

Investor Presentation

Nasdaq: FISI

Second Quarter 2025

July 24, 2025

Financial Institutions, Inc.

Important Information

Safe Harbor Statement & Other Information

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 speak only of as of the date of this presentation. These forward-looking statements can generally be identified as such by the context of the statements, including words such as "anticipate,“ "believe," "continue," "estimate," "expect," "focus," "forecast," “guidance,” "intend," "may," "plan," "preliminary," "should,“ “target,” or "will,” and other similar expressions, whether in the negative or affirmative. These forward-looking statements are based on management’s current expectations and beliefs and involve significant risks and uncertainties. You should not place undue reliance on any such forward-looking statements. All forward-looking statements, express or implied, made herein are qualified in their entirety by this statement and the cautionary language and the risk and other factors detailed from time to time 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.

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

Please refer to the Appendix for a listing of acronyms and abbreviations used within this presentation.

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Overview of Financial Institutions, Inc.

$6.14B-asset financial holding company of Five Star Bank and Courier Capital

Headquartered in Western New York, serving 15 contiguous Upstate New York counties through 50 locations[1]

- Commercial LPO serving Mid-Atlantic region provides valuable geographic and client type diversification

Experienced management team with extensive market knowledge and industry experience

History of generating consistent, strong operating results

Disciplined credit culture with solid credit quality over time

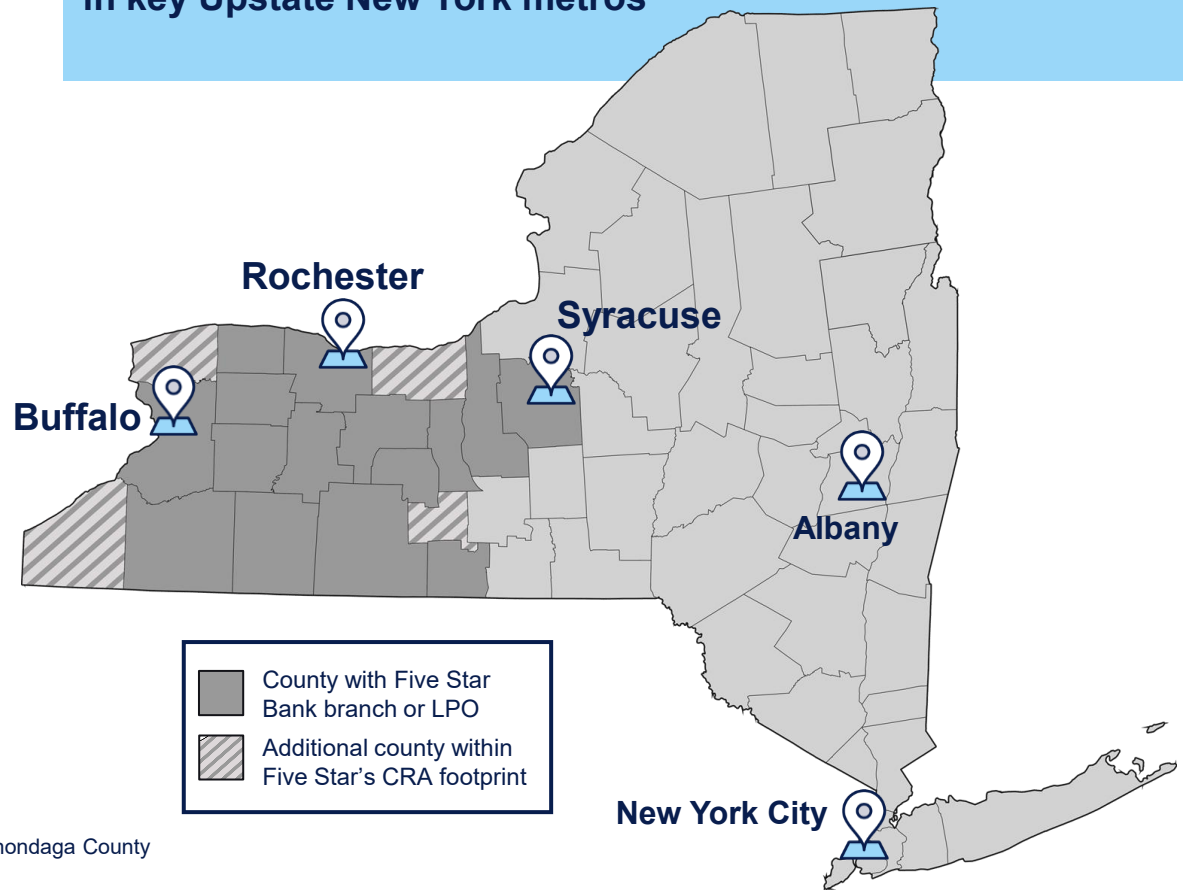
Diversified core business lines:

- Community banking services
- Commercial and SMB lending
- Wealth management

Complementary auto lending business line provides steady cash flow and solid margin contributions:

- Consumer Indirect auto lending offered through new auto dealer network in New York State, where public transportation is limited

Serving financially stable markets and well-positioned for growth in key Upstate New York metros



[1] 48 branches and 1 motor branch across 14 New York State counties, in addition to a commercial LPO located in Onondaga County

Full Year 2025 Guidance

The Company affirms the following expectations

Full year NIM of 3.45% to 3.55% using a spot-rate forecast as of most recent quarter-end

1% to 3% annual loan growth driven by commercial loans

Flat deposit balances as non-public deposit growth is expected to offset the outflow of BaaS-related deposits

Noninterest income of $40MM to $42MM in 2025[1]

Noninterest expense of ~$140MM in 2025[2]

Efficiency ratio below 60% for the year

Effective tax rate of 17% to 19% including the impact of the amortization of tax credit investments placed in service in recent years

Annual net charge-offs to full year avg. loans of 0.25% to 0.35% reflective of credit-disciplined lending and strong fundamental underwriting processes



>1.10%

Return on average assets



>11.25%

Return on average equity

[1] Noninterest income excluding gains/losses on securities, impairment of investment tax credits, limited partnership income, insurance income, and gains/losses on assets, including the previously disclosed insurance sale gain. Original guidance presented as between $9.5MM to $10MM per quarter

[2] Noninterest expense guidance originally presented as approximately $35MM per quarter

Recent Financial Results

As of or for the quarter ended 6/30/25



$17.2MM

Net income available to common shareholders

"Second quarter 2025 financial results were highlighted by continued **margin expansion**, **increased net interest income** and **durable noninterest revenues**, which allowed us to deliver **4% growth in net income** available to common shareholders from the linked first quarter."

- Martin K. Birmingham, President & CEO

Diluted earnings per common share: $0.85, an increase of 4.9% from $0.81 in 1Q25

ROAA (annualized): 1.13%, up 3 bps from linked quarter

NIM: 3.49%, up 14 bps from linked quarter

NII: $49.1MM, up $2.3MM, or 4.8%, from 1Q25

Total deposits: $5.16B, reflecting a decrease of $216.9MM, or 4.0% from 3/31/25, reflecting public deposit seasonality and BaaS outflows

Total loans: $4.54B, down modestly from $4.55B in 1Q25

Noninterest income: $10.6MM, up $0.2MM, or 2.4%, from 1Q25

Noninterest expense: $35.7MM, compared to $33.7MM in 1Q25

Solid credit quality metrics, including a reduction in NPLs to total loans annualized NPLs to total loans of 16 bps, to 0.72% at 6/30/25

Provision for credit losses: $2.6MM, compared to $2.9MM in 1Q25

Recent Financial Results

Last five quarters earnings summary

Earnings Summary Amounts in millions, except percentages and per share amounts	**2Q24**	**3Q24**	**4Q24**	**1Q25**	**2Q25**
Average interest-earning assets	$5,765.9	$5,611.7	$5,715.8	$5,651.2	$5,651.4
Net interest margin (tax equivalent basis)	2.87%	2.89%	2.91%	3.35%	3.49%
Net interest income	$41.2	$40.7	$41.6	$46.9	$49.1
Noninterest income (loss)	$24.0	$9.4	($91.0)	$10.4	$10.6
Total revenue (loss)	**$65.2**	**$50.1**	**($49.4)**	**$57.2**	**$59.7**
Noninterest expense	($33.0)	($32.5)	($59.4)	($33.7)	($35.7)
(Provision) for credit losses	($2.0)	($3.1)	($6.5)	($2.9)	($2.6)
Income (loss) before income taxes	$30.1	$14.5	($115.3)	$20.6	$21.5
Income tax (expense) benefit	($4.5)	($1.1)	$32.5	($3.7)	($4.0)
Net income (loss)	**$25.6**	**$13.5**	**($82.8)**	**$16.9**	**$17.5**
Preferred stock dividends	($0.4)	($0.4)	($0.4)	($0.4)	($0.4)
Net income (loss) available to common shareholders	**$25.3**	**$13.1**	**($83.2)**	**$16.5**	**$17.2**
Earnings (loss) per share – diluted	$1.62	$0.84	($5.07)	$0.81	$0.85
Weighted average common shares outstanding – diluted	15.6	15.6	16.4	20.3	20.3

Strong Community Bank Deposit Base

Serving consumers, businesses, municipalities and non-profits in Upstate New York

Total deposits were $5.16B, down $216.9MM, or 4.0%, from linked quarter-end, and up $22.7MM, or 0.4%, from one year prior

- Linked quarter variance primarily due to seasonal public deposit outflows and continued progress in wind-down of BaaS offering
- BaaS deposits totaled ~$7MM at 6/30/25, ~$55MM at 3/31/25 and ~$108MM at 6/30/24

Granularity of community banking franchise benefits deposit portfolio

Lower-cost deposits from rural markets fund higher growth in metro markets

- Offering a variety of public deposit products to municipalities, including local governments and school districts, providing seasonal, lower-cost funding source, which made up 21% of total deposits at 6/30/25

Differentiated reciprocal deposit portfolio comprised of many long-tenured Municipal and Commercial customer relationships

- Through CDARS and ICS, we are able to meet the deposit needs of individual Municipal and Commercial customers requiring collateralization above the $250,000 FDIC insurance limit.
- These product offerings in turn provide us with rates favorable to brokered deposits and further pricing benefit in a falling rate scenario.



