



Financial Institutions, Inc.

NASDAQ: FISI

driving forward.

Fourth Quarter 2015 Earnings Presentation
January 26, 2016

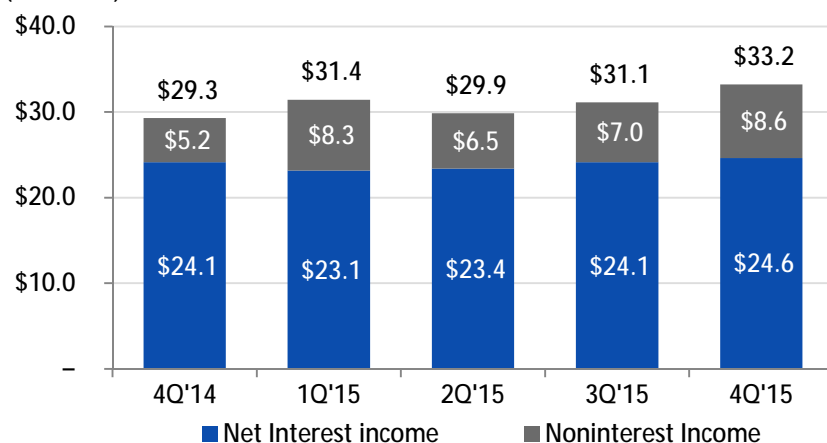
Forward Looking Statements

Statements contained in this presentation which are not historical facts and which pertain to future operating results of Financial Institutions, Inc. and its subsidiaries constitute “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward looking statements involve significant risks and uncertainties as described in greater detail in the “Risk Factors” and other sections of our most recent annual report on Form 10-K, quarterly report on Form 10-Q or other documents the Company files from time to time 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. The Company assumes no obligation to update any information presented herein.

Fourth Quarter 2015

Revenue

(\$ in millions)

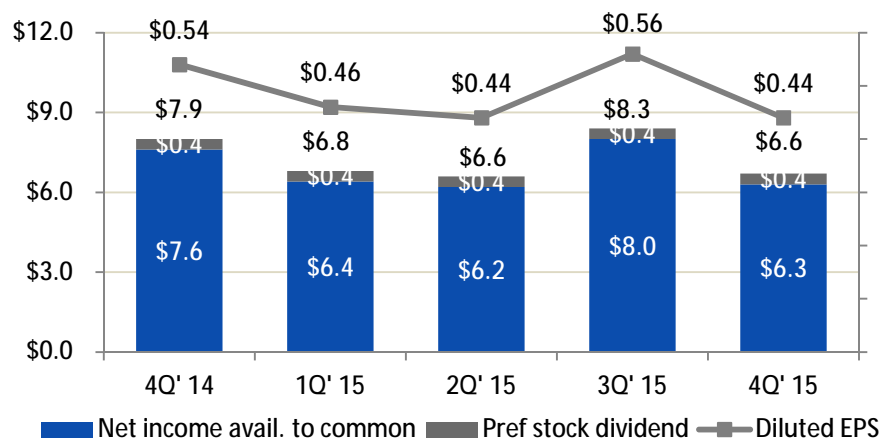


Results Summary: 4Q'14 vs. 4Q'15

Profitability Summary:	4Q'14	3Q'15	4Q'15
ROAA	1.03%	0.99%	0.78%
ROAE	11.07%	11.41%	8.86%
Net interest margin	3.56%	3.20%	3.26%
Efficiency ratio ⁽¹⁾	59.6%	59.5%	64.6%
Dividends per share (Yield)	\$0.20 (3.2%)	\$0.20 (3.2%)	\$0.20 (2.8%)

Net Income & EPS

(\$ in millions except per share amounts)



4Q'15 Earnings Commentary

- § Focus on commercial lending resulted in growth of \$15.9 million in commercial loans and \$17.6 million in commercial mortgages
- § Net interest income increased to \$24.6 million, up from \$24.1 million in both Q3'15 and Q4'14
- § Noninterest income increased by 22% from Q3'15 and included a non-cash adjustment of the cash consideration liability for the Scott Danahy Naylor (“SDN”) acquisition, which was partially offset by a goodwill impairment charge included in noninterest expense.
- § Noninterest expense reflects one-time acquisition charges, investments in personnel to support organic growth and year-end medical expenses

⁽¹⁾ Noninterest expense less other real estate expense and amortization and impairment of goodwill and other intangible assets as a percentage of net revenue, defined as the sum of tax-equivalent net interest income and noninterest income before net gains on investment securities, adjustments to contingent liabilities and amortizations of tax credit investment.

Q4'15 Results – Key Earnings Highlights

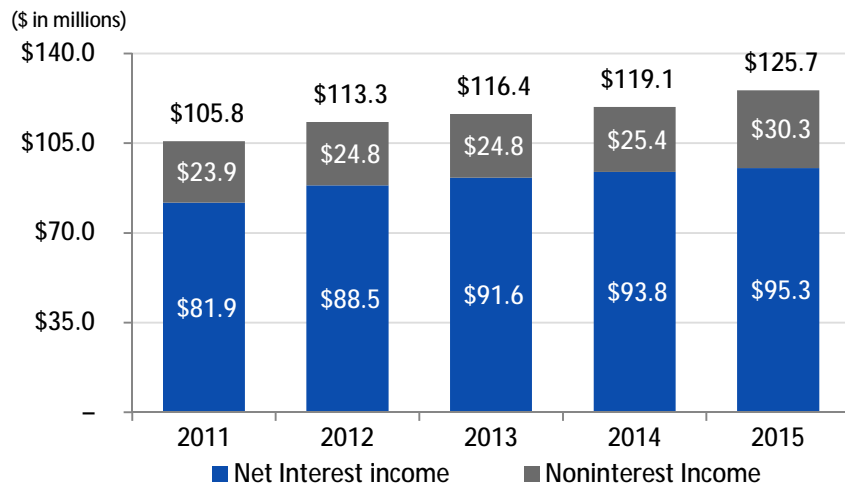
Quarterly Earnings Results (4Q'14 – 4Q'15)

(\$ in millions, except per share amounts)

