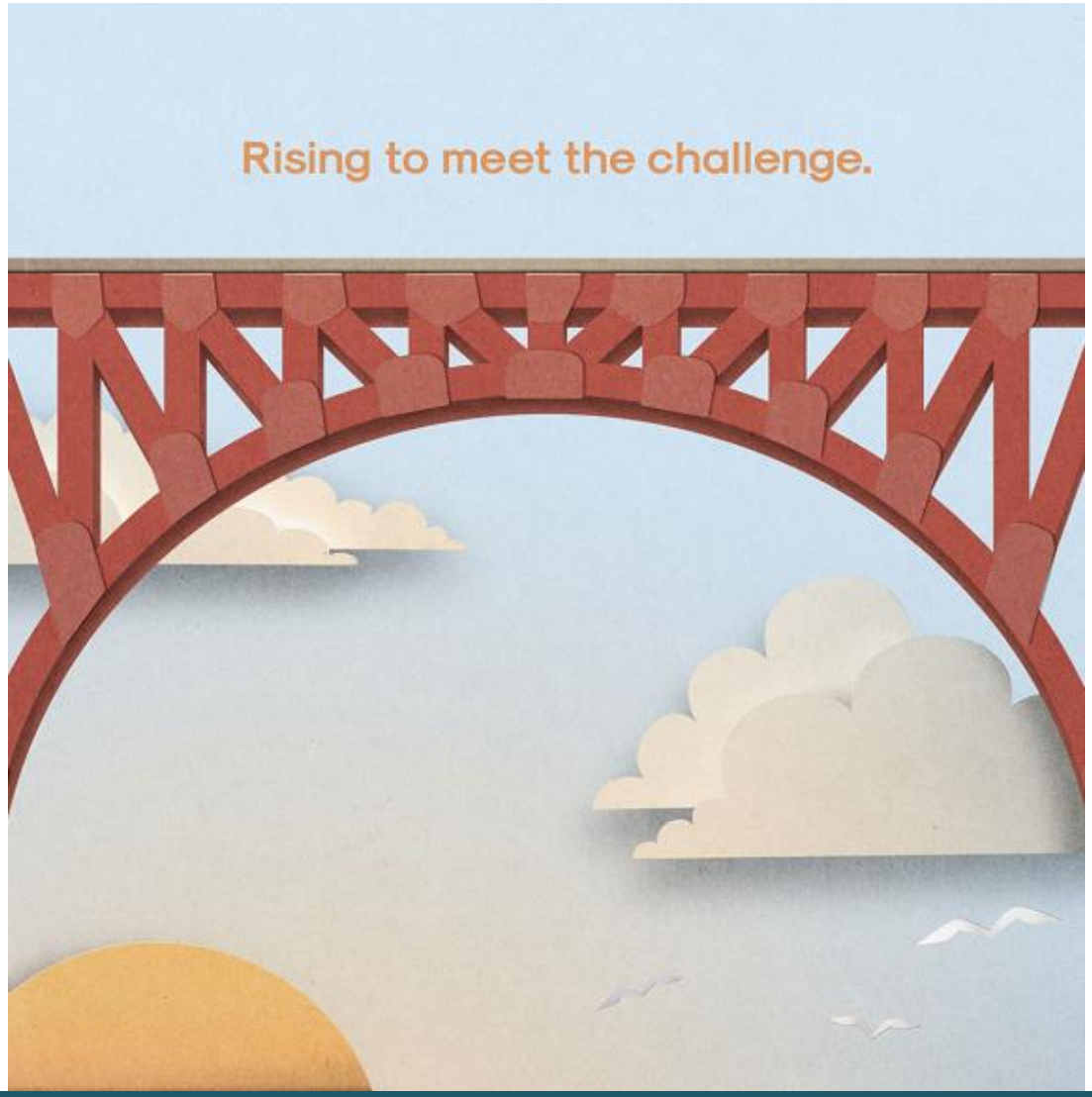


FINANCIAL INSTITUTIONS, INC. (Nasdaq: FISI)

Investor Presentation

December 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)
- 49 banking locations in 14 contiguous counties in Western and Central New York
- Experienced management team with extensive market knowledge and industry experience
- Franchise offers products and services to a diversified mix of consumer, business, municipal, healthcare and non-profit customers
- Generating consistent, strong operating results
- Positioned for growth through key initiatives

Key Statistics as of September 30, 2021

Assets:	$5.6 billion
Loans:	$3.7 billion
Deposits:	$5.0 billion
Shareholders' Equity:	$494.0 million
NPAs(1)/Total Assets:	0.12%
Employees:	~ 600
ROACE (TTM):	15.33%
ROATCE(2) (TTM):	18.29%
ROAA (TTM):	1.38%
Market and Valuation Data as of December 3, 2021	
Closing Price Per Share:	$31.83
Market Capitalization:	$503.2 million
Annualized Dividend Per Share:	$1.08
Dividend Yield:	3.39%
Price/Tangible Common Book Value(3):	125%
Price/NTM Consensus EPS(3):	9.5x

(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



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

Growth Opportunities

Buffalo and Rochester Urban MSAs

- Five Star Bank market share in attractive $96B 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) 6/30/21 data

Buffalo and Rochester Economic Environment



Buffalo, New York
Population: 278,000
MSA Population: 1.1 million
NY State's 2nd Largest MSA



Rochester, New York
Population: 211,000
MSA Population: 1.0 million
NY State's 3rd Largest MSA

- Financially stable market – less boom / less bust
- 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
  - For example, the University of Rochester's total fiscal impact on the economy was nearly $300 billion in 2019, with a local impact of more than $85 billion. UR is a major contributor to the upstate economy, directly employing roughly 32,500, with an estimated 28,000 full-time equivalents. Through spillover spending and other economic impacts, its total employment impact is nearly 68,000, with earnings of $4.7 billion. The university and medical center is the largest private employer in Upstate New York and the seventh-largest statewide. Rochester-based Wegmans Food Markets Inc. is the 15th largest private employer statewide, while Rochester Regional Health System is the 19th.(1)
- Buffalo and Rochester downtown redevelopments underway

(1) Per Center for Governmental Research Inc.

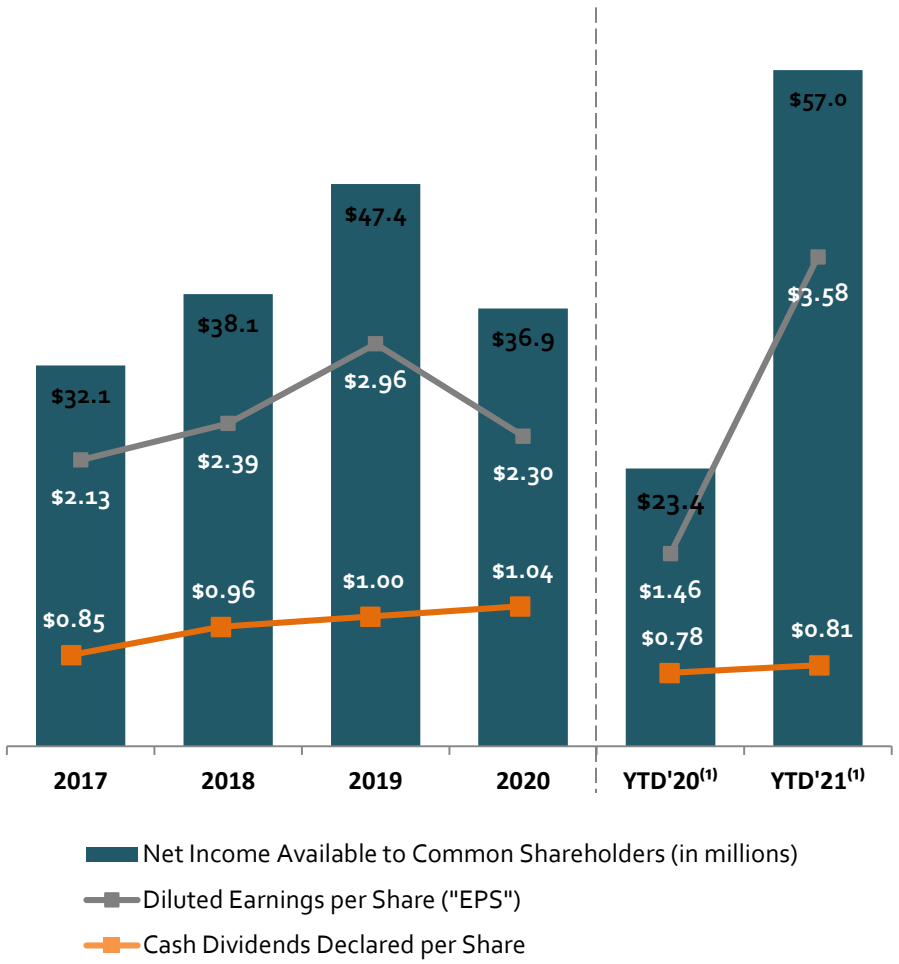
Perceived Challenges vs. Reality

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 717** • 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% in 2020 and 0.09% YTD 2021	• While current management team inherited asset class concentration, indirect remains a **core competency**, with **attractive risk-adjusted return profile** • Deploying 2021 excess liquidity in this loan product with short duration, strong credit performance and relatively higher yield characteristics • Indirect portfolio **concentration has declined with** focus on growing relationship-based loan categories – 25.7% of loans compared to 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 $54 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 6 **innovative financial solution centers** since 2015; two opened in June 2021	• 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 • Impressive loan growth since Q3'16 ***–Comm Bus: +62%(2) –Comm Mtg: +112% –Residential: +37%*** ***–CBVPS: +42% –TCBVPS(3) : +58%***
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 **0.12% NPAs/Assets, 1.24% ALL/Loans and 681% ALL/NPL** • TCE(3) at 9/30/21 was 7.25%, up 80 bps from Q3'16; TCE(3) decline of 55 bps YTD 2021 driven by excess liquidity

(1) Excludes reciprocal balances
(2) Excluding Paycheck Protection Program Loans
(3) Refer to "Non-GAAP Reconciliation" in Appendix

