Financial Institutions, Inc.

NASDAQ: FISI

Second Quarter 2018 Earnings Presentation

July 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 firm)
  - HNP Capital, LLC (investment advisory 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 June 30, 2018

Assets:	$4.2 billion
Loans:	$2.9 billion
Deposits:	$3.3 billion
Shareholders' Equity:	$386.9 million
NPAs[1]/Total Assets:	0.24%
Employees:	~ 700
ROACE (TTM):	11.02%
ROATCE[2] (TTM):	13.94%
ROAA (TTM):	1.01%
Annualized Dividend Per Share:	$0.96
Closing Stock Price Per Share:	$32.90
Dividend Yield:	2.92%
Market Capitalization:	$523.9 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

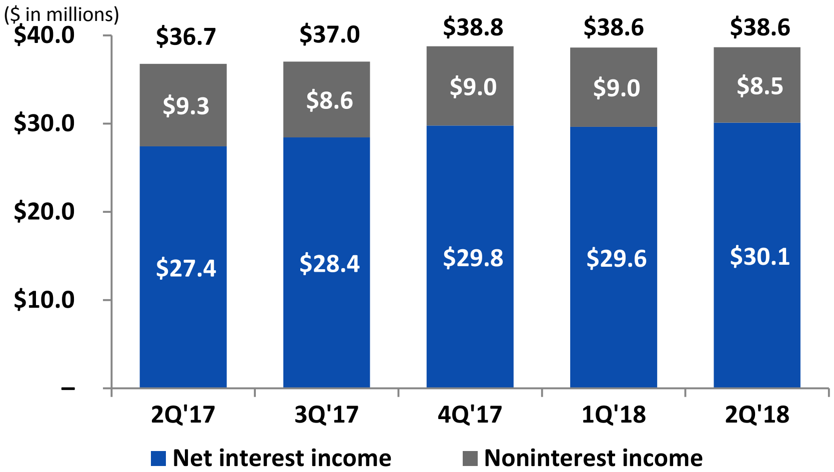
Second Quarter 2018 Highlights

- Diluted earnings per share of $0.74 was $0.34, or 85.0%, higher than the second quarter of 2017
- Net interest income of $30.1 million was $2.7 million, or 9.7%, higher than the second quarter of 2017
- Return on average common equity was 12.90%
  - Return on average tangible common equity was 16.27% (1)
- Total assets, interest-earning assets and loans all reached record-high levels at quarter-end:
  - Total assets increased $38.9 million during the quarter, to $4.19 billion
  - Total interest-earning assets increased $65.8 million during the quarter, to $3.88 billion
  - Total loans increased $106.9 million during the quarter, to $2.90 billion
- The quarterly cash dividend of $0.24 per common share represented a 2.93% annualized yield as of June 30, 2018, and a return of 32% of second quarter net income to common shareholders
- On June 1st, the Company acquired HNP Capital, LLC, a registered investment firm with approximately $344 million of assets under management as of June 30th

(1) Refer to “Non-GAAP Reconciliation” in Appendix

Second Quarter 2018

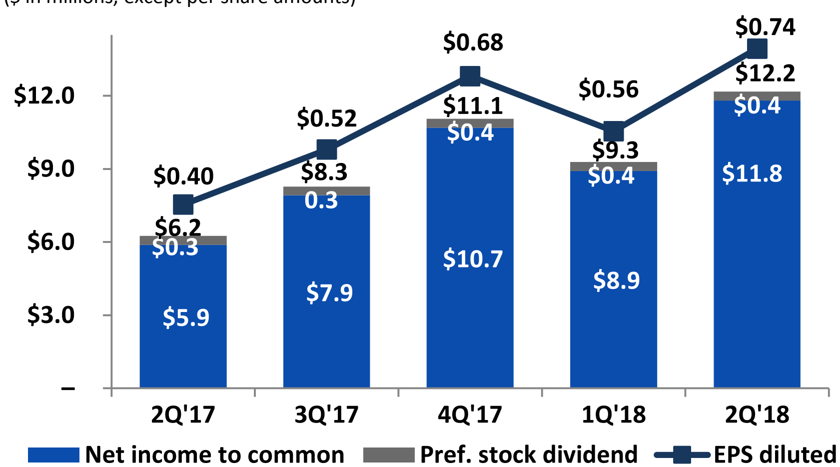
Revenue



Results Summary

	2Q'17	1Q'18	2Q'18
Return on average assets	0.65%	0.92%	**1.18%**
Return on average common equity	7.38%	9.95%	**12.90%**
Return on average tangible common equity[1]	9.65%	12.52%	**16.27%**
Net interest margin	3.18%	3.19%	**3.17%**
Efficiency ratio[2]	64.10%	61.85%	**60.14%**
Dividends per share	$0.21	$0.24	**$0.24**
Dividend yield (annualized)	2.83%	3.29%	**2.93%**

