Investor Presentation

Financial Institutions, Inc. (NASDAQ: FISI)
First Quarter 2024 Earnings Presentation

April 25, 2024



Financial Institutions, Inc.

Important Information

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,” “continues,” “expect,” “anticipate,” “preliminary,” “plan,” “may,” “will,” “should,” “would,” “intend,” “estimate,” “guidance” and other similar expressions, whether in the negative or affirmative. These forward-looking statements involve significant risks and uncertainties and are subject to change. 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.

Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals presented.

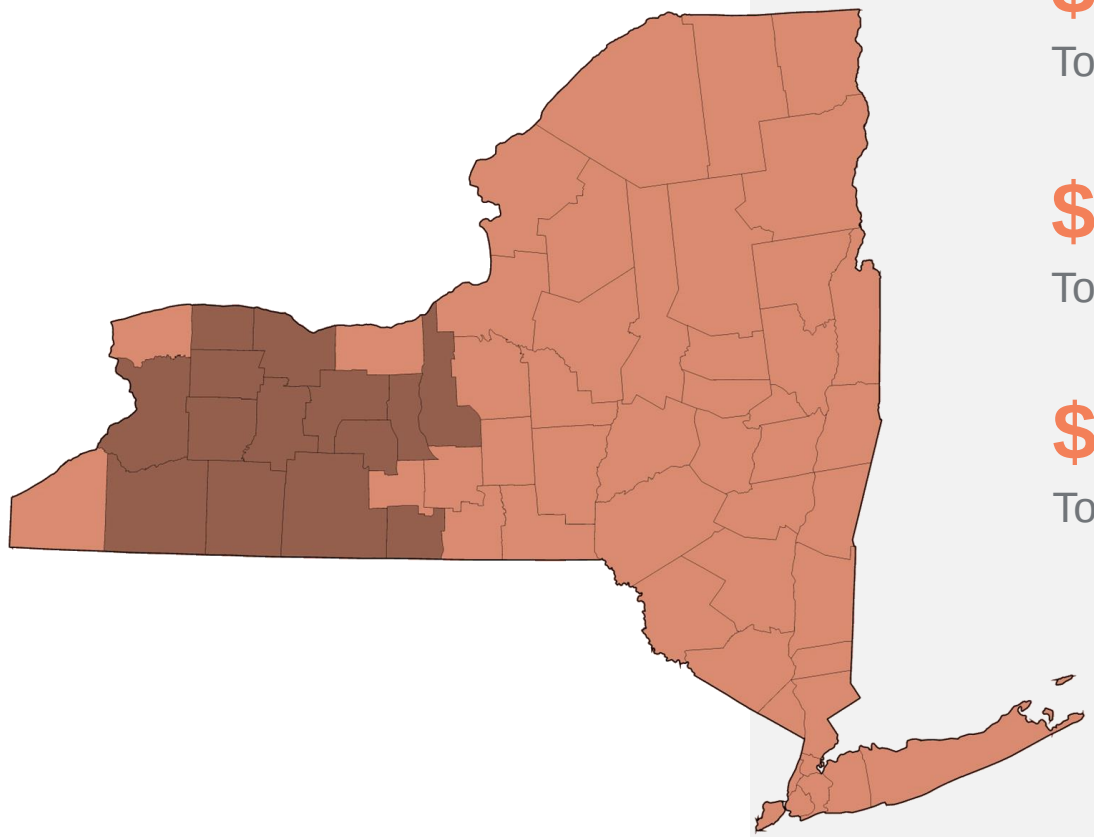
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Overview of Financial Institutions, Inc.

NASDAQ: FISI

- **Innovative financial holding company** headquartered in Western New York offering banking and wealth management services through its subsidiaries, Five Star Bank and Courier Capital, LLC
- **Positioned for growth** through key initiatives, including Banking-as-a-Service (BaaS)
- **Financially stable geography**, with 49 banking locations[1] in 14 contiguous Upstate New York counties, as well as commercial loan production offices serving the Mid-Atlantic and Central New York regions
- **Experienced management team** with extensive market knowledge and industry experience
- **Generating consistent, strong operating results**



$291M
Market cap

$6.30B
Total assets

$4.44B
Total loans

$5.40B
Total deposits

[1] 48 branches and 1 motor branch in Olean, NY
Note: Information on this slide is as of March 31, 2024 unless noted otherwise

Why FISI

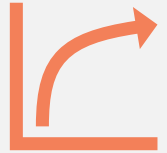
Strategic focus designed to deliver long-term value

- **Results-driven community bank with strong retail and commercial franchises**
  - Serving financially stable Upstate New York markets and well-positioned for growth in metros of Buffalo and Rochester
  - Launched commercial lending platforms in Baltimore, MD serving the Mid-Atlantic region in 2022 and in Syracuse, NY serving the Central New York region in 2023
- **Disciplined credit culture with strong credit quality**
  - From 2008 through 2023, year-end non-performing assets (NPAs)[1] ranged from 0.17% to 0.58% of total assets, while annual net charge-offs (NCOs) to average loans ranged from 0.14% to 0.54%
  - Indirect auto lending is a core competency with attractive risk-adjusted return profile and consistent results though several economic cycles
- **Fee-generating business lines revenue complements core banking franchise**
  - Well-regarded investment advisory firm supports noninterest income and has been enhanced by bolt-on acquisitions in recent years
  - BaaS presents additional fee-based revenue opportunities
- **Complementary fintech and digital partnerships driving exceptional digital experiences**
  - BaaS enables financial technology firms (fintechs) to offer banking products and services to their end users
  - Presenting new fee-based revenue opportunities through service, interchange and other fees



4.7%

Total loan growth year-over-year



5.0%

Total deposit growth year-over-year

[1] Non-performing assets, or NPAs, include nonaccrual loans, loans past due 90 days or more and still accruing, and foreclosed assets

Note: Information on this slide is as of March 31, 2024 unless noted otherwise

Financial Institutions, Inc.

Banking-as-a-Service (BaaS)

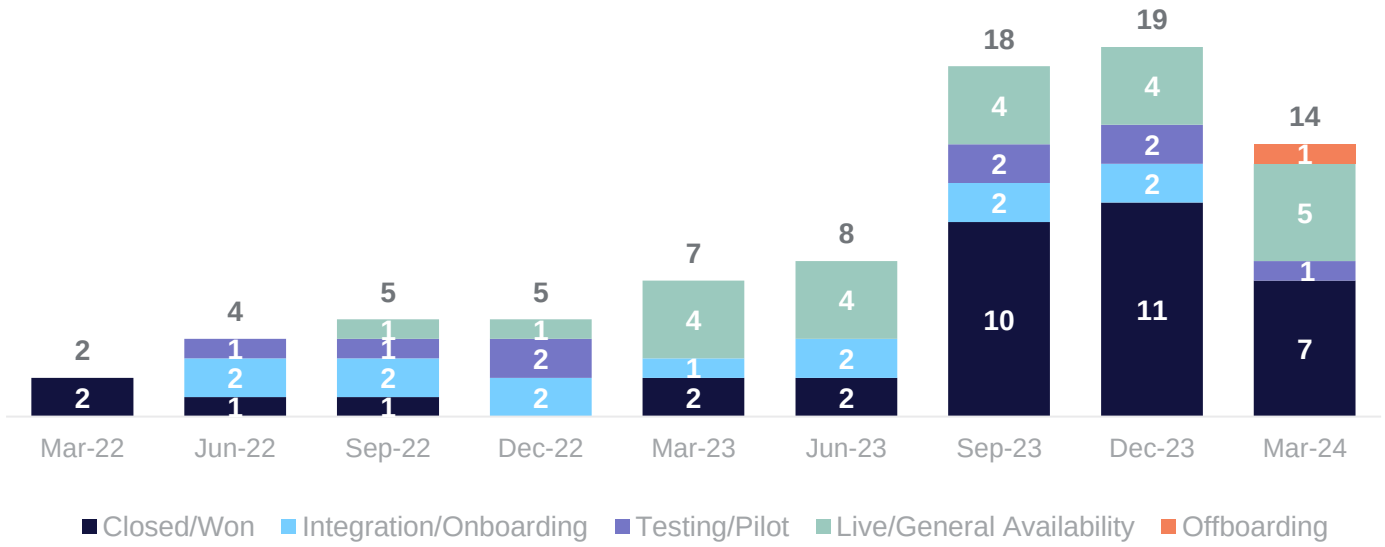
Creating new revenue opportunities and market differentiation

With BaaS, we are leveraging our digital and infrastructure investments to deliver value to select fintechs serving SMBs, affinity groups and niche markets

- Enabling fintechs to offer banking products and services to their end users, leading primarily to deposit growth as well as creating fee generation opportunities for FISI
- Pursuing BaaS client partnerships within meaningful and defensible market opportunities: B2B, select affinity groups, wealth management and niche areas

BaaS Client Partnerships

Value-driven, disciplined approach to cultivating partnerships with select fintechs aligned with our values and risk appetite



FISI sees BaaS as complementary to the existing franchise

Fee-based line of business with potential to generate lower-cost deposits

Services offered to BaaS clients:

- Program sponsorship
- Open API banking
- Risk and compliance management
- Financial transactions clearing
- Industry expertise and advisory services
- Digital banking and wealth management platform
- Card-as-a-Service (CaaS)
- Center of Excellence, e.g., loan servicing and contact center

BaaS has potential to expand revenue sources to help improve earnings, including though:

- Service, interchange, advisory and servicing fees
- Other revenue sharing

Primarily focused on five key BaaS client types where we see strong opportunity

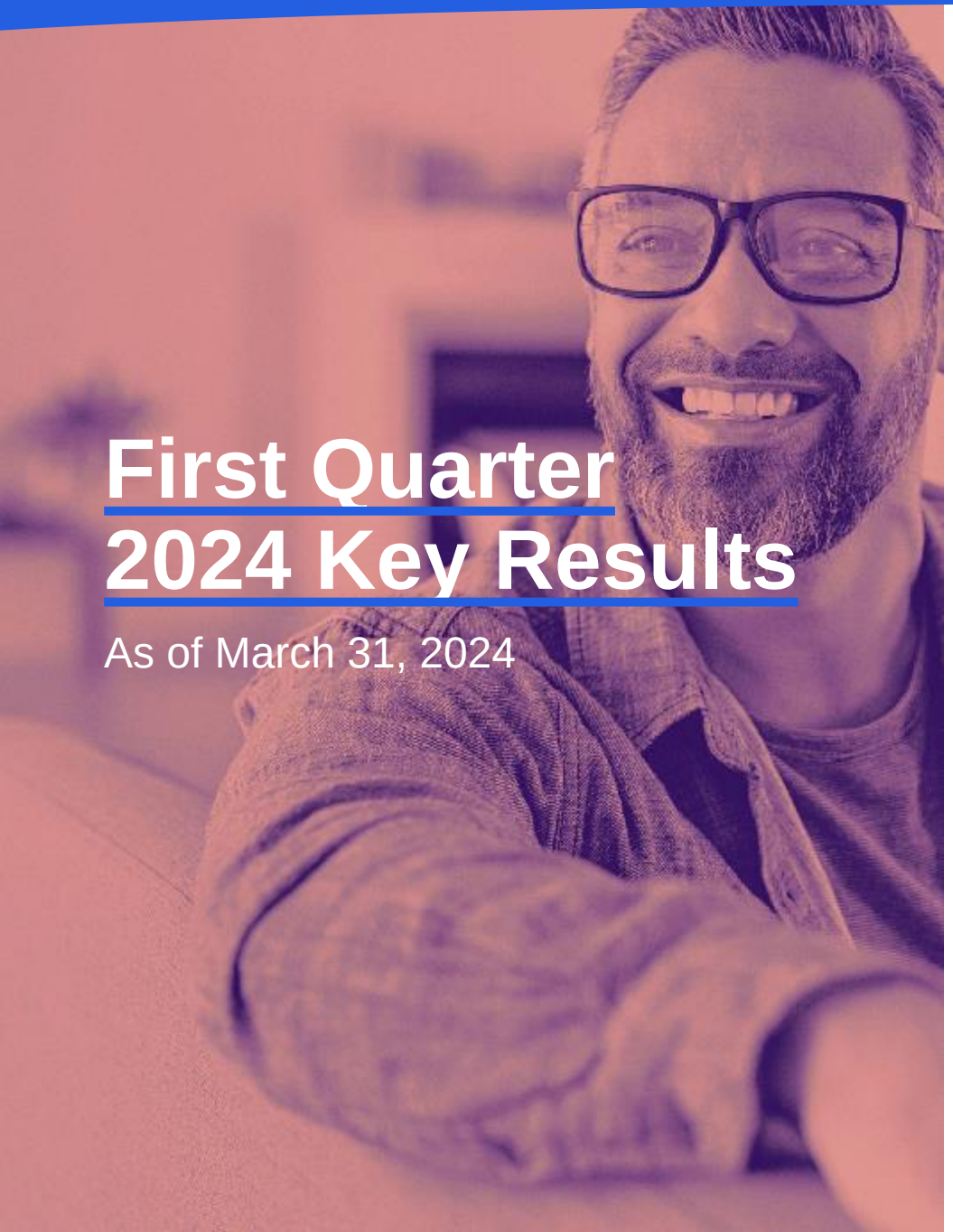
Business-to-Business
Help B2B fintechs innovate solutions for enduring issues while creating new market opportunities and efficiencies