Net Income, Earnings and Dividends



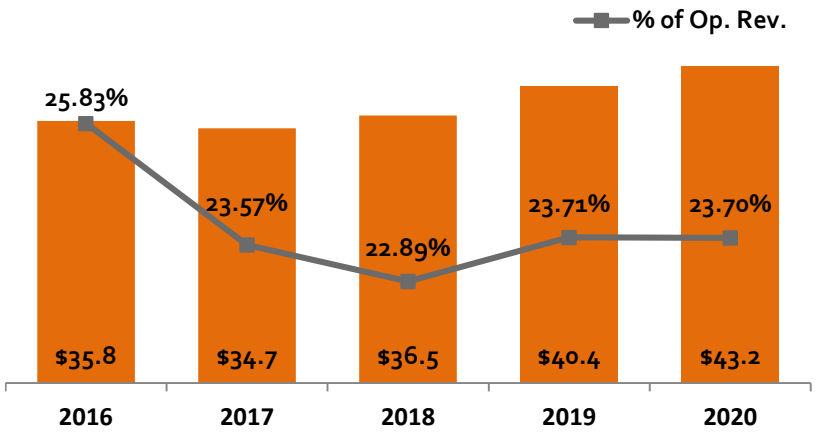
- 2020 results were negatively impacted by a significantly higher provision for credit losses of $27.2 million for the full year as compared to $8.0 million in 2019. Higher provision was driven by the adoption of the current expected credit loss ("CECL") standard and the impact of COVID-19 on the economic environment.
- 2021 results for the first nine months reflect a $7.1 million benefit for credit losses as compared to a $21.7 million provision for credit losses in the first nine months of 2020. Improvement in the national unemployment forecast, positive trends in qualitative factors and lower net charge-offs resulted in 2021 release of credit loss reserves and a corresponding benefit for credit losses.
- Consistent growth in pre-tax pre-provision income(2)
  - 2017 $56.8 million
  - 2018 $58.5 million
  - 2019 $67.5 million
  - 2020 $72.9 million
  - YTD'20(1) $51.9 million
  - YTD'21(1) $66.2 million

(1) For the first nine months
(2) Refer to "Non-GAAP Reconciliation" in Appendix

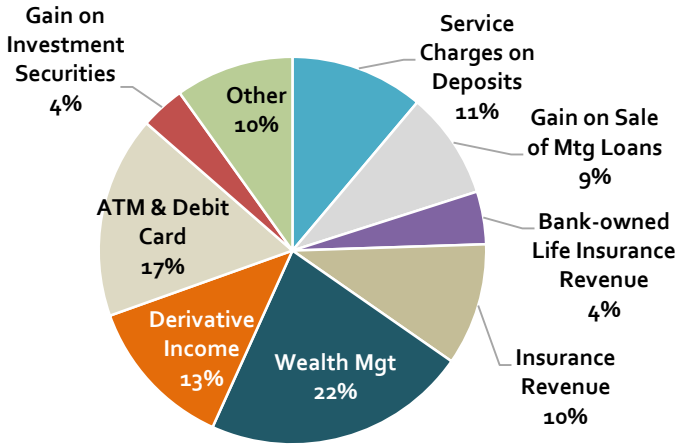
Revenue Diversification → Growing Noninterest Income

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

Third Quarter 2021 Key Statistics[1] and Highlights

- Net income of $17.2 million was $4.9 million higher than 2020
- Diluted earnings per share of $1.05 was $0.31 higher than 2020
  - Net income and earnings per share were positively impacted by Q3 2021 benefit for credit losses of $541 thousand as compared to provision of $4.0 million in Q3 2020
  - Continued improvement in national unemployment forecast, positive trends in qualitative factors and a relatively low level of net charge-offs resulted in the release of credit loss reserves and corresponding benefit for credit losses in current quarter
- Pre-tax pre-provision income[2] of $21.2 million was $1.9 million higher than 2020
- Net interest income of $38.3 million was $2.8 million, or 7.8%, higher than 2020
- Net interest margin ("NIM") of 3.07% was 15 basis points lower primarily as a result of the interest rate environment (reflecting a flatter yield curve and lower rates) and excess liquidity
- Total loans at quarter-end were $3.65 billion, an increase of $85.4 million, or 2.4%, from 9/30/2020
  - Excluding PPP loans, total loans increased $232.8 million, or 7.0%, from 9/30/2020
- Common book value per share increased 9.9% from 9/30/2020
  - Tangible common book value per share[2] increased 11.5% from 9/30/2020
- Bolt-on Acquisition — SDN insurance subsidiary acquired a Buffalo-based employee benefits and human resources advisory firm
- Five Star Bank subsidiary opened relocated branch in City of Elmira in downtown area undergoing revitalization

(1) As compared to third quarter 2020
(2) Refer to "Non-GAAP Reconciliation" in Appendix

Third Quarter 2021

Results Summary

($ in millions, except per share amounts)	3Q'20	2Q'21	**3Q'21**
Net interest income	$35.5	$37.7	**$38.3**
Noninterest income	12.2	10.2	12.1
Noninterest expense	(28.5)	(26.9)	(29.2)
Income tax expense	(2.9)	(5.4)	(4.5)
Preferred stock dividend	(0.4)	(0.4)	(0.4)
Net income available to common shareholders	$11.9	$19.8	$16.8
EPS diluted	$0.74	$1.25	$1.05
Return on average assets	1.02%	1.52%	1.27%
Return on average common equity	10.82%	17.34%	**13.94%**
Return on average tangible common equity[1]	13.02%	20.69%	**16.50%**
Net interest margin	3.22%	3.06%	**3.07%**
Efficiency ratio[2]	60.12%	56.02%	**57.76%**
Dividends per share	$0.26	$0.27	$0.27
Dividend yield (annualized)	6.72%	3.61%	**3.49%**

Commentary

- Net interest income increased $2.8MM from 3Q'20 primarily as a result of growth in all categories of interest-earning assets; and increased $541K from 2Q'21 due to a shift of excess liquidity from interest-earning cash to investment securities, partially offset by less accretion of fees from PPP loans.
- Noninterest income decreased $134K from 3Q'20 primarily due to lower income from derivative instruments ($1.6MM) and gain on the sale of loans ($797K), partially offset by higher income from investments in limited partnerships ($799K), insurance income ($507), investment advisory fees ($526K) and company owned life insurance ($306K). Noninterest income increased $1.9MM from 2Q'21 primarily due to higher income from derivative instruments ($969K), insurance income ($717K) and income from investments in limited partnerships ($456K).
- Noninterest expense increased $694K from 3Q'20 and $2.2MM from 2Q'21 primarily due to higher salaries and employee benefits ($713K and $1.3MM, respectively), occupancy and equipment expense ($571K and $548K, respectively) and other expense ($495K higher than 3Q'20), combined with the impact of 3Q'20 non-recurring restructuring charges of $1.4MM.

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

(2) 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.

2021 Acquisitions

The Company's insurance subsidiary, SDN Insurance Agency, LLC ("SDN"), completed two acquisitions in 2021 in support of our strategy to diversify revenue.

- February 1, 2021: Acquired the assets of **Landmark Group** ("Landmark").

  A staple of the Rochester community since 1984, Landmark was 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. This transaction expands the Company's insurance business in the important growth markets of Rochester and the Finger Lakes region.

  Landmark Founder and Chairman Kelly M. Shea and President Christopher K. Shea joined SDN to lead Rochester operations and continue their long-term relationships with current clients.

- August 2, 2021: Acquired the assets of **North Woods Capital Benefits LLC** ("North Woods").

  North Woods was a Buffalo-based employee benefits and human resources advisory firm with a mission of helping clients of all sizes navigate the complexities of employee benefits, human resources and compliance to control costs and maximize long-term savings. This acquisition expands our employee benefits business and adds important expertise in employee benefits and human resources consulting.

  William (Bill) Wadsworth, North Woods' Founder, continues his long-term client relationships in his new role leading SDN's employee benefits practice. Sarah Kirke, Director of Client Service and HR Consulting at North Woods, serves as Employee Benefits Account Manager and HR Consultant.

Digital Transformation and Banking as a Service

Five Star Bank's digital approach focuses on two areas of focus that are closely interconnected, but provide different opportunities

1 Digital Transformation

Five Star Bank
Banking | Investment | Insurance

Reimagine and roadmap to **flexible & engaging digital experiences** for associates and customers

Modernize and scale
Lean into digital
Exceptional, connected experiences
Acquire and retain customers
Drive efficiencies
Educate and empower

2 Banking as a Service

FSB& BaaS

Leverage existing infrastructure along with smart investments to **create new revenue opportunities (BaaS)**

Partner to innovate & acquire customers
Complementary but de-coupled
New revenue streams
Gain digital velocity
Nimble and agile execution

Digital Transformation and Banking as a Service

To achieve BaaS success, management has developed an operating model, invested in talent and onboarded key partners.

FSB& Line of Business launched in August 2021. The "&" in FSB& is indicative of the collaboration with partners to deliver technology-enabled products to customers.

- Legacy and ongoing investments in infrastructure, talent, technology and partnerships has created the "operating system" by which we can deliver Banking as a Service ("BaaS") capabilities to fintech partners and wealth management firms looking to offer banking products and services to their customers.
- Since August 2021 launch, we have made headway with fintech partners by rapidly building a pipeline that may yield partnerships—a number of opportunities are at various stages of execution.
- We have well-defined criteria for sourcing partners with a focus on business-to-business solutions (merchant POS, supplier finance), ESG and sustainable finance opportunities, and wealth management.
- There are near-term investments necessary to deliver services consistent with regulatory expectations, with revenues expected to follow. We are enthusiastic about the value proposition that our Baas initiative brings to our Company in the form of enhanced and diversified revenue, insights, and innovative partnerships.