~$87MM

Avg. deposit balances per branch[1]



324

Municipal customers as of MRQ-end



88%

Loan to deposit ratio

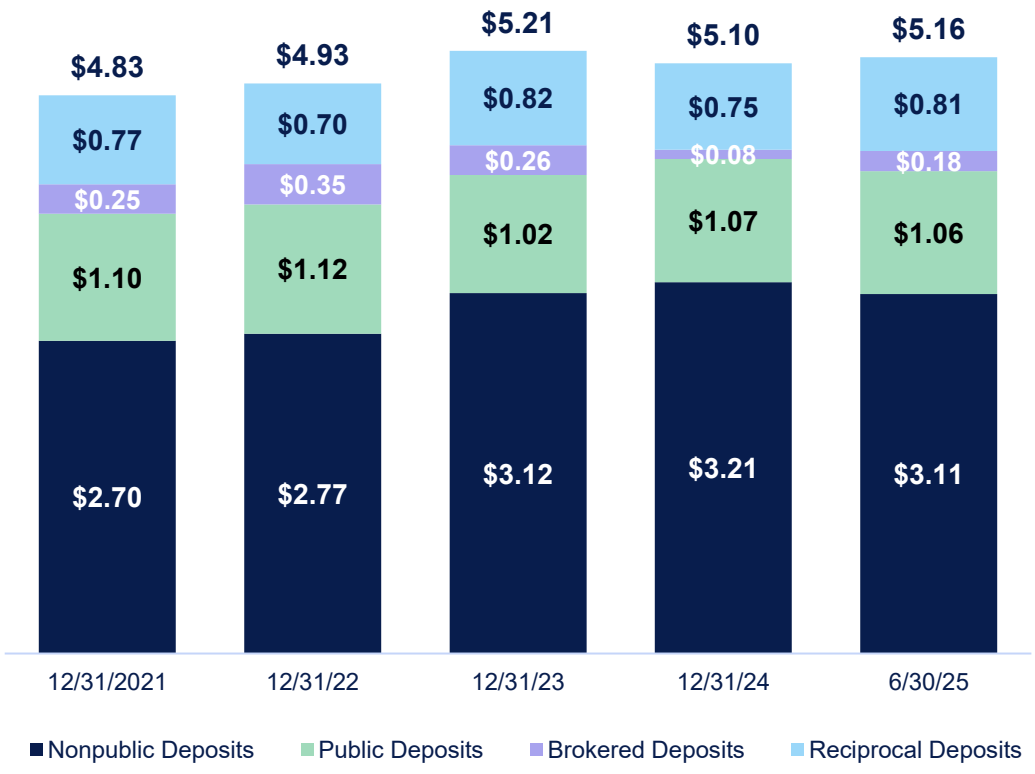
[1] Excluding reciprocal and brokered deposits

Robust Liquidity Position

Supported by diverse deposit gathering capabilities and eligible collateral

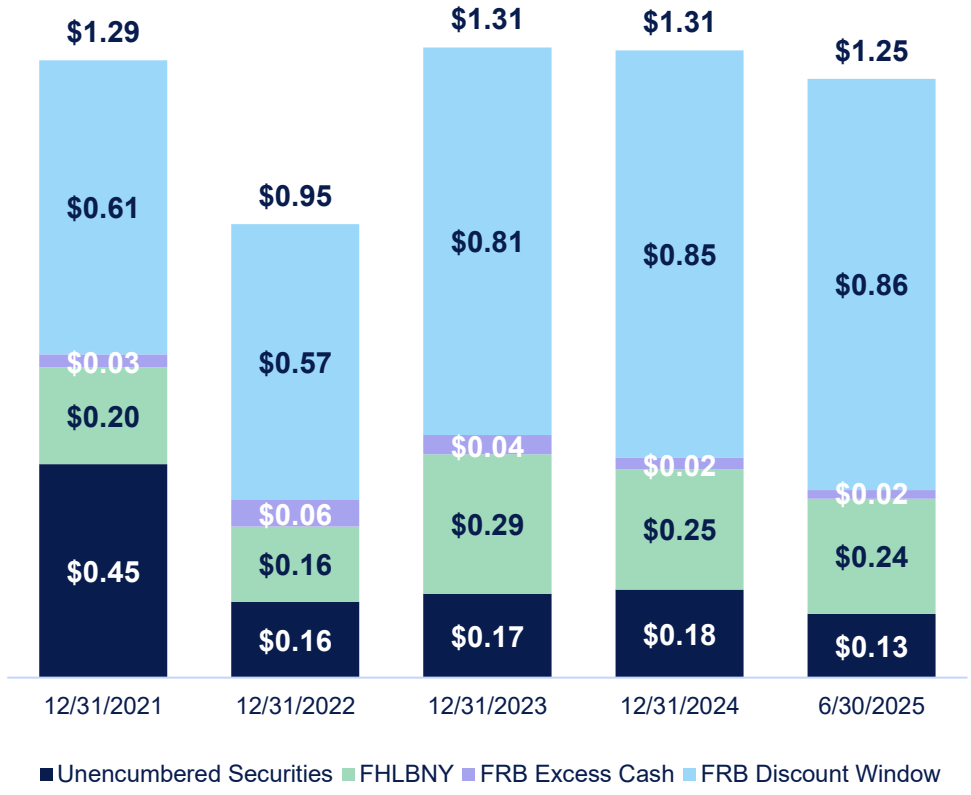
Total Deposits

$ in billions | 1.9% CAGR



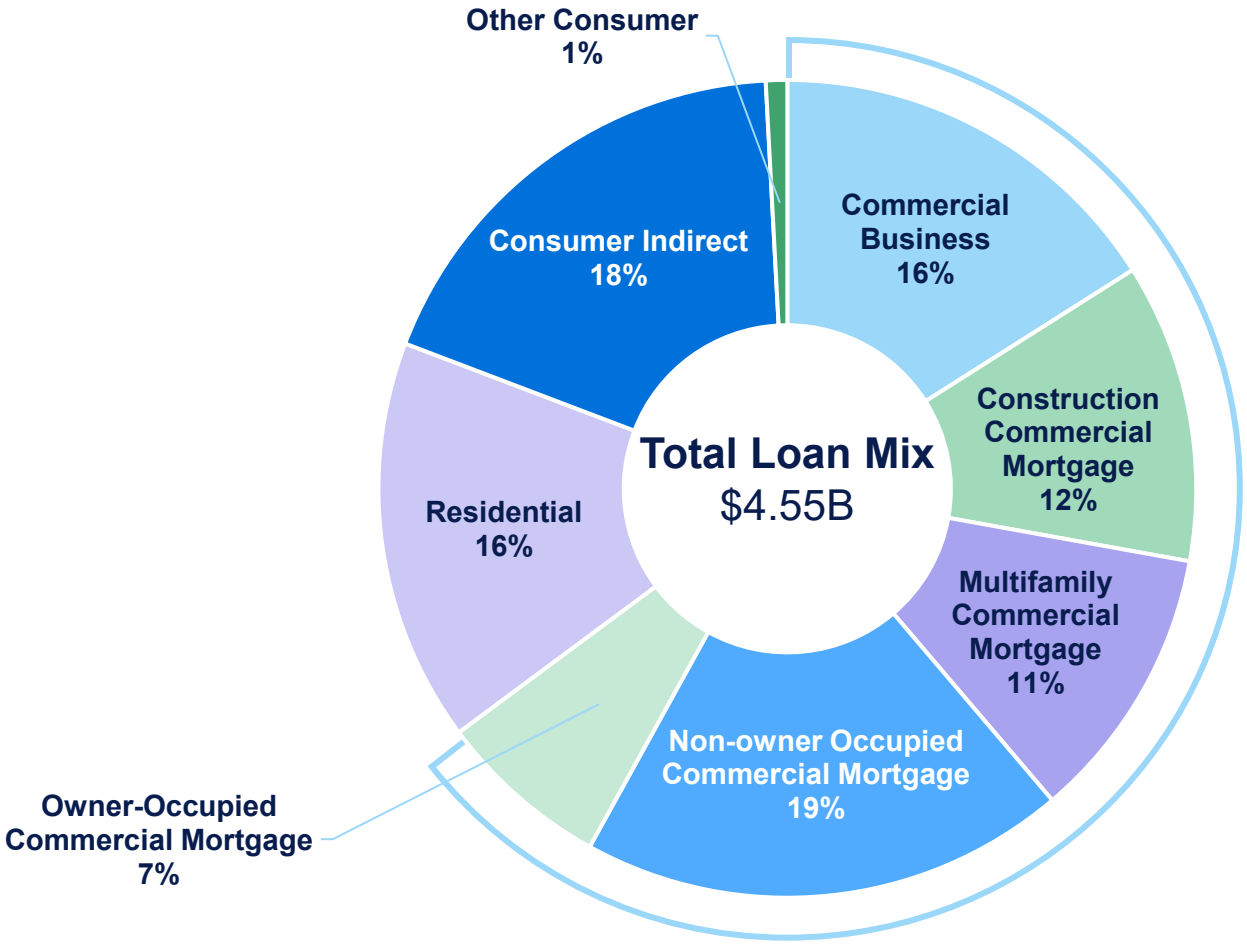
Available Committed Liquidity

$ in billions



Diversified Loan Portfolio

Total loans have grown at a 5.8% CAGR since year-end 2021



65%

of total loans are commercial, comprised of CRE, C&I & BBU[1]