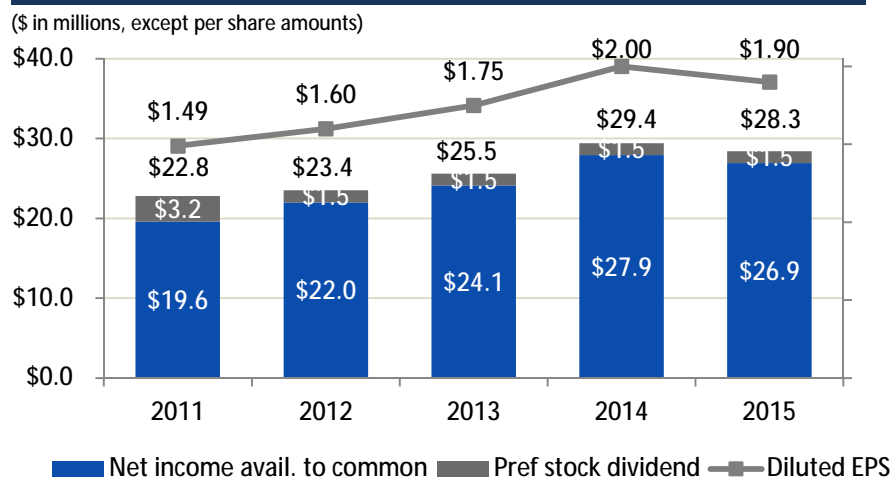
Earnings Summary	4Q'14	1Q'15	2Q'15	3Q'15	4Q'15
Average interest-earning assets	\$2,782	\$2,818	\$2,993	\$3,093	\$3,098
Net interest margin	3.56%	3.43%	3.24%	3.20%	3.26%
Net interest income	24.1	23.1	23.4	24.1	24.6
Noninterest income	5.2	8.3	6.5	7.0	8.6
Total revenue	\$29.3	\$31.4	\$29.9	\$31.1	\$33.2
Noninterest expense	(\$19.4)	(\$19.0)	(\$19.2)	(\$19.3)	(\$21.8)
<i>Pre-provision net revenue</i>	9.9	12.4	10.6	11.8	11.4
Provision for loan losses	(1.9)	(2.7)	(1.3)	(0.8)	(2.6)
Pre-tax net income	8.0	9.7	9.3	11.1	8.8
Income tax expense	(0.1)	(2.9)	(2.8)	(2.7)	(2.2)
Net income	\$7.9	\$6.8	\$6.6	\$8.3	\$6.6
Preferred stock dividends	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Net income avail. to common	\$7.6	\$6.4	\$6.2	\$8.0	\$6.3
Memo:					
Earnings per share - diluted	\$0.54	\$0.46	\$0.44	\$0.56	\$0.44
Average common shares outstanding - diluted	14.1	14.1	14.1	14.1	14.2

Full Year 2015 Results

Revenue



Net Income & EPS



Results Summary: 2014 vs. 2015

Profitability Summary:	2014	2015
ROAA	0.98%	0.87%
ROAE	10.80%	9.78%
Net interest margin	3.50%	3.28%
Fee ratio ⁽¹⁾	22.5%	21.5%
Efficiency ratio	58.6%	61.6%
Dividends per share (Yield)	\$0.77 (3.1%)	\$0.80 (2.9%)

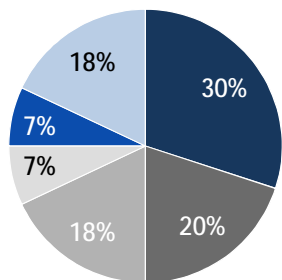
2015 Earnings Commentary

- § Increased total assets by \$291.5 million to reach \$3.4 billion, the Company's highest level of year-end total assets
- § Increased net interest income to \$95.3 million, driven by 9% increase in average interest-earning assets
- § Grew total loans \$171.8 million (9%); commercial loans up 18%
- § Increased total deposits by \$280.0 million (11%) over 2014

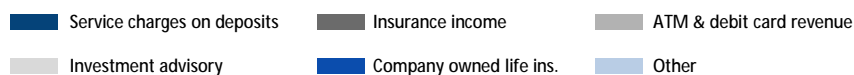
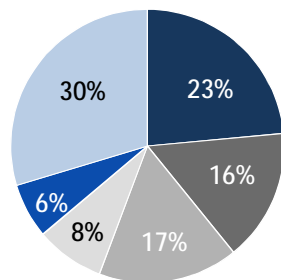
Increasing Noninterest Income

Noninterest Income (4Q'14 vs. 4Q'15)

4Q'14 = \$7.2mm⁽¹⁾

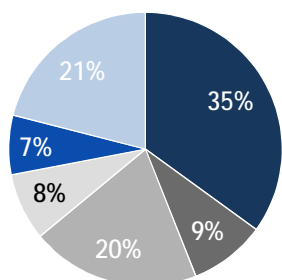


4Q'15 = \$7.9mm⁽¹⁾

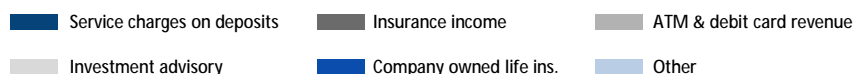
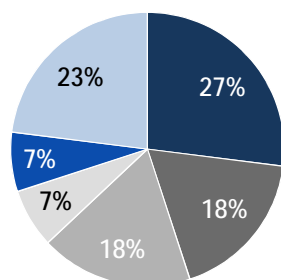


Noninterest Income (2014 vs. 2015)