Net Income & EPS



Commentary

- Net interest income was $457 thousand higher than 1Q'18 and $2.7 million higher than 2Q'17 primarily due to organic loan growth
- Noninterest income was $435 thousand lower than 1Q'18 due to lower income from investments in limited partnerships and $784 thousand lower than 2Q'17 due to $1.2 million of non-cash revenue related to SDN in 2Q'17 offset by higher investment advisory fees in '18 primarily due to the acquisition of two investment advisory firms
- Provision for loan losses was $40 thousand in 2Q'18 compared to $2.9 million in 1Q'18 and $3.8 million in 2Q'17. Decrease was primarily the result of a combination of factors including lower historical net charge-offs, an increase in collateral values supporting impaired loans, and improved qualitative factors
- Q2'18 effective tax rate of 19.7% and Q1'18 rate of 19.6% reflect lower federal tax rate. Q2'17 effective tax rate was 30.5%

(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'17 – 2Q'18)

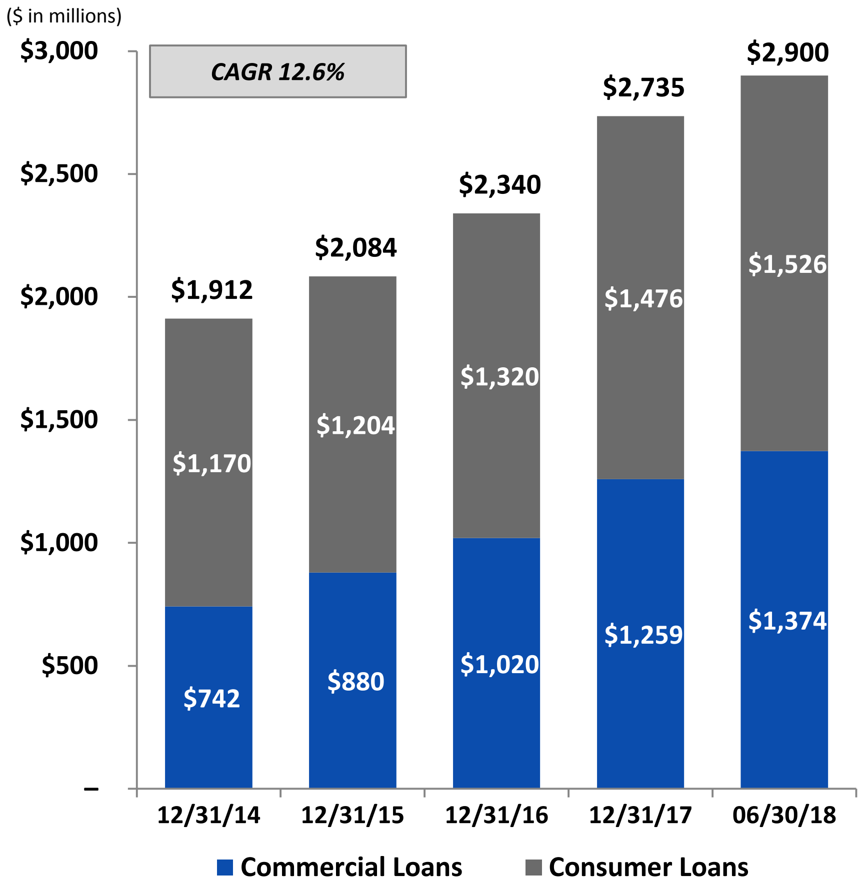
($ in millions, except per share amounts)

Earnings Summary	2Q'17	3Q'17	4Q'17	1Q'18	2Q'18
Average interest-earning assets	$3,557	$3,669	$3,739	$3,799	**$3,849**
Net interest margin	3.18%	3.17%	3.25%	3.19%	**3.17%**
Net interest income	27.4	28.4	29.8	29.6	**30.1**
Noninterest income	9.3	8.6	9.0	9.0	**8.5**
Total revenue	**$36.7**	**$37.0**	**$38.8**	**$38.6**	**$38.6**
Noninterest expense	($23.9)	($22.5)	($23.2)	($24.1)	**($23.4)**
Pre-provision net revenue	12.8	14.5	15.6	14.5	**15.2**
Provision for loan losses	(3.8)	(2.8)	(3.9)	(2.9)	**(0.0)**
Pre-tax net income	9.0	11.7	11.7	11.6	**15.2**
Income tax expense	(2.8)	(3.4)	(0.6)	(2.3)	**(3.0)**
Net income	**$6.2**	**$8.3**	**$11.1**	**$9.3**	**$12.2**
Preferred stock dividends	(0.3)	(0.4)	(0.4)	(0.4)	**(0.4)**
Net income available to common shareholders	**$5.9**	**$7.9**	**$10.7**	**$8.9**	**$11.8**