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

Commercial Lending

Total commercial loans of $2.94B and committed credit exposure of $3.90B at 6/30/25

Total commercial loans were flat with the linked quarter and up $141.6MM, or 5.1%, year-over-year

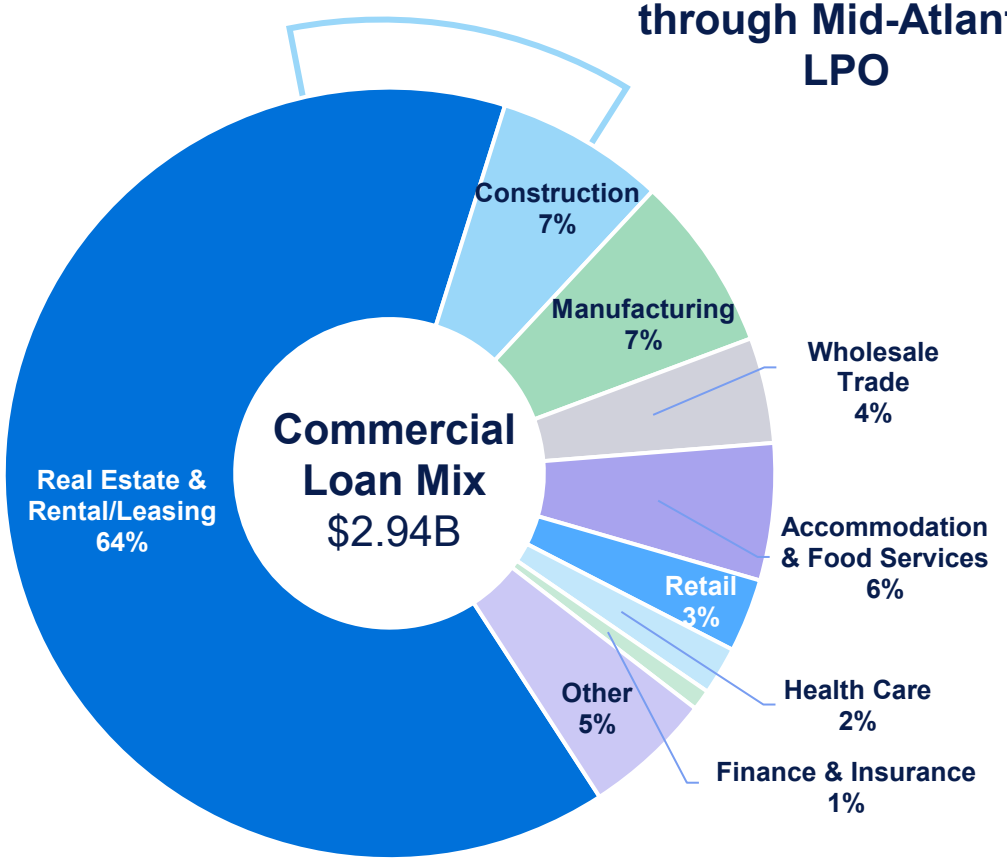
Operating in financial stable geographic markets, primarily in NYS

- Commercial teams situated in regional headquarters in Buffalo and Rochester, NY, supported by Upstate New York branch network and commercial LPOs in Central New York and the Mid-Atlantic
    - Syracuse, NY LPO well-positioned for anticipated growth from tech-fueled investments in Central New York under leadership of market president with 25+ years of local experience
    - LPO in suburban Baltimore, MD leverages decades of in-market and industry experience and deep relationships of the local CRE team to provide geographic and client diversification, including mix of stabilized projects, construction projects and residential AD&C projects (see Appendix for more detail on Mid-Atlantic)

Disciplined approach to credit and risk management supports strong asset quality metrics

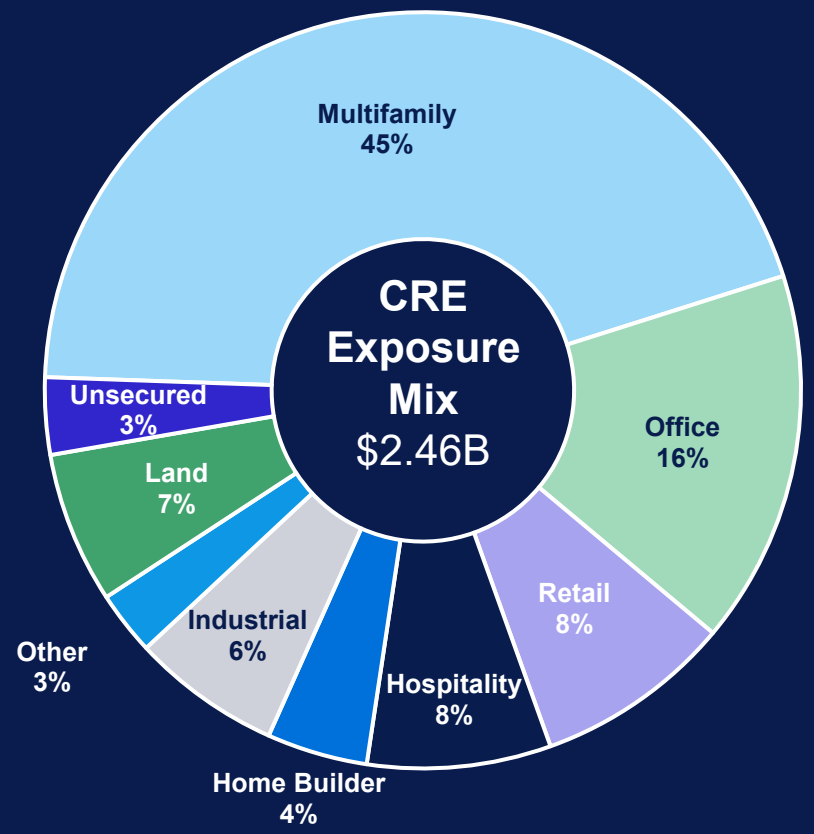
- Commercial NCO in 2Q25 relates to a commercial business relationship that was placed on nonaccrual in 4Q23 and for which a specific reserve was in place

13.1% of commercial loans are originated through Mid-Atlantic LPO



Commercial Real Estate

Total CRE outstandings of $2.16B and committed credit exposure of $2.46B at 6/30/25



~$3.1MM
weighted avg. loan commitment

~730
loans consolidated into ~260 lending relationships

>70%
of CRE clients have loan relationship <$10MM

- Growth achieved without compromising strong credit culture
- Portfolio factors in loan rollover risk, with ~13% of exposure scheduled to mature within next 12 mos. and another ~16% in 24 mos.
- Large majority have full or limited personal or corporate recourse, providing comfort with loan rollover risk[1]

See Appendix slides 29-31 for additional CRE detail, including on DOGE and Mid-Atlantic

[1] Recourse and loan-to-value ("LTV") ratio calculated as of 6/30/25; original appraised value used for LTV ratio

CRE: Office & Multifamily

Internal stress testing conducted on quarterly basis analyzing several largest CRE asset classes

Office CRE outstanding balances of $368MM and committed credit exposure of $393MM

- Weighted avg. loan commitment: $3.5MM
- Criticized/classified: ~$19MM, or <5% of asset class

Loans $1MM+

- Avg. LTV: 51%[1]
- Recourse: ~75% have full or limited personal or corporate recourse; those without have avg. LTV of ~57%[1] and DSCR of ~1.4X

Multifamily CRE outstanding balances of $850MM and committed credit exposure of $1.1B

- Weighted avg. loan commitment: $4.0MM
- Criticized/classified: ~$32MM, or ~3% of asset class

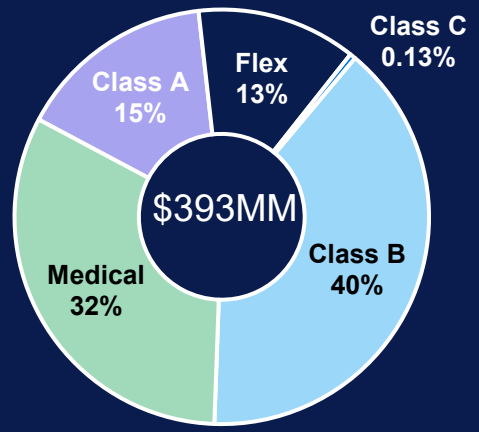
Loans $1MM+

- Avg. LTV: 59%[1]
- Recourse: >90% have full or limited personal or corporate recourse; those without have avg. LTV of ~54%[1] and DSCR of ~1.6X