2014 = \$25.6mm⁽¹⁾



2015 = \$28.7mm⁽¹⁾



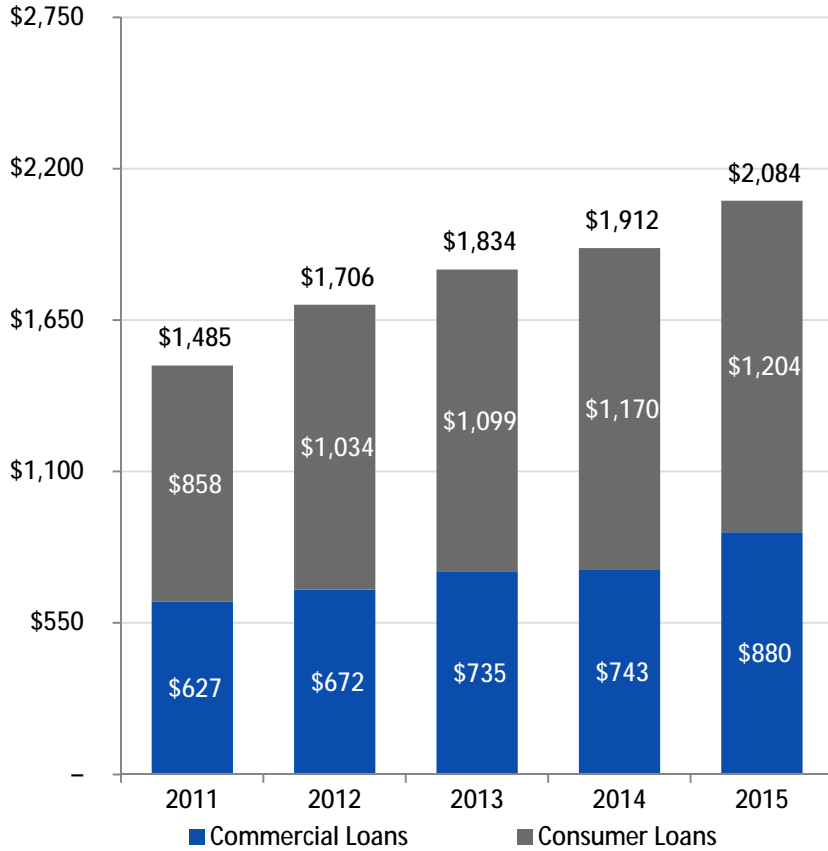
2015 Commentary

- § In 2014 FISFI completed the acquisition of SDN insurance platform
- § At the time of acquisition SDN had 30 full time employees and over 6,000 clients of which 70% commercial
- § In January 2016 FISFI completed acquisition of Courier Capital wealth management platform with \$1.2 billion in AUM
- § Both acquisitions have reinforced FISFI's goal to diversify noninterest income with new fee-based services
- § 2015 includes full year of SDN revenue
- § Increased insurance revenue reduced reliance on deposit service fees as consumer behaviors change

Annual Balance Sheet Growth

Loans

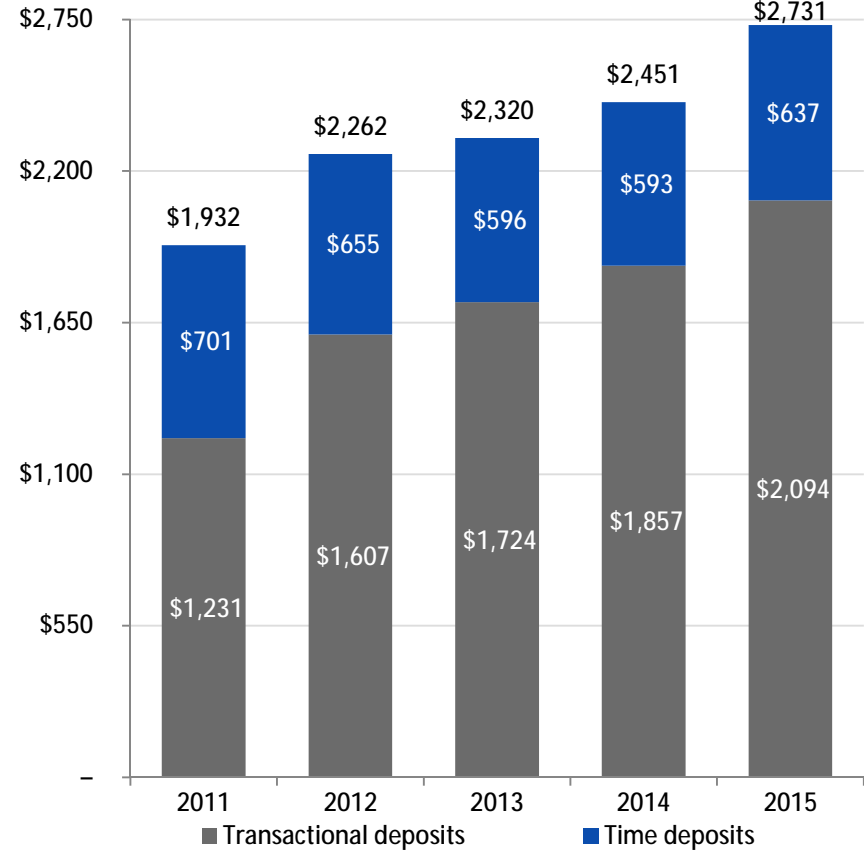
(\$ in millions)



	2011	2012	2013	2014	2015
Loan Yield	5.53%	5.09%	4.65%	4.38%	4.21%

Deposits

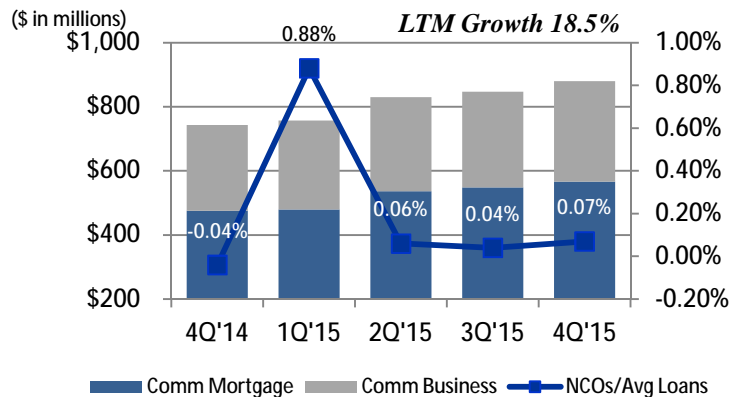
(\$ in millions)