Affinity Groups
Empower traditionally under-banked communities with expanded financial services access

Sustainable Finance
Meet consumer-led environmental demands by partnering with early movers in the green banking space

Cannabis-Related Businesses
Tap into the multi-billion-dollar cannabis market by leveraging regulatory experience for sustained operations

Wealth Management
Enable wealth managers to meet accelerating client demand for banking services



First Quarter 2024 Key Results

As of March 31, 2024

- Total deposits were $5.40B, up $183.8M, or 3.5%, from December 31, 2023, and up $255.5M, or 5.0%, from one year prior.
- Total loans were $4.44B, reflecting a decrease of $20.1M, or 0.5%, from December 31, 2023 and an increase of $198.7M, or 4.7%, from March 31, 2023.
- Net income available to common shareholders was $1.7M, or $0.11 per diluted share, compared to $9.4M, or $0.61 per diluted share, in 4Q ’23 and $11.7M, or $0.76 per diluted share, in 1Q ’23.
  - Current quarter results were negatively impacted by the Company’s previously disclosed deposit-related fraud event, which was the primary driver of noninterest expense variances from the linked and year-ago periods. Excluding the impact of this fraud event, the Company’s adjusted net income available to common shareholders was $17.7M, or $1.12 per diluted share.[1]
- The company recorded a benefit for credit losses of $5.5M in 1Q ‘24, compared to a provision of $5.3M in the linked quarter and a provision of $4.2M in 1Q ’23.
- Net interest income of $40.1M increased $0.2M, or 0.5%, from 4Q ’23 and decreased $1.7M, or 4.1%, from 1Q ‘23, amid the higher interest rate environment that has driven funding costs higher.
- Noninterest income was $10.9M, down $4.5M, or 29.1%, from 4Q ’23, when the Company recorded $9.1M of company owned life insurance revenue, of which ~$8M related to the investment of premium into a separate account product during that period from our surrender and redeploy strategy. Noninterest income was flat with 1Q ’23.
- Noninterest expense was $54.0M in the current quarter and included ~$19.0M in expenses related to the previously disclosed fraud matter. Noninterest expense was $35.0M in 1Q ‘24 and $33.5M in 1Q ’23.
- Maintained strong credit quality metrics, including annualized NCOs to average loans of 0.28% and NPAs to total assets of 0.43% at March 31, 2024.

[1] Please see Appendix for reconciliation of non-GAAP Financial measures for the computation of these non-GAAP measures.

Insurance Subsidiary Transaction Supports Earnings and Capital Positions

Compelling price of $27.0M takes advantage of strong valuations for insurance brokerage businesses

- As previously disclosed, on April 1, 2024, the Company announced and closed the sale of the assets of its wholly-owned subsidiary, SDN Insurance, LLC, to NFP Property & Casualty Services, Inc., a privately-held property and casualty broker and benefits consultant
- Sale price represents approximately 4.0x 2023 insurance revenue
- Generates significant after-tax gain of $11.2M before selling costs
- Eliminates $11.3M of goodwill and other intangibles
- Meaningful capital impact
  - More than 40 basis point positive impact to common equity tier 1 (“CET1”) ratio[1]
- Supports earning potential and focus on core banking business
  - Expect to deploy some of the proceeds into our core banking business through high-quality, credit-disciplined loan origination to build higher-yielding earning assets

$27.0M

cash proceeds from transaction

$11.3M

of goodwill and other intangibles eliminated

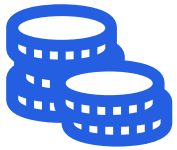
[1] Pro forma capital ratio are prior to potential deployment of proceeds

2024 Guidance Update

Focused on executing strategic initiatives that will improve profitability and operating leverage over time



1-3% full year loan growth
driven by commercial loans



1-3% full year deposit growth
driven by non-public deposits

285-295 bps

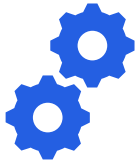
Full-year NIM of 2.85-2.95%
using a spot-rate forecast as of quarter-end



Noninterest income of $36.5-$38M
for full year 2024[1]



2024 effective tax rate of 13-15%
including the impact of the previously disclosed fraud event, insurance transaction and the amortization of tax credit investments placed in service in recent years



Noninterest expense of $135M-$136M
for full year 2024, excluding the previously disclosed fraud event

30-40 bps

Annual net charge-offs to full year average assets
reflective of credit-disciplined lending and strong fundamental underwriting processes

[1] Noninterest income excludes gains/losses on securities, impairment of investment tax credits, limited partnership income, and gains/losses on assets, including the 2Q '24 insurance transaction

Recent Earnings Performance

Last five quarters

Earnings Summary[1]	1Q '23	2Q '23	3Q '23	4Q '23	1Q '24
Average interest-earning assets	$5,486.0	$5,691.9	$5,704.1	$5,726.6	$5,804.9
Net interest margin (tax equivalent basis)	3.09%	2.99%	2.91%	2.78%	2.78%
Net interest income	41.8	42.3	41.7	39.9	40.1
Noninterest income	10.9	11.5	10.5	15.4	10.9
Total revenue	**$52.7**	**$53.8**	**$52.2**	**$55.3**	**$51.0**
Noninterest expense	(33.7)	(33.8)	(34.7)	(35.0)	(54.0)
Benefit (provision) for credit losses	(4.2)	(3.2)	(1.0)	(5.3)	5.5
Income before income taxes	14.9	16.8	16.5	14.9	2.4
Income tax expense	(2.8)	(2.4)	(2.4)	(5.2)	(0.4)
Net income	**$12.1**	**$14.4**	**$14.0**	**$9.8**	**$2.1**
Preferred stock dividends	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Net income available to common shareholders	**$11.7**	**$14.0**	**$13.7**	**$9.4**	**$1.7**
Earnings per share – diluted	$0.76	$0.91	$0.88	$0.61	$0.11
Weighted average common shares outstanding – diluted	15.4	15.4	15.5	15.5	15.5

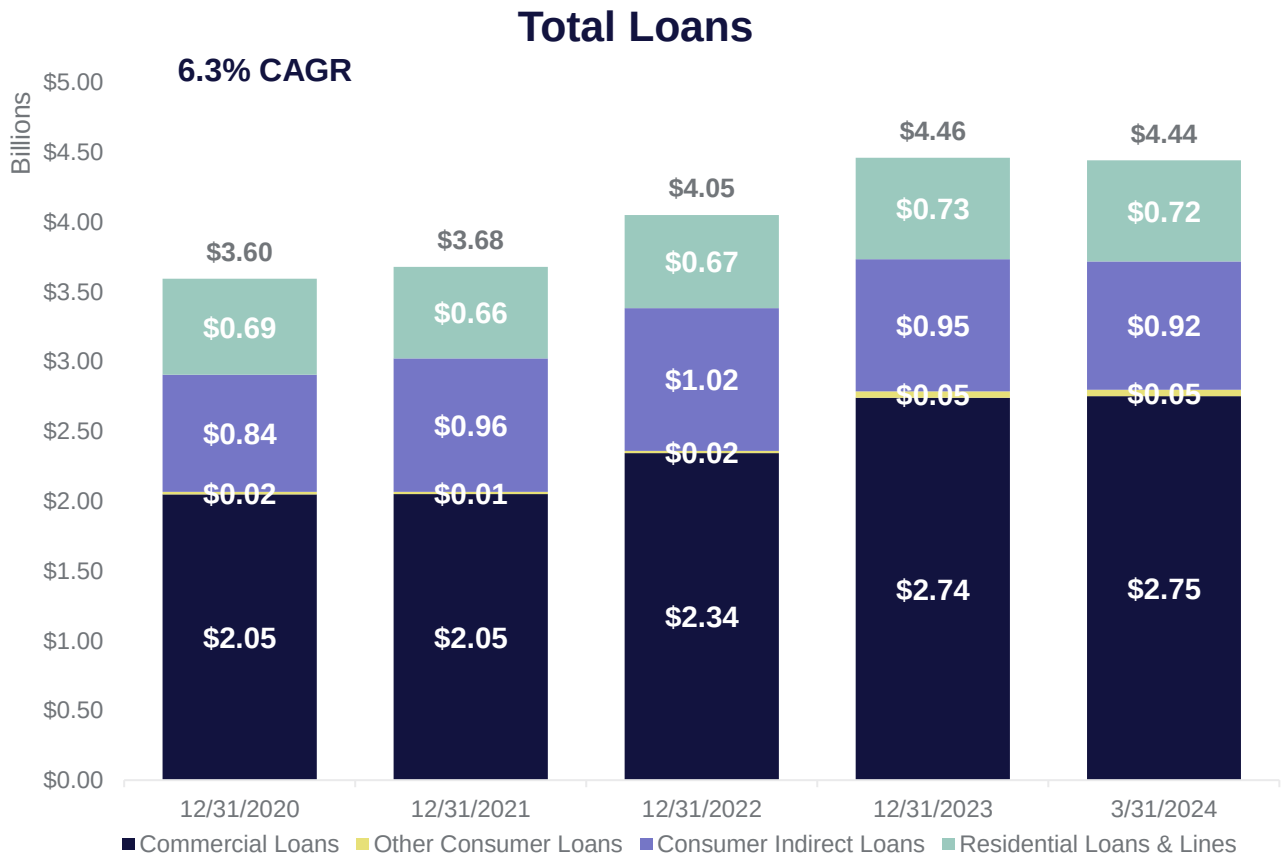
[1] Amounts in millions, except percentages and per share amounts.