Earnings per share - diluted	$0.40	$0.52	$0.68	$0.56	**$0.74**
Weighted average common shares outstanding - diluted	14.7	15.3	15.8	15.9	**15.9**

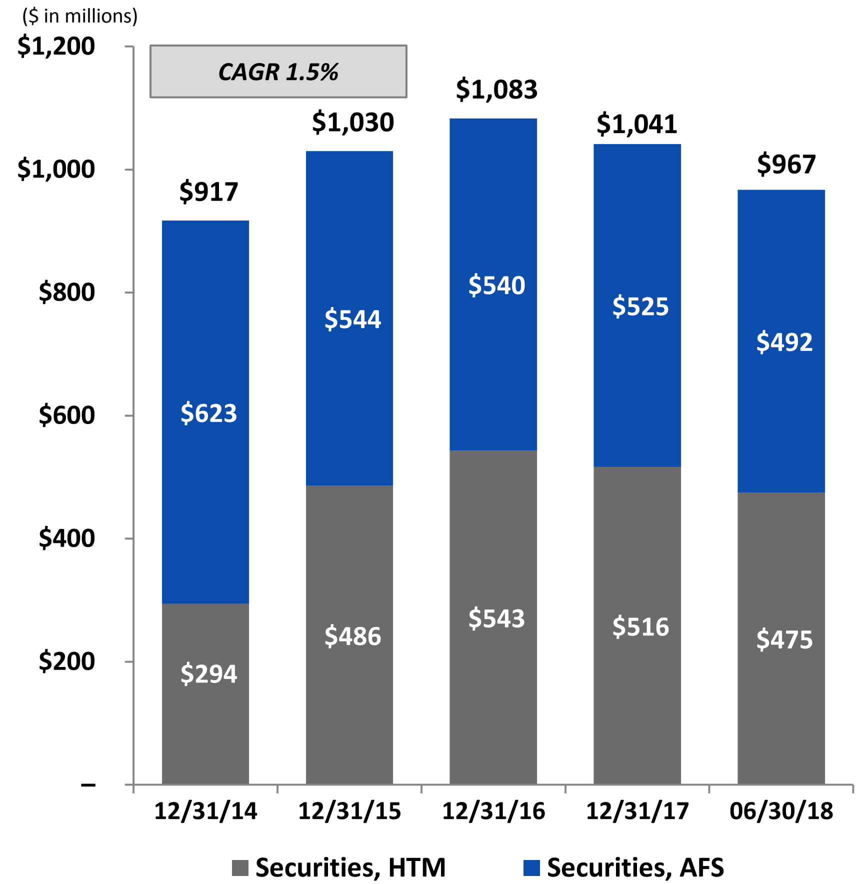
Asset Growth

Loans



	2014	2015	2016	2017	2018 YTD
Loan Yield(1)	4.38%	4.21%	4.18%	4.22%	4.39%

Securities



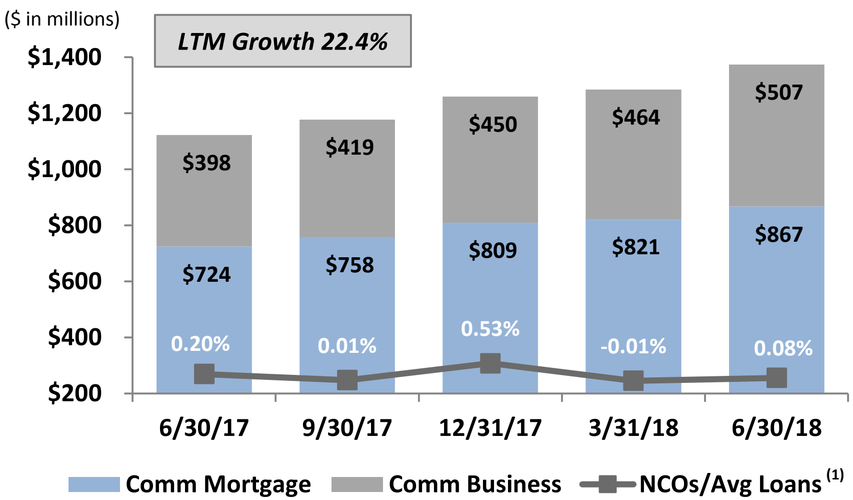
	2014	2015	2016	2017	2018 YTD
Security Yield(2)	2.44%	2.46%	2.45%	2.48%	2.32%(3)

