



Community Report

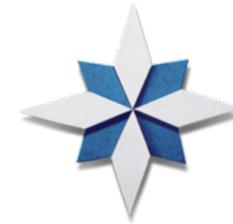
Today is tomorrow in progress



Five Star Bank

Banking | Investment | Insurance

**Together,
we can
build a
brighter
future.**



It is with great pride that we present Five Star Bank's inaugural Community Report. In this report, you'll read about many of the programs, products and services that we offer in support of our communities through the deployment of capital, ensuring the availability of safe, transparent and fair financial products and for charitable giving. You'll learn about our investments in community development and areas of focus for the award of financial grants, as well as year-round philanthropic efforts through event sponsorships. You will discover how our investment strategies support our communities and see that employees give freely of their time and talent, volunteering for numerous charitable organizations in many different ways. Giving back is a high priority for all of us at Five Star Bank and our affiliates Courier Capital, HNP Capital and Scott Danahy Naylor.

Our roots of community support run deep. We have a long history in the Western New York and Finger Lakes regions that goes back to our origin in 1817. Our predecessor banks each operated in a rural area and played important roles in helping to meet the credit needs of traditionally underserved people.

As a community bank, we are always looking for ways to serve our communities because we understand that our communities must be successful for our Company to thrive. We continue to evolve our banking, wealth management and insurance offerings to help people build financial security for today and the future. We understand that access to bank accounts, home ownership, small business loans and community development projects are integral to sustainable economic growth.

We recognize that positive actions can have a significant impact on the lives of our neighbors, and we are proud of the ways we are able to help. Together, we can build a brighter future. Today is tomorrow in progress.