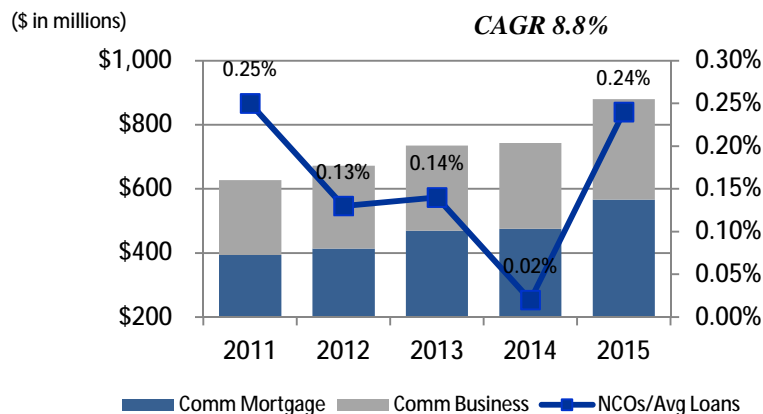
	2011	2012	2013	2014	2015
Cost of Dep.	0.60%	0.40%	0.28%	0.26%	0.27%

Commercial Banking

Commercial Banking (Quarterly)



Commercial Banking (Annually)

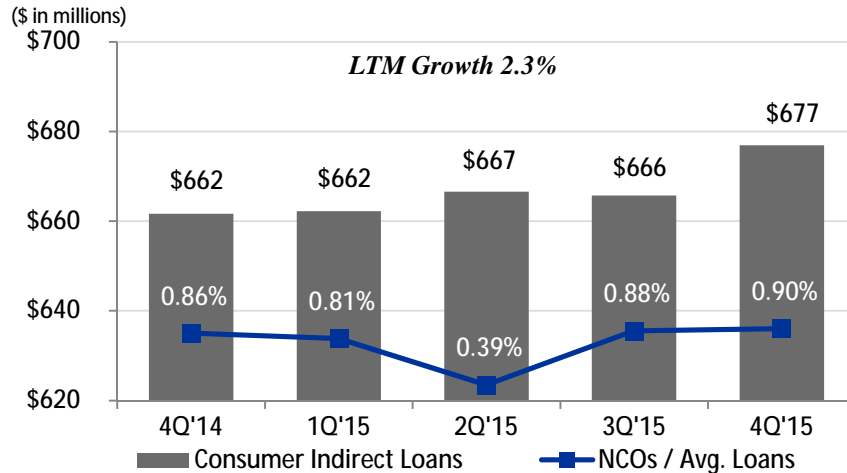


Commentary

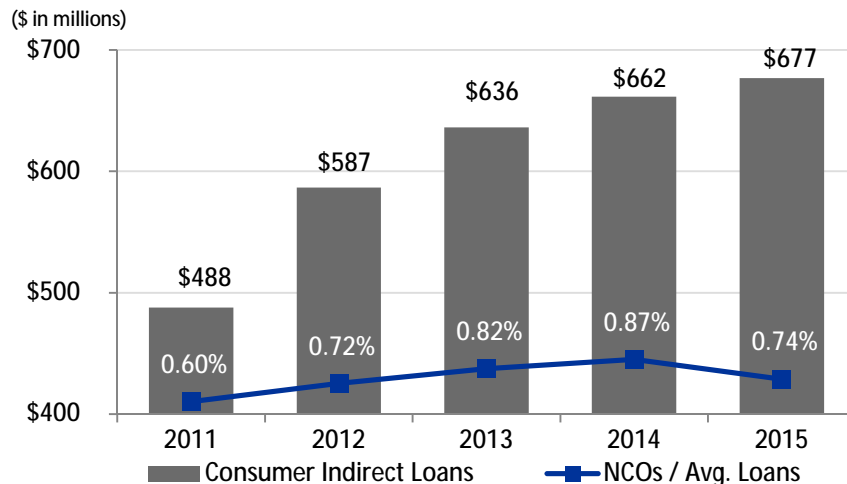
- § Investment in additional lenders resulted in strong year over year growth in all categories
- § Established specialized Small Business lending team that increased small business loans by 31%
- § SBA fiscal year end 2015, #2 SBA lender in Rochester and #3 in Buffalo; through first 3 months of 2016 SBA fiscal year, #1 in Rochester and #3 in Buffalo ⁽¹⁾
- § Economic support provided by NYS Regional Economic Development awards
- § Robust pipeline to support sustained loan production
- § Significant opportunities to capitalize on disruption within the marketplace due to industry consolidation
- § Momentum toward community banks as lender of choice; capacity to provide full spectrum credit solutions, agile to respond to changing customer needs

Consumer Indirect

Consumer Indirect Loans (Quarterly)



Consumer Indirect Loans (Annually)