(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

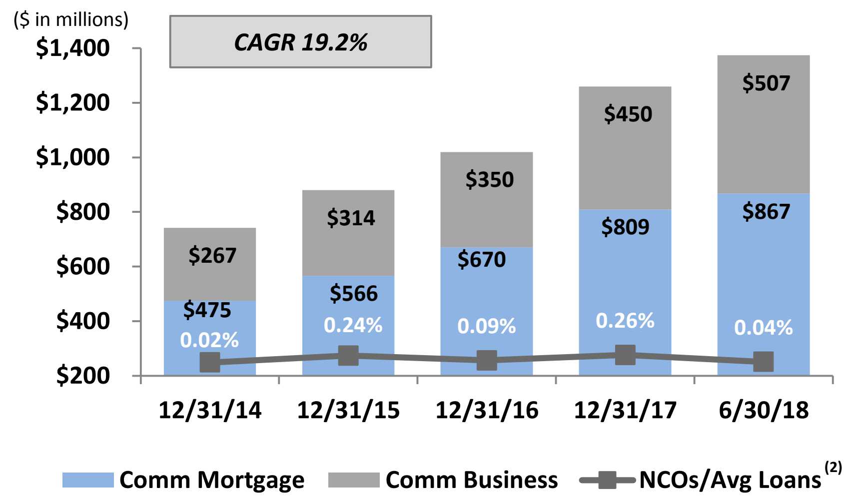
Commercial Banking

- Strong year-over-year growth in commercial business loans of 27.3% and commercial mortgage loans of 19.7%
- Second Quarter 2018 growth was 9.2% in commercial business loans and 5.6% in commercial mortgage loans
- Includes growth in higher-yielding Small Business Commercial Lending
- During the past 24 months, 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 as well as noninterest income
- 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



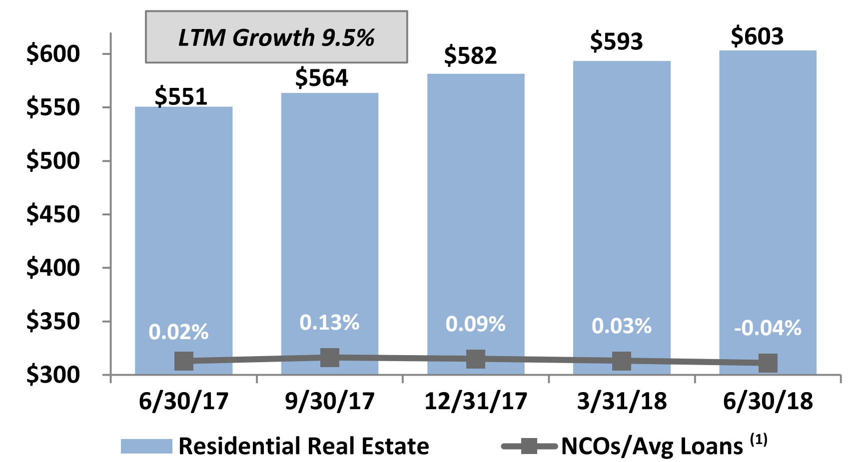
(1) For the quarter (annualized)
(2) For the year/year-to-date (annualized)

Residential Real Estate Loans and Lines

- In-market originations through mortgage loan originators and Five Star Bank branch network
- Full product menu featuring competitive portfolio and saleable products
- 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; 4 incremental MLOs hired in 2018
- 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

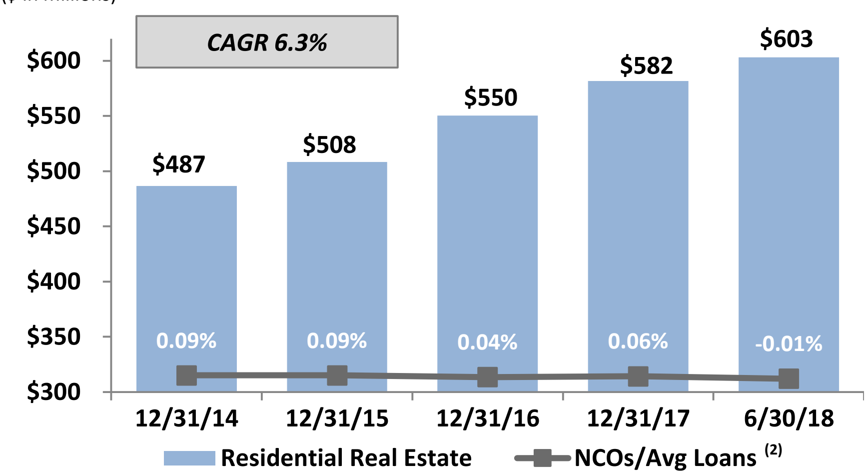
Residential Real Estate – Quarterly

($ in millions)