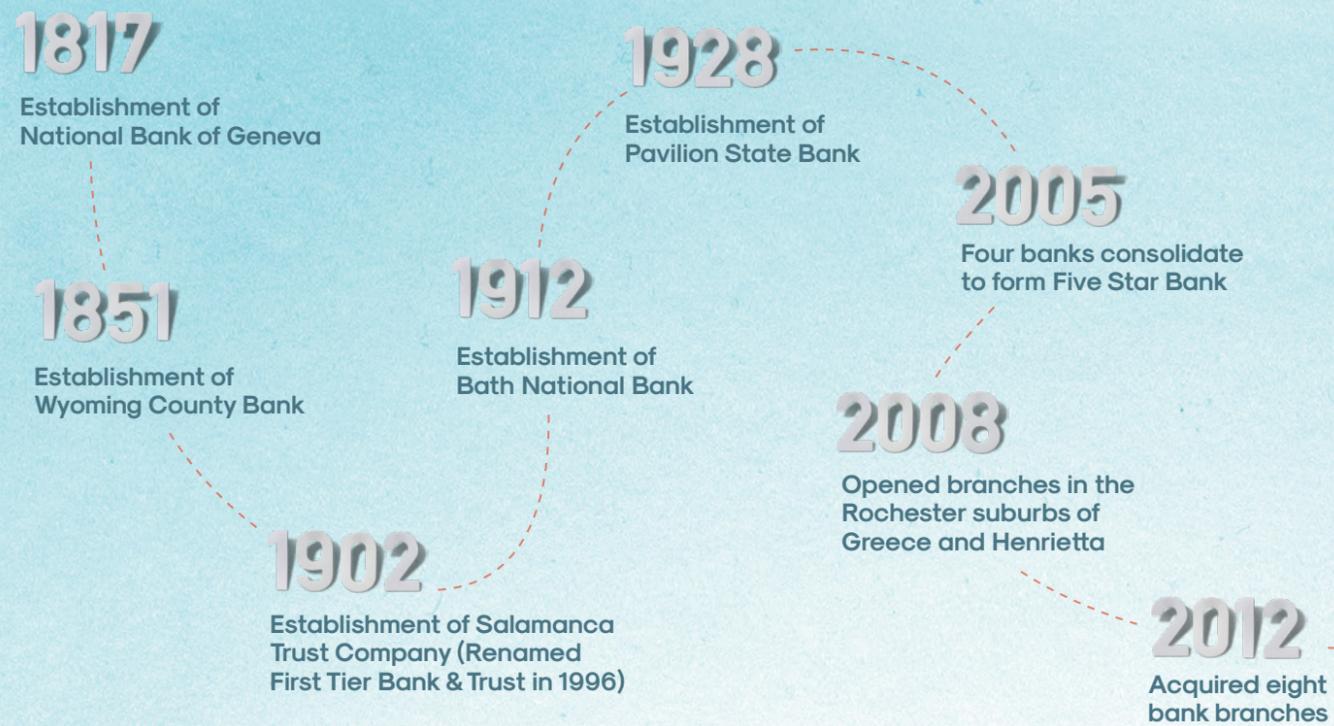
Cordially,

A handwritten signature in blue ink that reads "Martin K. Birmingham". The signature is fluid and cursive.

Martin K. Birmingham
President & CEO

June 25, 2018

200 years serving the community, and we're just getting started.



Our heritage banks established a strong presence in their geographies, with each operating in a rural area and playing an important role in helping to meet the credit needs of traditionally underserved people residing in sparsely-developed rural communities. In 2002, Pavilion State Bank was merged into Wyoming County Bank and National Bank of Geneva.

In 2005, the four remaining independently-operating rural community banks (owned by holding company Financial Institutions, Inc.) consolidated into a single institution – Five Star Bank.

Five Star Bank inherited the community-oriented traditions of the legacy banks as well as their rural footprints in the Western and Central regions of New York State.

Subsequently, Five Star Bank developed a vision for expansion into the more populated urban markets of Rochester (Monroe County), Buffalo (Erie County) and Elmira (Chemung County).

Our CityGate branch was the Bank's first financial solution center, a concept designed to meet evolving customer banking needs and accommodate a wide



spectrum of customer preferences with no teller lines, no barriers between bank associates and customers, and hands-on support. Our financial solution centers are staffed by Certified Personal Bankers who are experts trained to meet a broad array of customer needs and empowered to serve as trusted financial advisers.

The Flower City Community Room at CityGate was established as a professional space for local organizations and community groups. It's the perfect space to hold meetings and come together to accomplish great work.

In a commitment to the revitalization of downtown Rochester, the Bank relocated its regional administrative center from the suburbs to an existing building in downtown Rochester in early 2017. The building was renamed Five Star Bank Plaza.

In 2017, Five Star Bank opened a financial solution center in downtown Buffalo – our first location in the city of Buffalo and the fourth in Erie County.

Our second community room, The Wyoming County Community Room, opened in the summer of 2018 at 55 N. Main Street in Warsaw.

Consumer Products and Programs

We continually seek convenient banking solutions that meet our customers' needs. In the fall of 2017, we partnered with Allpoint Network to offer our customers access to more than 55,000 surcharge-free ATMs worldwide. This partnership serves as a valuable expansion of our ATM network, making cash access quick, easy and surcharge-free for all our customers.

Our comprehensive product offerings include several products tailored to meet the needs of the unbanked, underbanked and/or low- to moderate-income individuals in the communities we serve, including programs to assist home buyers with grants and savings programs. Access to a bank account provides households with the opportunity to conduct basic financial transactions, save for emergency and long-term security needs, build credit history, and access credit on fair and affordable terms.

Examples of these products and programs include:

TotalValue Safe Checking Account ⁽¹⁾

Designed for customers who want a low-cost account, this is an electronic checking account with a low monthly fee that is waived if the prescribed low monthly account balance is maintained. Online and mobile banking is included with mobile check deposit, bill pay and person-to-person payments as well as access to more than 55,000 surcharge-free ATMs worldwide.

