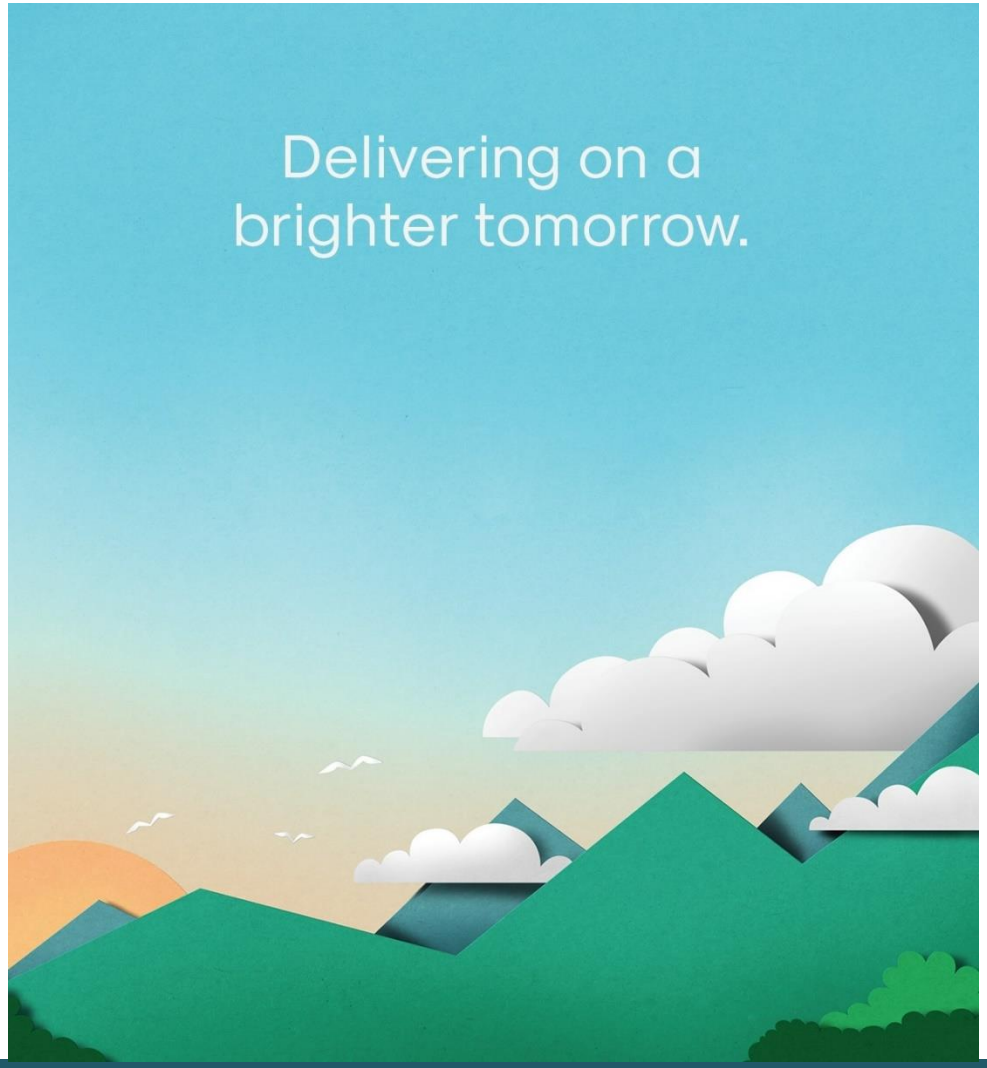


FINANCIAL INSTITUTIONS, INC. (Nasdaq: FISI)

Investor Presentation

March 2021

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. Certain of the information contained herein may be derived from information provided by industry sources. The Company believes that such information is accurate and that the sources from which it has been obtained are reliable. FISI cannot guarantee the accuracy of such information, however, and has not independently verified such information. 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)
  - SDN Insurance Agency, LLC (full-service insurance agency)
  - Courier Capital, LLC (investment advisory firm)
  - HNP Capital, LLC (investment advisory firm)
- 47 banking locations in 14 contiguous counties in Western and Central New York (reflects January 2021 branch closure)
- Experienced management team with extensive market knowledge and industry experience
- Franchise offers products and services to a diversified mix of consumer, business, municipal, healthcare and non-profit customers
- Generating consistent, strong operating results
- Positioned for growth through key initiatives

Key Statistics as of December 31, 2020

Assets:	$4.9 billion
Loans:	$3.6 billion
Deposits:	$4.3 billion
Shareholders' Equity:	$468.4 million
NPAs(1)/Total Assets:	0.25%
Employees:	~ 600
ROACE (TTM):	8.50%
ROATCE(2) (TTM):	10.25%
ROAA (TTM):	0.82%

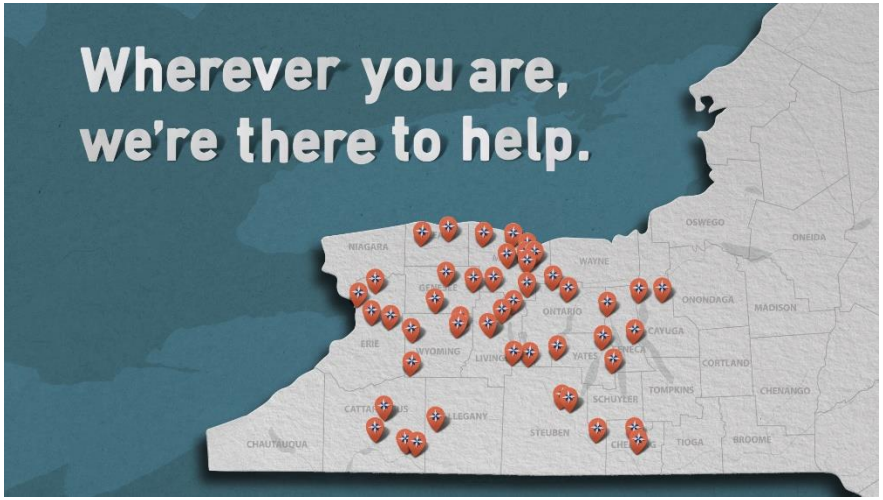
Market and Valuation Data as of March 9, 2021

Closing Price Per Share:	$31.10
Market Capitalization:	$492.3 million
Annualized Dividend Per Share:	$1.08
Dividend Yield:	3.5%
Price/Tangible Common Book Value(3):	132%
Price/NTM Consensus EPS(3):	10.9x

(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
(3) Per S&P Global Market Intelligence; NTM = next twelve months

Two Distinct Opportunities → Urban MSAs and Core Legacy Markets

Market Footprint



- 47 branches and approximately 600 employees(2)
- High growth potential in Buffalo and Rochester urban markets
- Market share leader in core legacy markets – valuable core deposits
- 4th largest bank in operating footprint(1)
  - 1st or 2nd largest bank in 10 counties(1)

Growth Opportunities

Buffalo and Rochester Urban MSAs

- Five Star Bank market share in attractive $84B combined deposit markets(1) is less than 2%
  - Presence and brand awareness is growing
  - Insurance and wealth management businesses diversify revenue and expand offerings to support customers
  - Market disruption has created opportunity for our style of community banking
    - Personal service with local-leadership and decision-making power
    - Agile in responding to customer needs
  - Capacity and capability to meet credit needs of the community banking marketplace

Core Rural Markets

- Stable/reliable core deposits
- Role as trusted banker creates opportunity for fee-based services

(1) 6/30/20 data
(2) As of 3/16/21 – reflects closure of 6 branches in October 2020 and one in January 2021; Includes all FISI subsidiaries

Buffalo and Rochester Economic Environment



Buffalo, New York
NY State's 2nd Largest City
Population: 255,000
MSA Population: 1.13 million



Rochester, New York
NY State's 3rd Largest City
Population: 206,000
MSA Population: 1.08 million

- Financially stable market – less bust / less boom
- Demonstrated resilience through economic downturns
- Economy continues to evolve from manufacturing to a more diversified economy including healthcare, higher education, financial services, small business, technology and professional services
  - Significant college and university presence, including academic medical centers with robust research and development activities
- Strong collaboration between public and private sectors
  - New York Regional Economic Development Council (REDC) Awards
- Buffalo and Rochester downtown redevelopments underway

2020 Key Initiatives

Enterprise Standardization Program

- Focused on improving operational efficiency and profitability while enhancing customer and associate experiences
- Worked with leading process improvement organization to assess all lines of business and functional areas
  - Data-driven analysis identified overlapping service areas, automation opportunities and opportunities to streamline processes and operations to enhance customer experiences
  - Opportunities identified by the program resulted in implementation of robotic automation and process and operational efficiencies
- In July 2020, Five Star Bank announced changes in its retail branch network to better align with shifting customer needs and preferences
  - Transformation resulted in six branch closures in October 2020 and one in January 2021; approximately 6 percent of workforce was separated in July
  - Actions resulted in $1.7 million non-recurring charges in 2020 with expected expense savings of $2.7 million on an annual basis, facilitating long-term sustainability of current and future branches
- Program has not concluded and we continue to anticipate annualized expense savings within a range of $5 to $7 million, as disclosed on January 30, 2020

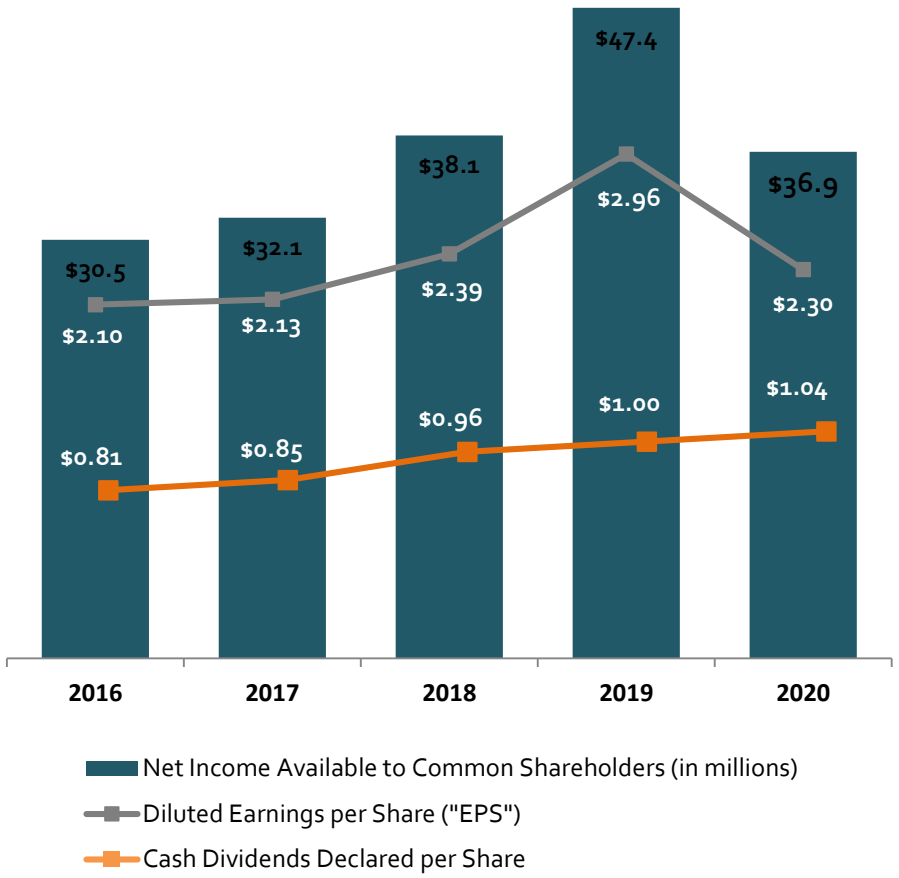
2020 Key Initiatives

Five Star Bank Digital Banking

- During the second quarter of 2020, Five Star Bank completed the multi-phase launch of a new online and mobile platform — Five Star Bank Digital Banking
- New platform enhances the user experience across all devices
- Provides a single dashboard to make payments and deposits, transfer and send money, create budgets, set financial goals and easily integrate external investment, loan and other transactional accounts
- Consumers can access a comprehensive financial tool to do all their banking from home
- Business owners and their employees can also access powerful financial tools to assist with daily finances from anywhere
  - Enhanced cash management services for businesses of all sizes
- Customer response has been very favorable and enhancements will continue to be rolled-out over time