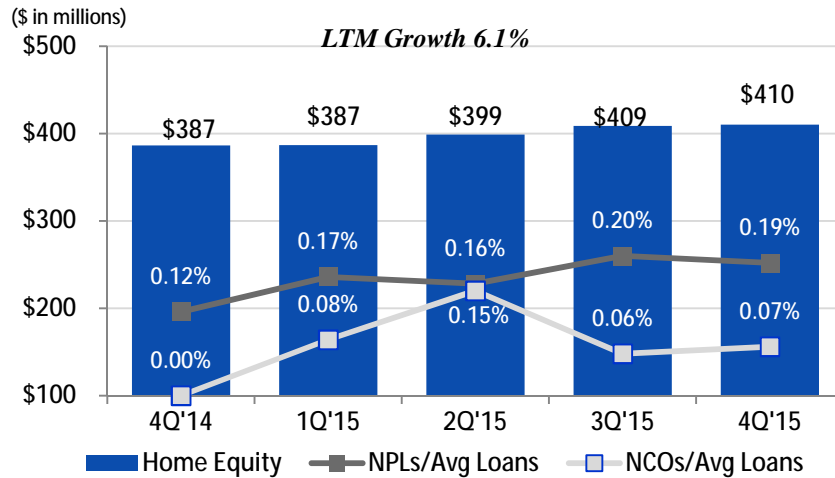


Commentary

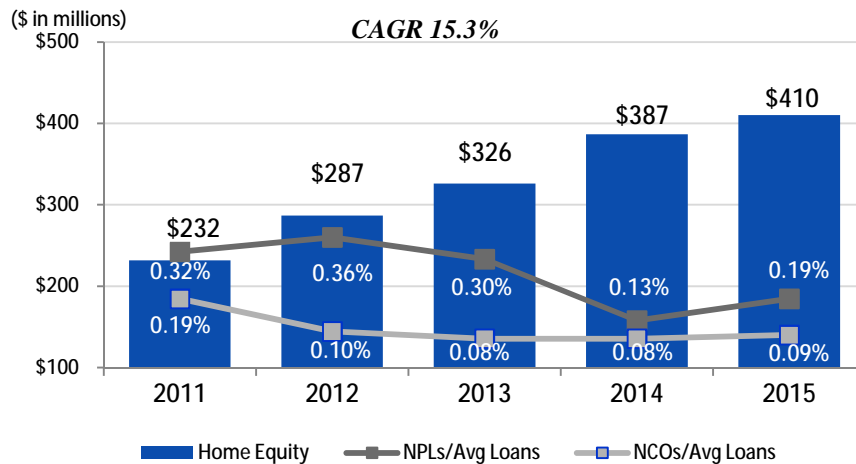
- § Core competency for FISFI with experienced management; average industry experience of 25+ years
- § Annual origination volume in excess of \$300 million; originating prime loans – average credit score is 726
- § Originate through approximately 440 franchised automobile dealerships in Upstate New York and Pennsylvania (no independent auto dealers)
- § Program being enhanced in Pennsylvania with dedicated sales staff
- § Model not easily replicable by others due to substantial barriers to entry
- § Large unit volume with smaller dollars provides natural risk dispersion
- § Relatively short duration allows for rapid repricing of new investments
- § Able to achieve attractive yields while maintaining strong credit profile

Home Equity Lending

Home Equity (Quarterly)



Home Equity (Annually)



Commentary

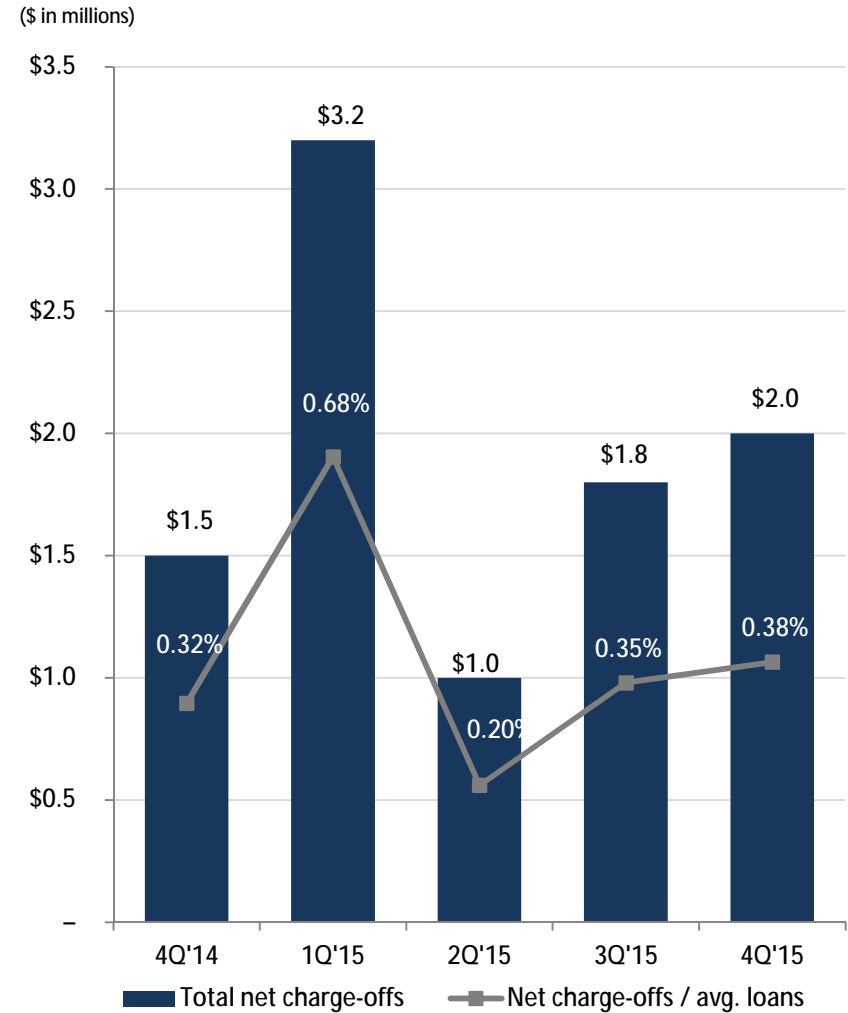
- § In market originations through branch network
- § Seamless application process with quick response time
- § Unique product attributes
- § Provides enhanced experience versus secondary market process
- § Consumers willing to trade rate for convenience
- § Solid customer profile – originating prime loans with an average credit score of 748
- § Very attractive weighted average LTV of 69%
- § Strong first lien position mix within the portfolio
- § 68% fixed rate versus 32% variable rate
- § Product builds relationships and captures market share
- § Significant opportunities as we further expand in Buffalo and Rochester

4Q'15 Asset Quality Overview

Non-performing Assets (Quarterly)