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Organic Loan Growth

$4.44B of total loans at March 31, 2024 and average yield of 6.33% in the first quarter 2024

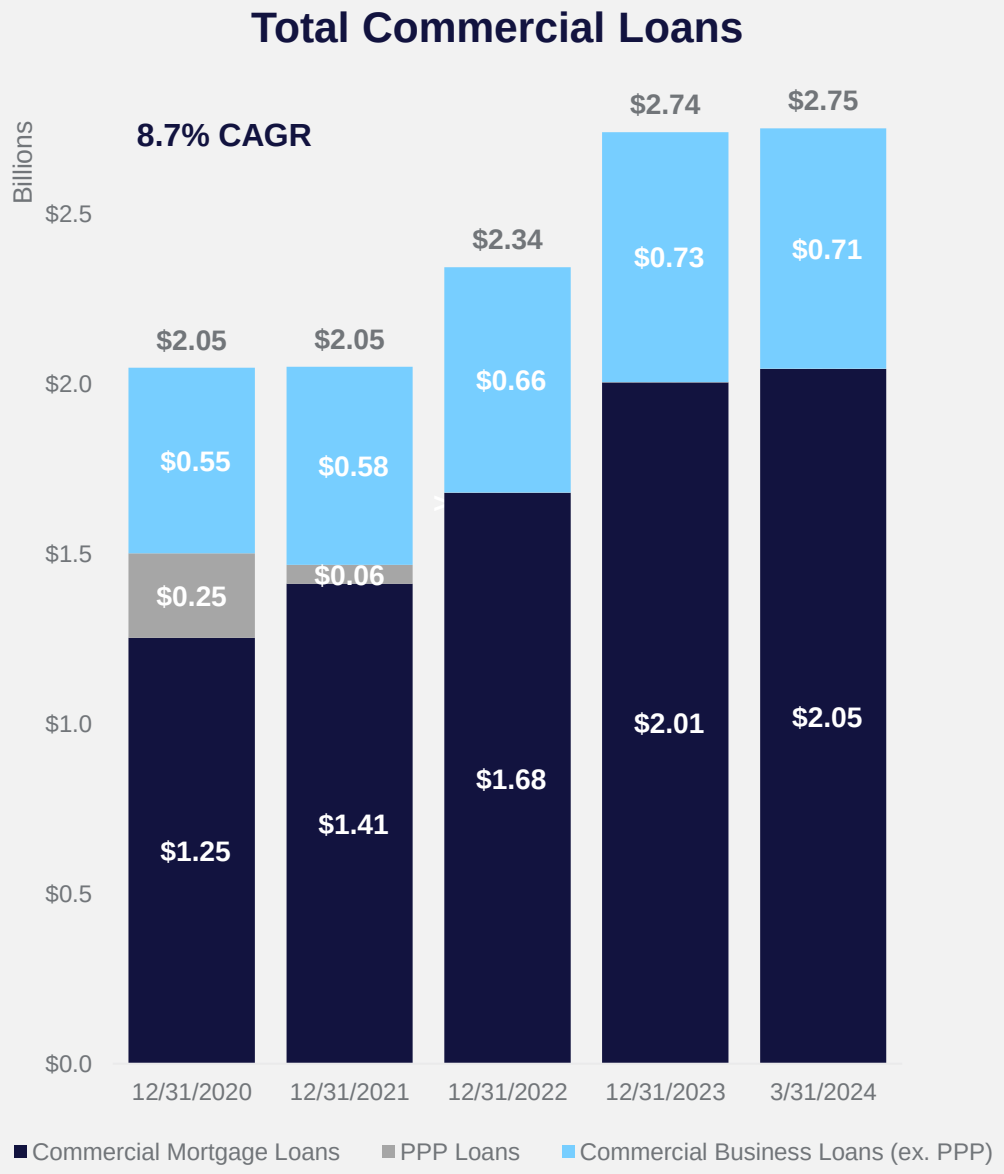
Total loans increased $198.7M, or 4.7%, from March 31, 2023, driven by commercial loan growth



Commercial Lending

Outstanding balance of $2.75B at March 31, 2024

- Commercial loans increased $11.6M, or 0.4%, during the first quarter of 2024 and $216.0M, or 8.5%, year-over-year
- Commercial loans made up 62% of total loan portfolio at March 31, 2024 and are comprised of Commercial & Industrial (C&I), Commercial Real Estate (CRE) and Business Banking Unit (BBU)[1]
  - CRE makes up 66% of commercial loans and 41% of total loans
  - C&I makes up 30% of commercial loans and 18% of total loans
  - BBU makes up 4% of commercial loans and 3% of total loans



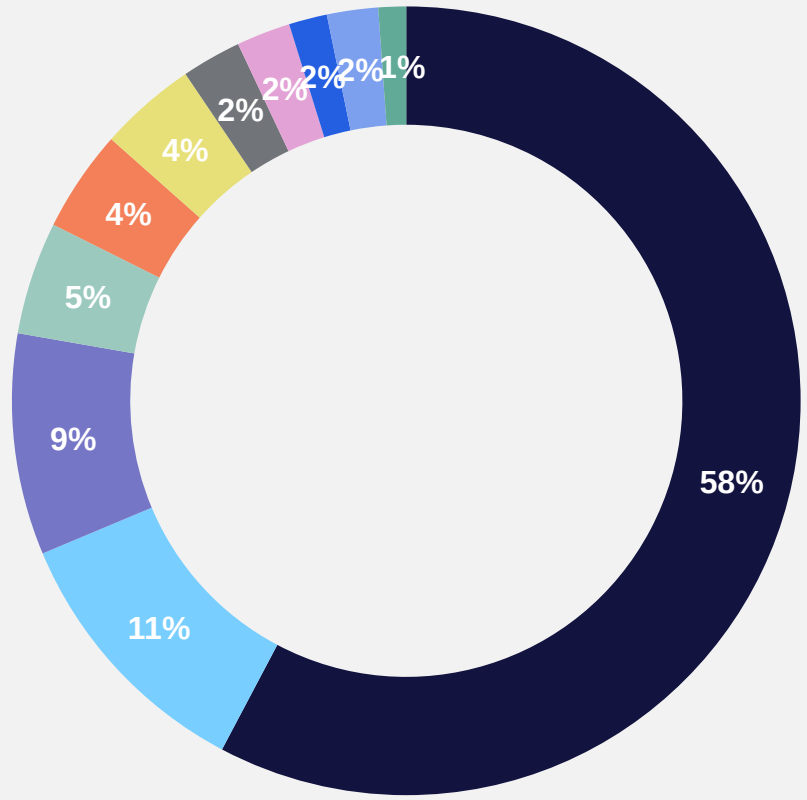
[1] Business Banking Unit refers to small business lending through commercial franchise

Commercial Lending

Committed credit exposure of $3.56B at March 31, 2024

- The vast majority of the commercial loan portfolio is within the Bank's footprint, which includes the Mid-Atlantic region following the Company's opening of a commercial loan production office in a suburb of Baltimore, MD in 1Q '22
- The Bank again expanded its commercial lending in 1Q '23 with an additional office in Syracuse, NY, serving the Central New York region, housing a team of commercial and industrial lenders
- Disciplined approach to credit and risk management supports strong asset quality metrics

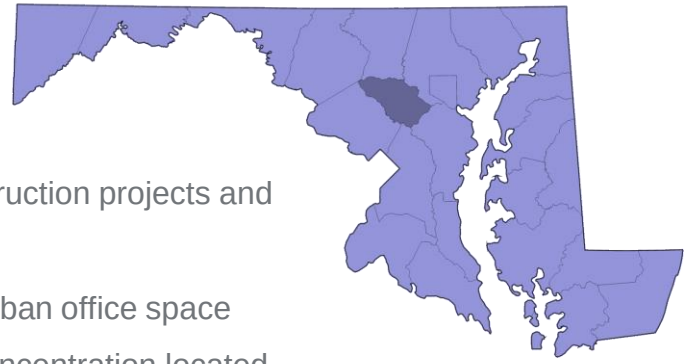
Overall Commercial Portfolio Exposure Mix



Strong Mid-Atlantic Performance & Opportunity

Leveraging technology to seamlessly collaborate with Mid-Atlantic team and onboard new customers despite geographic divide

- Commercial loan production office opened in Baltimore suburb of Ellicott City in 1Q ’22 serving the Mid-Atlantic region
  - Consolidation in the market allowed us to add a four-person team and capitalize on opportunities where a community banking approach provides a competitive advantage
- This Mid-Atlantic team has strong relationships with very high-quality sponsors and serves customers headquartered in and around Baltimore and the Greater Washington, D.C. area
  - Mid-Atlantic portfolio consists of a mix of stabilized projects, construction projects and residential acquisition and development (AD&C) projects
  - About 27% of committed exposure in this portfolio relates to suburban office space located near Baltimore, MD and Washington, D.C., with a large concentration located near hospitals with medical related tenants and high return to office metrics



$307M
in outstandings

~48%
low average LTV[1]

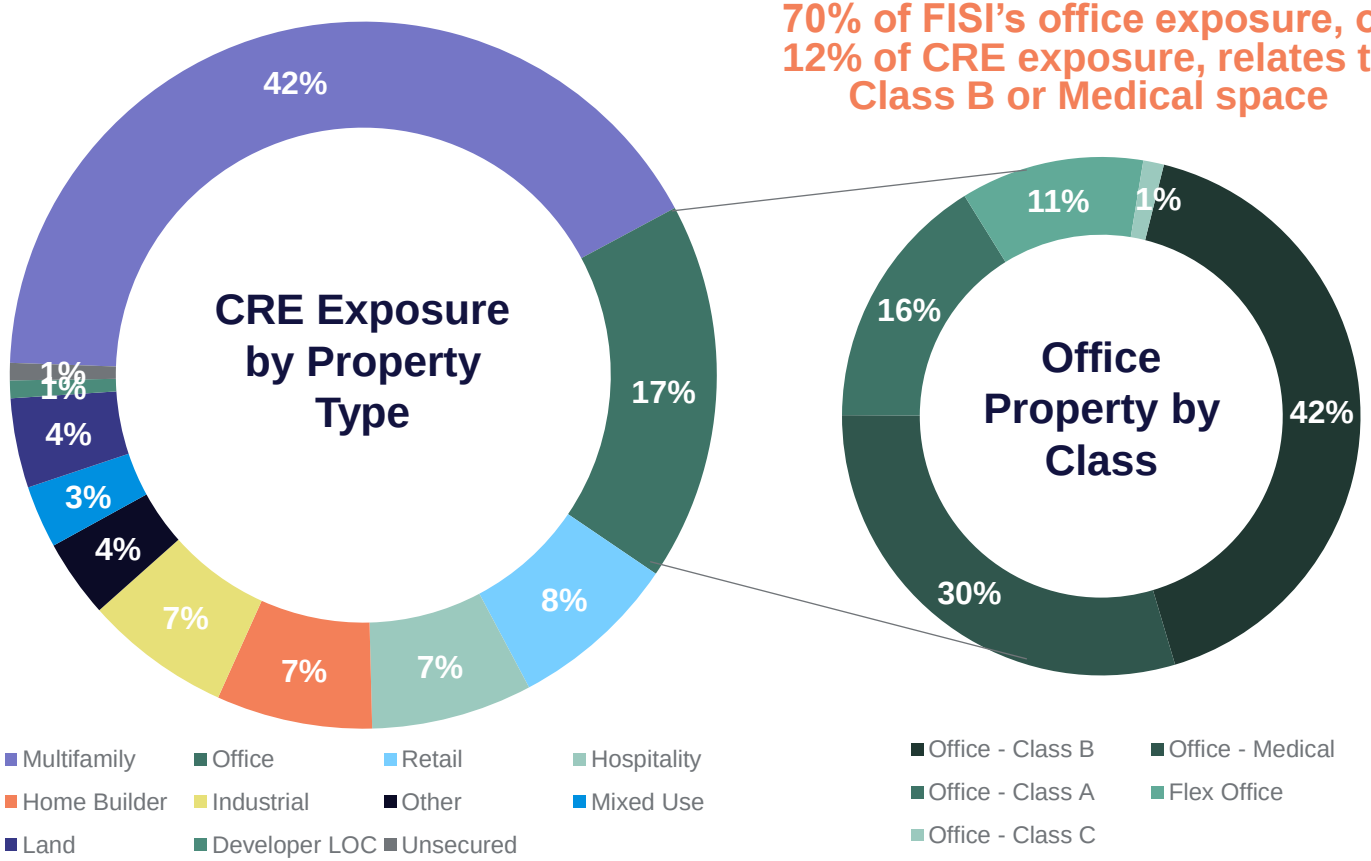
Note: Information on this slide is as of March 31, 2024 unless noted otherwise
[1] Original appraised value used for loan-to-value ratio

Commercial Real Estate (CRE)

Outstanding balances of $1.82B and committed credit exposure of $2.15B as of March 31, 2024