Enterprise Standardization and Five Star Digital Banking represent critical transformational and technology investments, improving relationships with our customers and enhancing future profitability

Net Income, Earnings and Dividends

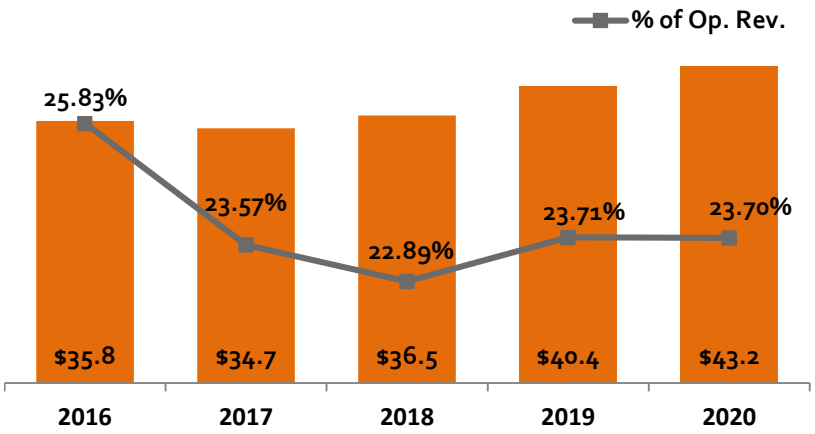


- 2020 results were negatively impacted by a significantly higher provision for credit losses in the first quarter of $13.9 million as compared to $1.2 million in the first quarter of 2019. The after-tax impact of the higher provision as compared to first quarter of 2019 was $0.59 per diluted share. Higher provision was driven by the adoption of the current expected credit loss ("CECL") standard and the impact of COVID-19 on the economic environment.
- Results for 2020 and 2019 were positively impacted by a reduction in income tax expense for federal and state tax benefits related to tax credit investments placed in service, partially offset by related net losses recorded in noninterest income. The net positive impact of tax credit investments was $1.2 million in 2020 and $2.2 million in 2019.

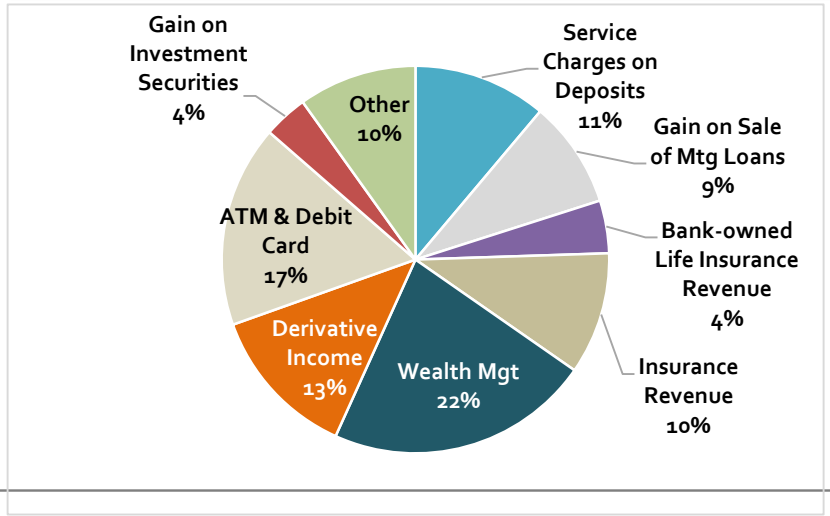
Revenue Diversification → Growing Noninterest Income

Noninterest Income

($ in millions)



2020 Noninterest Income Breakdown



Commentary

- Significant sources of noninterest income:
  - Investment advisory revenue
  - ATM and debit card fees
  - Insurance income
  - Income from derivative instruments
- Bolstered insurance and investment advisory businesses through successful acquisitions:
  - Acquired Buffalo-based insurance broker Scott Danahy Naylon in August 2014 (subsequently renamed SDN Insurance Agency, LLC)
    - In February 2021, SDN acquired Rochester-based Landmark Group, an independent insurance brokerage firm delivering insurance, surety and risk management solutions
  - Acquired Buffalo-based asset management firm Courier Capital in January 2016
    - Courier acquired registered investment advisor Robshaw & Julian Associates, Inc. in August 2017
  - Acquired Rochester-based registered investment advisor HNP Capital, LLC, in June 2018

Fourth Quarter 2020 Key Statistics[1]

- Net income, earnings per share and pre-tax pre-provision income were the highest in Company history
  - Net income of $13.8 million was $693 thousand, or 5.3% higher than 2019
  - Diluted earnings per share of $0.84 was $0.05, or 6.3% higher than 2019
  - Pre-tax pre-provision income[2] of $21.0 million was $4.9 million, or 30.6% higher than 2019
- Net interest income of $36.2 million was $3.0 million, or 9.1%, higher than 2019
- Net interest margin ("NIM") of 3.13% was 20 basis points lower as a result of the 2020 interest rate environment (reflecting a flatter yield curve and lower rates), lower-yielding PPP loans and excess liquidity
- Total loans at year-end were $3.60 billion, an increase of $374.2 million, or 11.6%, from 12/31/2019
  - As compared to the year earlier period, Commercial Business Loans were up 38.8%, Commercial Mortgage Loans were up 13.3%, Residential Real Estate Loans were up 4.8% and Consumer Indirect Loans were down 1.1%
  - Paycheck Protection Program ("PPP") Loans are included in Commercial Business Loans; PPP balance at 12/31/2020, net of deferred fees was $248.0 million
- Common book value per share increased 6.7% from 12/31/2019
  - Tangible common book value per share[2] increased 8.6% from 12/31/2019

(1) As compared to fourth quarter 2019
(2) Refer to "Non-GAAP Reconciliation" in Appendix

Fourth Quarter 2020 Transactions

- On October 7, 2020, the Company completed a private placement of $35.0 million in aggregate principal amount of fixed-to-floating rate subordinated notes due 2030. The notes were subsequently exchanged for subordinated notes with substantially the same terms registered under the Securities Act of 1933, as amended. The 2020 Notes have a maturity date of October 15, 2030 and bear interest, payable semi-annually, at the rate of 4.375% per annum, until October 15, 2025. Commencing on that date, the interest rate will reset quarterly to an interest rate per annum equal to the then current three-month secured overnight financing rate ("SOFR") plus 4.265%, payable quarterly until maturity. Proceeds, net of debt issuance costs of $779 thousand, were $34.2 million. The net proceeds from this offering were used for general corporate purposes, including but not limited to, contribution of capital to the Bank to support both organic growth and regulatory capital ratios.

- On November 4, 2020, the Company announced a stock repurchase program for up to 801,879 shares of common stock, or approximately 5% of the Company's outstanding common shares. Shares may be repurchased in open market transactions and pursuant to any trading plan adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended. The timing and number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements, market conditions, and other corporate liquidity requirements and priorities. The repurchase program does not obligate the Company to purchase any shares and it may be extended, modified or discontinued at any time.

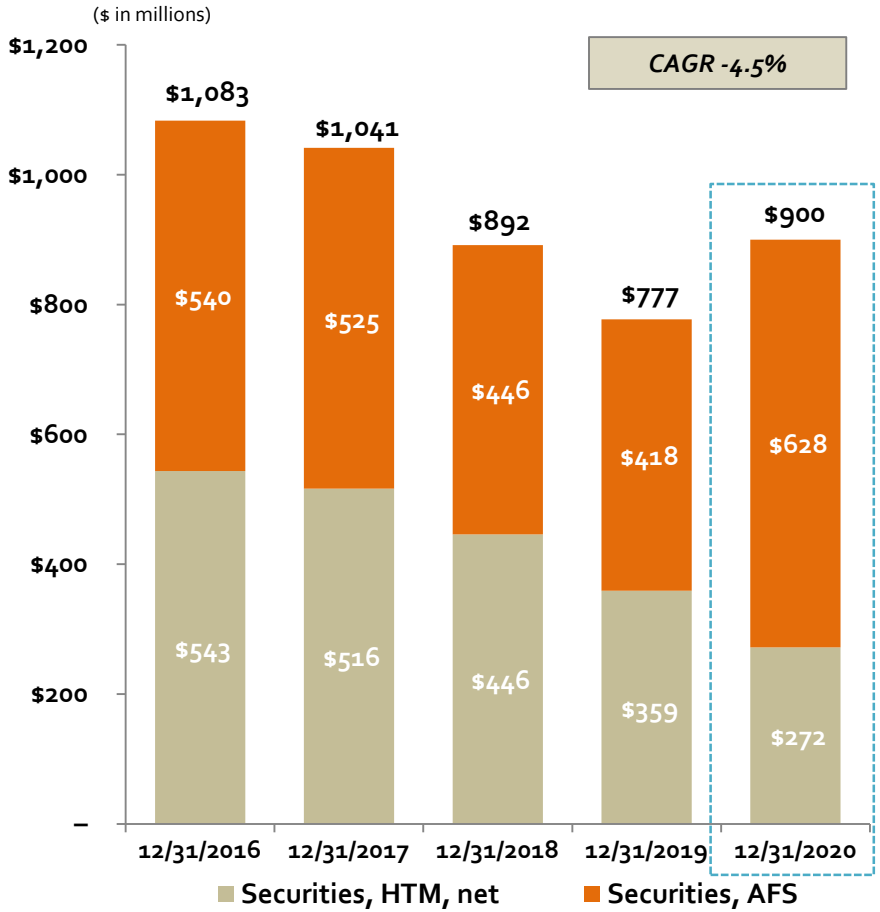
  No shares were repurchased in 2020 under this program. In 2021, through February 28th, the Company repurchased 238,439 shares for an average repurchase price of $24.30 per share, inclusive of transaction costs.