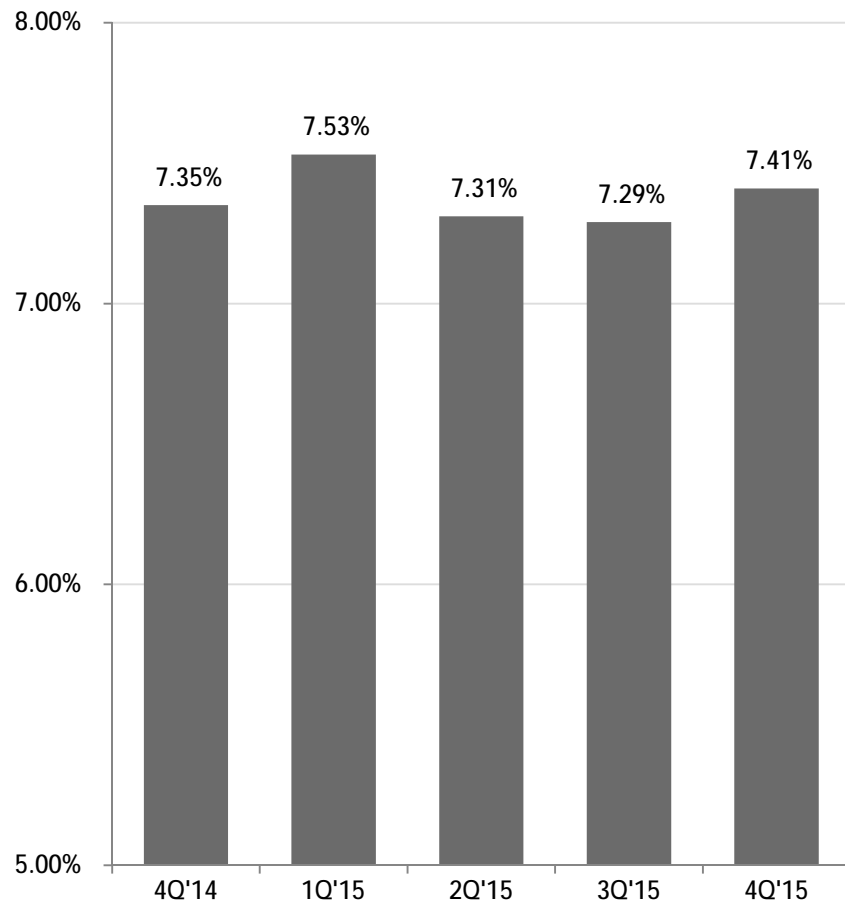


Net Charge-Offs (Quarterly)