- Well diversified, with ~750 loan facilities consolidated into ~270 separate lending relationships, with ~$2.8M average loan size
  - 82% of CRE clients have loan relationships <$10M
- Growth achieved without compromising strong credit culture
  - Portfolio factors in loan rollover risk, with 17% of exposure scheduled to mature within next 12 months and another 22% within 24 months
  - More than 90% of CRE loans have full or limited personal or corporate recourse, providing comfort with loan rollover risk[1]
  - Average LTV of 59% for overall CRE portfolio[1]
- Office portfolio equally diversified
  - Average loan size of $3.2M and average LTV 55%[1]
  - <$40M of committed credit exposure, or ~10% of office portfolio and <2% of total CRE exposure, located in CBDs[2]

70% of FISI's office exposure, or 12% of CRE exposure, relates to Class B or Medical space

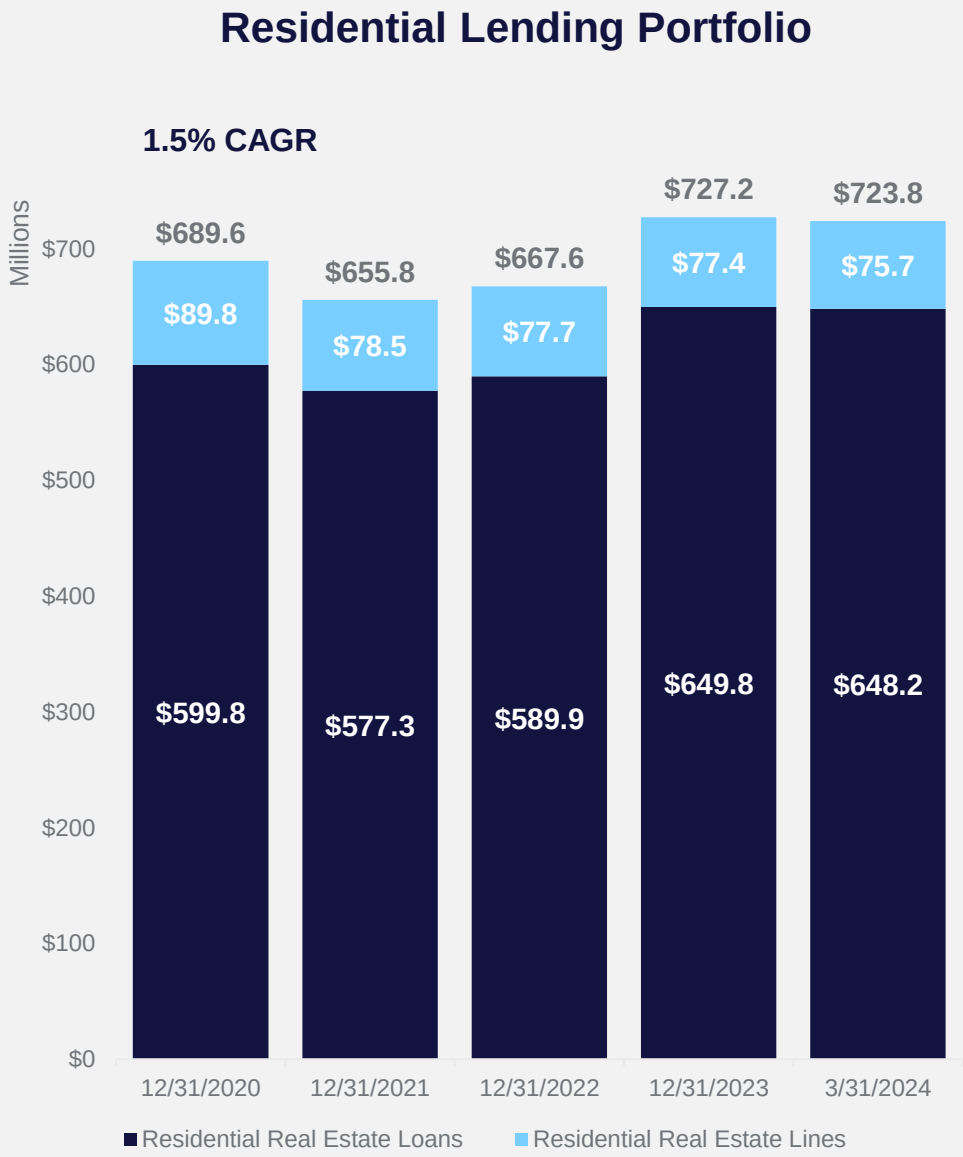


[1] Recourse and loan-to-value("LTV") ratio calculated as of March 31, 2024; original appraised value used for LTV ratio
[2] Central Business District

Residential Real Estate

$723.8M portfolio at March 31, 2024

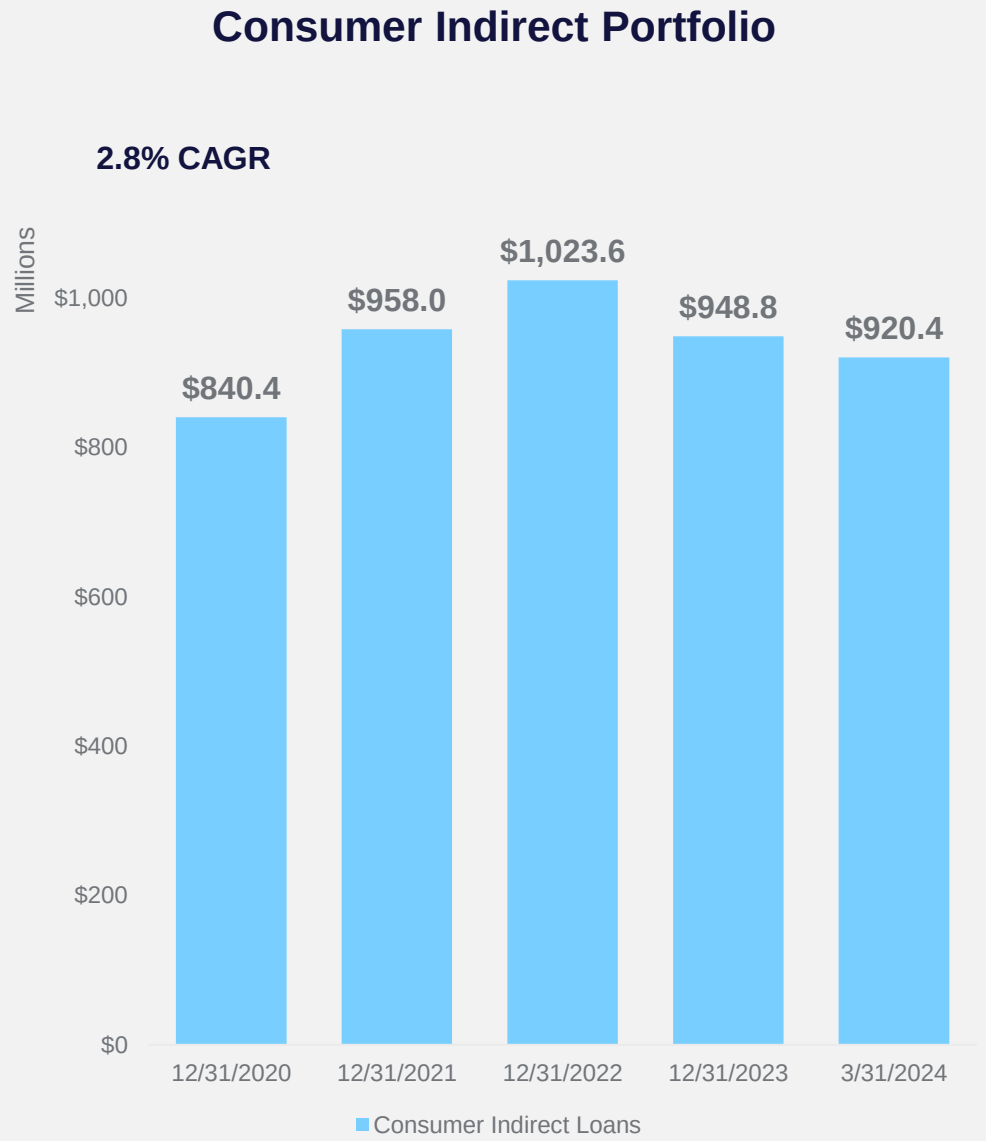
- Residential portfolio was down a modest $3.4M, or 0.5%, from year-end 2023 and up $55.9M, or 8.4%, from March 31, 2023
- High quality portfolio in stable Upstate New York market
  - As of quarter-end, our residential real estate loans had a weighted average FICO score of 741 at origination and an average balance of ~$96k, while our home equity lines of credit, or HELOCs, had an average score of 767 and average balance of $22K
- Full product menu featuring competitive portfolio and saleable products including government loan programs
- In-market originations through mortgage loan originators and Five Star Bank branch network



Indirect Auto Remains Core Competency

$920.4M portfolio at March 31, 2024

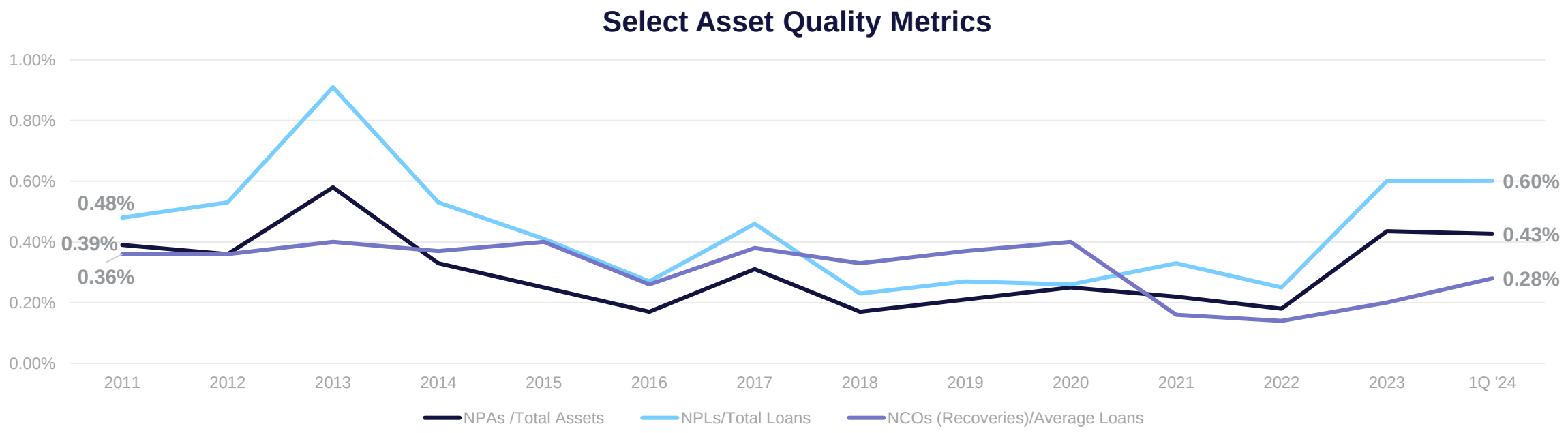
- Effective January 1, 2024, the Company exited the Pennsylvania auto market as it focuses on its core Upstate New York service area, which includes a strong network of ~375 new auto dealers
- Consumer indirect portfolio was down $28.4M, or 3.0%, from year-end 2023 and down $101.8M, or 10.0%, from March 31, 2023
- Prime lending operation with average portfolio FICO score of 714
- Relatively short duration averaging ~3.3 years and natural risk dispersion due to small loan size, with an average loan balance of $20K
- Demonstrated track record of consistent performance through economic expansions, recessions and stagnation
  - Annual charge-offs ranged 0.45% to 0.87% for 2008 through 2023, excluding the exceptionally low 0.14% reported in 2021
  - NCO levels normalized in 2022 and remain within our historical range
  - Consumer indirect charge-off ratio was 128 bps in 1Q ’24 and 130 bps in 4Q ’23



Solid Asset Quality

Disciplined credit culture supports consistently strong asset quality metrics

- Thorough credit review exercise undertaken at the outset of COVID-19 pandemic reinforced confidence in health of loan portfolio
  - During 2Q ’22, COVID-19 at-risk pool was eliminated, and all credits now monitored as part of standard loan monitoring process