Office Exposure Mix

~72% is Class B or Medical office space

~59% is in Upstate New York, remainder in Mid-Atlantic



Multifamily Stats

~86%
in Upstate New York

~59%
in construction phase

See Appendix slides 29-31 for additional CRE detail, including on DOGE and Mid-Atlantic

[1] Recourse and loan-to-value ("LTV") ratio calculated as of 6/30/25 on loans exceed $1MM; original appraised value used for LTV ratio
[2] Loans with overlaying interest rate swaps are considered variable

Residential Real Estate

$722.9MM held portfolio and $281.6MM serviced for others portfolio at 6/30/25

Residential held portfolio increased $4.1MM, or 0.6%, from 3/31/25 and was flat with 6/30/24

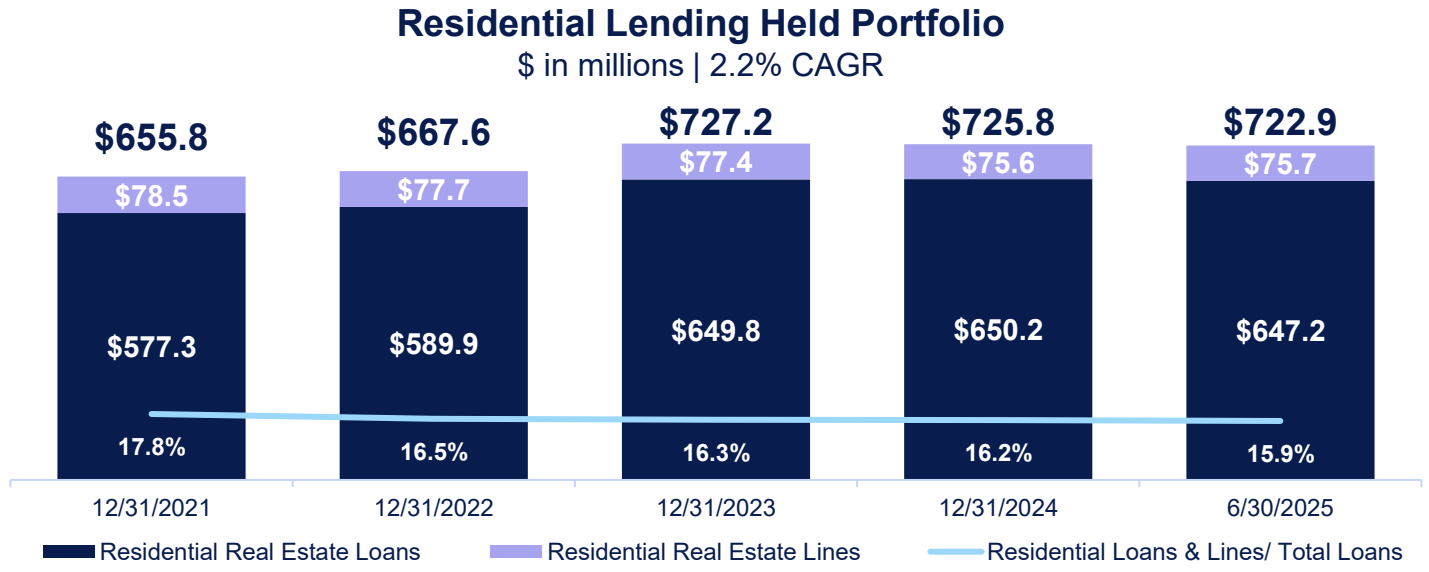
High quality portfolio in stable Upstate New York market with in-market originations through mortgage loan originators, Five Star Bank branch network and digital point-of-sale technology

FICO: Weighted avg. credit score for residential loans of 741 at origination, and 765 for HELOCs

Avg. balance: ~$111,300 avg. residential loan size and $24,300 avg. HELOC balance

Approved seller-servicer for Freddie Mac and FHLBNY, supporting a residential sold and serviced for others portfolio of $281.6MM, with weighted avg. FICO score of 738 and avg. balance of $123,500

Full product menu featuring competitive construction offerings, as well as FHA, VA, USDA and SONYMA products



Consumer Indirect Auto

$833.5MM portfolio at 6/30/25

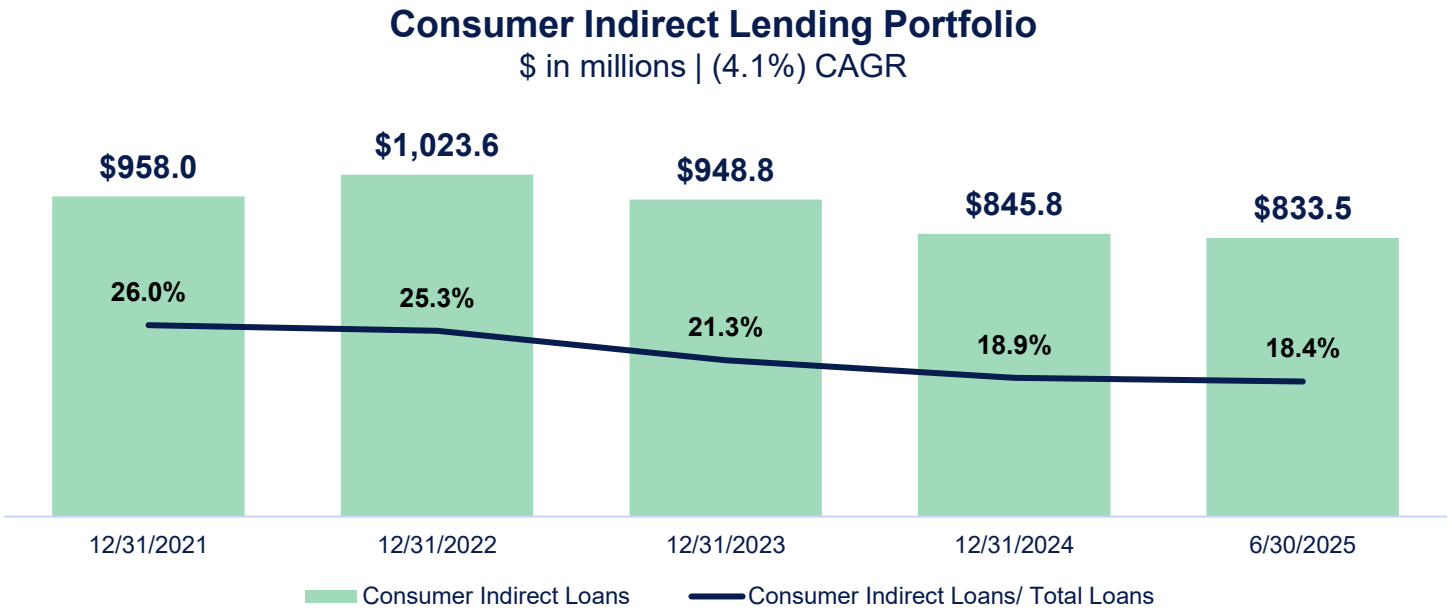
Consumer indirect portfolio decreased $19.7MM, or 2.3%, from 3/31/25 and $61.1MM, or 6.8%, YoY

Core competency with attractive risk-adjusted return profile

Prime lending operation with natural risk dispersion given small loan size averaging ~$19,900

Demonstrated record of consistent performance across economic expansions, recessions and stagnation

- Annual charge-off ratio has ranged 0.45% to 0.89% for 2008 to 2024, excluding the exceptionally low 0.14% reported in 2021; charge-off ratio was 0.45% in 2Q25, 1.03% in 1Q25, and 0.38% in 2Q24



~365
new auto dealer network in New York State

716
weighted avg. FICO score at origination → prime lending

~3.4 years
average duration

Securities Portfolio

$1.01B at 6/30/25

Primarily comprised of agency wrapped MBS with intermediate durations, which provide ongoing cash flow, coupled with investment grade municipal bonds that are classified as HTM

- ~5.7 years avg. duration

Active approach to investment securities management to balance yield, duration and risk, led the Company to complete a minor restructuring of ~$60MM in mortgage-backed securities in 2Q25

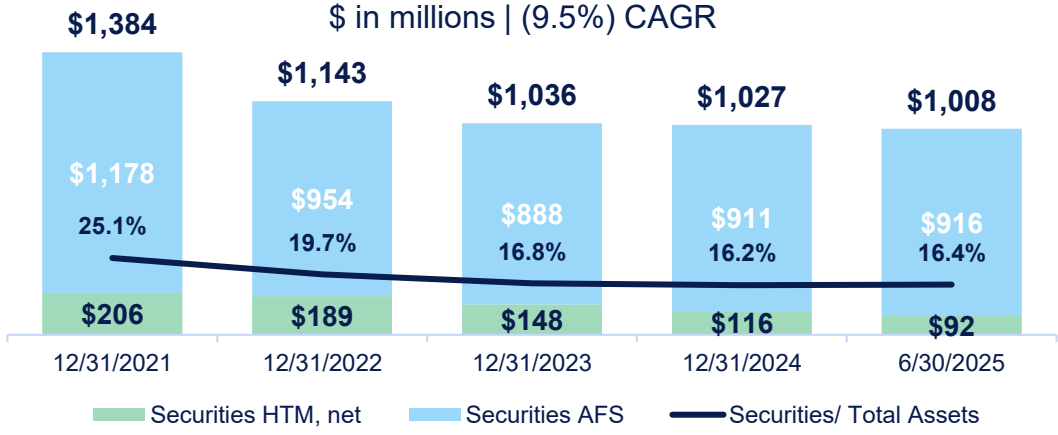
- 4.34% yield reflects 9 bps improvement from linked quarter