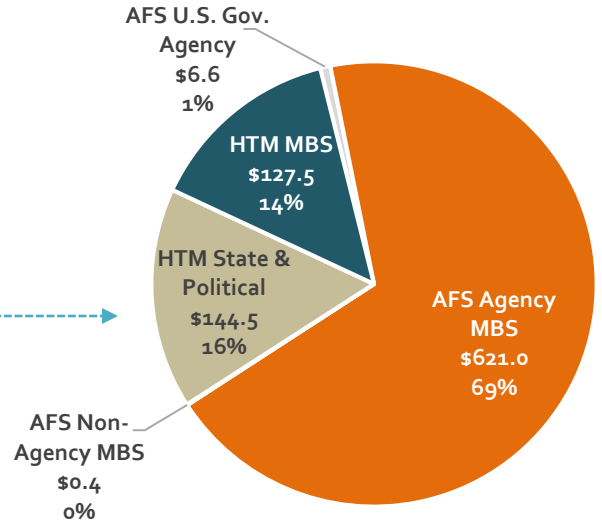
First Quarter 2021 Transaction

- On February 1, 2021, the Company's insurance subsidiary SDN Insurance Agency, LLC ("SDN") completed the acquisition of the assets of Landmark Group ("Landmark"). A staple of the Rochester community since 1984, Landmark is an independent insurance brokerage firm delivering insurance, surety and risk management solutions across many business sectors including construction, manufacturing, real estate and technology, as well as individual personal insurance. Landmark Founder and Chairman Kelly M. Shea and President Christopher K. Shea will remain with SDN to lead Rochester operations and continue their long-term relationship with current clients.

Securities Portfolio

- The Company launched an initiative in 2018 to convert a portion of low-yield, low-risk weighted investment securities into higher-yielding loans. This initiative was completed in the third quarter of 2019



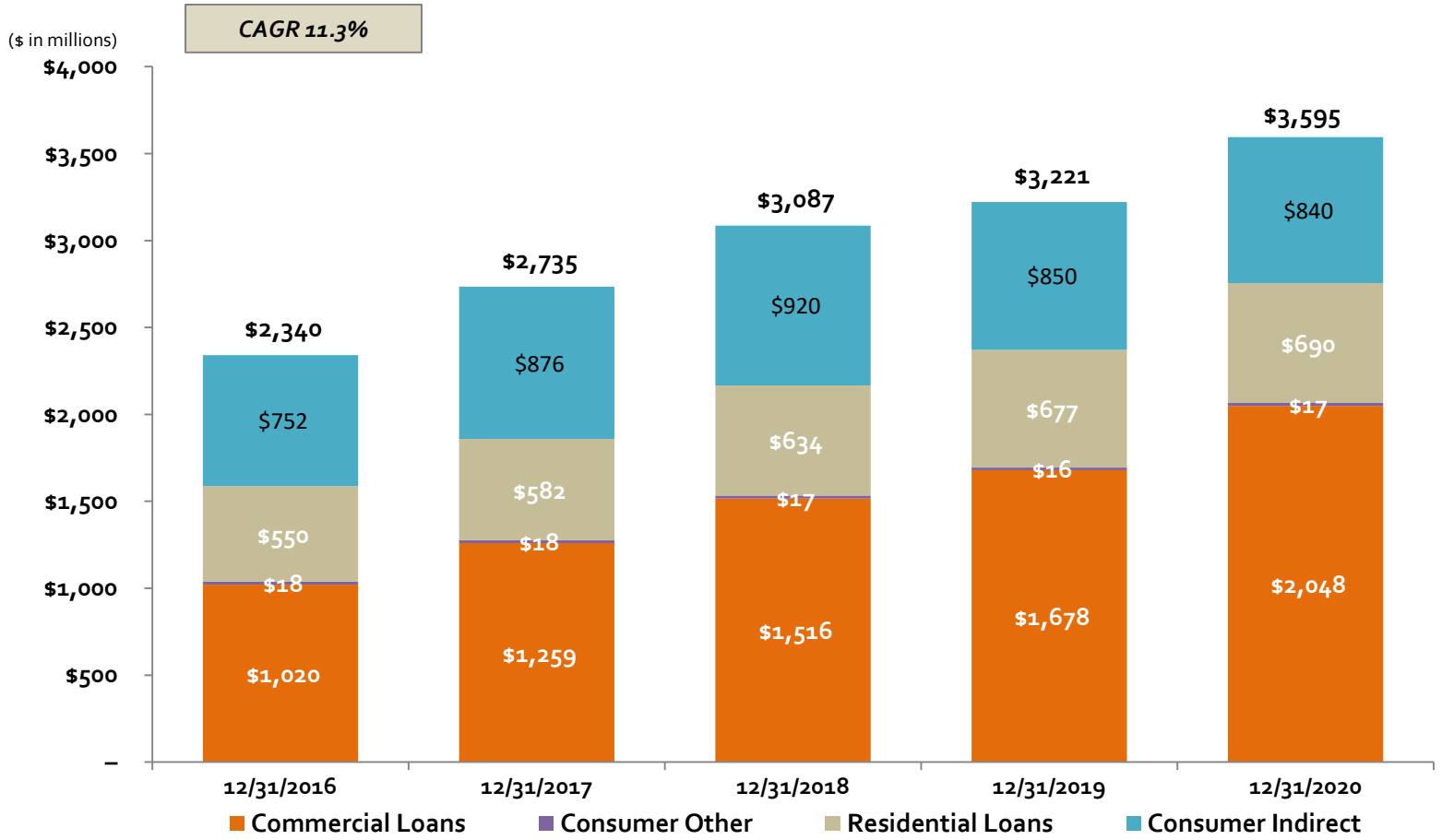


	2016	2017	2018	2019	2020
Security Yield(1)	2.45%	2.48%	2.33%(2)	2.39%(2)	2.31%(2)

(1) Average yield (tax equivalent basis) for the period
(2) Decrease due to lower federal tax rate beginning in 2018

Total Loans

- 2019 and 2020 growth reflects lower consumer indirect production as we maintain focus on growing relationship-based categories (commercial and residential) and scaling back consumer indirect lending, especially outside footprint
- 2020 Commercial Loan growth includes $248.0 million of PPP loans, net of deferred fees, at December 31, 2020



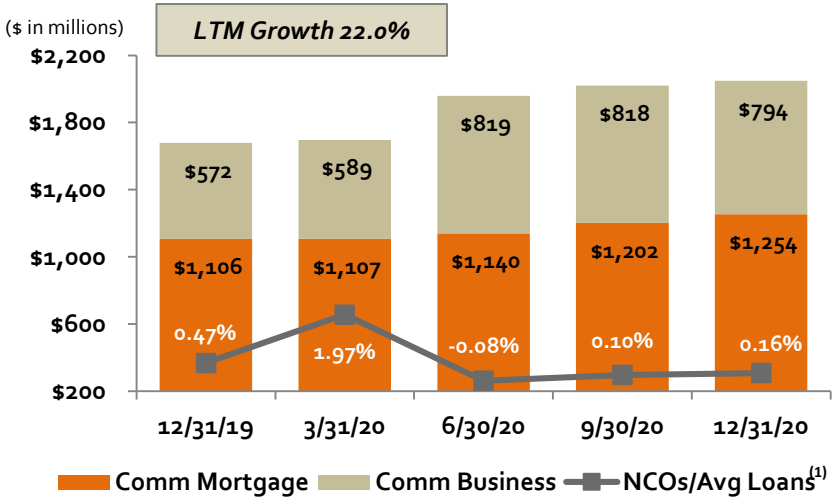
	2016	2017	2018	2019	2020
Loan Yield(1)	4.18%	4.22%	4.51%	4.77%	4.18%

(1) Average yield for the period

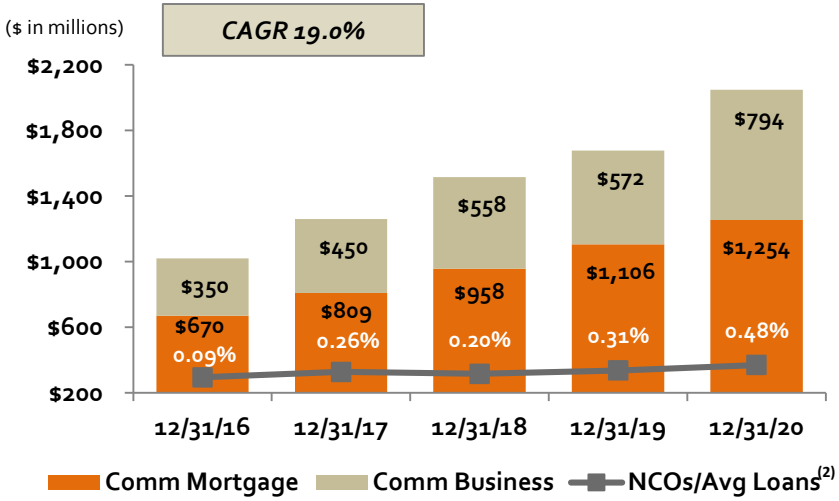
Commercial Banking

- Growth in 3Q'20 and 4Q'20 reflect soft loan origination environment
- Growth in 2Q'20 commercial business reflects origination of $268.5 million of PPP loans
  - Commercial lines of credit increased from late March into April and paid down in May and June, resulting in $27 million decrease in 2Q'20
- Growth was muted in 1Q'20
  - Commercial mortgage experienced higher payoffs than 4Q'19, driving relatively flat linked quarter performance
- Growth has been driven by 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

Commercial Banking – Quarterly



Commercial Banking – Annual

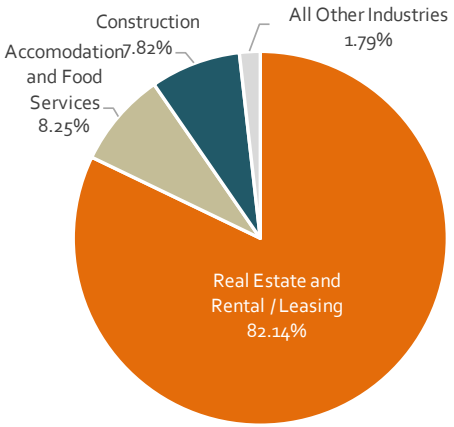


(1) For the quarter (annualized)
(2) For the year

Commercial Loan Portfolio Detail

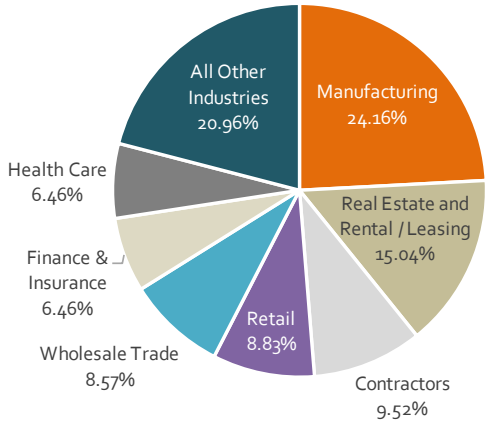
Commercial Real Estate Ttl Exposure[1] ($1.2Bn[2])