Digital Transformation and Banking as a Service

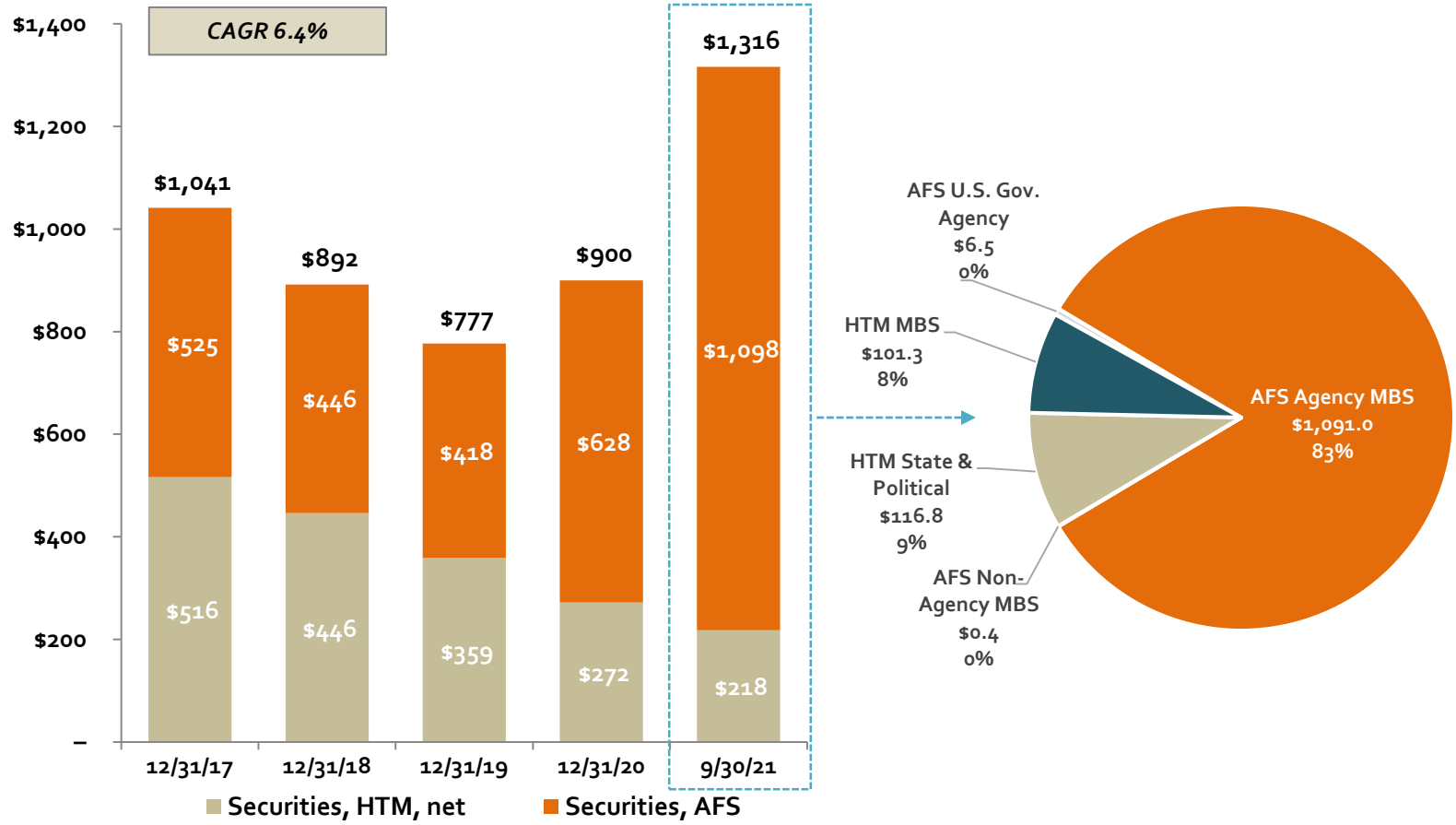
We've developed a thoughtful process to source, curate and onboard fintech partners consistent with proposed regulatory standards.

- We are focused on sourcing partners who are:
  - Reputable and venture-backed
  - Led by experienced and capable principals / founders
  - Vision, mission and/or strategic objectives align with our own
  - Appreciative of regulatory and consumer compliance, and safety and soundness requirements
- Our investments in risk and compliance capabilities (people, process and technology) allows us to manage risk effectively and serve as the as the foundation to exceed the expectations of BaaS clients, regulators, and our Board of Directors.
- We also believe these partnerships can be complementary to our legacy businesses in providing deeper insights into customer and market trends, as well as allowing us to deliver unique, differentiated technology-enabled products to our existing customers

Securities Portfolio

- Initiative launched in 2018 to convert low-yield, low-risk weighted investment securities into higher-yielding loans. Initiative completed in 3Q'19.
- Beginning in 4Q'20, excess Federal Reserve cash balances reallocated to eligible agency mortgage backed securities.

($ in millions)

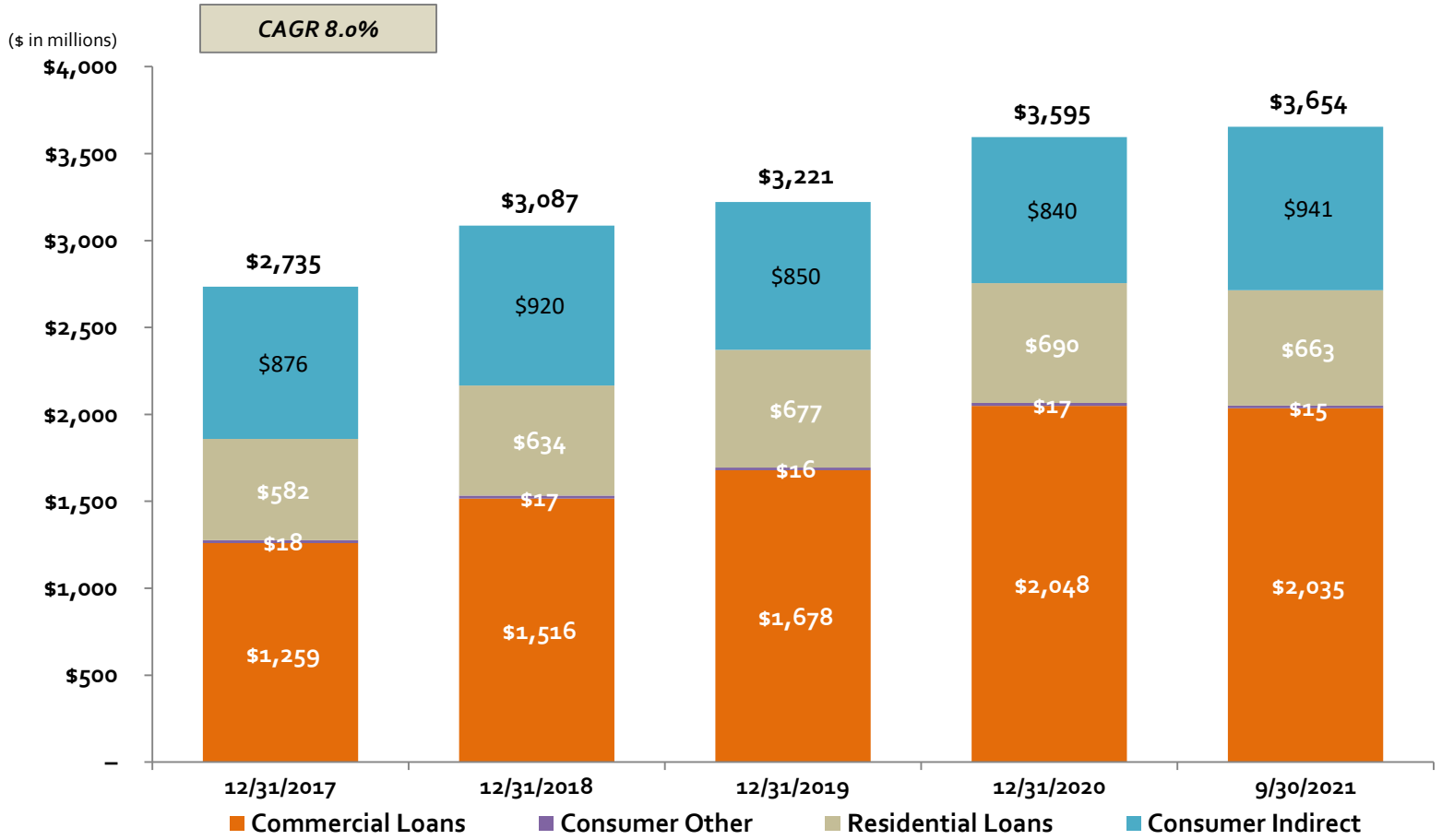


	2017	2018	2019	2020	2021 (YTD)
Security Yield(1)	2.48%	2.33%(2)	2.39%(2)	2.31%(2)	1.79%(2)

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

Total Loans

- 2020 Commercial Loan growth includes $248.0 million of PPP loans (net of deferred fees)
- PPP loans (net of deferred fees) at 9/30/2021 was $116.7 million



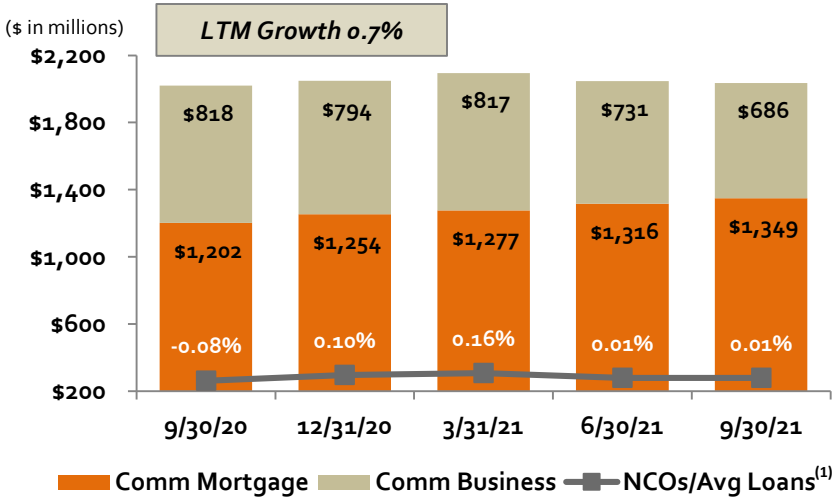
	2017	2018	2019	2020	2021 (YTD)
Loan Yield(1)	4.22%	4.51%	4.77%	4.18%	4.02%