Cash flows expected to be reinvested into the portfolio, as securities serve as collateral for Municipal deposit portfolio

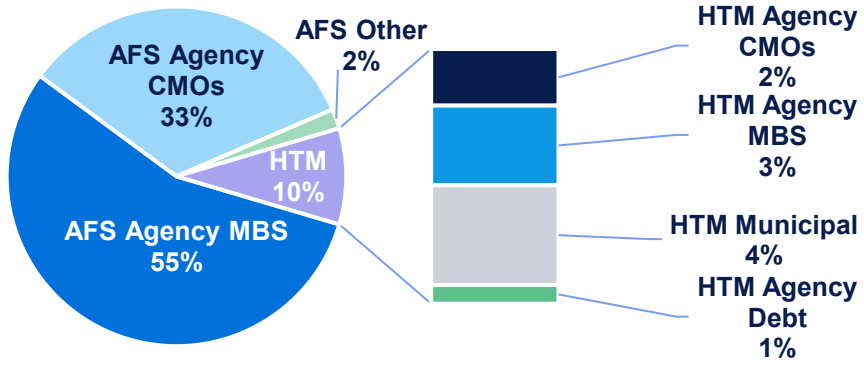
- ~$143MM principal cash flow NTM

Investment Securities Portfolio

$ in millions | (9.5%) CAGR



Securities Portfolio Mix[1]



[1] AFS securities shown at fair value and HTM securities shown at amortized cost as of 6/30/25



Balance Sheet Providing Ample Cash Flow

~$1.1B in anticipated NTM cash flow from loan portfolios

Select Interest Earning Assets	2Q25 Yield	2Q25 Roll Off Loan Yield	2Q25 Roll On Loan Yield	Balance at 6/30/25 ($MMs)	Avg. NTM Monthly Cash Flow[1] ($MMs
Commercial Real Estate Loans	6.56%	7.06%	6.98%	$1,959.1	$28.1
Commercial & Industrial Loans	6.40%	5.52%	6.85%	$851.5	$9.5
Small Business Loans[2]	7.04%	7.38%	7.44%	$123.2	$1.0
Residential Real Estate Loans	4.24%	4.66%	6.44%	$647.2	$7.2
Consumer Indirect Loans	6.62%	6.83%	8.18%	$833.5	$27.0
Consumer Direct Loans	8.34%	10.52%	11.72%	$38.3	$0.6



~$143MM in additional NTM principal cash flow from investment securities portfolio will generally be reinvested into additional securities to support collateral position for municipal deposits

[1] Next 12-month 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 BBU

Net Interest Income & Margin

2Q25 NII of $49.1MM and NIM of 3.49%

NII of $49.1MM increased $2.3MM, or 4.8% from the linked quarter and $7.9MM, or 19.2%, from the year-ago quarter

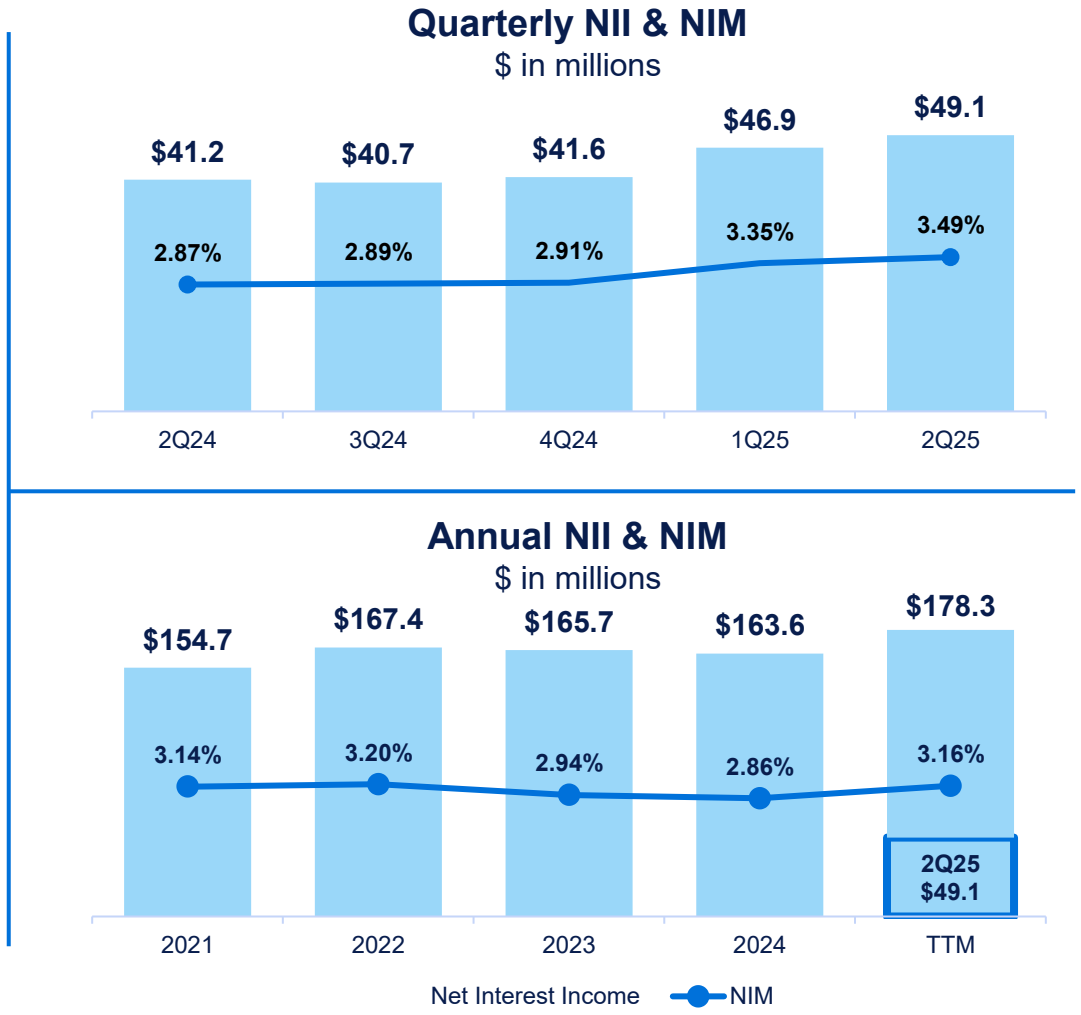
NIM was 3.49% for the current quarter, up 14 bps from the linked quarter and up 62 bps than the year-ago quarter

NII and NIM expansion supported by strategic investment securities restructuring completed in late 4Q24

- 2Q25 investment securities portfolio yield of 4.34% was up 217 bps from 2Q24, reflecting the Company's previously disclosed 4Q24 investment securities repositioning that followed its successful and oversubscribed public equity offering and up 9 bps from 1Q25, supported by minor restructuring in 2Q25

Effective repricing of deposits supported a 6 bps decrease in cost of funds in 2Q25, while average loan yield increased 6 bps

- ~40% of loan portfolio is floating, with the majority priced off Prime and SOFR indexes



Note: The interest on tax-exempt securities is calculated on a tax-equivalent basis assuming a Federal income tax rate of 21%.

Diverse Noninterest Income

2Q25 noninterest income of $10.6MM made up 18% of quarterly revenue



Investment Advisory Income: $2.9MM

Up $0.1MM, or 5%, and $0.1MM, or 4%, from the linked and year-ago quarters, respectively

Primarily derived from wholly-owned RIA subsidiary, Courier Capital, LLC, with $3.38B in AUM as of 6/30/25

Branch-delivered investment advisory products and services also offered in collaboration with Principal Financial Network of the Northeast®



Select Banking Services Fee Income: $3.7MM

Up $0.3MM, or 9%, from 1Q25 and relatively flat with 2Q24

Inclusive of card interchange income, service charges on deposits, loan servicing income, income from derivative instructments, net (swap fees), and gains on the sale of loans HFS



Company Owned Life Insurance: $3.0MM

Up $0.2MM, or 7%, and $1.6MM, or 118%, from linked and year-ago quarters, respectively

COLI enhanced through surrender/redeploy strategies in recent years, including in 1Q25, when the Company restructured a portion of the portfolio into higher-yielding separate account policies

Given late 2Q25 redemption by previous carrier, COLI income was elevated in 1Q25 and 2Q25 relative to its anticipated run-rate by ~$275M



Other Noninterest Income Streams

Other Noninterest Income of $1.3MM was down $0.3MM, or 19%, and $0.2MM, or 15%, from 1Q25 and 2Q24, respectively

The following categories of noninterest income totaled $0.2MM in 2Q25 and are excluded from the Company's annual guidance: gains/losses on securities, impairment of investment tax credits, limited partnership income, insurance income, and gains/losses on assets, including the previously disclosed insurance sale gain

Courier Capital, LLC

FISI's wholly-owned RIA subsidiary is one of the largest serving Western New York

Supporting revenue diversification as the primary driver of the Company's investment advisory income, which totaled $2.9MM in 2Q25

One of the largest RIAs serving Western New York by AUM and positioned for growth, having been enhanced through bolt-on acquisitions over the years and recent talent recruitment