As of December 31, 2020



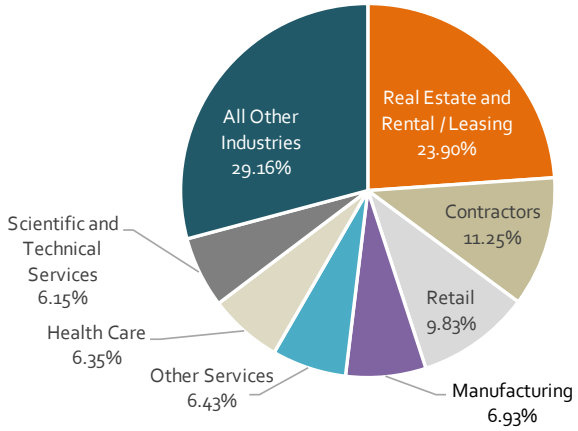
Commercial & Industrial Ttl Exposure[1] ($1.0Bn[2])

As of December 31, 2020



Business Banking Ttl Exposure[1] ($199MM[2])

As of December 31, 2020



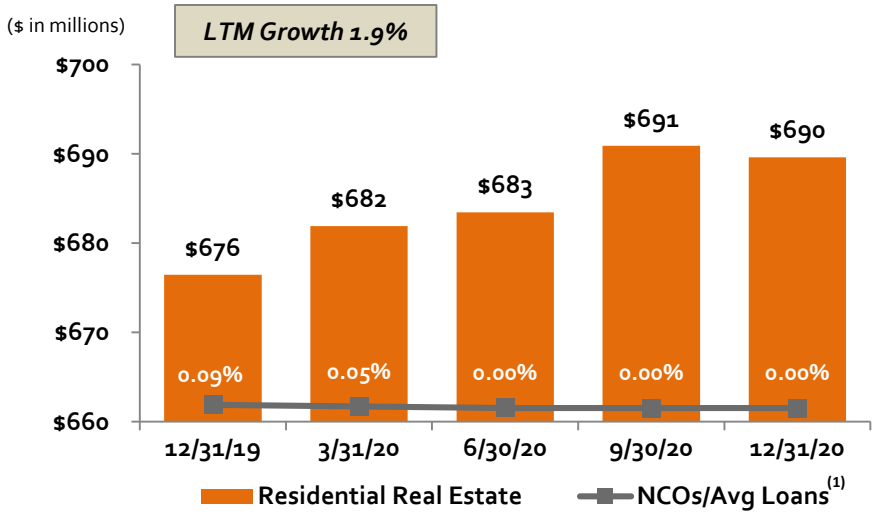
- **The vast majority of the commercial loan portfolio is within the Bank's footprint**

(1) Exposures are outstanding loan balances plus all undrawn access to credit (e.g., lines/letter of credit)
(2) All balances exclude PPP loans

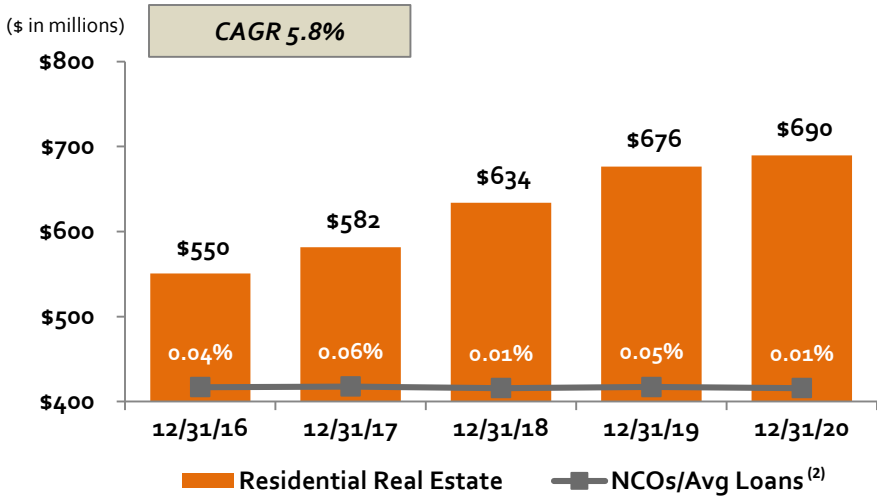
Residential Real Estate Loans and Lines

- In-market originations through mortgage loan originators and Five Star Bank branch network
- Full product menu featuring competitive portfolio and saleable products including government loan programs
- Continuing the build-out of residential mortgage production capabilities
- Line of business provides opportunity to establish relationships with new customers: loan and deposit relationships as well as opportunity to provide wealth management and insurance services

Residential Real Estate – Quarterly



Residential Real Estate – Annual

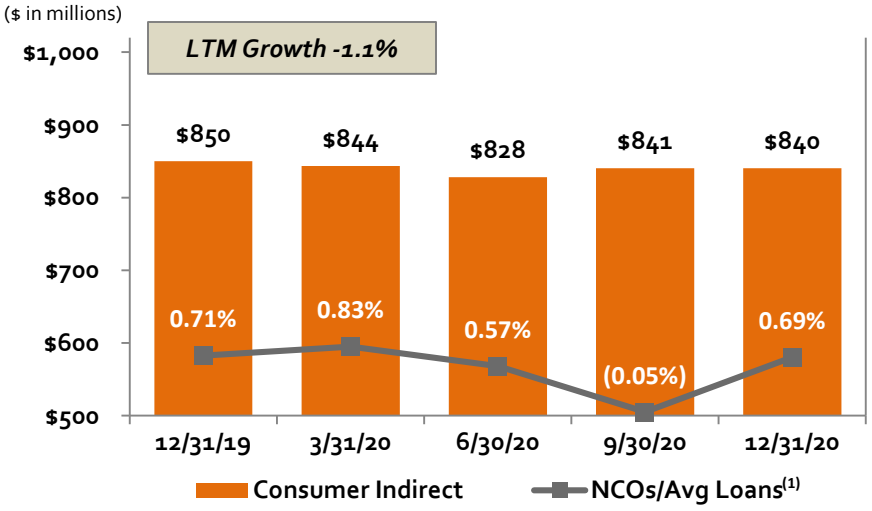


(1) For the quarter (annualized)
(2) For the year

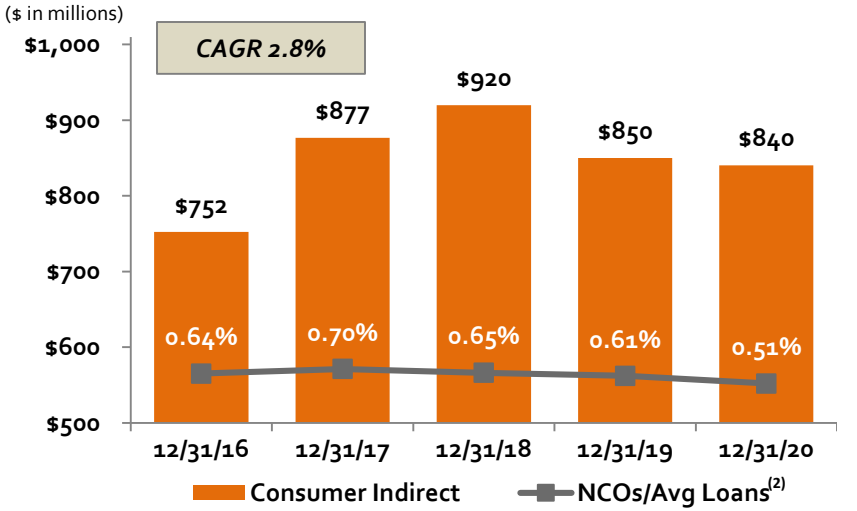
Consumer Indirect Lending

- $840.4 million Portfolio at December 31, 2020
  - Portfolio represents 23.4% of total loans, down from 29.8% at 12/31/18 and peak of 35% at 12/31/13
  - '19 and '20 decline reflects lower consumer indirect production as we maintain focus on growing relationship-based categories (commercial and residential) and scaling back indirect lending, especially outside footprint
- Prime Lending Operation with average portfolio FICO score of approximately 722 with 5% under 630
- Dealer network of nearly 500 franchised new automobile dealerships
- Relatively Short Duration – Approximately 3 years
- Natural Risk Dispersion – Small Loan Size
- Demonstrated track record of consistent performance through economic expansions, recessions and stagnation

Consumer Indirect – Quarterly



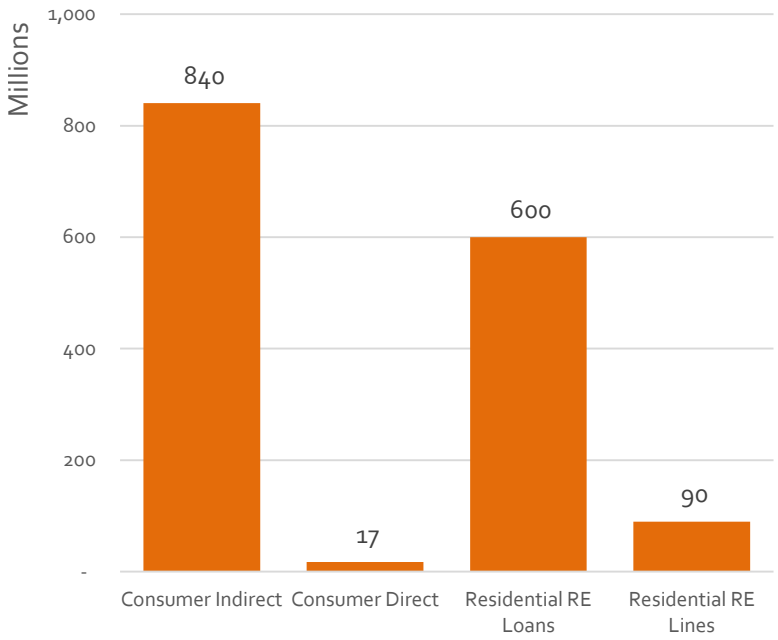
Consumer Indirect – Annual



(1) For the quarter (annualized)
(2) For the year

Consumer & Residential Loan Portfolio Detail

Consumer Lending Portfolio
As of December 31, 2020



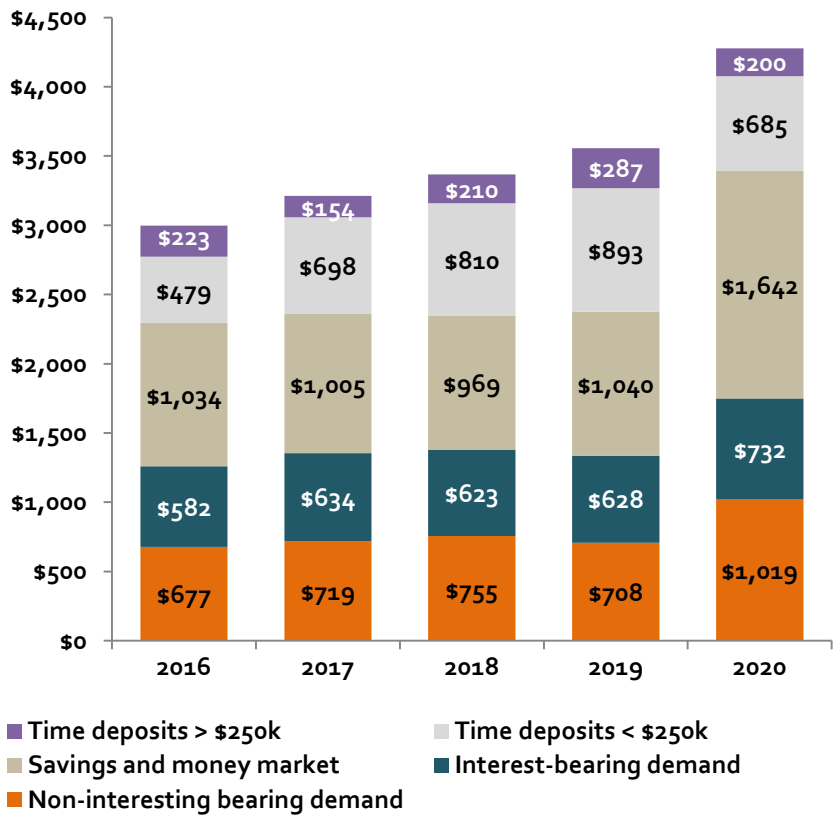
Consumer Lending Portfolio Metrics
As of December 31, 2020