(1) Average yield for the period

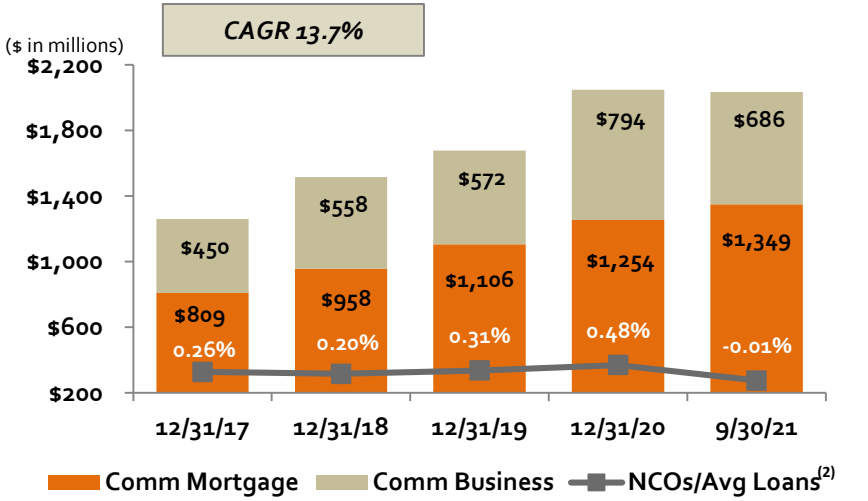
Commercial Banking

- PPP loans (net of deferred fees) included in commercial business loans below: $264.1 million at 9/30/20, $248.0 at 12/31/20, $255.6 million at 3/31/21, $171.9 million at 6/30/21 and $116.7 million at 9/30/21
- Excluding PPP loans, loan growth subsequent to 1Q'20 (especially commercial business) reflects soft loan origination environment
- Growth from 2017 forward 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

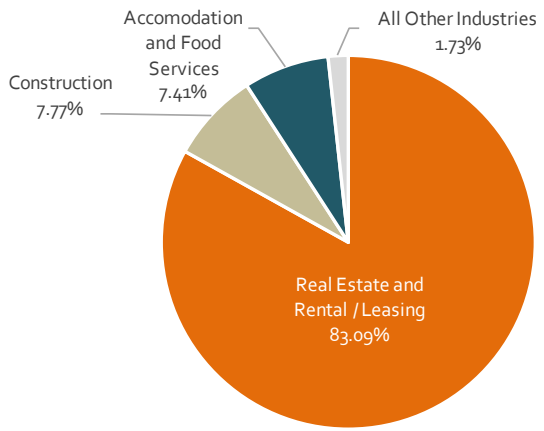


(1) For the quarter (annualized)
(2) For the year/year-to-date (annualized)

Commercial Loan Portfolio Detail

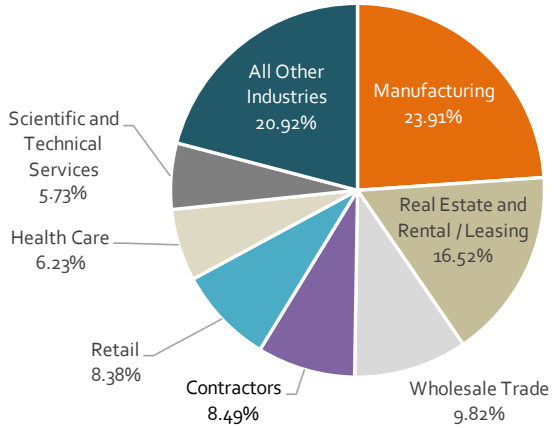
Commercial Real Estate Ttl Exposure(1) ($1.3Bn(2))

As of September 30, 2021



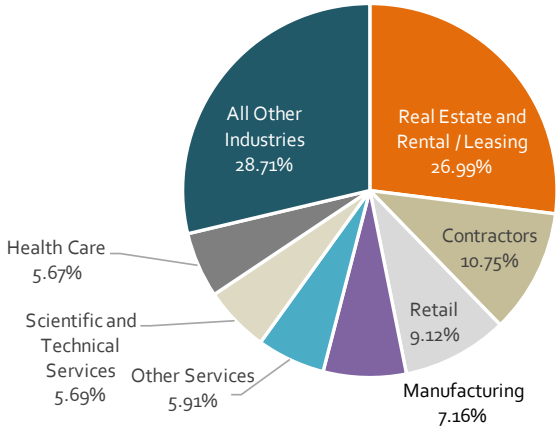
Commercial & Industrial Ttl Exposure(1) ($1.1Bn(2))

As of September 30, 2021



Business Banking Ttl Exposure(1) ($196MM(2))

As of September 30, 2021



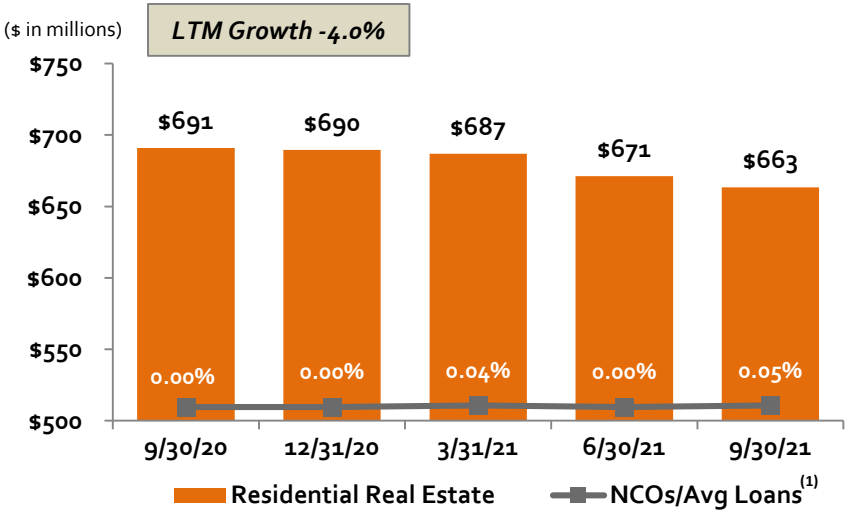
- **The vast majority of the commercial loan portfolio is within the Bank's footprint**

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

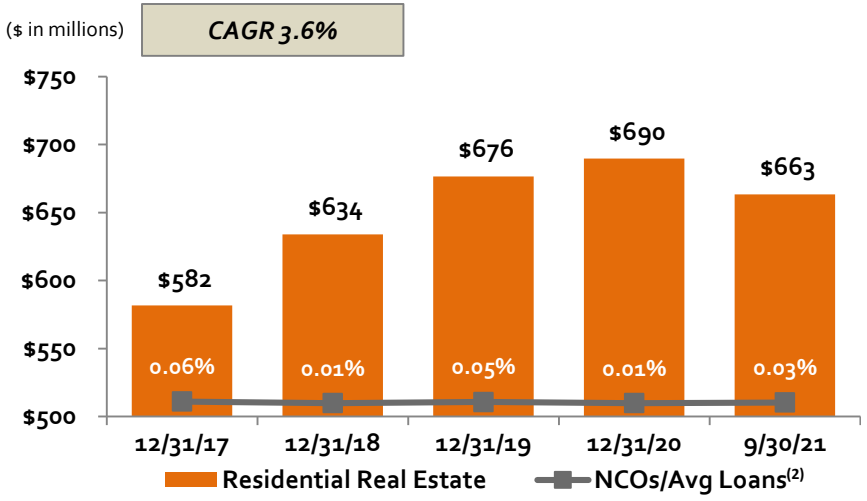
Residential Real Estate Loans and Lines

- 2021 decline is the result of 1) increased efficiency in the secondary marketing function, 2) tight local housing market and 3) pandemic-fueled migration to the suburbs in 2020 and early 2021 has slowed
- 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

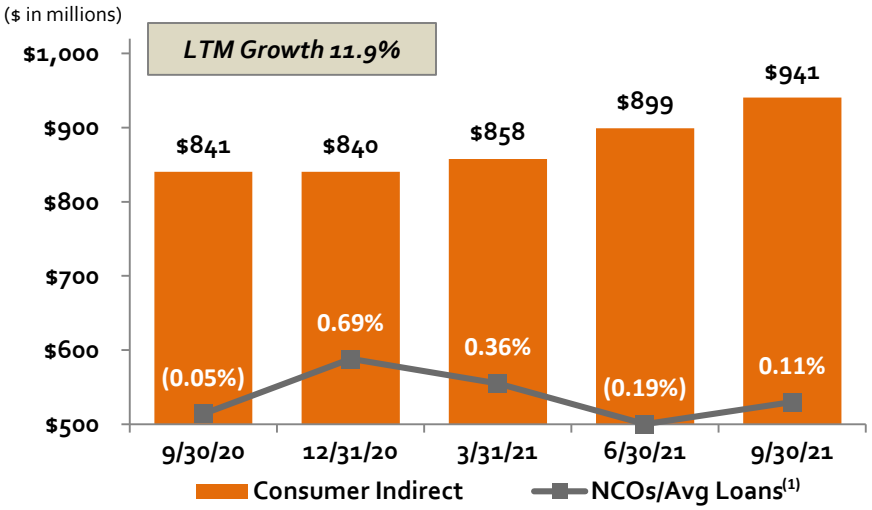


(1) For the quarter (annualized)
(2) For the year/year-to-date (annualized)

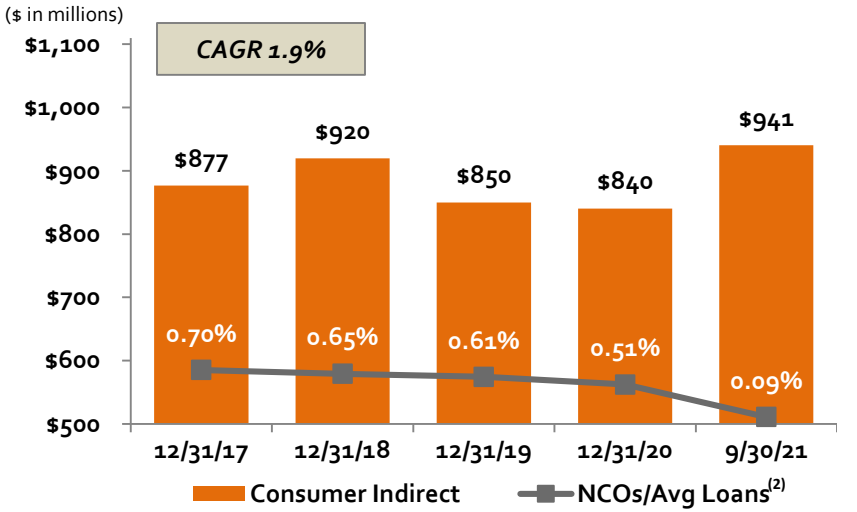
Consumer Indirect Lending

- $940.5 million portfolio at September 30, 2021
  - Portfolio represents 25.7% of total loans, down from 29.8% at 12/31/18 and peak of 35% at 12/31/13
  - Growth in the portfolio is the result of consumer demand for automobiles
  - Company is well-positioned to take advantage of the market opportunity given its deep history and experience in this line of business
  - Growth has enabled us to deploy excess liquidity in a loan product with short duration, strong credit performance and relatively higher yield characteristics
- Prime lending operation with average portfolio FICO score of approximately 717
- Dealer network of nearly 500 franchised new automobile dealerships
- Relatively short duration of approximately 3 years and natural risk dispersion due to small loan size
- Demonstrated track record of consistent performance through economic expansions, recessions and stagnation

