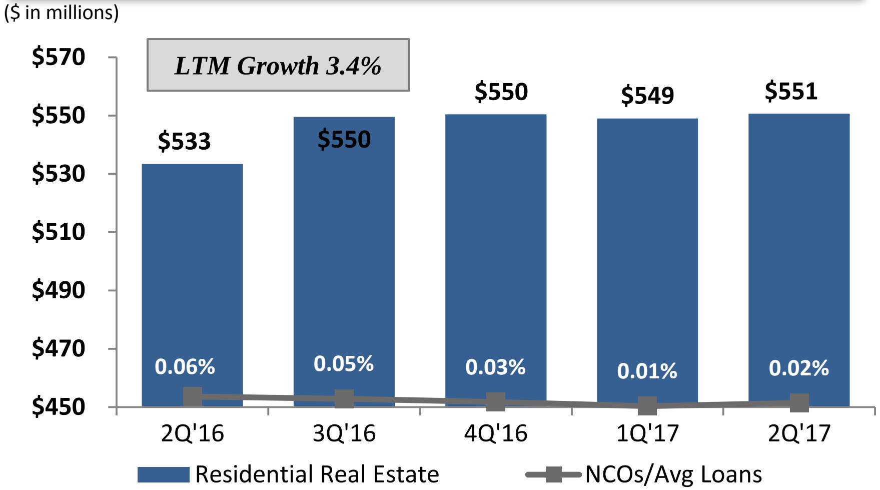


Commentary

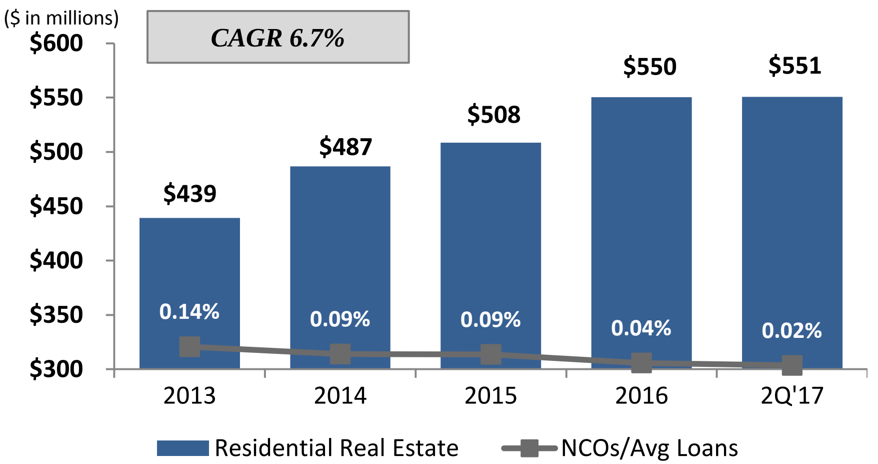
- Unique core competency for Five Star Bank
  - Experienced management team with average industry experience of 25+ years
  - Consistent and disciplined underwriting process that focuses on applicant’s credit history and ability to repay
  - Prime lending operation → 85% of originations since 1/1/16 with credit scores of 670 or above
  - Minimal subprime exposure → 1% of originations since 1/1/16 with credit scores less than 630; less than 2.5% of total portfolio with credit scores less than 630 at 6/30/17
  - Timely and robust dealer and portfolio monitoring process in-place
- Decrease in used car/repo values since late 2015 partially offset by decline in repo rate
- Dealer network of nearly 500 new franchised automobile dealerships → no independent, specialty or non-auto dealers
- Relatively short duration allows for rapid re-pricing
- Limited mass transportation in operating footprint