Complementing Five Star Bank's relationship-based financial services offerings in its Upstate New York markets

- Providing customized investment management, retirement planning, and consulting services
- Focused on mass affluent and high-net-worth individuals and families, businesses, institutions, and foundations
- Headquartered in Buffalo, NY with offices in Rochester and Jamestown, NY and Pittsburgh, PA



$3.38B
in AUM at 6/30/25



3
RIA acquisitions since 2016

Noninterest Expense

2Q25 expense was $35.7MM

Noninterest expense was $35.7MM in MRQ, compared to $33.7MM in 1Q25 and $33.0MM in 2Q24

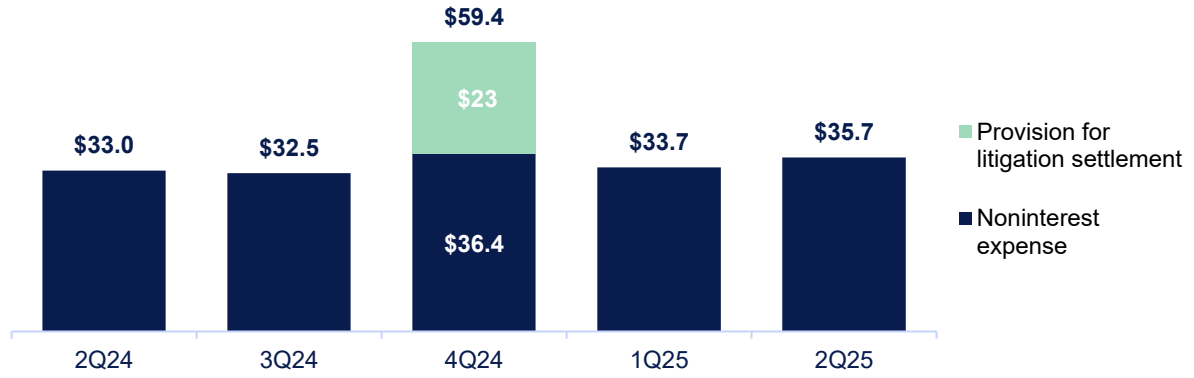
- Both the linked quarter and year-over-year variances were primarily driven by higher salaries and employee benefits, as well as increased occupancy and equipment expense and computer and data process expense
- Higher salaries and employee benefits as compared to 1Q25 were due in part to elevated medical claims in the current quarter while the year-over-year increase was due primarily to annual merit increases

Efficiency ratio of <60% in 2Q25, in-line with full year target

- Focused on effectively managing expenses as we invest in people, processes and technology to support future growth and performance

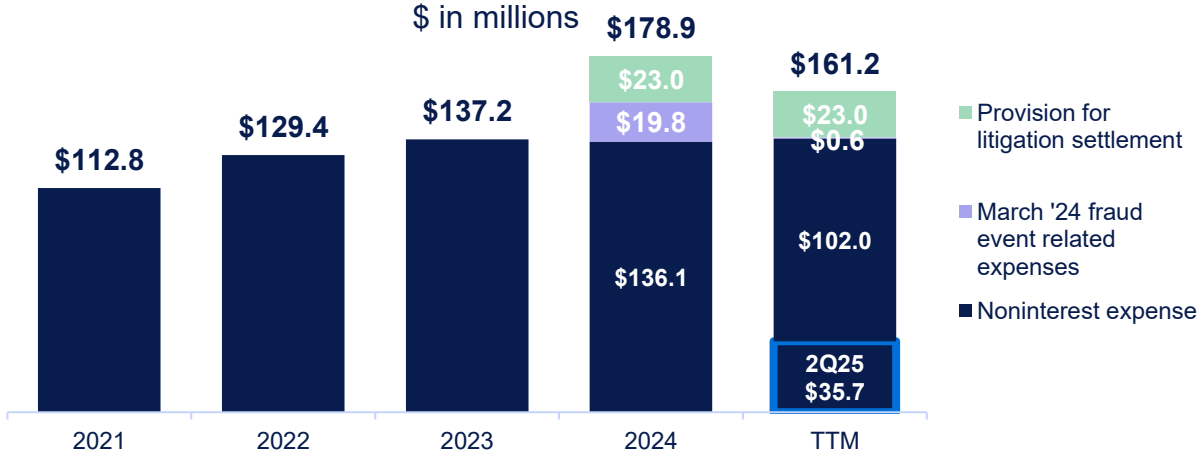
Quarterly Noninterest Expense[1]

$ in millions



Annual Noninterest Expense

$ in millions

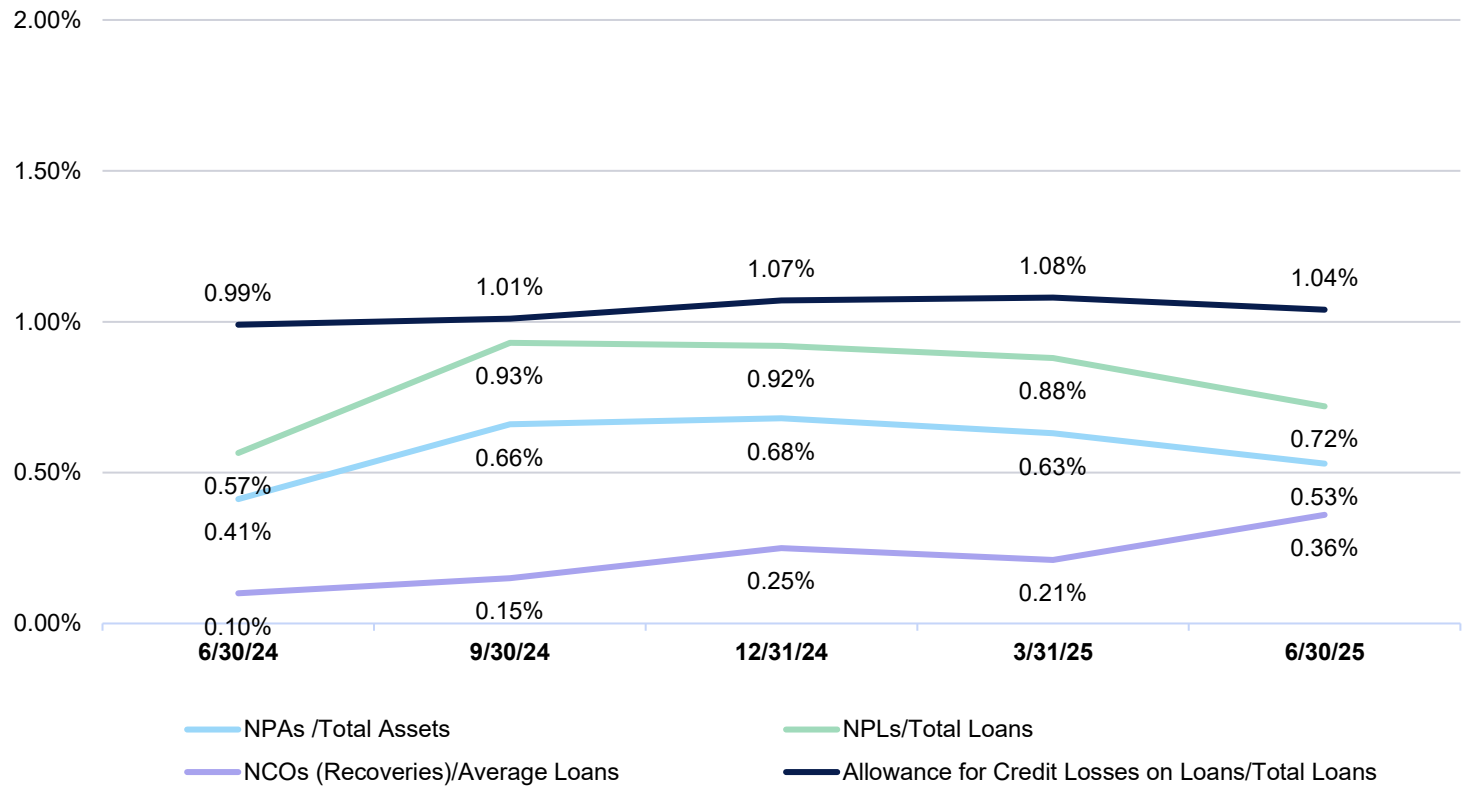


[1] Expenses related to the previously disclosed March '24 fraud event presented as part of noninterest expense in quarterly chart, given legibility of breaking out small dollar values on a quarterly basis

Solid Asset Quality

Last five quarters asset quality summary

Select Asset Quality Metrics[1]