	% of Ttl. Loan Portfolio ($3.6Bn)	# of Loans	Wt. Avg FICO Score (at origination)	Avg. Loan Balance
Consumer Indirect	23.4%	46,568	722	$17,340
Consumer Direct	0.4%	11,738	729	$1,321
Residential Real Estate Loans	16.7%	7,173	737	$81,657
Residential Home Equity Lines of Credit (HELOCs)	2.5%	3,501	769	$23,341

Deposit Growth

Deposits (by account type)

($ in millions)



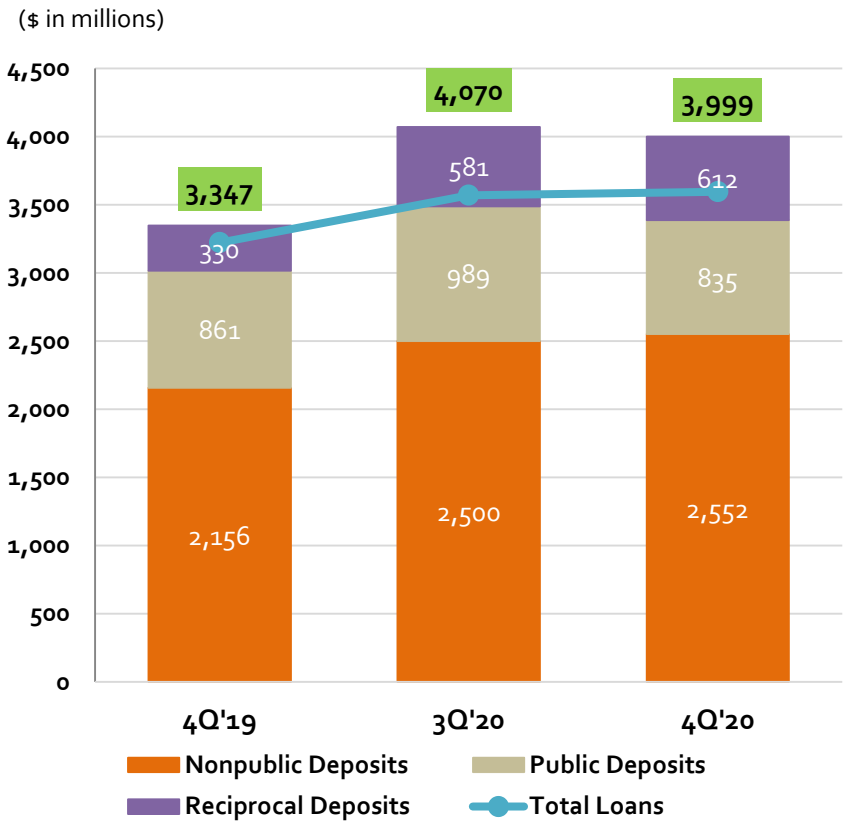
	2016	2017	2018	2019	2020
Cost of Deposits	0.29%	0.35%	0.57%	0.82%	0.44%

Commentary

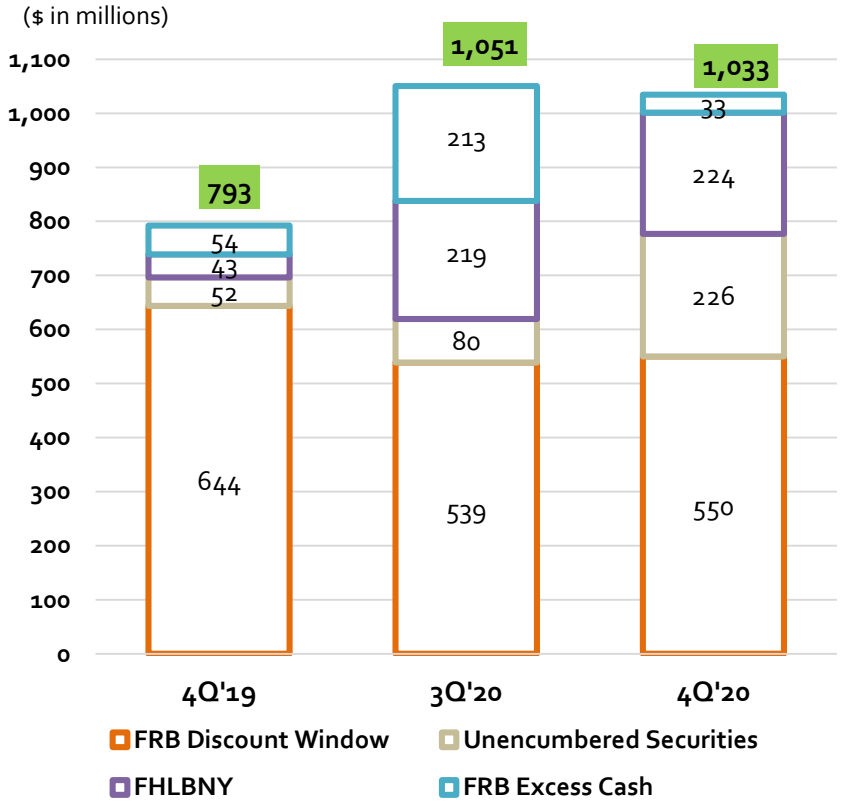
- 2020 growth in deposits was in part attributable to PPP loan proceeds received by customers in the second quarter
- Opportunities for growth
  - Combined Rochester and Buffalo MSAs represent attractive deposit market of $84 billion
  - Current FSB market share is less than 2%
- FISI offers a variety of public (municipal) deposit products to the towns, villages, counties and school districts within its markets
  - Deposits are seasonal, but stable
  - Comprised 20% of deposits at 12/31/20 compared to 24% of deposits at 12/31/19
  - Low cost funding source
  - Dedicated sales force
  - FSB currently has 319 municipal customers

Key Liquidity Metrics

Deposit Mix (1)



Available Committed Liquidity

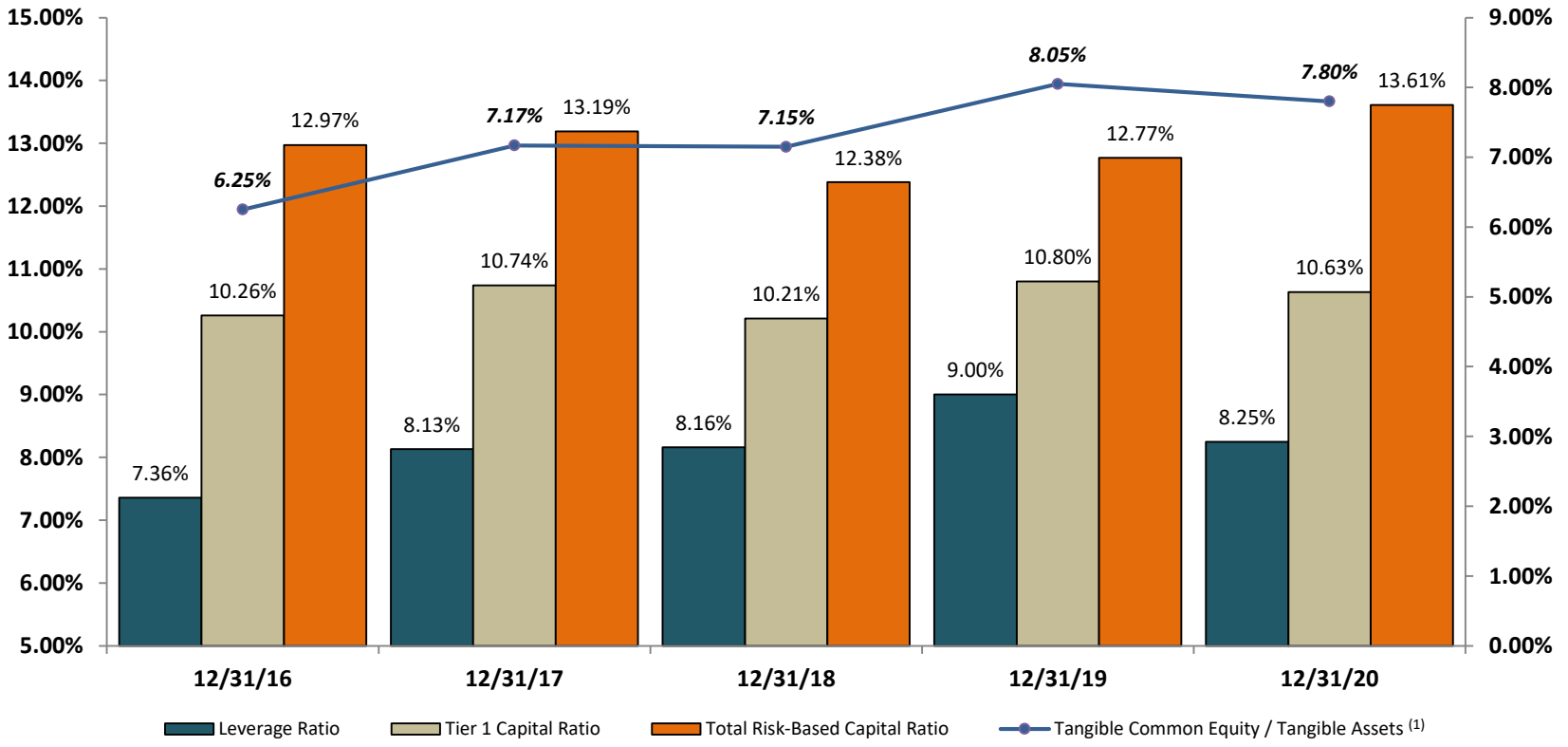


- Diverse deposit gathering capabilities
  - Core nonpublic deposits anchor our deposit base; loan to deposit ratio of 84.0% at 4Q'20
  - 4Q'20 available committed liquidity remains strong and stable, representing reduced reliance on FHLB advances
  - Decline in FRB Excess Cash reflects deployment of excess funds into investment securities, coupled with seasonal public deposit outflows at quarter-end