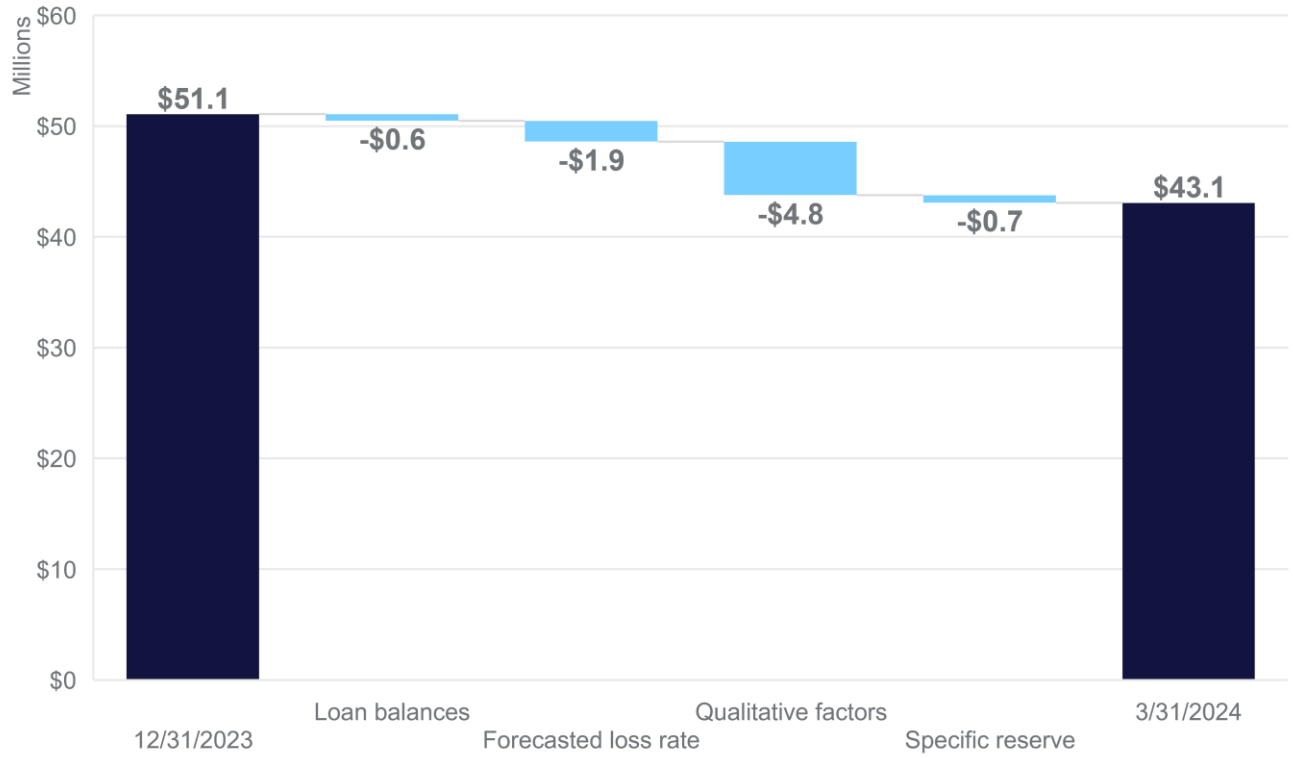
[1] Non-performing assets, or NPAs, include nonaccrual loans, loans past due 90 days or more and still accruing, and foreclosed assets

Allowance for Credit Losses

1Q ’24 reserve release driven by improvement in consumer indirect delinquencies and an improvement in forecasted losses

- 1Q ’24 benefit for credit losses of $5.5M was primarily driven by ~$8M reserve release along with a $0.6M credit to the allowance for unfunded commitments, partially offset by $3.2M of net charge-offs during the period
  - Reserve release driven primarily by positive trends in qualitative factors, including a reduction in consumer indirect loan delinquencies during the period, and improved forecasted losses, which are based in part on the national unemployment forecast

Allowance for Credit Losses – Loans

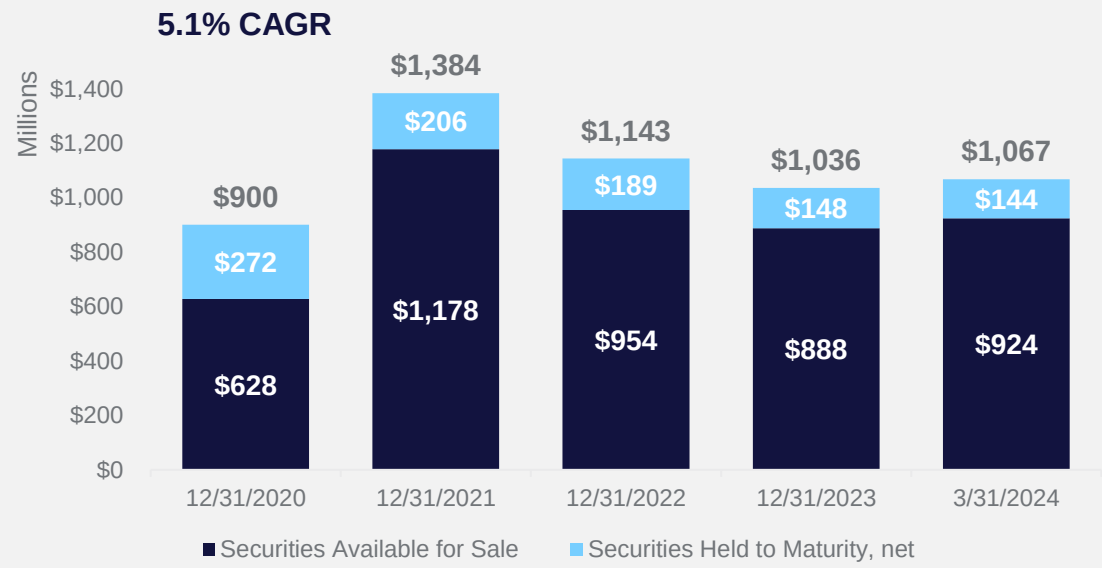


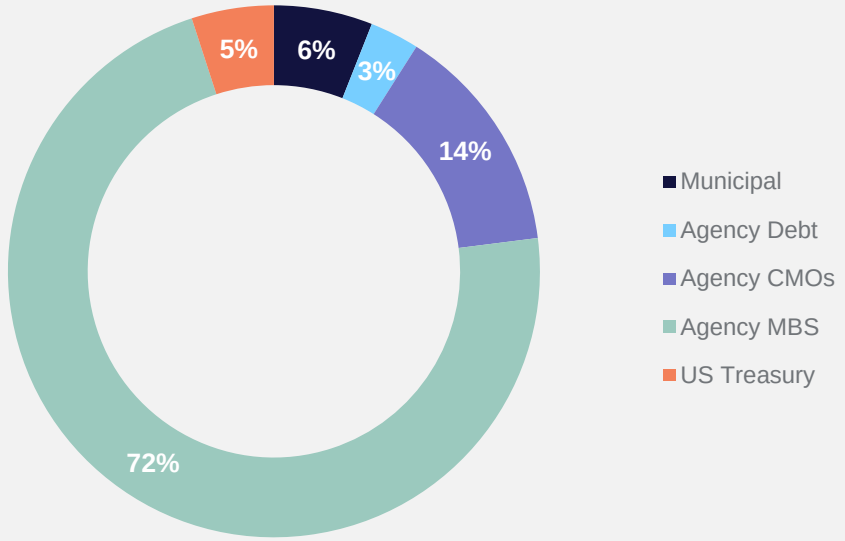
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Securities Portfolio

$1.07B at March 31, 2024

- Primarily comprised of agency wrapped mortgage-backed securities with intermediate durations, which provide ongoing cash flow, coupled with investment grade municipal bonds that are classified as held-to-maturity
- In 4Q ‘23, the Company repositioned a segment of our securities portfolio, selling ~$54M of agency mortgage-backed securities at an after-tax loss of $2.8M and reinvesting the proceeds into higher yielding bonds
  - Associated $1.4M of annual income equates to two year earn-back
- Average yield on a tax equivalent basis was 2.09% for 1Q ’24, up from 2.03% in linked quarter, reflective of a full quarter of repositioning
- Cash flow from the securities portfolio allows for reinvestment into loans or additional investment securities
  - Principal cash flow of ~$211M expected over next 12 months





Note: Shown as a percentage of amortized cost basis

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Deposit Growth

$5.40B at March 31, 2024

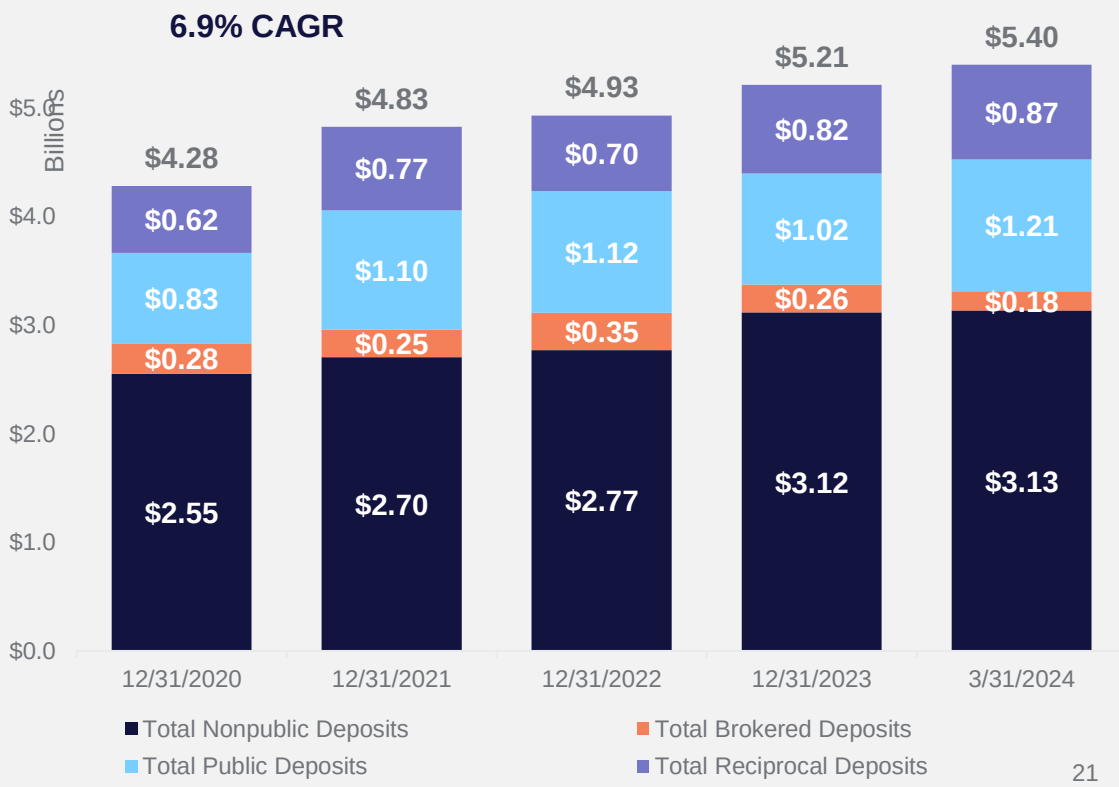
- Total deposits were $5.40B, up $183.8M, or 3.5%, from December 31, 2023, and up $255.5M, or 5.0%, from one year prior.
  - The linked quarter increase is reflective of seasonal public deposit inflows, while the improvement over the prior year was driven by nonpublic deposit growth.
- Granularity of community banking franchise benefits deposit portfolio
  - Average deposit balances per branch of approximately $85.5M, excluding reciprocal and brokered deposits
  - Lower-cost deposits from rural markets fund higher growth in metro markets
- Offering a variety of public (municipal) deposit products to the towns, villages, counties and school districts providing seasonal, lower-cost funding source
  - Public deposit balances represented 22% of total deposits at March 31, 2024, 20% at December 31, 2023, and 23% at March 31, 2023
- Current interest rate environment has led to disintermediation from core transaction type accounts to time deposits
  - Time deposits made up 29% of total deposits at March 31, 2024