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

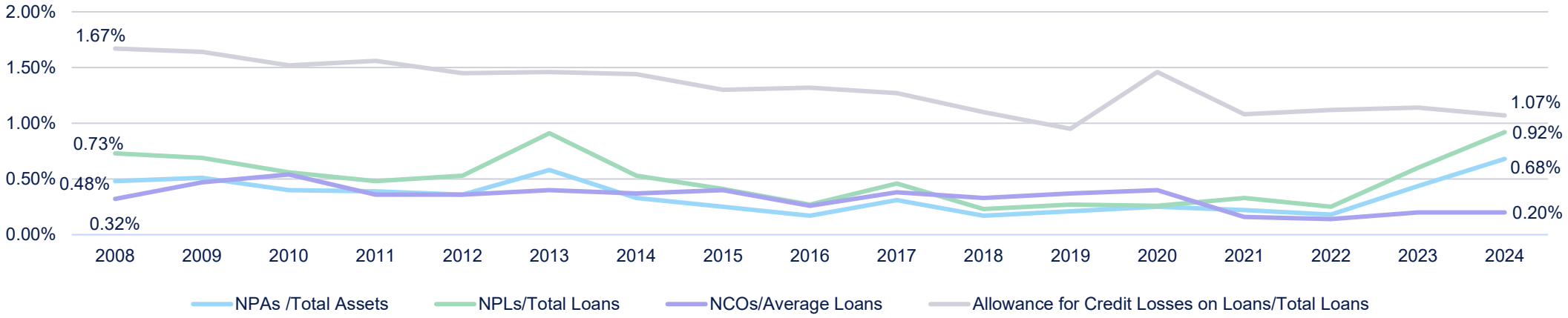
Elevated NPLs and NPAs relative to FISI's historic strong asset quality metrics are primarily associated with two separate commercial lending relationships in the Bank's Upstate New York geography, one of which was placed on nonaccrual during the 3Q24 and the other in 4Q23

Increase in NCOs to average loans in 2Q25 relates to the latter commercial business relationship, for which a specific reserve was in place

Solid Asset Quality

Disciplined credit culture supports consistency of asset quality metrics

Select Annual Asset Quality Metrics Since 2008 Financial Crisis[1]



From 2008 to 2024, year-end NPAs ranged from 0.17% to 0.68% of total assets, while annual NCOs to avg. loans ranged from 0.14% to 0.54%

Thorough credit review exercise undertaken at the outset of COVID-19 pandemic reinforced confidence in health of loan portfolio

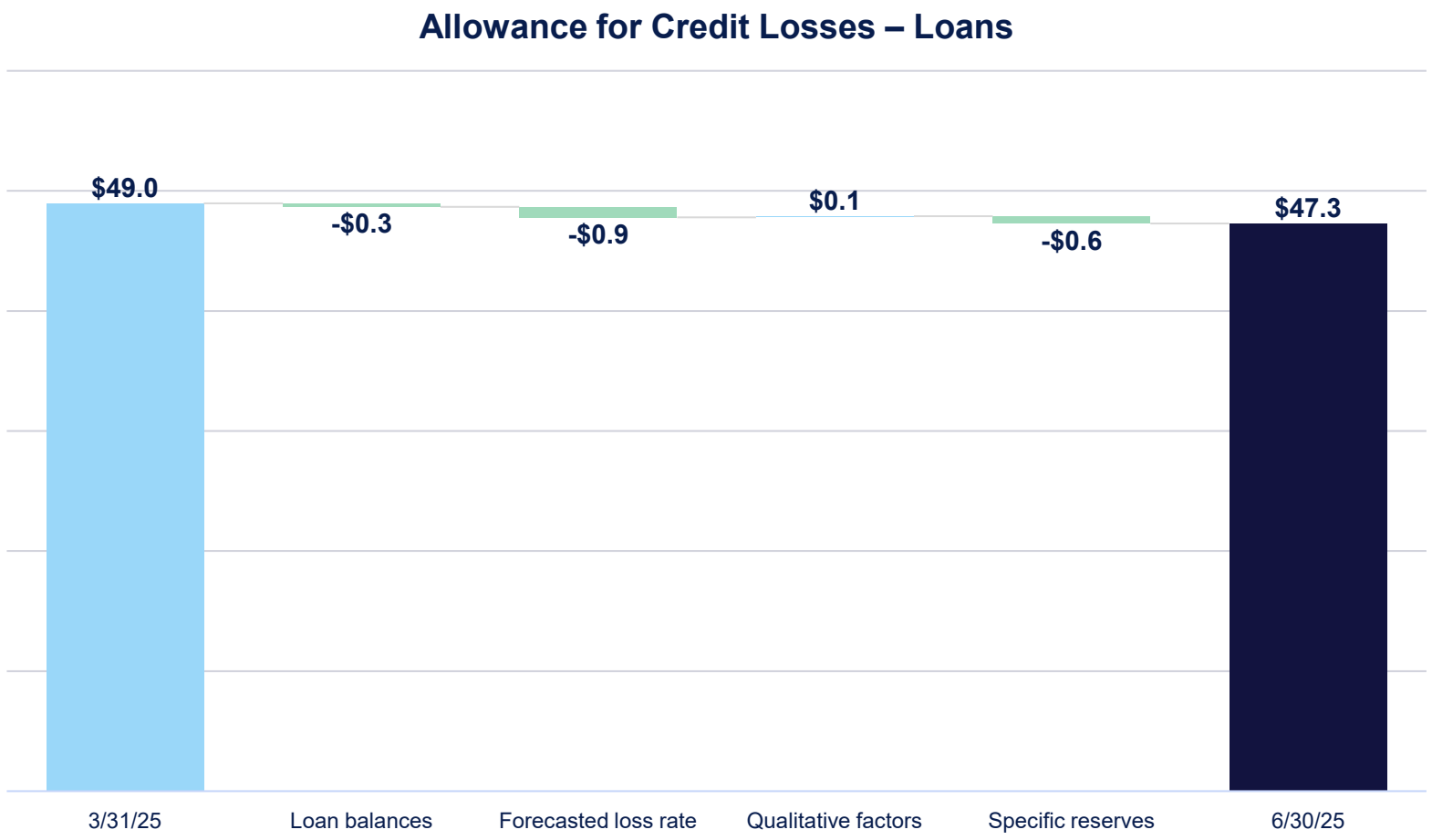
During 2Q22, COVID-19 at-risk pool was eliminated, and all credits now monitored as part of standard loan monitoring process

Increase in NPLs and NPAs beginning in 2023 largely associated with two separate commercial loan relationships, one of which was placed on nonaccrual during the 3Q24 and the other in 4Q23

[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

Allowance for credit losses - loans to total loans was 1.04% at 6/30/25



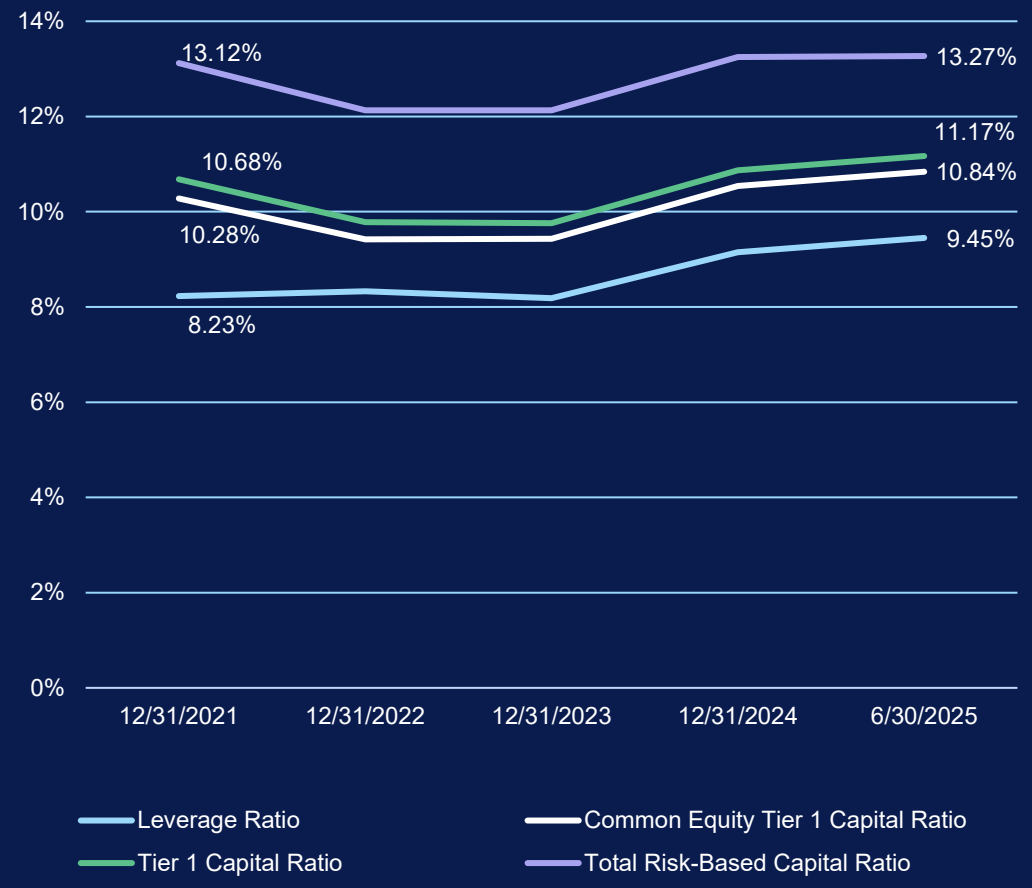
Allowance for credit losses – loans to total loans decreased 4 bps on linked quarter basis

2Q25 provision for credit losses of $2.6MM, compared to $2.9MM in 1Q25

The lower provision on a linked quarter basis was driven by a combination of factors, including improvement in the forecasted loss rate for pooled loans and a reduction in specific reserves, partly offset by higher net charge-offs