Residential Real Estate Loans and Lines

Residential Real Estate – Quarterly



Residential Real Estate – Annual

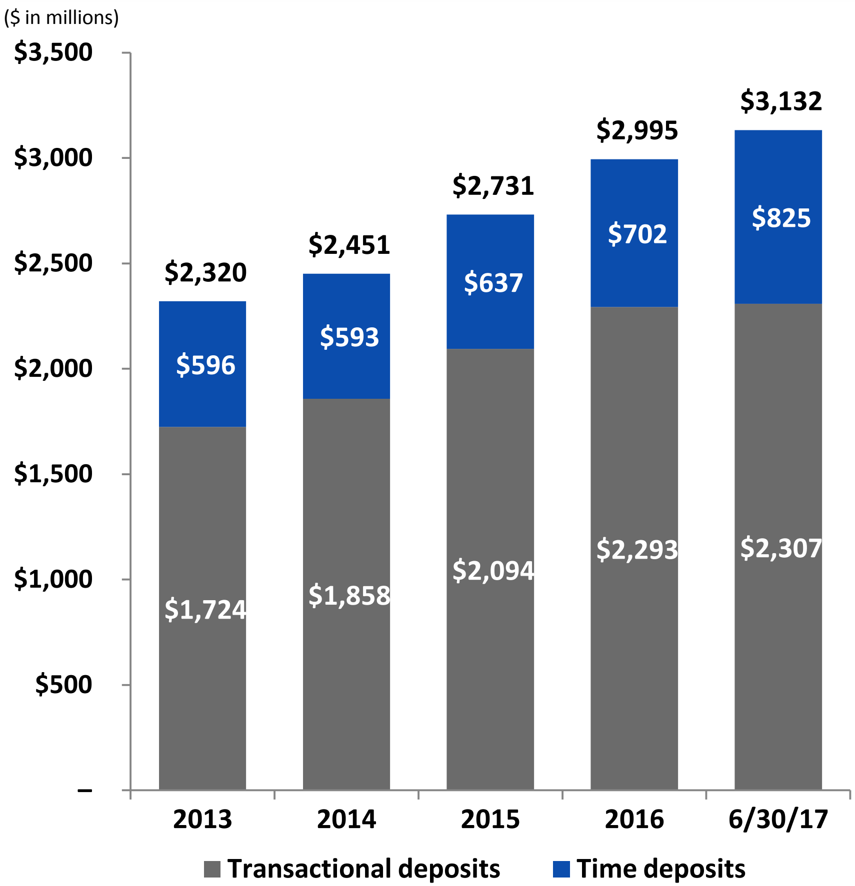


Commentary

- 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
- Increased mortgage lending is expected to result in positive balance sheet impact as well as fee generation
- Strategic hires in 2016 and 2017 are expected to result in increase in traditional mortgage banking
  - Senior Residential Lending Administrator and Mortgage Operations Manager in 4Q 2016
  - Two Community Development Loan Officers in February 2017
  - Buffalo-based team started in late March 2017

Deposit Growth

Deposits (by account type)



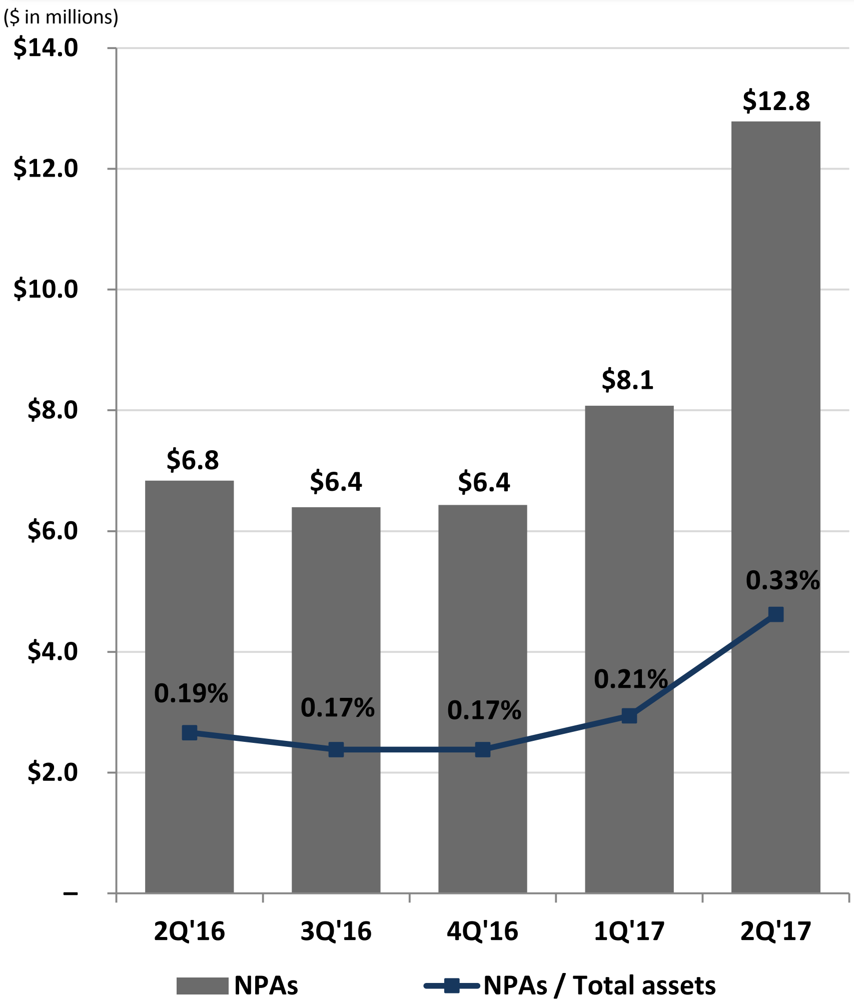
	2013	2014	2015	2016	6/30/17
Cost of Deposits	0.28%	0.26%	0.27%	0.29%	0.31%