Consumer Indirect – Quarterly



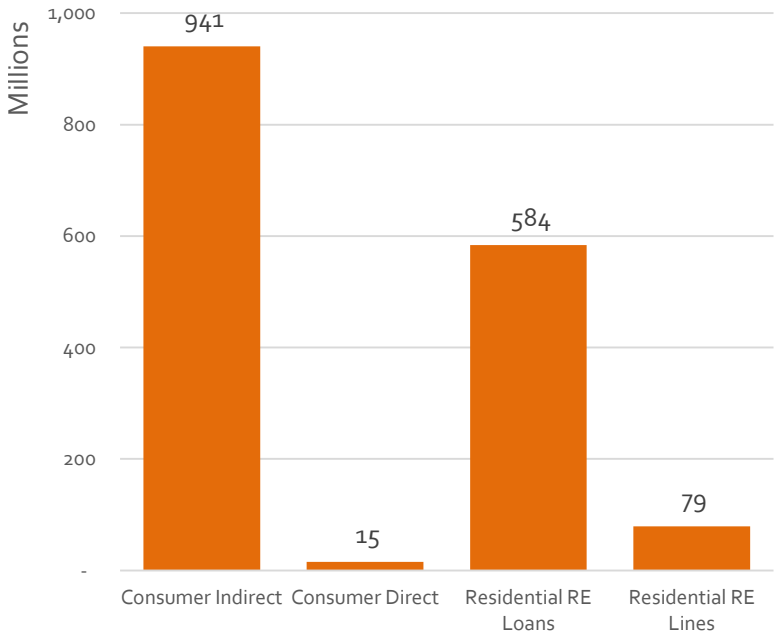
Consumer Indirect – Annual



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

Consumer & Residential Loan Portfolio Detail

Consumer Lending Portfolio
As of September 30, 2021



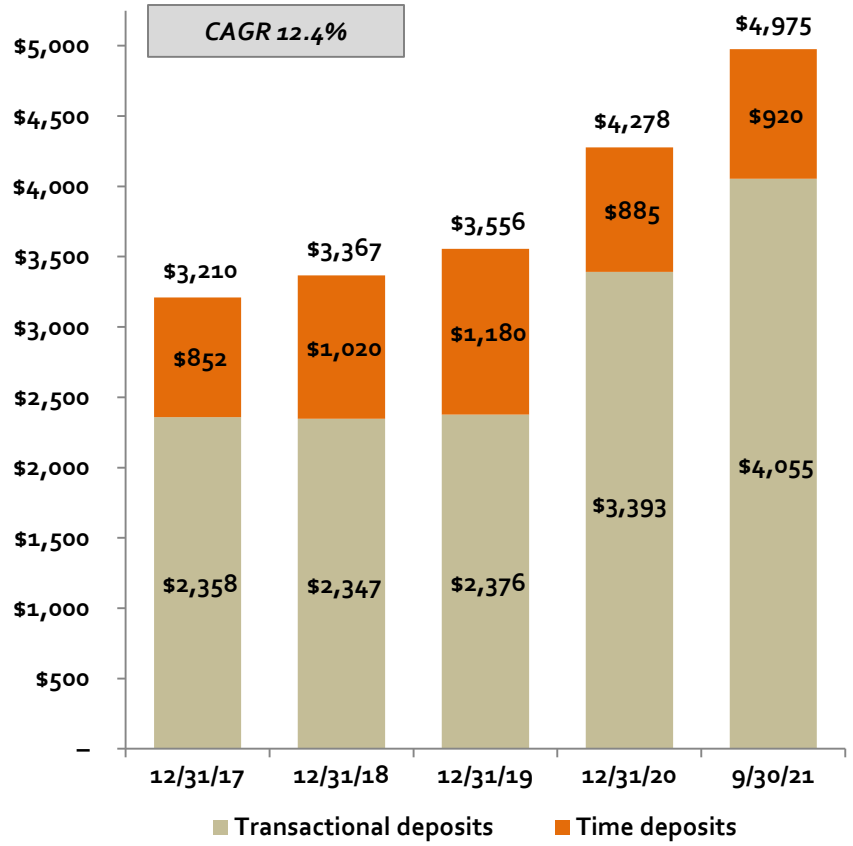
Consumer Lending Portfolio Metrics
As of September 30, 2021

	% of Ttl. Loan Portfolio ($3.7Bn)	# of Loans	Wt. Avg FICO Score (at origination)	Avg. Loan Balance
Consumer Indirect	25.7%	47,093	717	$18,834
Consumer Direct	0.4%	11,404	729	$1,214
Residential Real Estate Loans	16.0%	6,930	737	$82,596
Residential Home Equity Lines of Credit (HELOCs)	2.2%	3,305	769	$21,830

Deposit Growth

Deposits (by account type)

($ in millions)



	2017	2018	2019	2020	2021
Cost of Deposits(1)	0.35%	0.57%	0.82%	0.44%	0.18%

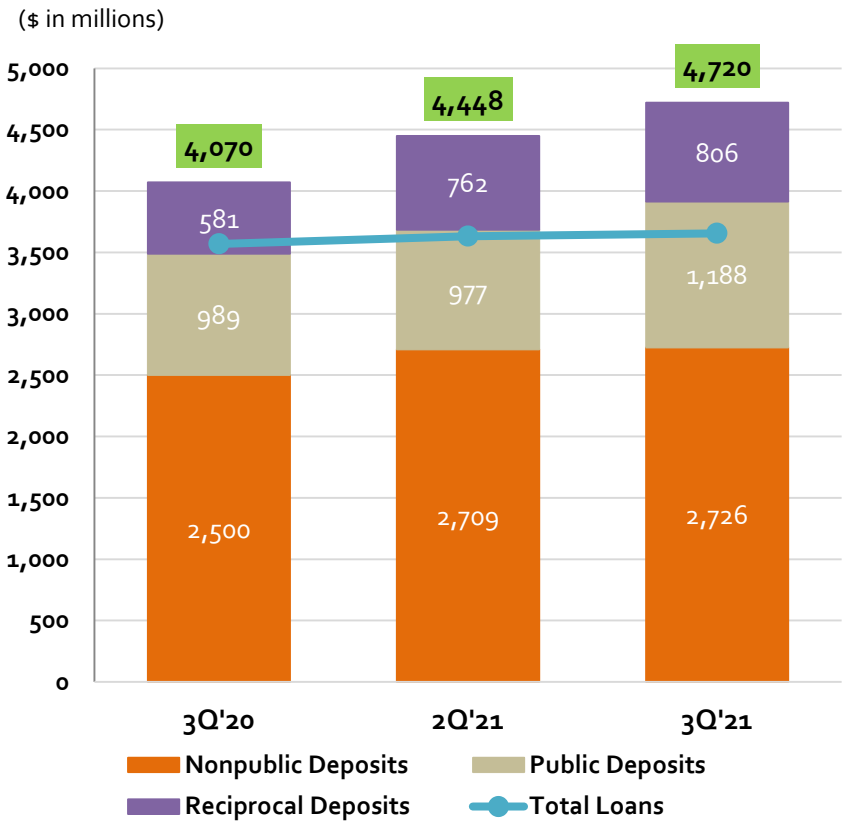
Commentary

- 2021 increase driven by growth in non-public, public and reciprocal deposits
- 2020 increase driven by growth in non-public demand and reciprocal deposits
- Opportunities for growth
  - Combined Rochester and Buffalo markets represent attractive deposit market of $96 billion
  - Current FSB market share is less than 2%
- We offer a variety of public (municipal) deposit products to the towns, villages, counties and school districts within our market
  - Deposits are seasonal /low cost funding source
  - Comprised 24% of deposits at 9/30/21 compared to 20% of deposits at 12/31/20
  - FSB currently has 325 municipal customers

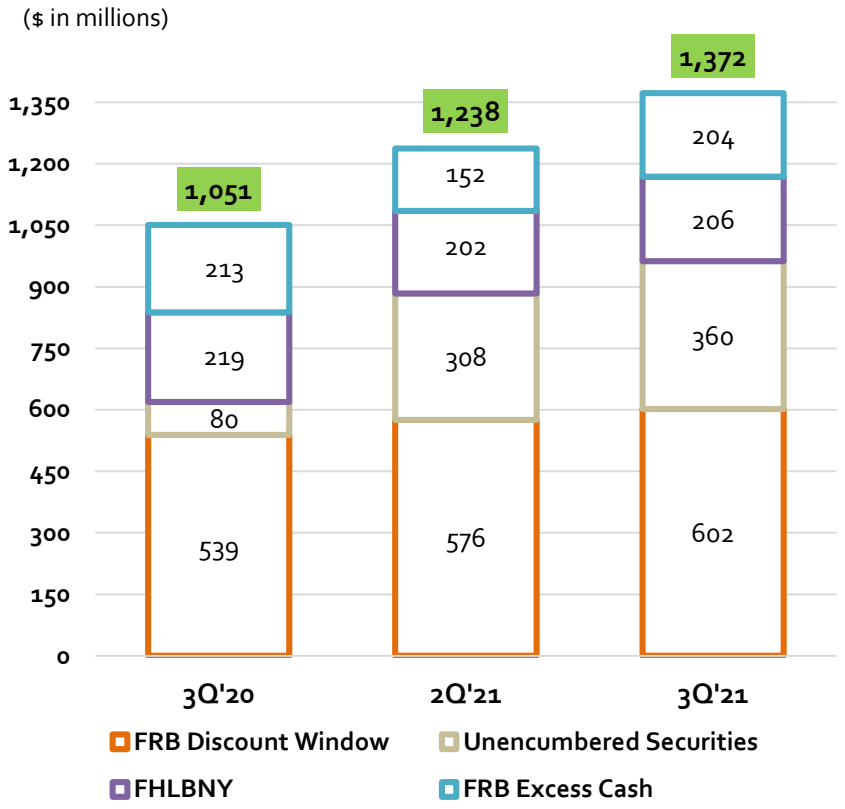
(1) For the year/year-to-date (annualized)