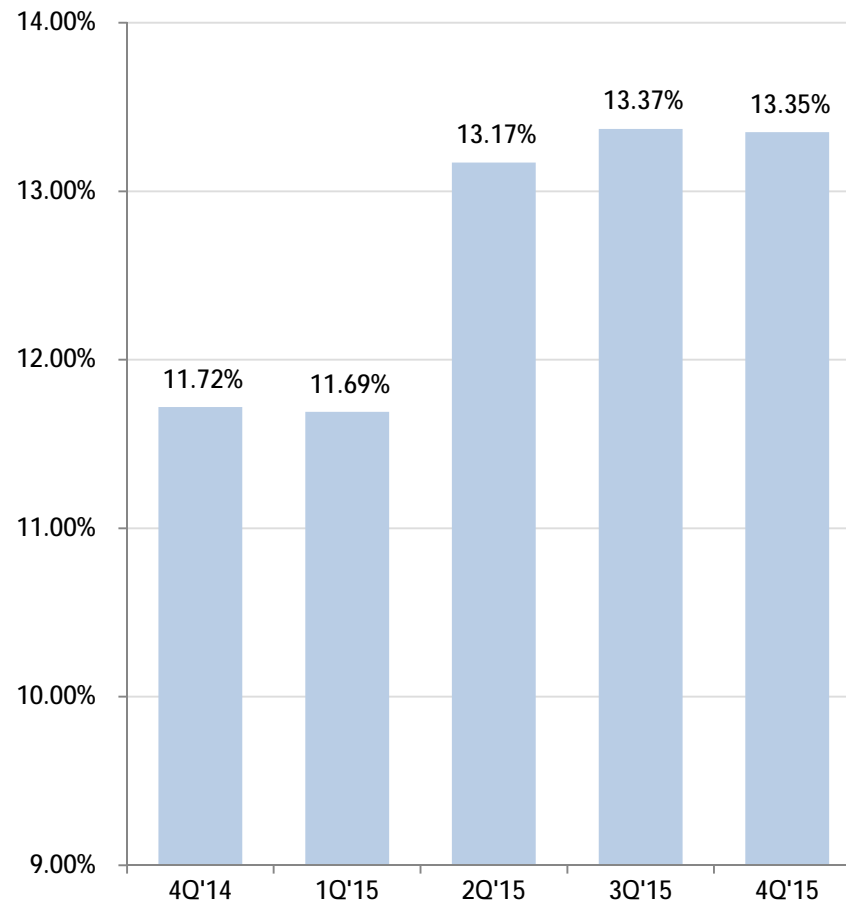


Capital Ratios

Common Equity Tier 1 Ratio ⁽¹⁾



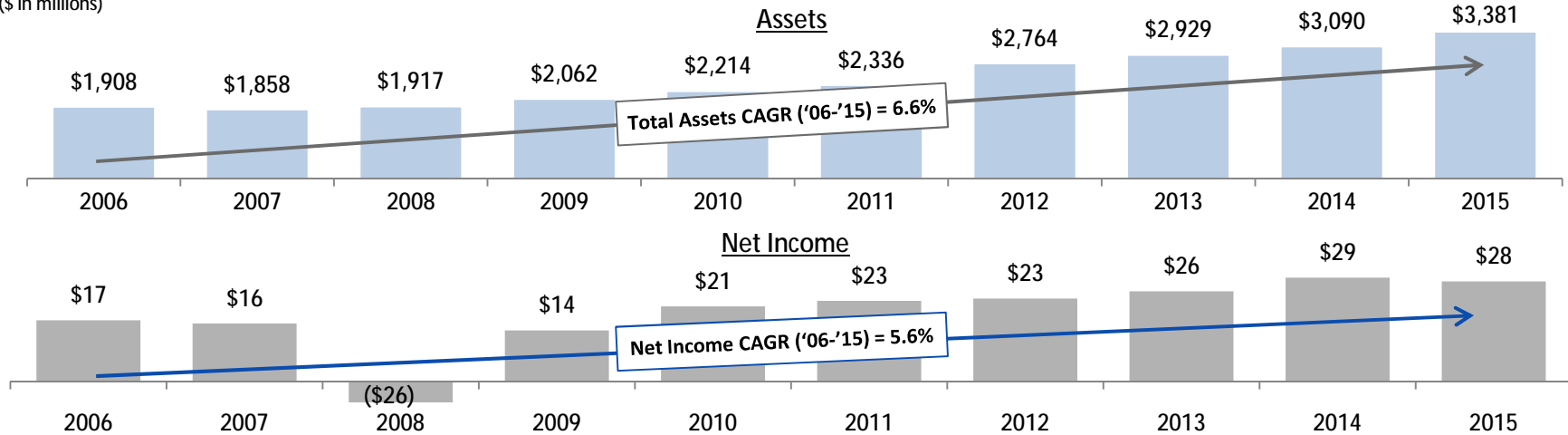
Total Risk-Based Capital Ratio ⁽¹⁾



Continuing to Provide Value for Shareholders

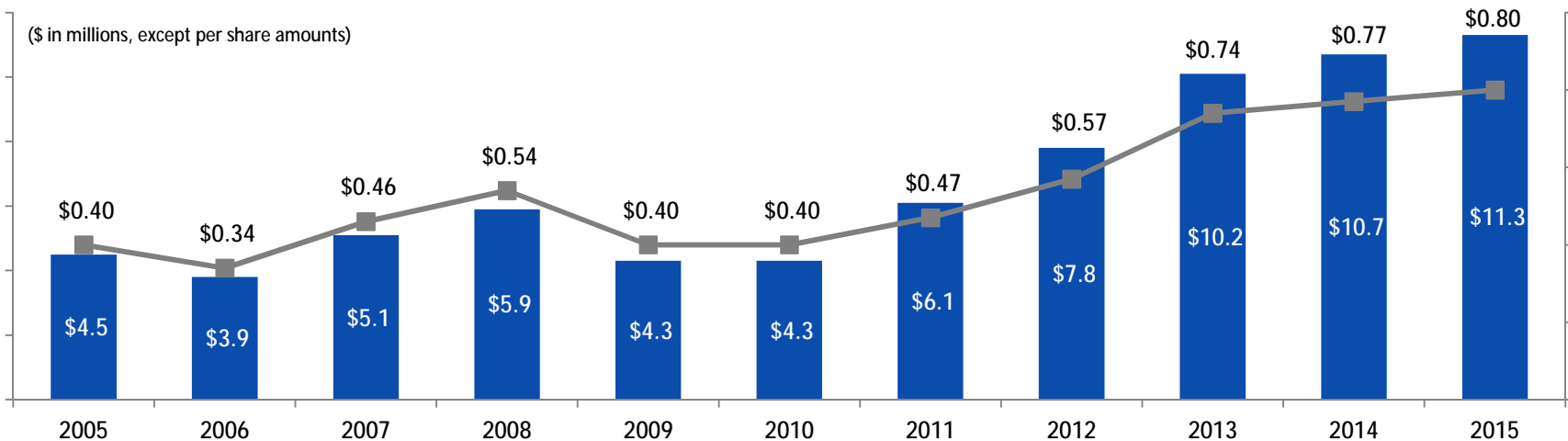
Balance Sheet & Net Income Growth

(\$ in millions)



Dividends

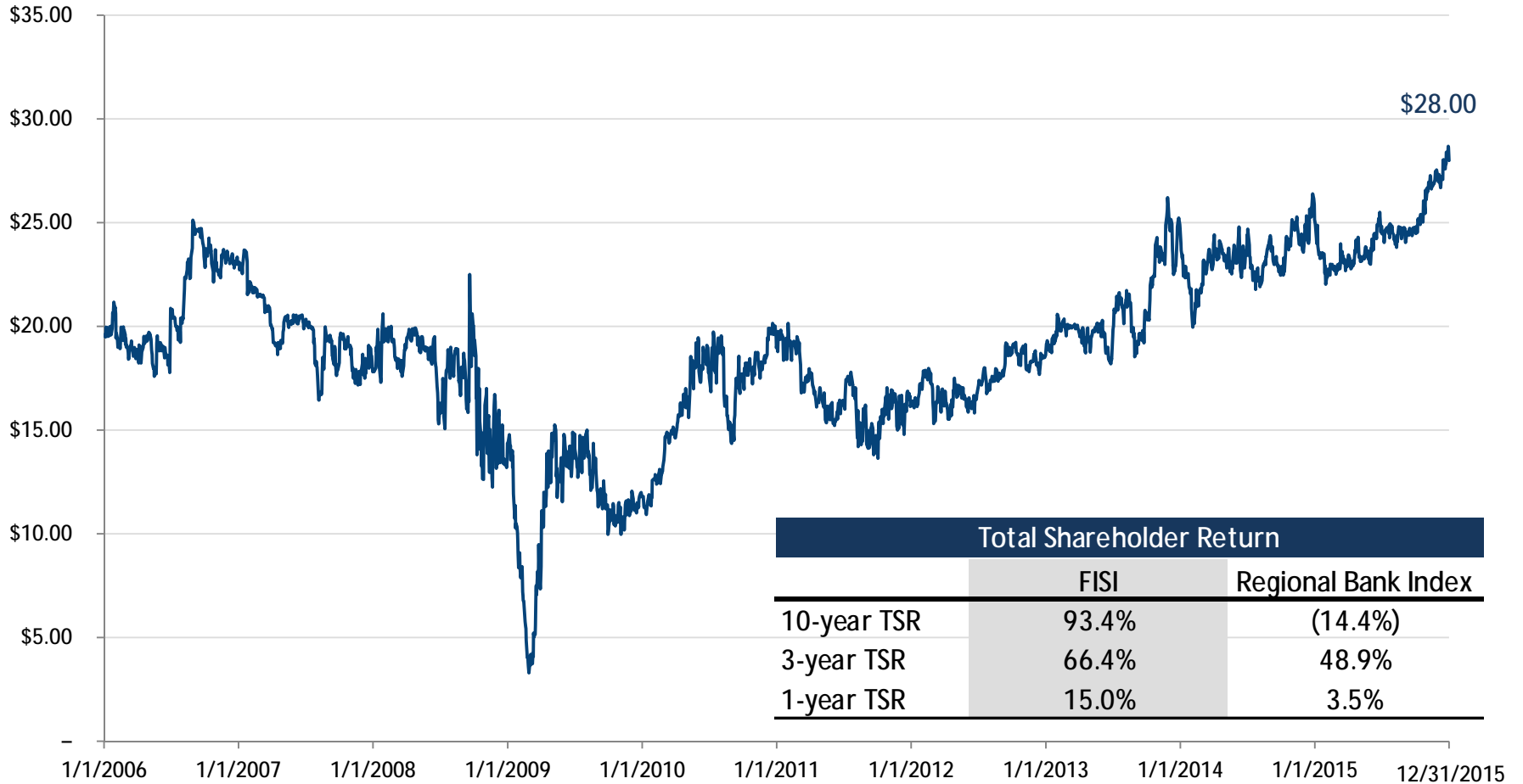
(\$ in millions, except per share amounts)