323

municipal customers as of MRQ-end

3.29%

1Q ‘24 cost of average interest-bearing deposits



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Liquidity

Diverse deposit gathering capabilities and eligible collateral support a robust liquidity position

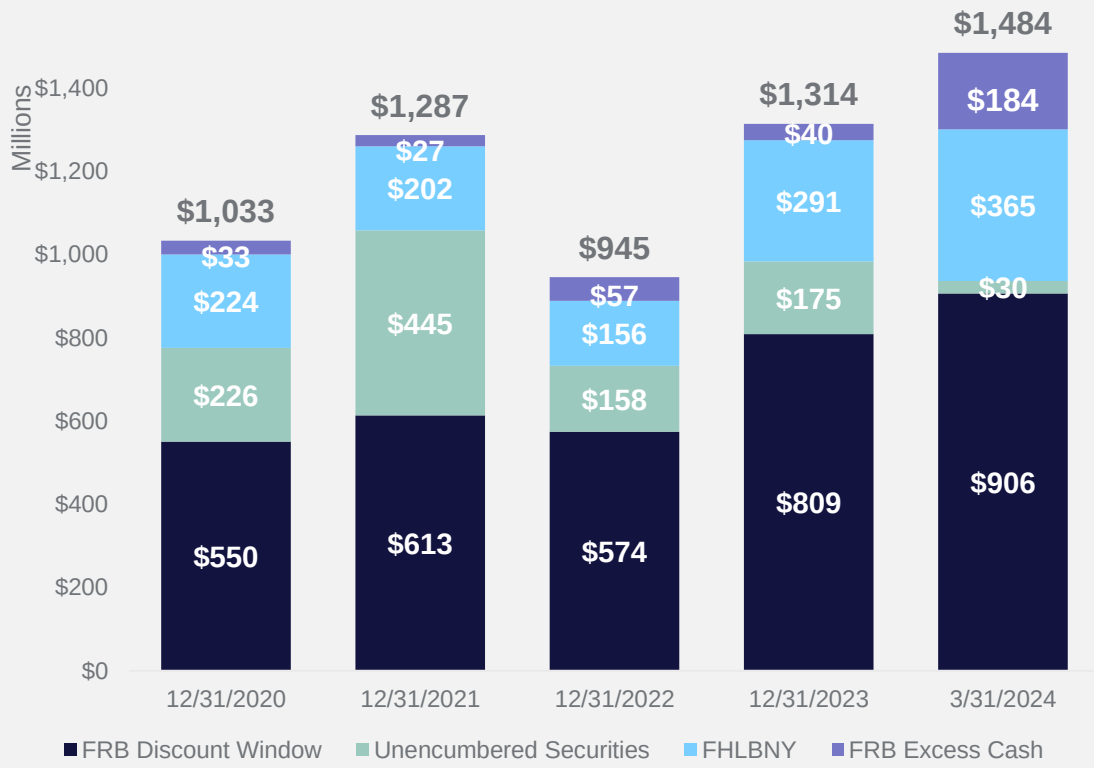
- 1Q ’24 available committed liquidity remains strong, as supported through unencumbered collateral in the securities portfolio, borrowing capacity at the FHLB, and tertiary liquidity via the FRB discount window, which totaled more than $1.48B at quarter-end
- The decrease in unencumbered securities is due to the inflow of municipal deposits, which require collateralization
- Further, uninsured nonpublic deposits make up approximately 14.2% of our total deposits, when considering the secured nature of our public and reciprocal portfolios, which typically have larger balances

~14.2%

of total deposits are uninsured nonpublic deposits

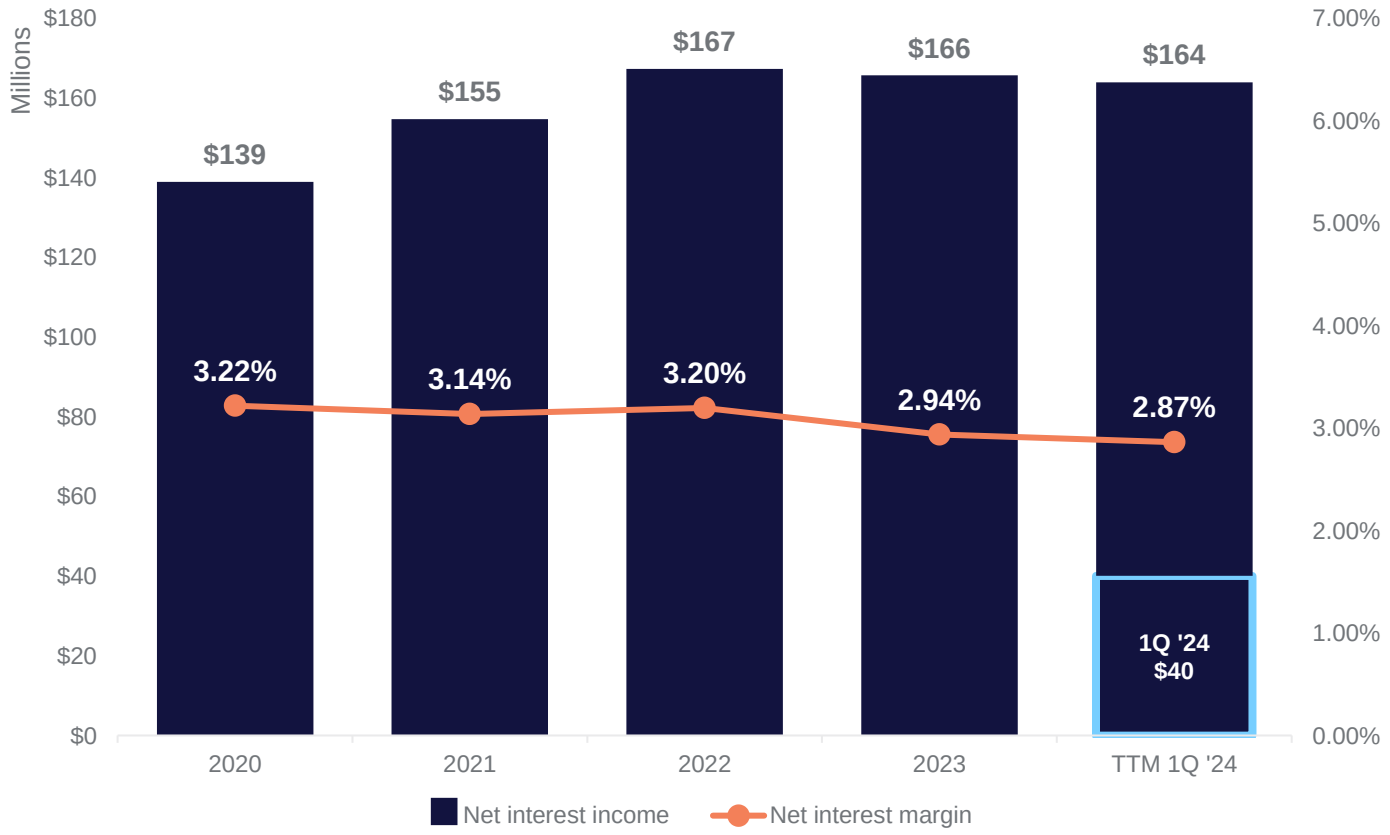
~82%

Loan to deposit ratio



Net Interest Income & Margin

1Q ’24 net interest income of $40.1M and net interest margin of 2.78%



- Net interest income (NII) of $40.1M increased $0.2M, or 0.5%, from the linked fourth quarter and decreased $1.7M, or 4.1%, from the year-ago quarter
- Net interest margin (NIM) was 2.78% for the current quarter, consistent with the linked quarter and 31 bps lower than the year-ago quarter
  - Margin has been impacted by the current higher interest rate environment that has driven higher funding costs

Balance Sheet Providing Ample Cash Flow

Combined ~$1.1B in anticipated cash flow over the next 12 months from investment securities and loan portfolios

Ample cash flow allows for redeployment of funds in higher interest earning assets, supporting incremental margin expansion

Select Interest Earning Assets	2023 Yield	1Q '24 Yield	1Q '24 Roll Off Yield	Balance at 3/31/2024	Average NTM Monthly Cash Flow[1]
Investment Securities	1.92%	2.09%	2.45%	$1,067, 478	$19,654
Commercial Real Estate Loans	6.83%	7.10%	7.39%	$1,816,916	$35,096
Commercial & Industrial Loans	6.43%	6.80%	6.20%	$818,571	$14,429
Small Business Loans[2]	6.65%	6.99%	8.40%	$116,266	$1,344
Residential Real Estate Loans	3.71%	3.99%	4.26%	$648,160	$6,041
Consumer Indirect Loans	5.36%	5.90%	6.16%	$920,428	$26,829

[1] NTM = next twelve months. Average monthly loan cash flow projections based on contractual loan terms and historical prepayment assumptions that are based on a 12-month historical average.
[2] Small business represents small business loans generated through retail network and commercial Business Banking Unit

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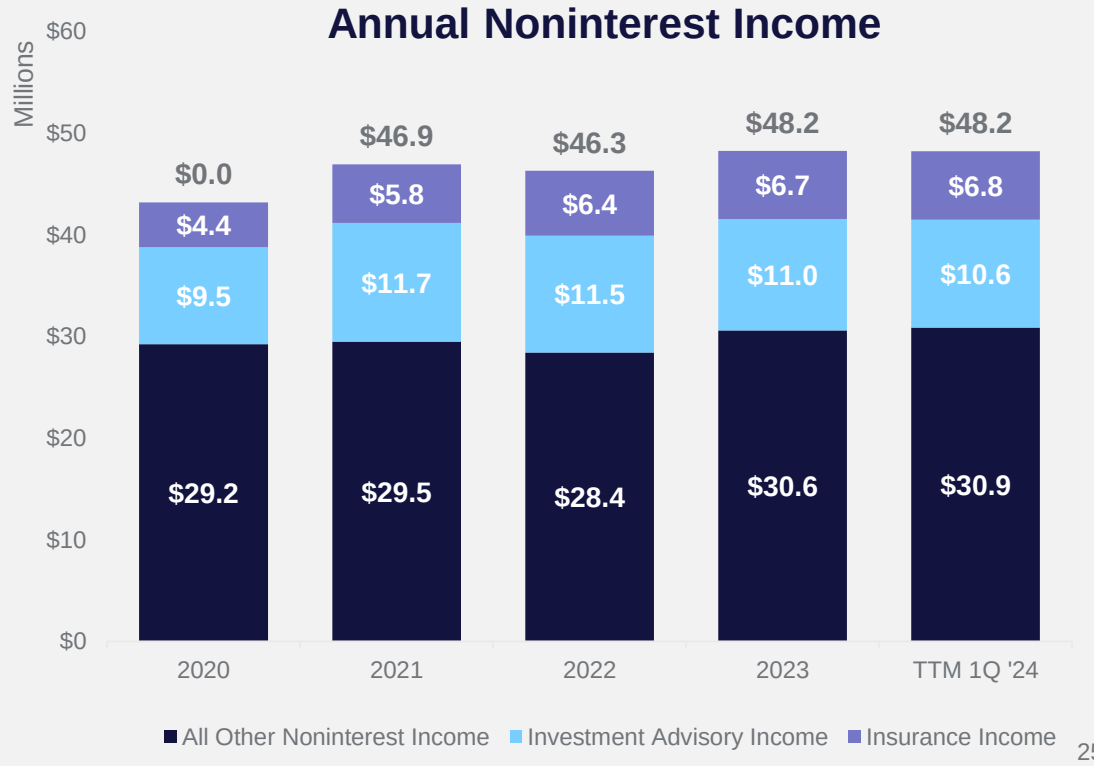
Noninterest Income