Key Liquidity Metrics

Deposit Mix (1)



Available Committed Liquidity

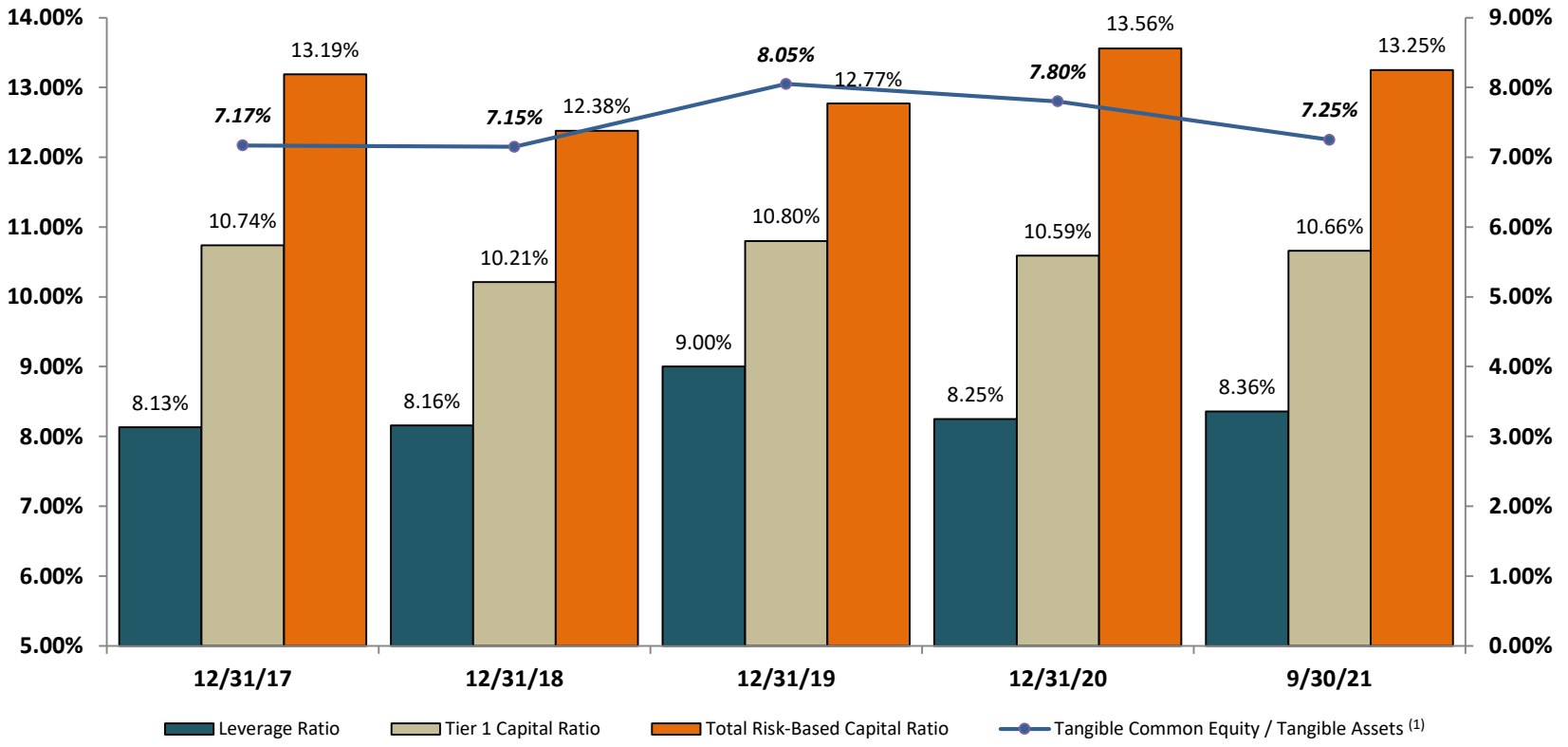


- Diverse deposit gathering capabilities and eligible collateral support a robust liquidity position:
  - Core nonpublic deposits anchor our deposit base; loan to deposit ratio of 73% at 3Q'21
  - 3Q'21 available committed liquidity remains strong and stable, representing reduced reliance on FHLB advances, an increase in collateral eligible securities and excess FRB Cash
  - The increase in security collateral is reflective of seasonal public deposits coupled with growth in securities

(1) Excluding Brokered Deposits

Historical Capital Position

Consolidated Capital Ratios



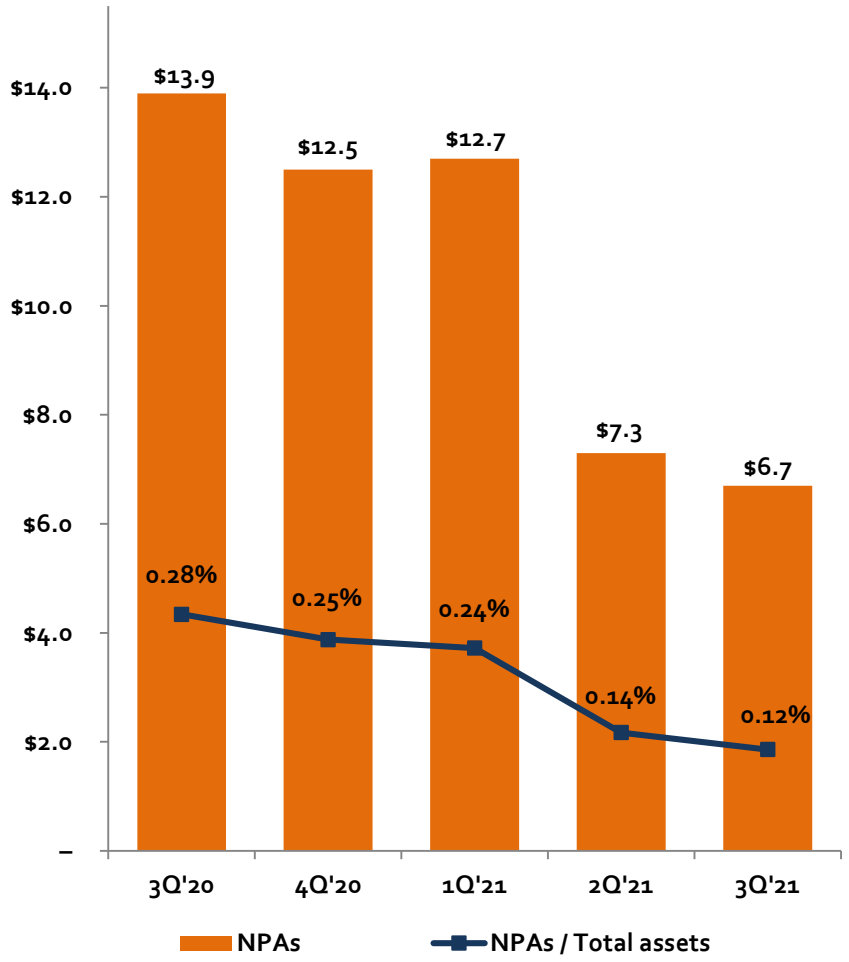
	September 30, 2021
Tangible Common Equity / Tangible Assets (1)	7.25%
Leverage Ratio	8.36%
Tier 1 Capital Ratio	10.66%
Total Risk-Based Capital Ratio	13.25%

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

Asset Quality

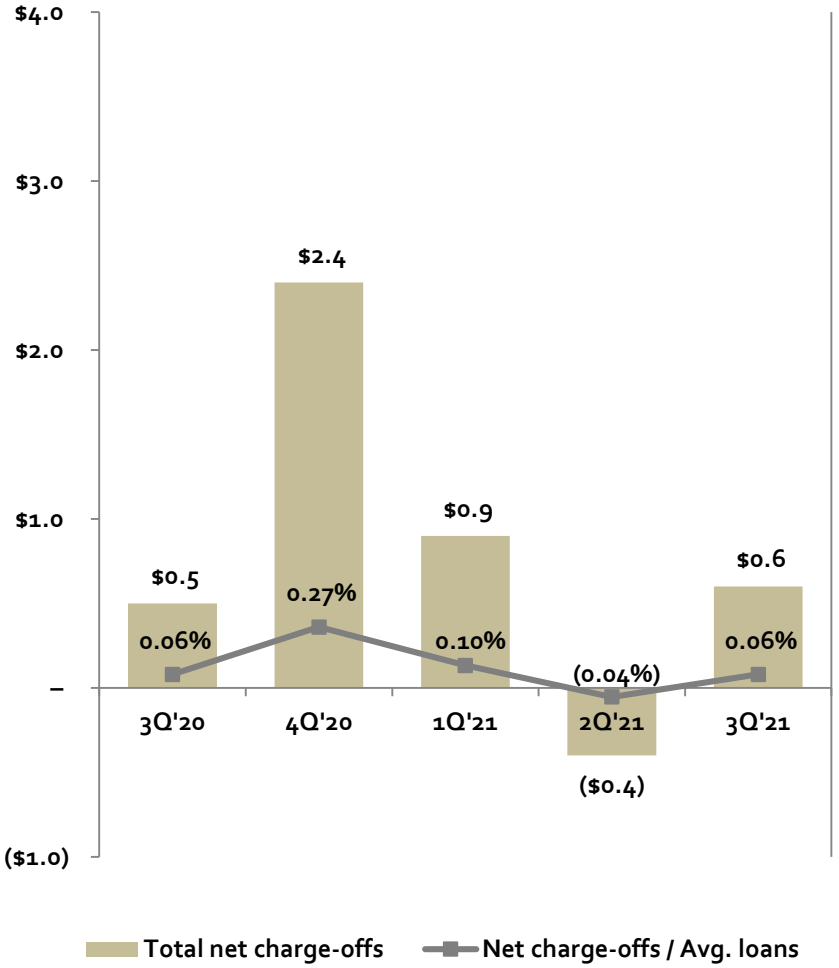
Non-Performing Assets

($ in millions)