(1) Excluding Brokered Deposits

Historical Capital Position

Consolidated Capital Ratios



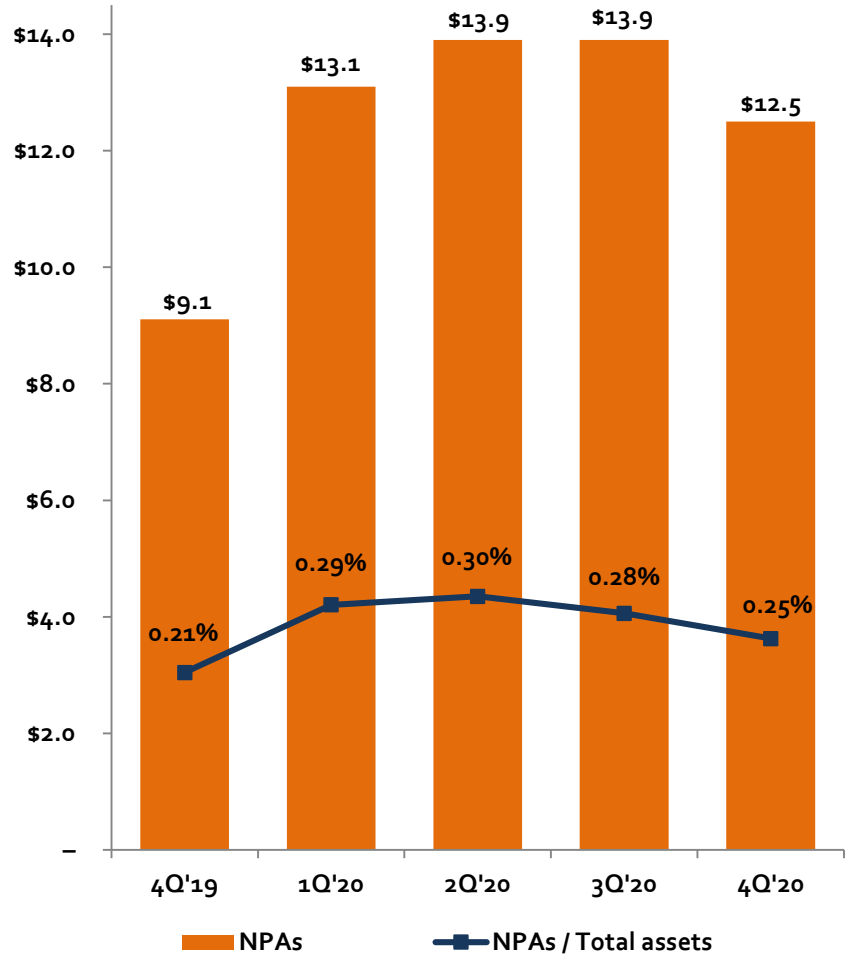
	December 31, 2020
Tangible Common Equity / Tangible Assets (1)	7.80%
Leverage Ratio	8.25%
Tier 1 Capital Ratio	10.63%
Total Risk-Based Capital Ratio	13.61%

(1) Refer to "Non-GAAP Reconciliation" in Appendix

Asset Quality

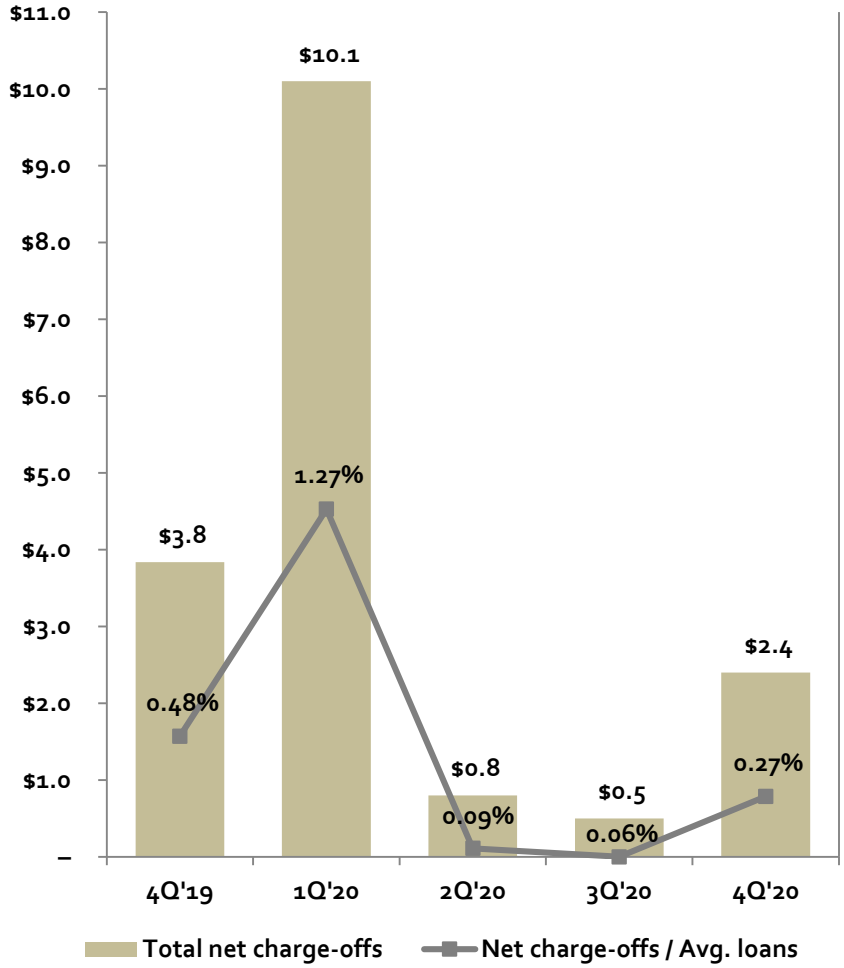
Non-Performing Assets

($ in millions)



Net Charge-Offs

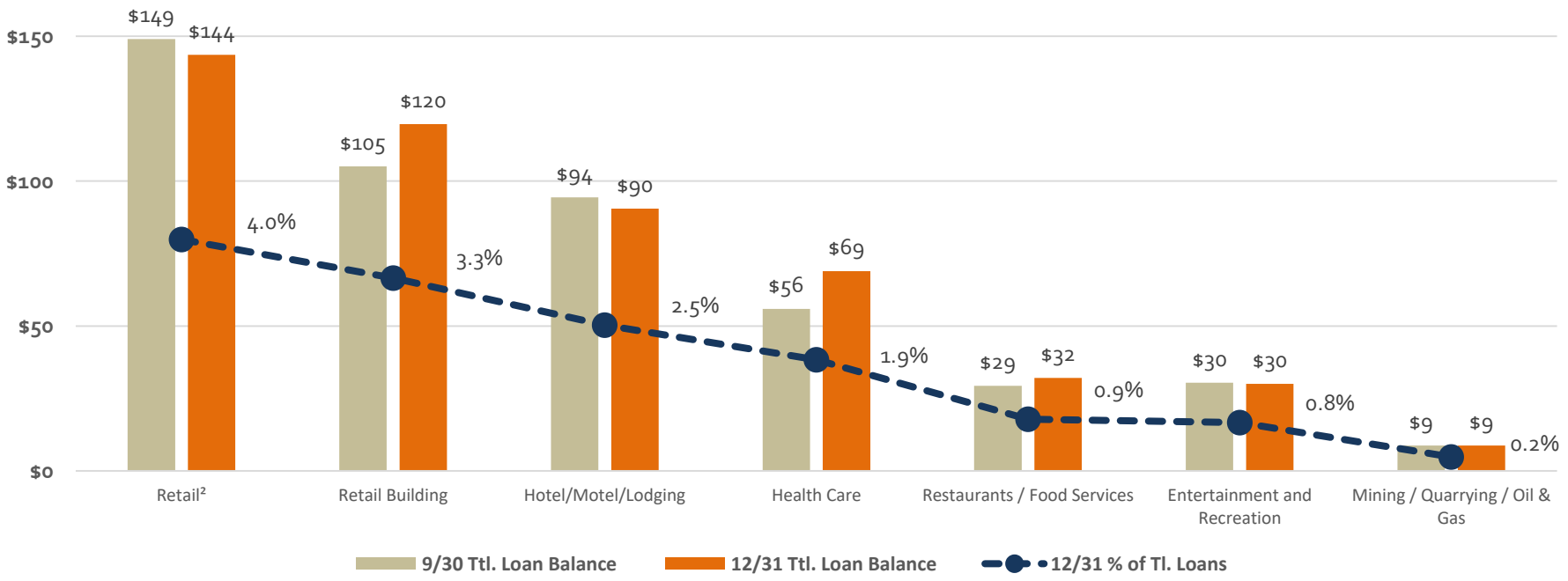
($ in millions)



Exposure to Industries Most Impacted by COVID-19

- Portfolio segment limits are maintained for C&I and CRE which encompasses the industries described
- To date, C&I and CRE exposures remain within policy limits
- Tier I represents most impacted industries (retail, hotels/lodging, restaurants, etc.)
- Exposure to industries most impacted remains relatively stable; new loans in these industries are subject to tightened lending standards and limited to strong credits

Tier I Commercial Loan Portfolio – Outstanding Loan Balances (3Q vs. 4Q) and % Ttl. Loan Portfolio ($MMs)[1]

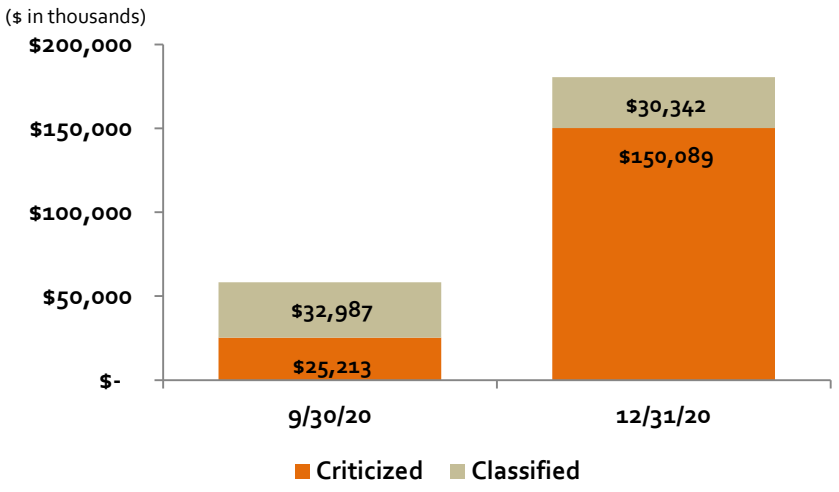


(1) All balances exclude PPP loans
(2) Retail includes Gas Stations/Convenience Stores previously disclosed separately