Common Dividends Declared Dividends per Share

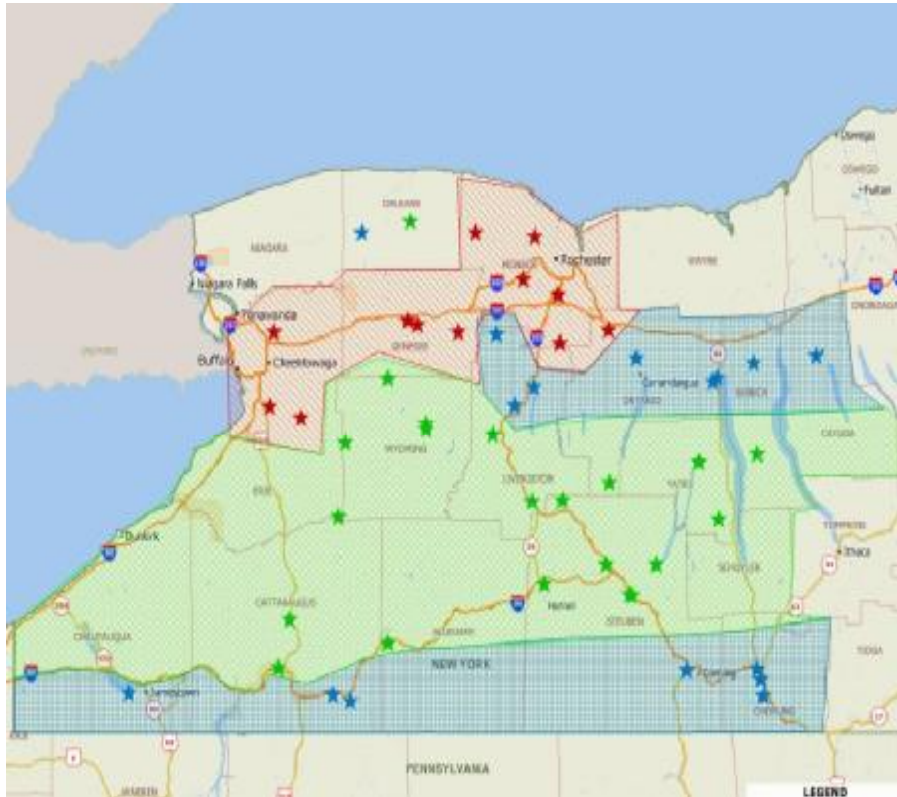
Continuing to Provide Value for Shareholders

10-Year Stock Price Performance



Expanding Presence in Large Markets New to FISFI

Market Footprint



- ★ Region 1 – Buffalo/Rochester Corridor – Organic Growth Potential
- ★ Region 2 – “Mid Size” Upstate Cities – Strong Presence and Share
- ★ Region 3 – Legacy Rural Markets with Significant Market Share

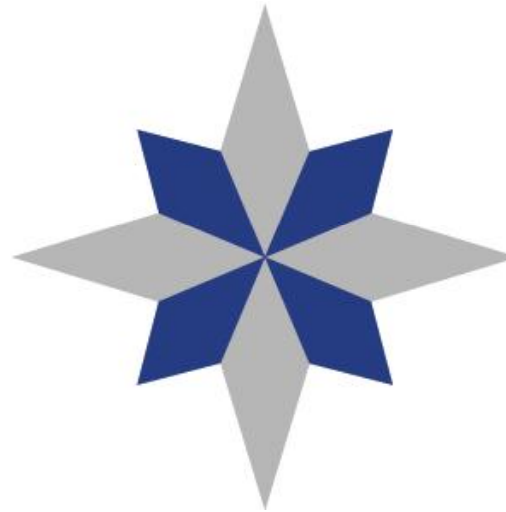
Organic Growth

- § Opportunity exists in attractive \$31 billion deposit market where we have less than 2% market share
- § **Buffalo & Rochester MSAs**
 - § Stable Economic Outlook for Region
 - § Disruption within the marketplace creates opportunity for community banking
 - § Capacity to continue to increase lending in all categories within current geographic footprint
 - § Investing in new talent across all segments – from retail to small business to large commercial
 - § Gaining momentum in Rochester with 73% increase in total SBA loans and 108% increase in dollar value for twelve months ended 9/30/15
 - § #1 SBA lender in Rochester Region in Q1 of SBA Fiscal Year; #3 SBA lender in Buffalo
 - § New “Made for You” branches in Rochester region at City Gate and Brighton
- § Trusted financial advisor in legacy markets creates opportunity for fee based services; customers receptive to non-bank products such as insurance and wealth management

Key Investment Considerations

Positioned to Achieve Sustainable Profitable Growth...

- § Consistent, strong operating results and favorable trends
- § Attractive footprint in Upstate NY
- § Uniquely positioned to seize market opportunities - - including industry disruption
- § Sustainable, scalable business model with strong capacity to make loans
- § Local knowledge and relationships = responsiveness and agile decisions
- § Low cost and streamlined operating platform
- § Investments in people and infrastructure
- § Solid capital structure
- § Effective enterprise risk management
- § Experienced leadership
- § High dividend payout ratio
- § Undervalued stock vs. peers



*Leveraging 200
Years of Rural NY
Banking
to Enter
Opportunity Rich
Markets of
Rochester and
Buffalo*

...and Delivering on our Promise to All Stakeholders