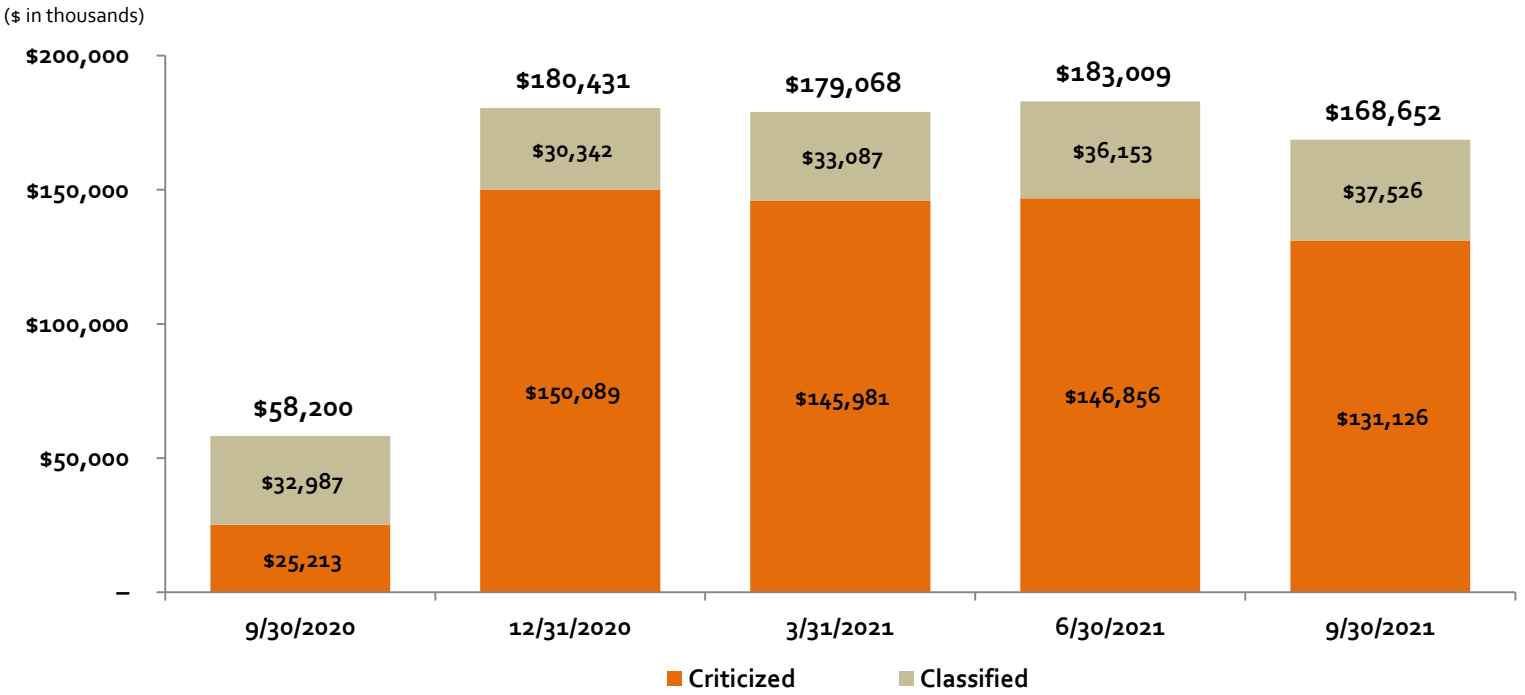
Net Charge-Offs

($ in millions)



Criticized and Classified Assets

- In an effort to address the impact of COVID-19 on our most at-risk exposures, approximately $127 million of commercial loans were downgraded to criticized status in 4Q'20 and a specific reserve of $4.7 million was established.
  - In 1Q'21, the reserve was increased by $2.4 million to $7.1 million. The majority of the increase was related to one credit relationship that is stabilizing.
  - As of September 30, 2021, approximately $108 million of COVID-19 impacted credits remain in the criticized or classified asset class and the specific reserve on these credits totaled $6.7 million.
- As illustrated in the graph below, criticized and classified levels remain stable in comparison to year-end



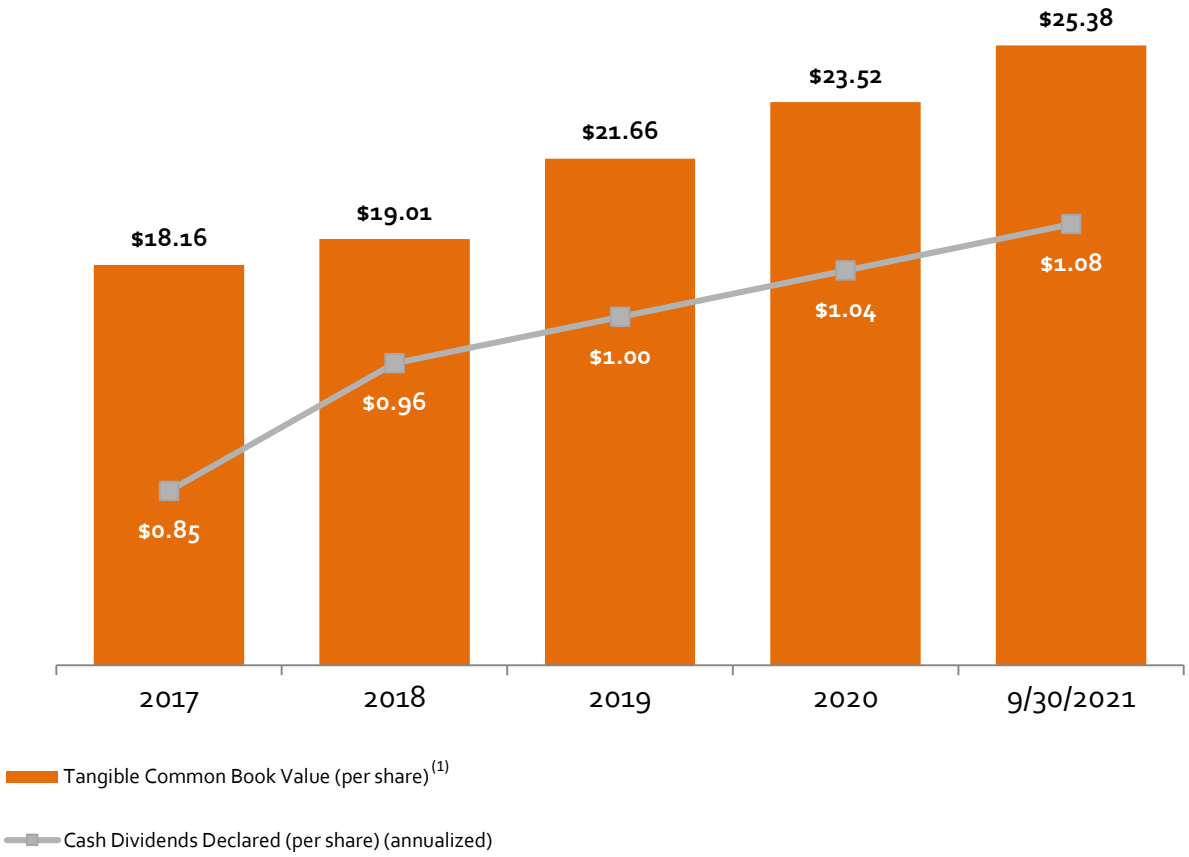
	9/30/2020	12/31/2020	3/31/2021	6/30/2021	9/30/2021
Total Specific Reserves	$1.4MM	$9.6MM	$13.5MM	$13.3MM	$11.3MM

Compelling Valuation[1]

	Price/Tangible Common Book Value[2]	*Price/NTM Consensus EPS[2]*
FISI	**125%**	**9.5x**
AROW	166%	12.3x
CHMG	116%	9.9x
CBU	321%	22.7x
EVBN	131%	11.2x
NBTB	168%	12.2x
TMP	185%	13.8x
TRST	106%	11.1x

(1) Peer group defined as Upstate NY banks with total assets between $2 and $15 Billion and sell-side analyst coverage
(2) As of December 3, 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 (0.18% 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(2)