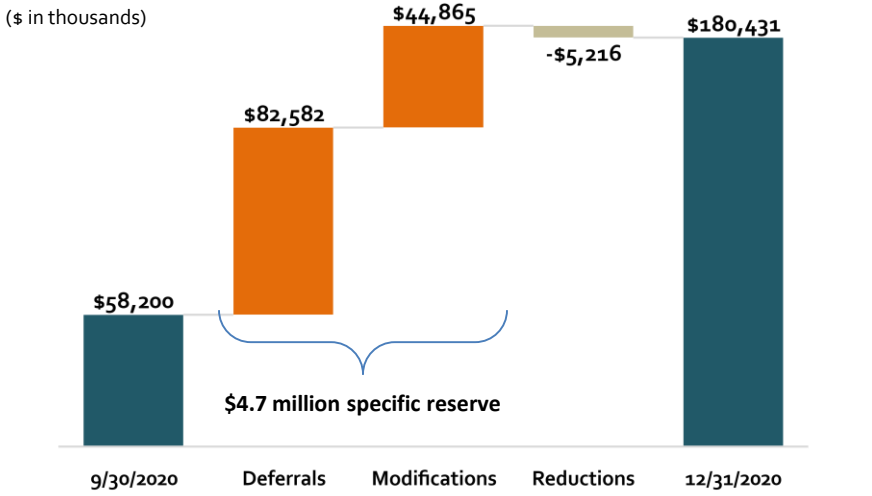
Criticized and Classified Assets

- In an effort to address the impact of COVID-19 on our most at-risk exposures, ~$127 million of commercial loans were downgraded to criticized status in 4Q'20
  - ~$82 million of the downgrades were loans on extended deferral, which represents a significant portion of the commercial loans on active deferral at year-end; the balance of commercial deferrals at 12/31/20 of ~$17 million represents loans with deferral period expirations in 1Q'21 and an expected return to active payment status
  - ~$45 million of the downgrades were loans not on deferral, but with modification attributes; these loans are current with respect to payment status
- While we are cautiously optimistic that these credits will normalize post-pandemic, a subset of these loans was determined to have unique characteristics and analyzed specifically for allowance for credit loss purposes; the specific reserve established in 4Q'20 for this subset of loans totaled $4.7 million

Criticized and Classified Assets



4Q'20 Change in Criticized and Classified



Perceived Challenges vs. Reality

FISI Presents a Compelling Investment Opportunity When Perceived Franchise Challenges are Put in Context

Perceived Challenge	In Reality	Bottom Line
Indirect Auto Loans are a Risky Asset Class/FISI Portfolio is Oversized	• FISI's indirect business is a **Prime Lending Operation** with **avg. portfolio FICO score of 722** (5% below 630) • Strong network of **500 franchised new** auto dealers • **Natural risk dispersion** – many units and small loan size • **Consistent results** through several economic cycles – '08 to '20: annual charge-offs ranged from 0.51% to 0.87%; 0.51% for 2020	• While current management team inherited asset class concentration, indirect remains a **core competency**, with **attractive risk-adjusted return profile** • Indirect portfolio **concentration is on the decline** as focus on growing relationship-based loan categories is reducing production – 23.4% of total loans at 12/31/20 compared to 29.8% at 12/31/18 and peak of 34.7% at 12/31/13
Large Municipal Deposits Portfolio Limits Yield on Interest-Earnings Assets	• **Diversified** among **300+ municipalities** – No single relationship greater than $40.4 million(1) • NY **MULOC** program allows for collateralization of deposits with LOCs backed by loans, rather than lower-yielding securities – Allows for reduction of investment securities portfolio – **Funding higher-yielding loan growth** with proceeds	• Five Star Bank is a market share leader in core legacy counties, providing a unique competitive edge in servicing municipal entities that super regionals and smaller competitors do not/cannot • Capitalizing on a **valuable deposit base** that spans our 14-county footprint, limiting individual concentrations • MULOC program helps reconstitute earnings asset mix while managing liquidity
Sleepy Upstate NY Focus Results in Low Growth and Minimal Value Creation	• HQ'd in Warsaw with regional offices and **leadership** in **Rochester** (ROC) and **Buffalo** (BUF) • With less than 2% market share in ROC and BUF, focused on **expanding** in these markets; opened 4 **innovative financial solution centers** since 2015 with two new branches planned for BUF in 2021 • **#8 SBA lender** in Upstate New York(2)	• Ability to utilize **low cost deposits** from rural franchise to **fund higher growth metro franchise** • Company has been focused on making **strategic talent hires since 2016**, many from key competitors, leveraging market disruption • Impressive loan growth since Q3'16 ***–Comm Bus: +56%(3) –Comm Mtg: +97% –Residential: +41%*** ***–CBVPS: +32% –TCBVPS(4) : +47%***
Low TCE Ratio	• FISI historically manages to total, overall capital • Expect continued improvement in ratios as capital is generated through retention of earnings	• **Well capitalized** across all regulatory capital metrics • Strong asset quality metrics with **0.25% NPAs/Assets, 1.46% ALL/Loans and 551% ALL/NPL** • TCE(3) at 12/31/20 was 7.80%, up 135 bps from Q3'16

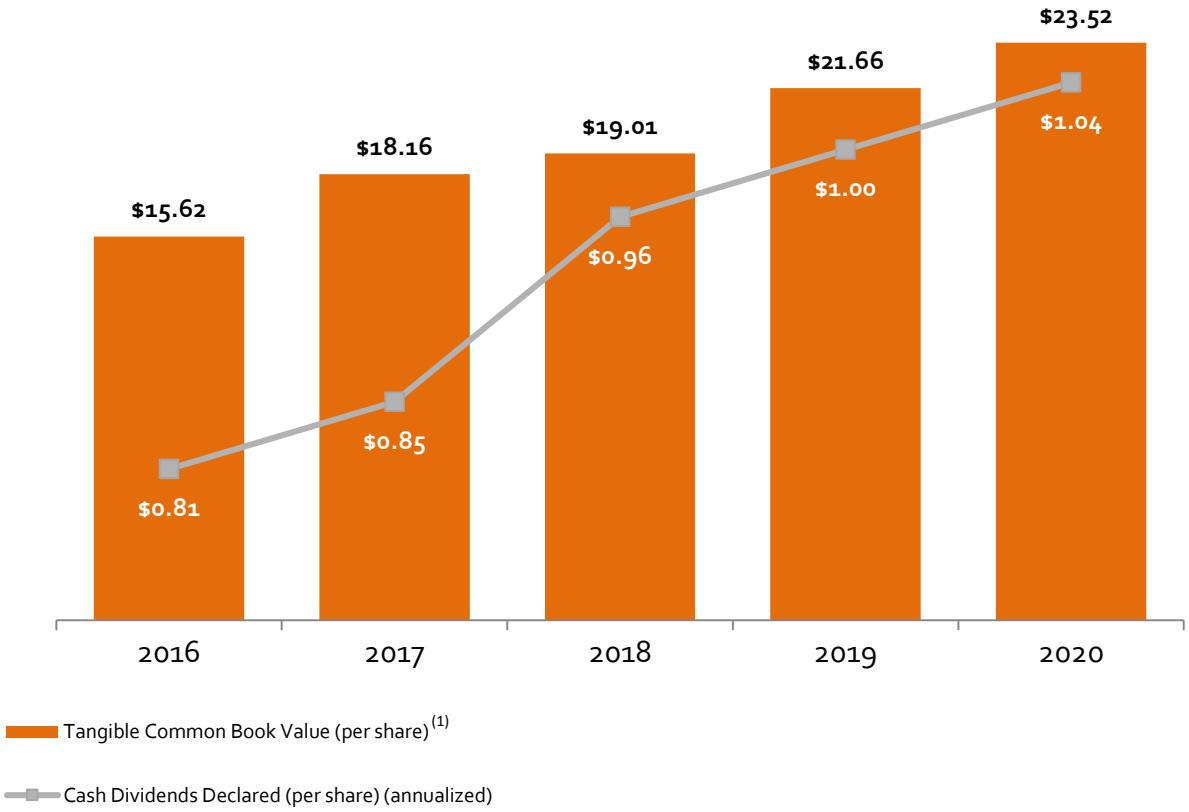
(1) Excludes reciprocal balances
(2) Based upon number of SBA loans for the 2020 SBA year
(3) Excluding Paycheck Protection Program Loans
(4) Refer to "Non-GAAP Reconciliation" in Appendix

Compelling Valuation[1]

	Price/Tangible Common Book Value[2]	*Price/NTM Consensus EPS[2]*
FISI	**132%**	**10.9x**
AROW	173%	12.5x
CHMG	115%	10.7x
CBU	333%	25.9x
EVBN	121%	9.6x
NBTB	197%	15.5x
TMP	212%	17.8x
TRST	128%	13.4x

(1) Peer group defined as Upstate NY banks with total assets between $2 and $15 Billion and sell-side analyst coverage
(2) As of March 9, 2021; per S&P Global Market Intelligence; NTM = next twelve months

Dividend & Tangible Common Book Value Growth



(1) Refer to "Non-GAAP Reconciliation" in Appendix

Investment Highlights

- History of strong operating results and positive balance sheet trends
- Experienced leadership team averaging 20 years in banking
- Core funded, low cost deposit base (0.44% cost of deposits)(1) provides significant liquidity
- Disciplined credit culture with superior credit quality
- Focus on maintaining a strong capital position
- Insurance and wealth management presence diversifies revenue streams - noninterest income represents ~24% of operating revenue(1)

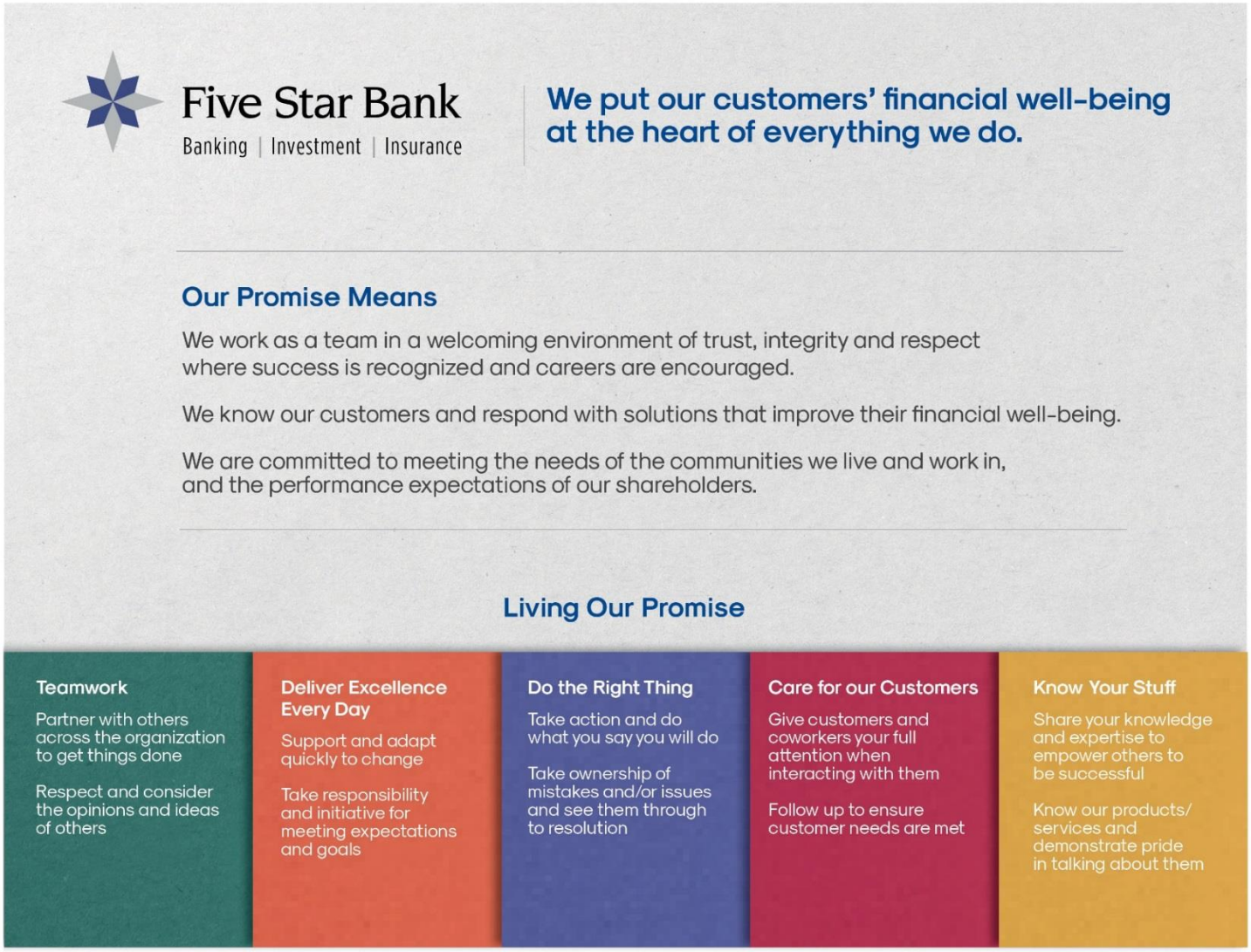
(1) For the year ended December 31, 2020