Residential Real Estate – Annual

($ in millions)

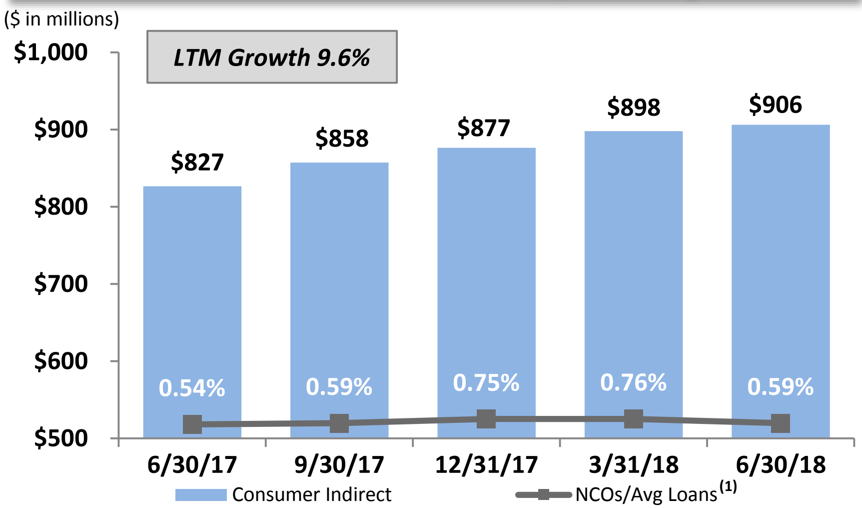


(1) For the quarter (annualized)
(2) For the year/year-to-date (annualized)

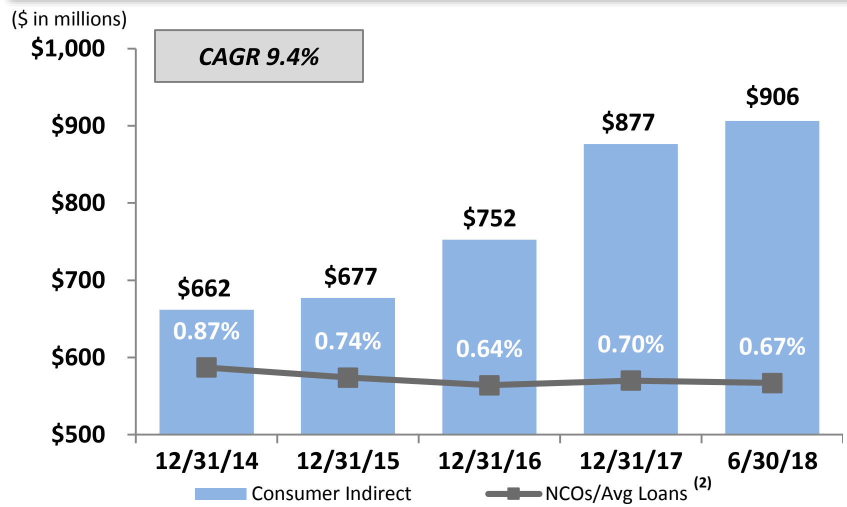
Consumer Indirect Lending

- $906 Million Portfolio at June 30, 2018
  - 31.2% 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