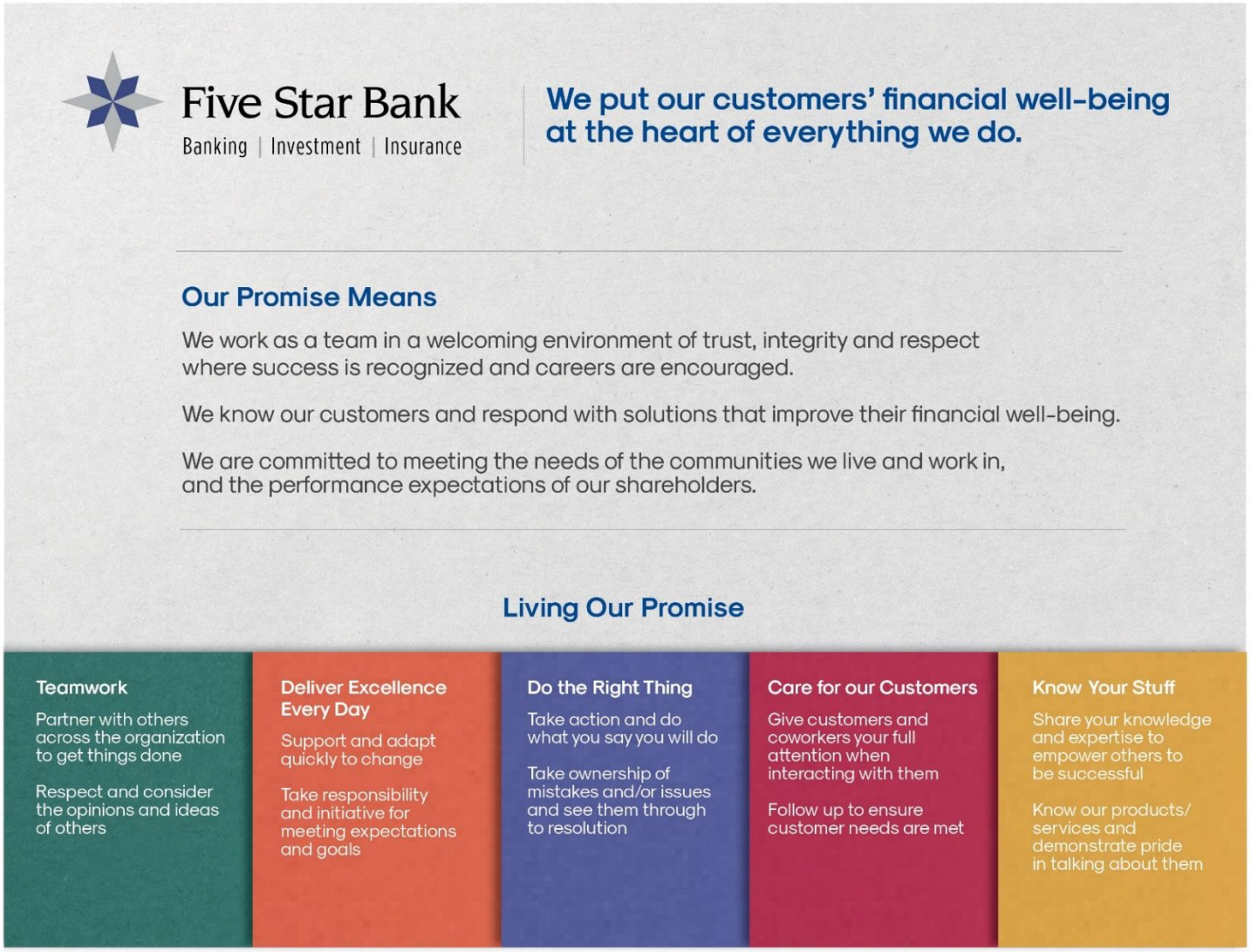
(1) For the quarter ended September 30, 2021 (annualized)
(2) For the year ended December 31, 2020

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

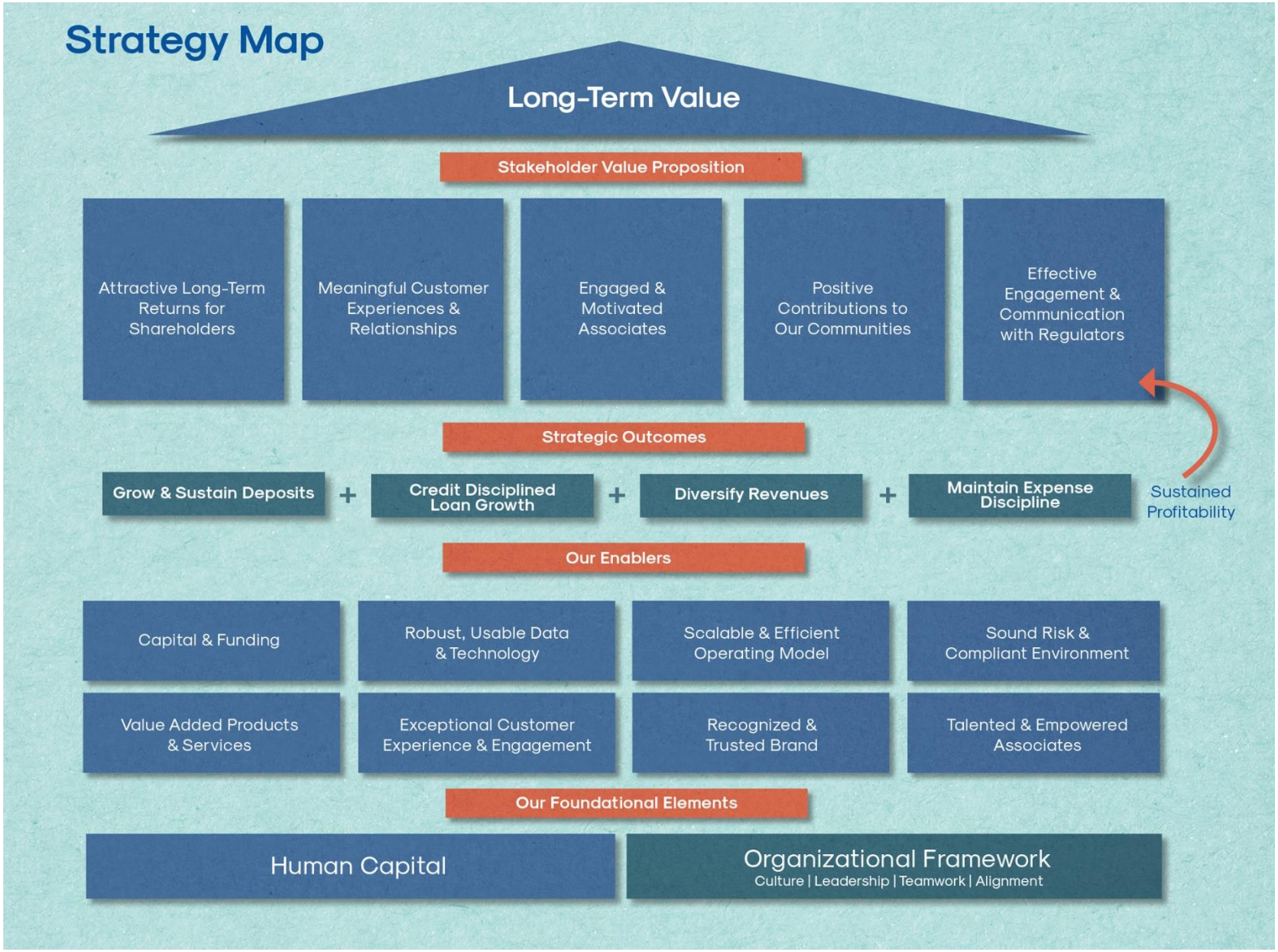


Successfully Executing Our Strategy

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.

	Year ended				9 Months Ended	9 Months Ended
($ in thousands, except per share data)	2017	2018	2019	2020	9/30/2020	9/30/2021
Computation of ending tangible common equity:						
Common shareholders' equity	$ 363,848	$ 378,965	$ 421,619	$ 451,035		
Less: Goodwill and other intangible assets, net	74,703	76,173	74,923	73,789		
Tangible common equity	289,145	302,792	346,696	377,246		
Computation of ending tangible assets:						
Total assets	$ 4,105,210	$ 4,311,698	$ 4,384,178	$ 4,912,306		
Less: Goodwill and other intangible assets, net	74,703	76,173	74,923	73,789		
Tangible assets	4,030,507	4,235,525	4,309,255	4,838,517		
Tangible common equity to tangible assets[1]	7.17%	7.15%	8.05%	7.80%		
Common shares outstanding	15,925	15,929	16,003	16,042		
Tangible common book value per share[2]	$ 18.16	$ 19.01	$ 21.66	$ 23.52		
Computation of average tangible common equity:						
Average common equity	$ 331,184	$ 371,023	$ 403,689	$ 433,908		
Less: Average goodwill and other intangible assets, net	74,818	76,990	75,557	74,364		
Average tangible common equity	256,366	294,033	328,132	359,544		
Computation of average tangible assets:						
Average assets	$ 3,896,071	$ 4,171,972	$ 4,285,825	$ 4,693,225		
Less: Average goodwill and other intangible assets, net	74,818	76,990	75,557	74,364		
Average tangible assets	3,821,253	4,094,982	4,210,268	4,618,861		
Net income available to common shareholders	32,064	38,065	47,401	36,871		
Return on average tangible common equity[3]	12.51%	12.95%	14.45%	10.25%		
Pre-tax pre-provision income:						
Net income	$ 33,526	$ 39,526	$ 48,862	$ 38,332	$ 24,532	$ 58,085
Add: Income tax expense	9,945	10,006	10,559	7,391	5,703	15,300
Add: Provision for loan losses	13,361	8,934	8,044	27,184	21,689	(7,144)
Pre-tax pre-provision income	56,832	58,466	67,465	72,907	51,924	66,241

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,				TTM ended,
($ in thousands, except per share data)	9/30/2016	9/30/2020	6/30/2021	9/30/2021	9/30/2021
Computation of ending tangible common equity:					
Common shareholders' equity	$ 308,931	$ 439,033	$ 469,834	$ 476,721	$ 476,721
Less: Goodwill and other intangible assets, net	75,943	74,062	74,262	74,659	74,659
Tangible common equity	232,988	364,971	395,572	402,062	402,062
Computation of ending tangible assets:					
Total assets	$ 3,687,365	$ 4,959,201	$ 5,295,102	$ 5,623,193	$ 5,623,193
Less: Goodwill and other intangible assets, net	75,943	74,062	74,262	74,659	74,659
Tangible assets	3,611,422	4,885,139	5,220,840	5,548,534	5,548,534
Tangible common equity to tangible assets[1]	6.45%	7.47%	7.58%	7.25%	7.25%
Common shares outstanding	14,528	16,038	15,842	15,842	15,842
Tangible common book value per share[2]	$ 16.04	$ 22.76	$ 24.97	$ 25.38	$ 25.38
Computation of average tangible common equity:					
Average common equity	$ 308,524	$ 437,948	$ 458,868	$ 478,582	$ 458,608
Less: Average goodwill and other intangible assets, net	76,116	74,220	74,412	74,470	74,259
Average tangible common equity	232,408	363,728	384,456	404,112	384,349
Computation of average tangible assets:					
Average assets	$ 3,593,672	$ 4,775,333	$ 5,340,745	$ 5,368,054	$ 5,187,070
Less: Average goodwill and other intangible assets, net	76,116	74,220	74,412	74,470	74,259
Average tangible assets	3,517,556	4,701,113	5,266,333	5,293,584	5,112,811
Net income available to common shareholders	8,103	11,908	19,834	16,811	70,294
Return on average tangible common equity[3]	13.87%	13.02%	20.69%	16.50%	18.29%
Pre-tax pre-provision income:					
Net income		$ 12,273	$ 20,200	$ 17,175	
Add: Income tax expense		2,940	5,400	4,553	
Add: Provision (benefit) for credit losses		4,028	(4,622)	(541)	
Pre-tax pre-provision income		$ 19,241	$ 20,978	$ 21,187	

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.