

Investor Presentation

Financial Institutions, Inc. (NASDAQ: FISI)
Insurance Transaction Update

April 1, 2024

Financial Institutions, Inc.

Important Information

Safe Harbor Statement

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include, but are not limited to, statements concerning the proposed transaction and the Company's business plans and prospects. These statements are not historical facts or guarantees of future performance, events or results. There are risks, uncertainties and other factors that could cause the actual results of the Company or the effects of the proposed transaction to differ materially from the results expressed or implied by such statements. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include competitive pressures among financial services companies, interest rate trends, general economic conditions, deposit flows and the cost of funds, demand for loan products, changes in legislation or regulatory requirements, our effectiveness at achieving stated goals and strategies, and difficulties in achieving operating efficiencies. Certain risks and uncertainties are more fully described in the Company's Annual and Quarterly Reports filed with the Securities and Exchange Commission. Forward-looking statements speak only as of the date they are made. The Company undertakes no obligation to publicly update or revise forward-looking information, whether as a result of new, updated information, future events or otherwise, except as may be required by applicable law or regulation.

Pro Forma Estimates

Pro forma capital ratios and other financial impact estimates included in this presentation are based on year-end 2023 metrics and are prior to potential deployment of proceeds and any impact on ratios and per share data related to the Company's previously disclosed fraud matter.

FISI Announces Sale of the Assets of Insurance Subsidiary

All-cash transaction supports the Company's earning and capital positions

- **On April 1, 2024, Financial Institutions, Inc. (the "Company"), the parent company of Five Star Bank and Courier Capital, LLC, announced and closed the sale of the assets of its wholly-owned subsidiary SDN Insurance Agency, LLC ("SDN") to NFP Property & Casualty Services, Inc. ("NFP"), a privately-held property and casualty broker and benefits consultant**
- **Generates $27.0 million in proceeds; after-tax gain of $11.2 million**
- **Supports earnings potential and focus on core banking business**
  - Expect to deploy some of the proceeds into our core banking business through high-quality, credit-disciplined loan growth to build higher-yielding earning assets



$27.0MM

cash proceeds from transaction



$11.2MM

after-tax gain

Realizes significant value creation at opportune time from business line that has proven profitable and beneficial to the Company during its 10-year history

Transaction Impact and Rationale

Achieves strong value for shareholders while creating opportunities for Five Star Bank, its customers and SDN employees

- **Compelling price of $27.0 million (~4.0x 2023 insurance revenue) generates significant after-tax gain of $11.2 million**
- **Takes advantage of strong market valuations for insurance brokerage businesses**
- **Eliminates $11.3 million of goodwill and other intangibles**
- **Enhances FISI's capital position**
- **Creates opportunity for redeployment of capital into core banking franchise, including potential loan growth**
- **Five Star Bank customers will enjoy ongoing access to market-leading insurance services through NFP**
- **SDN's team will join NFP to help build the global company's presence in Western New York market**

+6.2%

tangible book value accretion

+43 bps

tier 1 capital/ total RBC ratio accretion

-$11.3MM

elimination of goodwill and other intangibles

+37 bps

leverage ratio accretion

Meaningful capital impact for Financial Institutions, Inc.

Strengthens Capital Position

Allows for redeployment of proceeds into core banking franchise

43 basis point positive impact to CET1 ratio based on proforma 12/31/23 ratio

Capital Ratios and Per Share Data	At 12/31/23	Estimated Transaction Impact	Pro Forma 12/31/23
Leverage ratio	8.18%	+ 37 bps	**8.55%**
Common equity tier 1 (“CET1”) capital ratio	9.43%	+ 43 bps	**9.86%**
Tier 1 capital ratio	9.76%	+ 43 bps	**10.19%**
Total risk-based capital (“RBC”) ratio	12.13%	+ 43 bps	**12.56%**
Common equity to assets	7.10%	+ 17 bps	**7.27%**
Tangible common equity to tangible assets[1]	6.00%	+ 34 bps	**6.34%**
Common book value per share	$28.40	+ $0.72	**$29.12**
Tangible common book value per share[1]	$23.69	+ $1.46	**$25.15**

[1] Refer to “Non-GAAP Reconciliation” on slide 6.

Non-GAAP Reconciliations

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

Amounts in thousands, except per share data and percentages	12/31/2023	Pro Forma 12/31/2023
Computation of ending tangible common equity:		
Common shareholders' equity	$ 437,504	$ 448,666
Less: Goodwill and other intangible assets, net	72,504	61,209
Tangible common equity	365,000	387,457
Computation of ending tangible assets:		
Total assets	$ 6,160,881	$ 6,172,043
Less: Goodwill and other intangible assets, net	72,504	61,209
Tangible assets	6,088,377	6,110,834
Tangible common equity to tangible assets[1]	6.00%	6.34%
Common shares outstanding	15,407	15,407
Tangible common book value per share[2]	$ 23.69	$ 25.15

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



Thank You

Thank you for your interest in Financial Institutions, Inc.

NASDAQ: FISI

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