Noninterest income was $10.9M in 1Q ‘24

- Noninterest income was $10.9M, down $4.5, or 29.1%, from 4Q ’23 and flat with the year-ago quarter.
  - The linked quarter variance was primarily driven by higher company owned life insurance revenue in Q4 ’23 of $9.1M, of which approximately $8M related to the investment of premium into a separate account product during that period from our surrender and redeploy strategy. Noninterest income was flat with the 1Q ’23.
- Investment advisory income, which totaled $2.6M in Q1 ’24, is primarily derived from the Company’s wealth management subsidiary Courier Capital, LLC

22.7%
of TTM net revenue from non-interest income

$2.99B
in assets managed by Courier Capital at quarter-end



Note: Information on this slide is as of March 31, 2024 unless noted otherwise

Wealth Management Business Positioned for Growth

Providing customized investment management, retirement planning, and consulting services for mass affluent and high-net-worth individuals and families, businesses, institutions, and foundations

- **Since entering the investment advisory space in 2016 with the acquisition of Courier Capital the Company has completed two additional wealth management acquisitions in 2017 and 2018**
- **Combination of FISI's subsidiary wealth management firms enhanced size and scale as next natural step in evolution of this business line**
  - On May 1, 2023, FISI's wholly-owned SEC-registered investment advisory firm subsidiaries completed a merger, under which HNP Capital merged with and into Courier Capital
  - One of the largest registered investment advisory firms in Western New York
- **Merger streamlines ability to provide innovative financial products and services to current and prospective clients and unites Western New York service footprint**
  - One brand streamlines business development efforts, including cross-selling opportunities
  - Courier Capital is headquartered in downtown Buffalo, NY and the majority of the former HNP Capital team is based in the Rochester, NY market, with additional offices located in Jamestown, NY and Pittsburgh, PA
- **In October 2023, the Company announced a leadership succession at Courier Capital**
  - Promoted internal candidate with two decades of experience in private banking with several large U.S. banks to President
  - New leadership structure allows the firm to continue serving its wealth management, retirement plan and institutional services clients at the highest level, while positioning the firm for continued growth moving forward

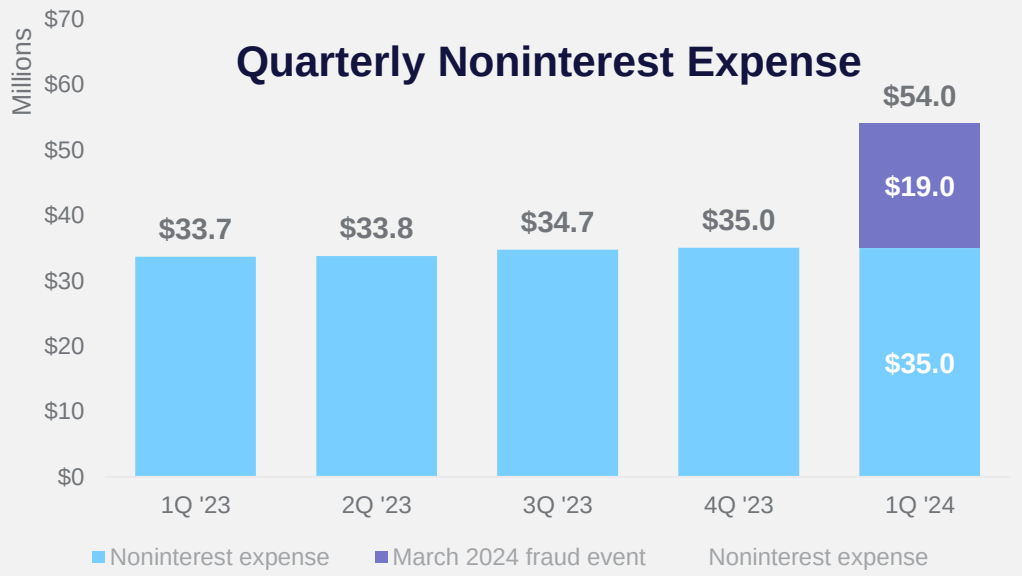
Financial Institutions, Inc.

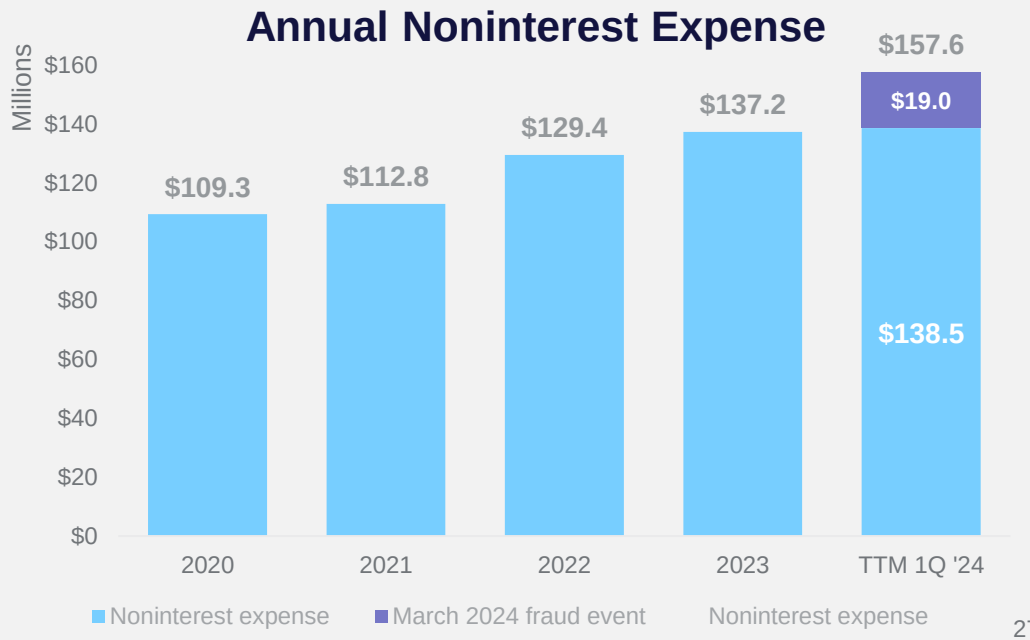
Noninterest Expense

1Q ’24 expense of $54.0M included ~$19M of noninterest expense related to previously disclosed fraud event

- 1Q ’24 expense of $54.0M is up $19.0M, or 54.1%, from the linked quarter and up $20.4M, or 60.5%, from the prior year period
  - Expenses were impacted by approximately $18.4M in deposit-related charge-offs and $0.7M of legal and consulting expenses related to the Company’s previously disclosed fraud matter.
- In 4Q ’23, the Company announced leadership changes and improvements to its organizational structure to strengthen its ability to execute its long-term strategy while also reflecting proactive measures to manage noninterest expenses heading into 2024
- 2022 expenses included investments in strategic initiatives that we believe will support improved operating leverage over the coming years, including related to enhanced customer relationship management solution, digital banking and BaaS
- 1Q ‘24 efficiency ratio of 106%, or 69% when excluding expenses related to the fraud event[1]

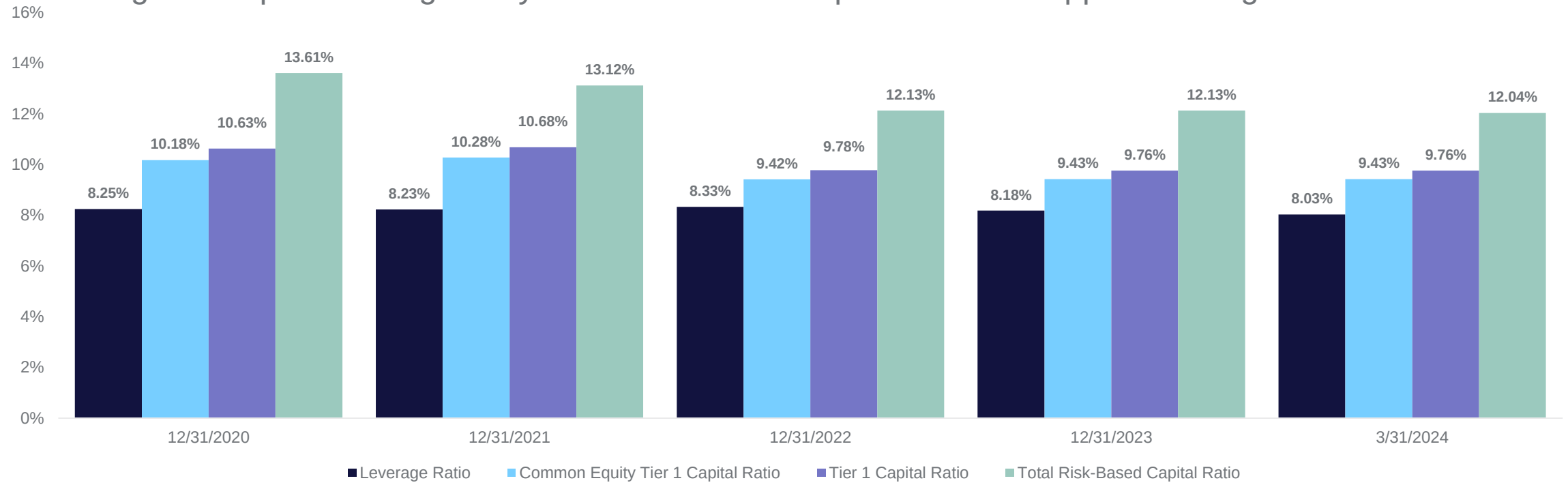
[1] Efficiency ratio is calculated by dividing noninterest expense by net revenue, i.e., the sum of net interest income (fully taxable equivalent) and noninterest income before net gains on investment securities. This is a banking industry measure not required by GAAP. Please see Appendix for additional details on this non-GAAP measure.





Well-Capitalized

Exceeding well-capitalized regulatory thresholds and well-positioned to support future growth



Capital Ratio	As of March 31, 2024	Well-Capitalized Threshold
Leverage	8.03%	5.00%
CET1 capital	9.43%	6.50%
Tier 1 capital	9.76%	8.00%
Total RBC	12.04%	10.00%

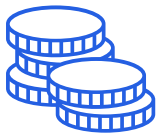
Financial Institutions, Inc.

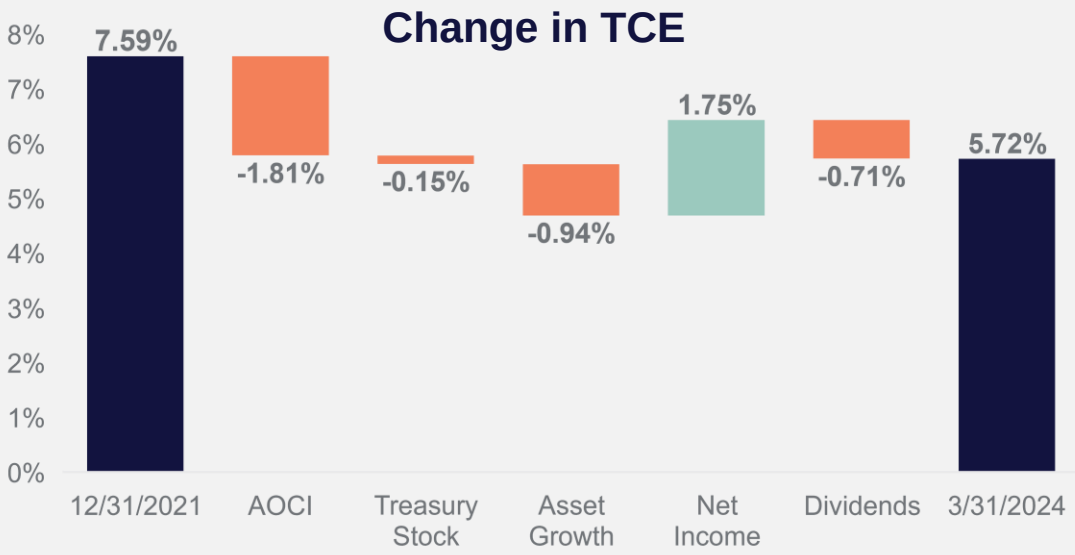
AOCI Impact on TCE & TCBV[1]