Well-Capitalized to Support Future Organic Growth

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



10.84%

CET1 ratio at 6/30/25, up
81 bps from one year prior

Capital Ratio	12/31/21	12/31/22	12/31/23	12/31/24	6/30/25	Well-Capitalized Threshold
Leverage	8.23%	8.33%	8.18%	9.15%	**9.45%**	5.00%
CET1 capital	10.28%	9.42%	9.43%	10.54%	**10.84%**	6.50%
Tier 1 capital	10.68%	9.78%	9.76%	10.87%	**11.17%**	8.00%
Total RBC	13.12%	12.13%	12.13%	13.25%	**13.27%**	10.00%

Investment Thesis and Profile

Nasdaq: FISI

Results-driven community bank with strong retail and commercial franchises that's well positioned for profitable, organic growth

- Steady, upward performance over the long-term with steeper trajectory following recent actions to position us for stronger earnings potential
- Disciplined credit culture with strong credit quality

Wealth management business diversifies revenue and complements core banking franchise

- Leading contributor of noninterest income, which makes up ~18% of revenue

Experienced management team committed to rewarding shareholders, including through meaningful dividend yield and long-standing dividend history

Attractive valuation, given discount to peers relative to performance guidance

Investment Profile	As of 6/30/25
Closing Price	$25.68
52-week High	$29.78
52-week Low	$18.56
Common Shares Outstanding	20.1MM
Market Capitalization	$516MM
Price/NTM Consensus EPS	7.2x
Price/Common Book Value Per Share	0.88
Float	91%
Average Daily Volume (MRQ)	~154,500
Dividend Per Share (annualized MRQ)	$1.24
Dividend Yield (annualized MRQ)	4.86%

Appendix

Acronyms & Abbreviations

Definitions of acronyms and abbreviations used within this presentation

- A&D: Acquisition and Development
- ADC: Acquisition, Development and Construction
- AFS: Available for Sale
- AUM: Assets Under Management
- B: Billions
- BaaS: Banking-as-a-Service
- BPS: Basis Points
- BBU: Business Banking Unit
- CAGR: Compound Annual Growth Rate
- CBD: Central Business District
- CDARs: Certificate of Deposit Account Registry Service
- C&I: Commercial and Industrial
- CMO: Collateralized Mortgage Obligation
- COLI: Company Owned Life Insurance
- CRE: Commercial Real Estate
- DSCR: Debt Service Coverage Ratio
- EPS: Earnings Per Share
- GAAP: Generally Accepted Accounting Principles
- GSA: General Services Administration
- HELOC: Home Equity Line of Credit
- HFS: Held for Sale
- HTM: Held to Maturity
- ICS: Insured Cash Sweeps
- LPO: Loan Production Office
- LTM: Last Twelve Months
- LTV: Loan-to-Value Ratio
- LQ: Linked Quarter
- MBS: Mortgage-Backed Securities
- MM: Millions
- MRQ: Most Recent Quarter
- NCO: Net Charge-Off
- NII: Net Interest Income
- NIM: Net Interest Margin
- NOO: Non-Owner Occupied
- NTM: Next Twelve Months
- RIA: Registered Investment Advisor
- RM: Relationship Manager
- SMB: Small and Midsize Businesses
- TTM: Trailing Twelve Months

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, and internal audit



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



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



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



Eric W. Marks
SVP, Chief Consumer Banking Officer overseeing retail banking, residential mortgage, customer contact center and collections



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

Federal Policy & DOGE Impacts

Federal Government/ GSA lending not part of market strategy

Six CRE loans with GSA/government tenants totaling $43.5MM, or ~1.5% of CRE loans

- None located in Mid-Atlantic region; none cancelled year-to-date
- One loan for ~$0.1MM is 100% leased to the USPS, while the remainder are only partially leased to government entities

Canvassing of CRE customer base found de minimis exposure to GSA/government tenants in their broader real estate portfolios, and those with exposure are not expressing concern at present

- Within Mid-Atlantic market, our largest customers have indicated that multifamily vacancy rates and rent have remained stable and there has been no declines in sales pace of single-family projects, given the persisting tight housing markets in the Mid-Atlantic
- Closely monitoring portfolio as economic conditions evolve to understand how federal policy changes may impact future performance

Loans to GSA/government tenanted buildings are outside our traditional market strategy given competition, non-recourse nature and more

- Highly competitive, resulting in transactions with very low margin and low DSCR
- Typically non-recourse, which is not aligned with our CRE portfolio, of which ~90% has some level of recourse
- GSA leases typically contain cancellation clauses

Mid-Atlantic government employees predominantly in armed services positions, including the Navy, Army and Department of Defense, where personnel cuts are not anticipated

High federal employment numbers in Virginia and Maryland given proximity to Washington, DC[1]

- VA: ~144,500 federal employees, representing 3.3% of employees statewide; largest percentages employed by the Navy (31.4%), Department of Defense (19.5%) and Army (10.5%)
- MD: ~142,900 federal employees, or 4.6% of the state's workforce; largest employes including the Department of Health and Human Services (28.1%), Navy (12.0%) and Army (10.6%)

National federal employment statistics[1]

- 3.0MM federal jobs, or 1.9% of all US jobs, as of year-end 2024
- Of those, ~2.3MM were full-time employees
- Federal offices with the most personnel based on 2023 data were all military programs under the Defense Department (775,100 people), the Department of Veterans Affairs (433,700), and the Department of Homeland Security (212,000)

[1] Based on data from the U.S. Office of Personnel Management,

Mid-Atlantic CRE: Overview

Total loans of $386.2MM at 6/30/25

Mid-Atlantic market provides Five Star Bank with important geographic and client diversification, leveraging decades of in-market and industry experience and deep relationships of the local CRE team

- Sponsors have proven track records, access to capital and long-term relationships with our RMs
  - High quality sponsors, many with $1B+ net worth, that have weathered numerous real estate cycles
  - Focused on sponsors that build-to-hold for their own portfolio
- Consistent and conservative credit underwriting, with short tenor, reasonable leverage, no tenant concentration, consistent covenants, and diversified portfolios of sponsorship
  - All Mid-Atlantic loans originated post-COVID in higher-interest rate environment
  - Consistent with our approach across the Bank, senior management knows and regularly interacts with major CRE sponsors in this region

Pace of Mid-Atlantic growth moderating since successful commercial LPO opening in 1Q22

- $197MM originated in its first year, with portfolio growth of $110MM in year two and $70MM over LTM
- Total outstanding loan balance of $386.2MM at 6/30/25 with an average loan size of ~$5.9MM
- ~$34.5MM of Mid-Atlantic loans are in Office or Multifamily CRE in the Baltimore or Washington, DC CBDs, representing 9% of total Mid-Atlantic loans and 1.6% of total CRE portfolio

Mid-Atlantic deposit base linked to lending relationships

- Modest deposit balances of $36MM as of 6/30/2025



3-person team

27 years on average of in-market lending experience



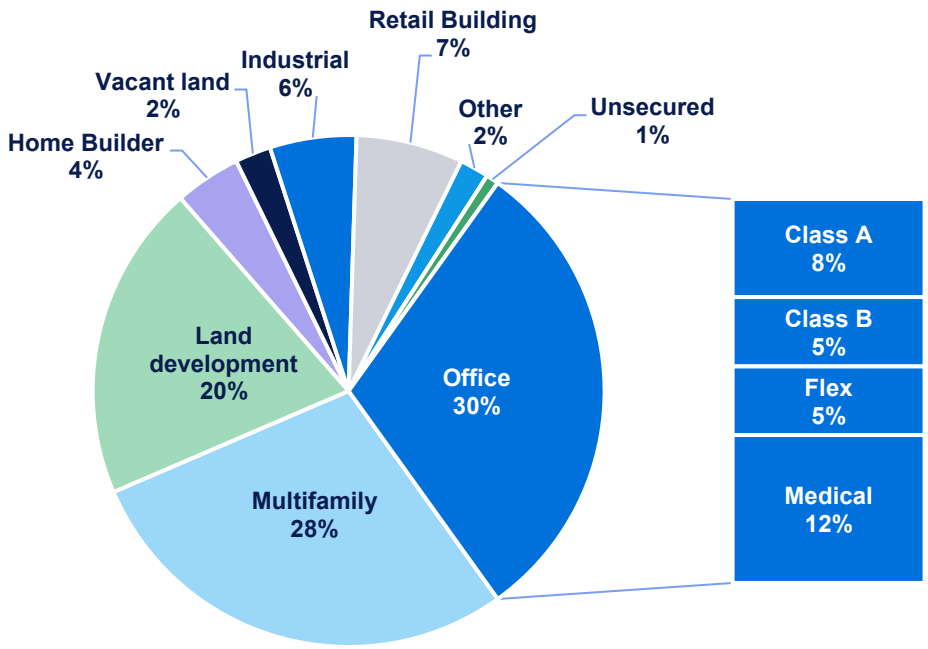
$34.5MM

of Mid-Atlantic loans are Office or Multifamily loans in Baltimore or DC CBD

Mid-Atlantic CRE: Exposure Mix & Appetite

Total exposure of $536MM at 6/30/25

Mid-Atlantic CRE Exposure Mix
$536MM at 6/30/25



Growth Opportunities

- Flex/warehouse
- Residential A&D and/or ADC loans
- Suburban multifamily
- Retail strip plazas
- Medical office

Limited Appetite

- Properties in Baltimore/ Washington, DC CBDs
- Large floor plate office[1]
- Big box retail
- Hotels
- Single tenant buildings

[1] Large floor plate officer refers to more than 150Msf/floor

Thank you for your interest in Financial Institutions, Inc.
Nasdaq: FISI

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