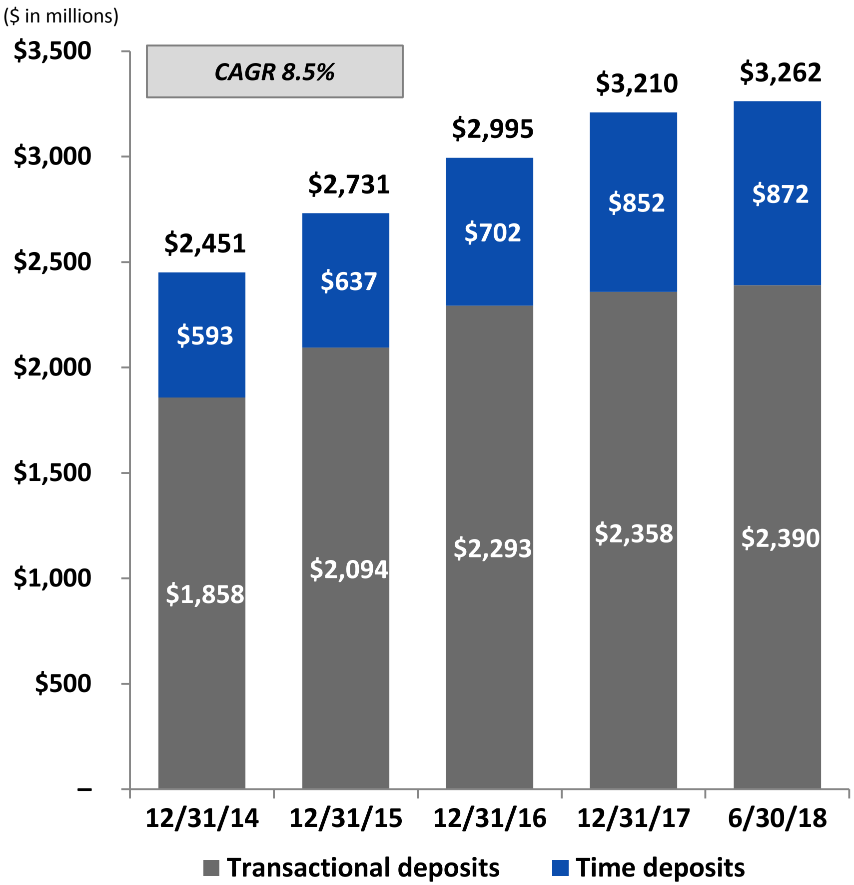


Financial Institutions, Inc.

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

Deposit Growth

Deposits (by account type)



	2014	2015	2016	2017	2018 YTD
Cost of Deposits [(1)]	0.26%	0.27%	0.29%	0.35%	0.48%

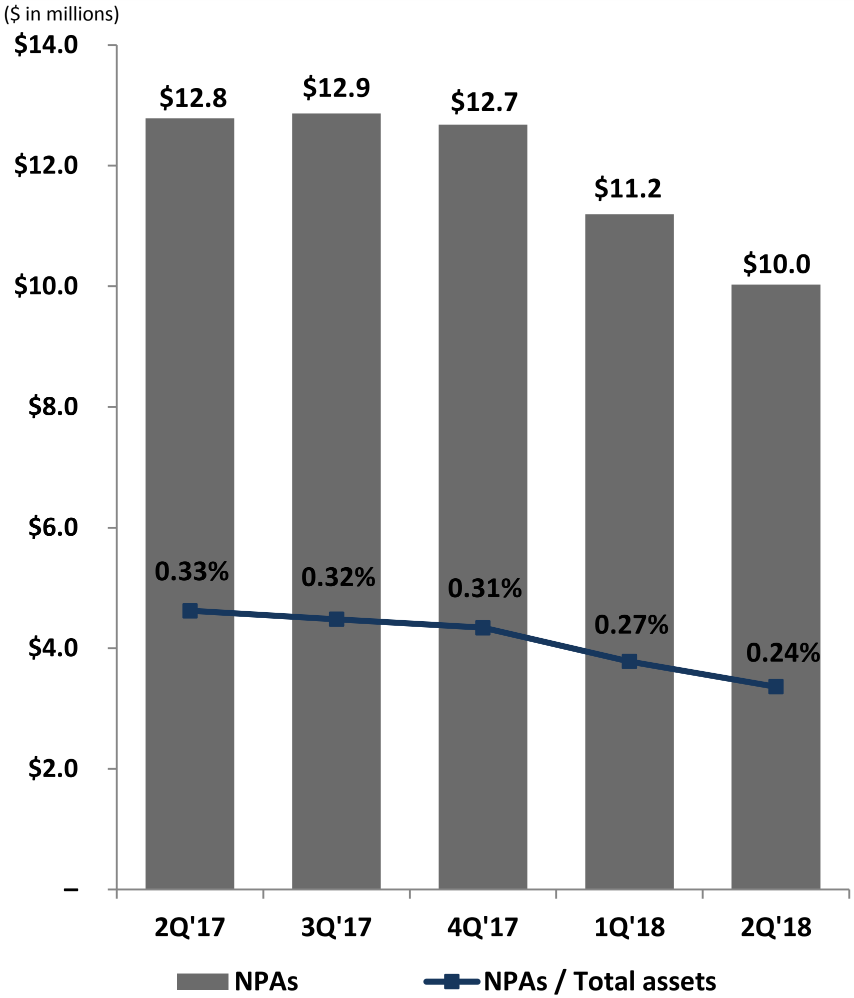
Commentary

- Increase at 6/30/18 compared to 12/31/17 driven by organic growth
  - New financial solution centers in downtown Rochester and downtown Buffalo
  - Impact of successful CD and money market campaigns
- 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