Commentary

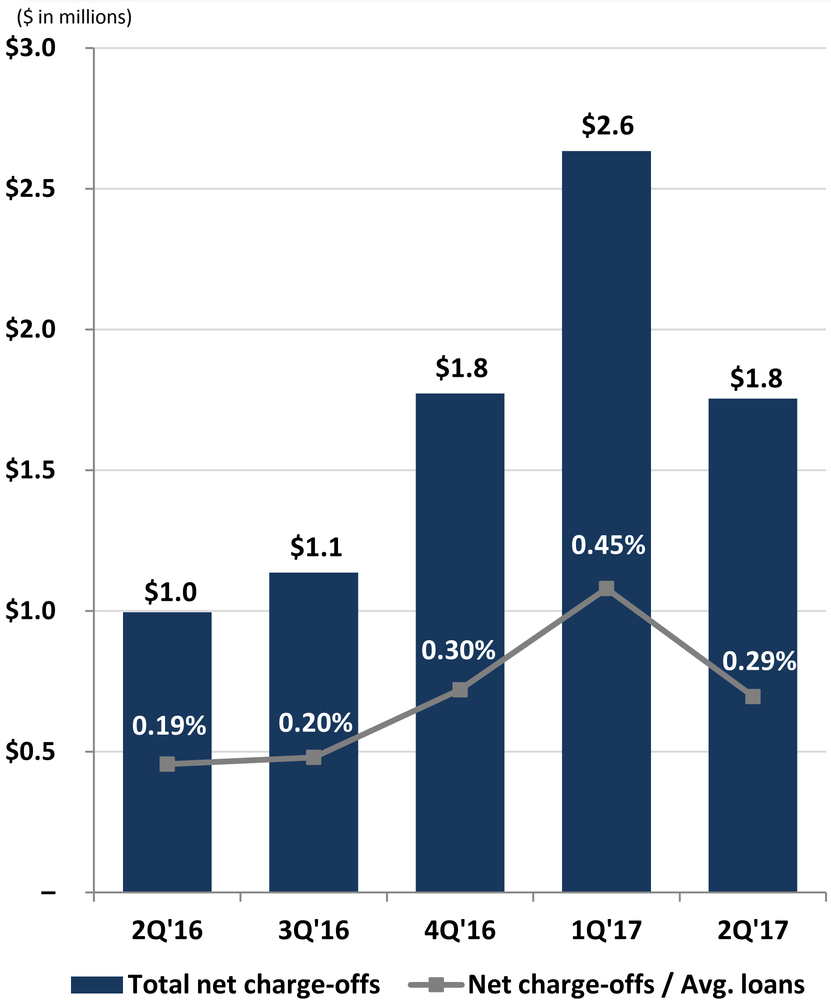
- Increase in 2017 driven by organic growth
  - New financial solution centers in downtown Rochester and downtown Buffalo
  - Impact of successful CD and money market campaigns in the second quarter
- Combined Rochester and Buffalo markets represent attractive local deposit market of $32 billion
  - 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 310 customers