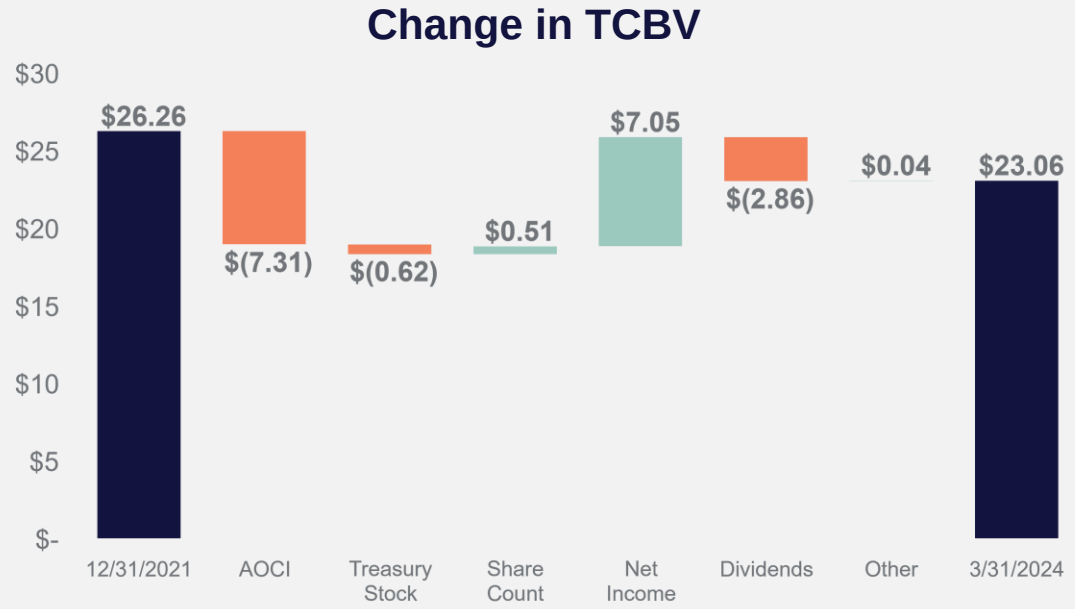
Unrealized losses believed to be temporary in nature

- AOCI losses are believed to be temporary in nature, as they are associated with the increase in interest rates which has resulted in an increase in the unrealized loss position of the available for sale securities portfolio
- We expect these metrics to return to more normalized levels over time given the high credit quality of our investment portfolio
- Excluding the AOCI impact, TCE ratio and tangible common book value per share would have been 7.53% and $30.37, respectively.

FISI believes a stock buyback program is an important part of the capital markets tool kit and announced a new stock repurchase program in June 2022 for up to ~5% of then outstanding common shares







[1] AOCI= Accumulated other comprehensive income (loss). TCE = Tangible common equity to tangible assets. TCBV = Tangible common book value per share. Please see Appendix for reconciliation of non-GAAP Financial measures for the computation of these non-GAAP measures.

FISI Presents a Compelling Valuation

Longstanding commitment to rewarding shareholders through meaningful dividend yield and 29-year cash dividend history

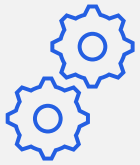
Investment Profile	As of March 31, 2024
Closing Price	$18.82
52-week High	$23.11
52-week Low	$17.70
Common Shares Outstanding	15.4M
Market Capitalization	$290.7M
Price/LTM EPS	7.5x
Price/NTM Consensus EPS	6.5x
Price/Common Book Value Per Share	0.68
Float	97.2%
Average Daily Volume (3 mos.)	~52,000
Dividend Per Share (annualized MRQ)	$1.20
Dividend Yield (annualized MRQ)	6.41%
Common Dividend Payout Ratio	273%



Results-driven community bank with strong retail and commercial franchises



Disciplined credit culture with strong credit quality



Fee-based business diversifies revenue and complement core banking franchise



Complementary fintech and digital partnerships driving exceptional digital experiences



Appendix

Thank you for your interest in Financial Institutions, Inc.

NASDAQ: FISI

Investor Relations Contacts

Kate Croft
Director of Investor and External Relations

Jack Plants
Chief Financial Officer & Corporate Treasurer

FISI-Investors@five-starbank.com

Learn more at www.FISI-Investors.com

Strong Executive Leadership Team Positioned to Drive Growth and Operational Excellence



Martin K. Birmingham
President & Chief Executive Officer



Samuel J. Burruano Jr.
EVP, Chief Legal Officer & Corporate Secretary
overseeing legal, corporate governance, ESG and internal audit



W. Jack Plants II
EVP, CFO & Treasurer
overseeing financial planning and analysis, accounting, tax, investor and external relations, treasury, operations and technology



Laurie R. Collins
SVP, Chief Human Resources Officer
overseeing talent recruitment and development, training and incentives, and DEI



Blake G. Jones
SVP, Chief Marketing Officer
overseeing marketing, brand strategy and enterprise sales



Gary A. Pacos
SVP, Chief Risk Officer
overseeing enterprise risk, BSA/AML, fraud, compliance, information security and credit administration

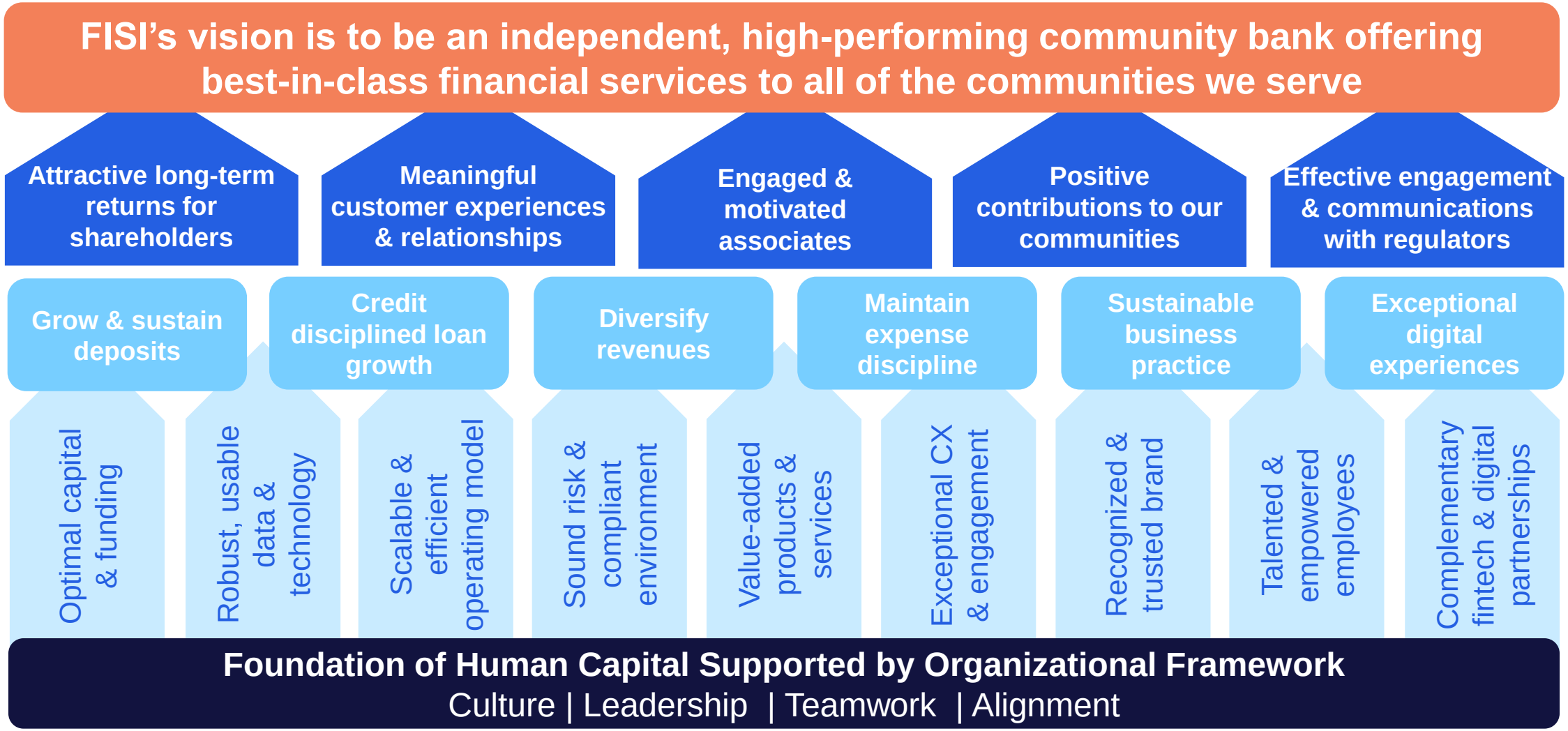


Kevin B. Quinn
SVP, Chief Commercial Banking Officer
overseeing CRE and C&I lending, treasury management, merchant services and community development



Reid A. Whiting
SVP, Chief Banking Officer
overseeing retail and digital banking, consumer lending, residential mortgage and BaaS

Strategy Map



Non-GAAP Reconciliations

In addition to results presented in accordance with U.S. generally accepted accounting principles ("GAAP"), this presentation contains certain non-GAAP financial measures. The Company believes that providing certain non-GAAP financial measures provides investors with information useful in understanding our financial performance, performance trends and financial position. Our management uses these measures for internal planning and forecasting purposes and we believe that our presentation and discussion, together with the accompanying reconciliations, allows investors, security analysts and other interested parties to view our performance and the factors and trends affecting our business in a manner similar to management. These non-GAAP measures should not be considered a substitute for GAAP measures and we strongly encourage investors to review our consolidated financial statements in their entirety and not to rely on any single financial measure to evaluate the Company. Non-GAAP financial measures have inherent limitations, are not uniformly applied and are not audited. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names.

Amounts in thousands, except per share data and percentages	12/31/2021	3/31/2024
Computation of ending tangible common equity:		
Common shareholders' equity	$ 487,850	$ 448,442
Less: Goodwill and other intangible assets, net	74,400	72,287
Tangible common equity	413,450	356,155
Computation of ending tangible assets:		
Total assets	$ 5,520,779	$ 6,225,760
Less: Goodwill and other intangible assets, net	74,400	72,409
Tangible assets	5,446,379	6,153,351
Tangible common equity to tangible assets[1]	7.59%	6.80%
Common shares outstanding	15,745	15,447
Tangible common book value per share[2]	$ 26.26	$ 23.06

[1] Tangible common equity divided by tangible assets.
[2] Tangible common equity divided by common shares outstanding.
Source: Company filings

Non-GAAP Reconciliations Continued

Amounts in thousands, except per share data and percentages	As of and for the quarter ended March 31, 2024				
Adjusted Net Income and Adjusted Earnings Per Share (EPS):	Income before income taxes	Provision for income taxes	Net income	Preferred stock dividends	Diluted EPS
As reported	$ 2,426	$ 356	$ 2,070	$ 365	$ 0.11
Add back:					
March 2024 fraud event related expenses	19,035	4,877	14,158	-	0.91
Impact of full year effective tax rate – interim period adjustment	-	(1,471)	1,471	-	0.10
As adjusted	$ 21,461	$ 3,762	$ 17,699	$ 365	$ 1.12

Adjusted Return on Average Assets (ROAA):	As reported	Adjustments	As adjusted
Average total assets	$ 6,225,760	-	$ 6,225,760
Net income	2,070	15,629	17,699
Net income (annualized)	8,280	62,516	70,796
Return on average assets	0.13%	1.00%	1.14%

Adjusted Efficiency Ratio:	As reported	Adjustments	As adjusted
Non-interest expenses	$ 54,013	$ 19,035	$ 34,978
Net interest income	40,082	-	40,082
Non-interest income	10,901	-	10,901
Efficiency ratio	106%	-37%	69%

Source: Company filings