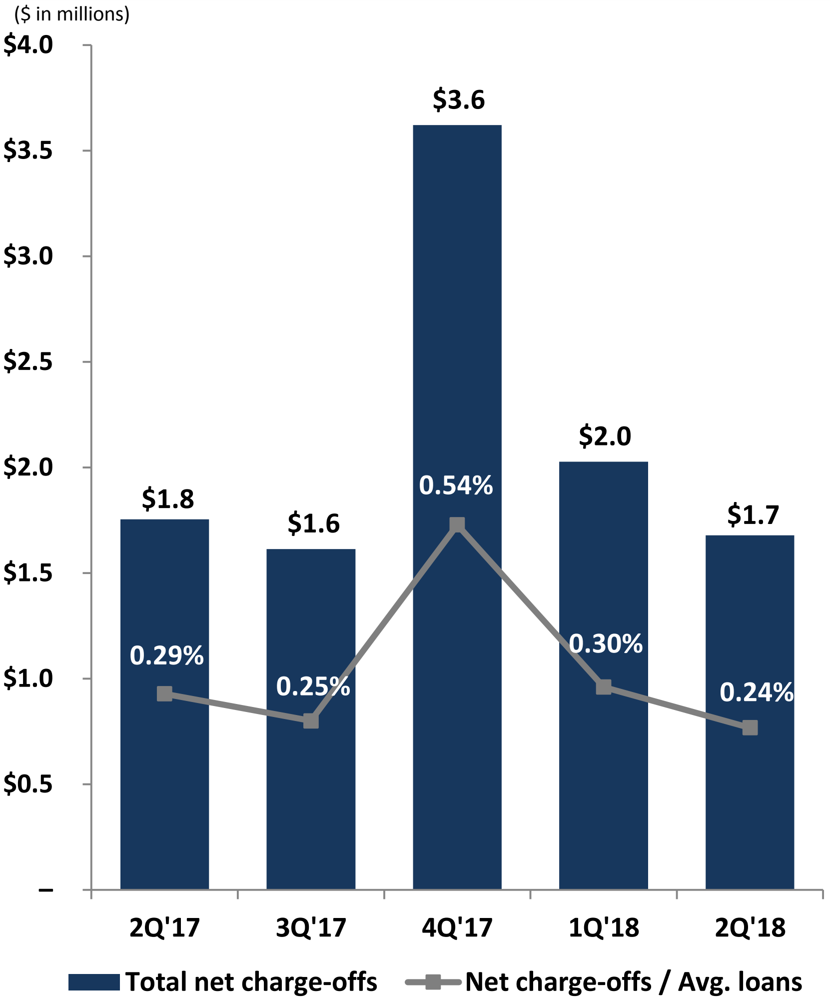
(1) For the year/year-to-date (annualized)

Asset Quality

Non-Performing Assets



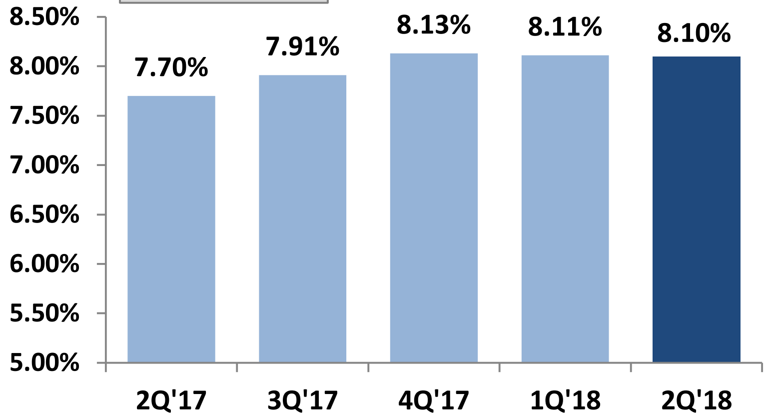
Net Charge-Offs



Capital Ratios

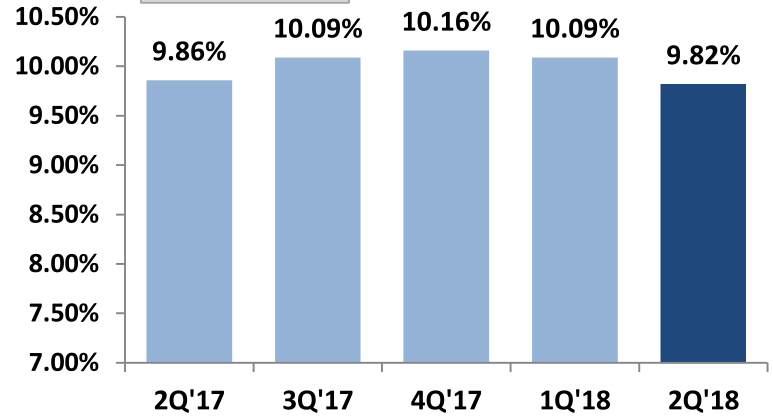
Leverage Ratio (1)