Asset Quality

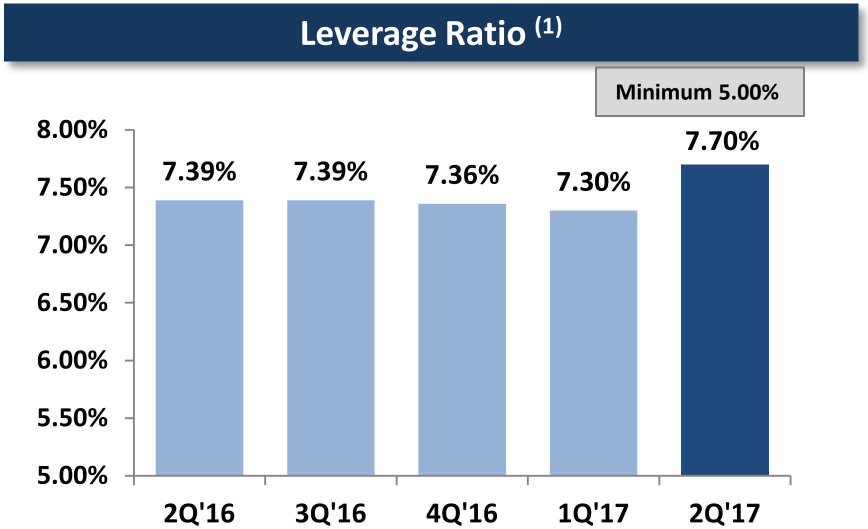
Non-Performing Assets

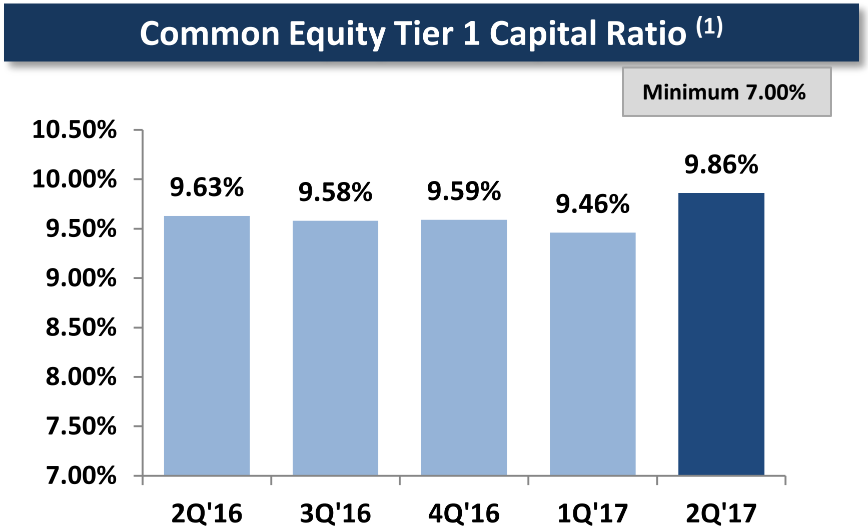


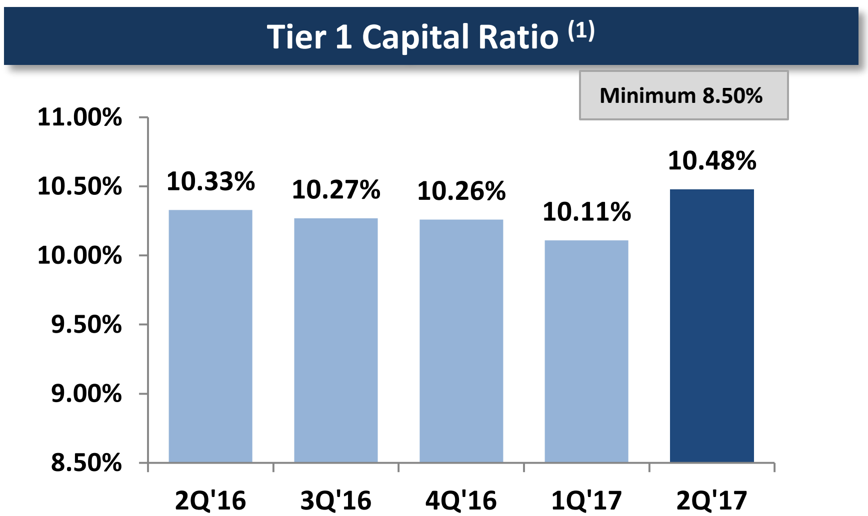
Net Charge-Offs

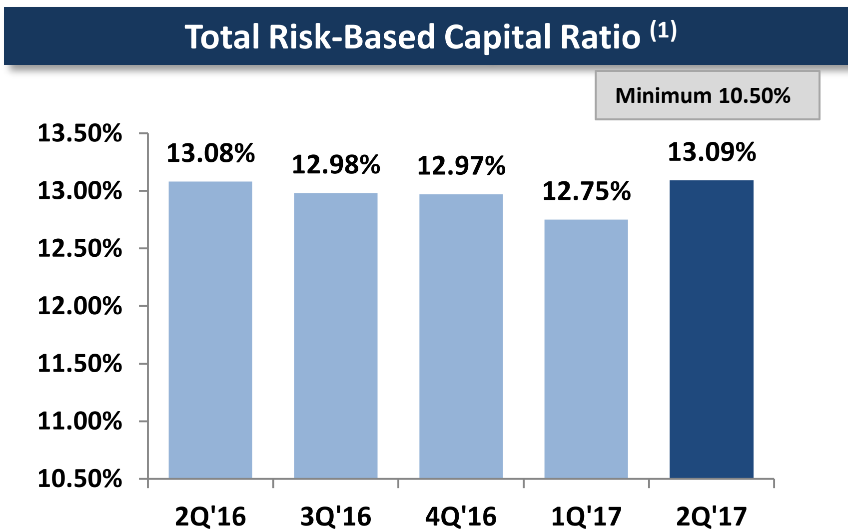


Capital Ratios









(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,			Year to Date	
($ in thousands, except per share data)	6/30/2016	3/31/2017	6/30/2017	2016	2017
Computation of ending tangible common equity:					
Common shareholders' equity	$ 304,836	$ 308,348	$ 330,301		
Less: Goodwill and other intangible assets, net	76,252	75,343	73,477		
Tangible common equity	228,584	233,005	256,824		
Computation of ending tangible assets:					
Total assets	$ 3,585,589	$ 3,859,865	$ 3,891,538		
Less: Goodwill and other intangible assets, net	76,252	75,343	73,477		
Tangible assets	3,509,337	3,784,522	3,818,061		
Tangible common equity to tangible assets (1)	6.51%	6.16%	6.73%		
Common shares outstanding	14,528	14,536	15,127		
Tangible common book value per share (2)	$ 15.73	$ 16.03	$ 16.98		
Computation of average tangible common equity:					
Average common equity	$ 299,831	$ 306,626	$ 319,387	$ 295,839	$ 313,042
Less: Average goodwill and other intangible assets, net	76,437	75,508	74,954	76,380	75,230
Average tangible common equity	223,394	231,118	244,433	219,459	237,812
Computation of average tangible assets:					
Average assets	$ 3,507,760	$ 3,754,470	$ 3,847,137	$ 3,456,605	$ 3,801,059
Less: Average goodwill and other intangible assets, net	76,437	75,508	74,954	76,380	75,230
Average tangible assets	3,431,323	3,678,962	3,772,183	3,380,225	3,725,829
Net income available to common shareholders	6,785	7,578	5,880	14,038	13,458
Return on average tangible common equity (3)	12.22%	13.33%	9.65%	12.86%	11.41%

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.