Appendix

Experienced Leadership Team & Addition of Talent

- Martin K. Birmingham was named CEO in March of 2013
  - Birmingham has more than 30 years of Western New York banking experience
- Leadership teams of all subsidiaries have significant experience in Western New York
  - Five Star Bank / SDN Insurance Agency / Courier Capital / HNP Capital
- Taking advantage of market disruption to add talent across all segments of our banking business
  - Hiring experienced professionals from competing institutions
  - Talent recognizing opportunities in the community banking environment vs. big bank experience
  - Bringing market experience, knowledge and relationships
- Added lenders in all categories including experienced leaders of C&I, CRE and residential lending
- Added credit and risk management professionals to support loan growth

Five Star Experience: Defining a Strong Culture to Power Employee and Customer Engagement

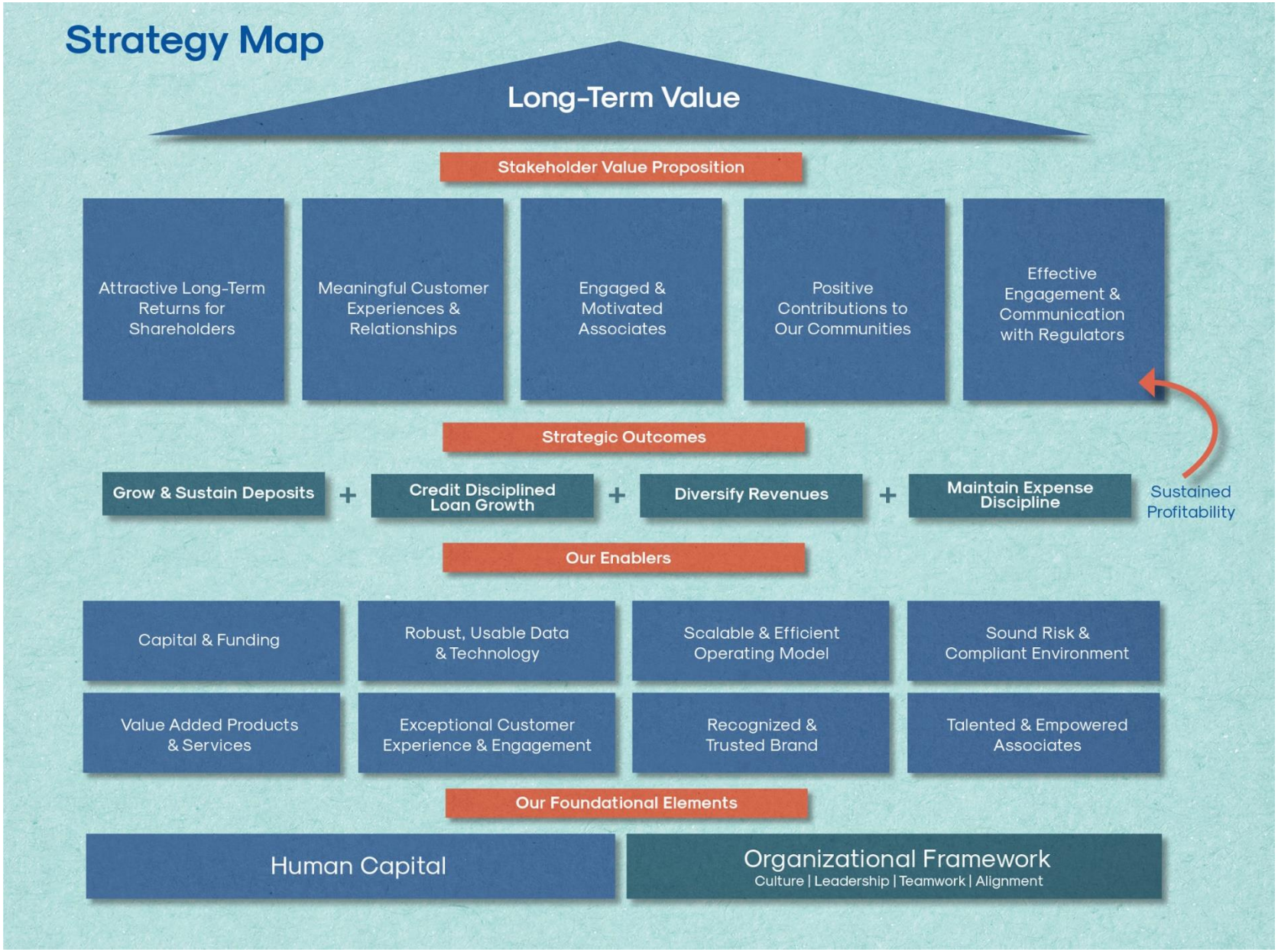


Successfully Executing Our Strategy

Our Promise: We Put Our Customers' Financial Well-Being at the Heart of Everything We Do

- **Maximize Community Bank Model Opportunities**
  - Offering responsive personal service, local leadership and local decision-making
  - Leverage Five Star Bank brand to expand in the larger markets of Buffalo and Rochester
  - Opportunistically acquire strategic talent throughout the organization to support growth
- **Generate Above-Peer-Average Growth / Results**
  - Targeting mid-single digit loan growth
  - Sustain disciplined credit culture
  - Continue to manage both sides of the balance sheet to fund loan growth
  - Drive continued improvement in ROAA and ROAE
  - Targeting efficiency ratio in the top one-third of peers
  - Provide dividend growth
- **Increase Fee-Based Revenue to Diversify Our Revenue Streams**
  - Enhance fee revenue from subsidiaries
  - Maximize synergies between bank, insurance and wealth management platforms

Strategy Map



Non-GAAP Reconciliation

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.

GAAP to Non-GAAP Reconciliation	Year Ended				
($ in thousands, except per share data)	2016	2017	2018	2019	2020
Computation of ending tangible common equity:					
Common shareholders' equity	$ 302,714	$ 363,848	$ 378,965	$ 421,619	$ 451,035
Less: Goodwill and other intangible assets, net	75,640	74,703	76,173	74,923	73,789
Tangible common equity	227,074	289,145	302,792	346,696	377,246
Computation of ending tangible assets:					
Total assets	$ 3,710,340	$ 4,105,210	$ 4,311,698	$ 4,384,178	$ 4,912,306
Less: Goodwill and other intangible assets, net	75,640	74,703	76,173	74,923	73,789
Tangible assets	3,634,700	4,030,507	4,235,525	4,309,255	4,838,517
Tangible common equity to tangible assets[1]	6.25%	7.17%	7.15%	8.05%	7.80%
Common shares outstanding	14,538	15,925	15,929	16,003	16,042
Tangible common book value per share[2]	$ 15.62	$ 18.16	$ 19.01	$ 21.66	$ 23.52
Computation of average tangible common equity:					
Average common equity	$ 301,666	$ 331,184	$ 371,023	$ 403,689	$ 433,908
Less: Average goodwill and other intangible assets, net	76,170	74,818	76,990	75,557	74,364
Average tangible common equity	225,496	256,366	294,033	328,132	359,544
Computation of average tangible assets:					
Average assets	$ 3,547,105	$ 3,896,071	$ 4,171,972	$ 4,285,825	$ 4,693,225
Less: Average goodwill and other intangible assets, net	76,170	74,818	76,990	75,557	74,364
Average tangible assets	3,470,935	3,821,253	4,094,982	4,210,268	4,618,861
Net income available to common shareholders	30,469	32,064	38,065	47,401	36,871
Return on average tangible common equity[3]	13.51%	12.51%	12.95%	14.45%	10.25%
Pre-tax pre-provision income:					
Net income	$ 31,931	$ 33,526	$ 39,526	$ 48,862	$ 38,332
Add: Income tax expense	12,210	9,945	10,006	10,559	7,391
Add: Provision for loan losses	9,638	13,361	8,934	8,044	27,184
Pre-tax pre-provision income	53,779	56,832	58,466	67,465	72,907

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.

Non-GAAP Reconciliation

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.

	Quarter ended,		
($ in thousands, except per share data)	9/30/2016	12/31/2019	12/31/2020
Computation of ending tangible common equity:			
Common shareholders' equity	$ 308,931	$ 421,619	$ 451,035
Less: Goodwill and other intangible assets, net	75,943	74,923	73,789
Tangible common equity	232,988	346,696	377,246
Computation of ending tangible assets:			
Total assets	$ 3,687,365	$ 4,384,178	$ 4,912,306
Less: Goodwill and other intangible assets, net	75,943	74,923	73,789
Tangible assets	3,611,422	4,309,255	4,838,517
Tangible common equity to tangible assets[(1)]	6.45%	8.05%	7.80%
Common shares outstanding	14,528	16,003	16,042
Tangible common book value per share[(2)]	$ 16.04	$ 21.66	$ 23.52
Computation of average tangible common equity:			
Average common equity	$ 308,524	$ 420,472	$ 445,515
Less: Average goodwill and other intangible assets, net	76,116	75,093	73,942
Average tangible common equity	232,408	345,379	371,573
Computation of average tangible assets:			
Average assets	$ 3,593,672	$ 4,299,342	$ 4,992,886
Less: Average goodwill and other intangible assets, net	76,116	75,093	73,942
Average tangible assets	3,517,556	4,224,249	4,918,944
Net income available to common shareholders	8,103	12,742	13,435
Return on average tangible common equity[(3)]	13.87%	14.64%	14.38%
Pre-tax pre-provision income:			
Net income		$ 13,107	$ 13,800
Add: Income tax expense		312	1,688
Add: Provision for credit losses		2,653	5,495
Pre-tax pre-provision income		$ 16,072	$ 20,983

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.