Minimum 5.00%



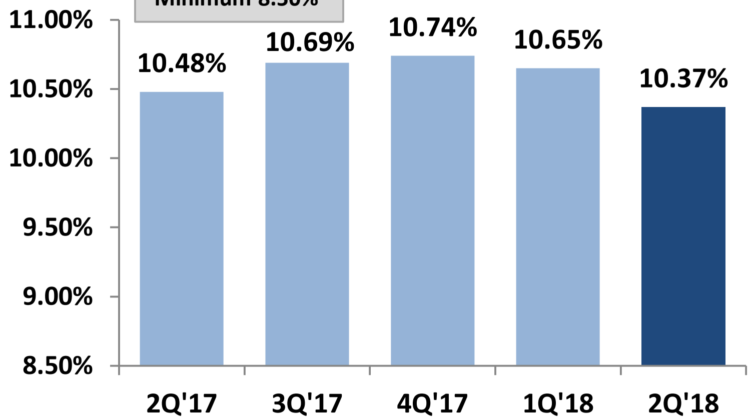
Common Equity Tier 1 Capital Ratio (1)

Minimum 7.00%



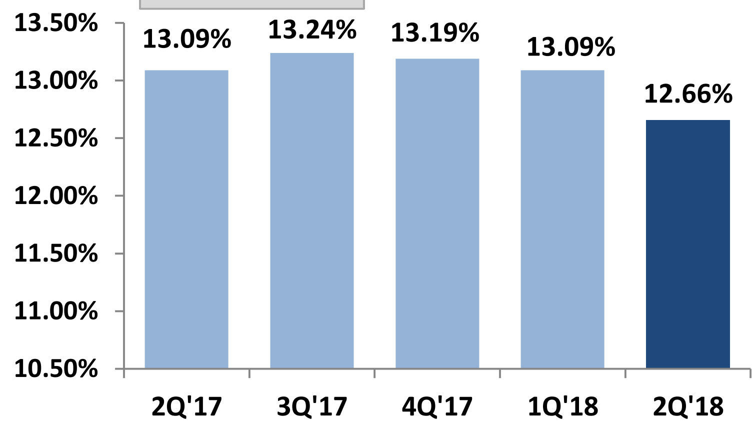
Tier 1 Capital Ratio (1)

Minimum 8.50%



Total Risk-Based Capital Ratio (1)

Minimum 10.50%



(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)	6/30/2017	3/31/2018	6/30/2018	6/30/2018
Computation of ending tangible common equity:				
Common shareholders' equity	$ 330,301	$ 362,973	$ 369,608	$ 369,608
Less: Goodwill and other intangible assets, net	73,477	74,415	79,188	79,188
Tangible common equity	256,824	288,558	290,420	290,420
Computation of ending tangible assets:				
Total assets	$ 3,891,538	$ 4,152,432	$ 4,191,315	$ 4,191,315
Less: Goodwill and other intangible assets, net	73,477	74,415	79,188	79,188
Tangible assets	3,818,061	4,078,017	4,112,127	4,112,127
Tangible common equity to tangible assets (1)	6.73%	7.08%	7.06%	7.06%
Common shares outstanding	15,127	15,901	15,924	15,924
Tangible common book value per share(2)	$ 16.98	$ 18.15	$ 18.24	$ 18.24
Computation of average tangible common equity:				
Average common equity	$ 319,387	$ 363,523	$ 366,942	$ 357,069
Less: Average goodwill and other intangible assets, net	74,954	74,577	75,957	74,838
Average tangible common equity	244,433	288,946	290,985	282,231
Computation of average tangible assets:				
Average assets	$ 3,847,137	$ 4,086,633	$ 4,142,735	$ 4,051,671
Less: Average goodwill and other intangible assets, net	74,954	74,577	75,957	74,838
Average tangible assets	3,772,183	4,012,056	4,066,778	3,976,833
Net income available to common shareholders	5,880	8,923	11,804	39,332
Return on average tangible common equity(3)	9.65%	12.52%	16.27%	13.94%

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.