TotalValue Safe Savings Account ⁽¹⁾

Designed for customers who want a low-cost non-transaction account that earns interest, this is an electronic savings account with a low monthly fee that is waived if the prescribed low minimum balance is maintained.

(1) Product is currently being piloted in Five Star Bank's financial solution centers in Buffalo and Rochester.

Helping Hand Loan Program

Five Star Bank's Helping Hand Loan Program is a small-dollar loan program offering a mainstream banking solution to those qualifying individuals with an emergency need for cash.

Home for You

This loan program is designed to provide easier access to home ownership for borrowers that are below 80% of the area median family income. This program features a discounted 30-year fixed interest rate, reduced closing costs, low down payment, no private mortgage insurance requirement and a \$3,000 grant for qualified applicants.

Neighborhood Loan

This loan program is also designed to provide easier access to home ownership for borrowers who are purchasing properties in low- to moderate-income tracts. This program features a discounted interest rate, low down payment and no private mortgage insurance requirement.

The First Home Club Program

Five Star Bank participates in the First Home Club, a savings program sponsored by the Federal Home Loan Bank. For homebuyers below 80% of the area's HUD median income, \$4 in matching funds is granted for each \$1 saved – up to \$7,500 for qualified applicants – to be used toward the down payment or closing costs of the home.

SONYMA State of New York Mortgage Agency

We participate in SONYMA loan programs, designed to help first-time low- and moderate-income borrowers obtain financing.

Community Development

In 2017, we invested in resources to increase access to our products and services for those most in need.

Our Community Development Officer (CDO) is responsible for overseeing, coordinating and providing strategic direction for Five Star Bank's Community Reinvestment Act (CRA) related programming and outreach programs throughout the Bank's footprint. The CDO regularly engages with civic, business and governmental leaders, and serves as liaison between Five Star Bank and the community at large to administer programs that meet the credit and banking needs of low- and moderate-income individuals and small businesses. The CDO supports the revitalization of low-income communities, provides financial services to low-income populations and implements partner programs with key stakeholders that demonstrate the Bank's commitment to build sustainable relationships. Our CDO is an advocate for the financial needs of the communities we serve.

Two Community Development Mortgage Loan Officers play important roles in the execution of the Bank's CRA program to promote financial literacy workshops and increase access to residential loans and low-cost deposit product opportunities in low- to moderate-income neighborhoods. They are responsible for community outreach and partnering with local non-profit organizations and government agencies. They develop relationships with neighborhood groups, realtors, homebuyer counseling agencies and others to identify and accept applications for residential loans. They also refer small business loans and low-cost deposit product opportunities in low- to moderate-income areas. In addition, they are active in local charitable and civic efforts geared toward enhancing access to credit and addressing poverty issues. One officer is based in our downtown Rochester Regional Administrative Center and the other is in our downtown Buffalo financial solution center.

Business Lending



SBA Lending

A strong commitment to small business lending is demonstrated by Five Star Bank's ranking as the #3 lender in the combined Rochester/Buffalo market and the #49 lender in the U.S. for 2017. We originated 156 SBA loans totaling \$18.3 million during the 2017 SBA year.



Affordable Housing

In 2017, Five Star Bank became a participant in the Rochester Housing Development Fund Corporation Bank Credit Facility.

This affordable housing initiative funds the renovation of vacant single-family homes in the City of Rochester for resale to income-eligible homebuyers. The Bank loaned \$1 million of the program's current non-revolving unsecured credit facility.



Education

In late 2016, Five Star Bank led the syndication of a \$4.2 million loan to finance an expansion of the PUC Achieve Charter School, providing \$1.4 million of the financing. This inner-city Rochester school has been successful in accelerating the math and reading comprehension of its students.

Five Star Bank also offers a lower rate on business loans to companies investing in and creating jobs in areas of the City of Rochester designated by the federal government as having a majority minority population.

Community building in progress

Investments

Five Star Bank's investment program includes the purchase of mortgage-backed securities, supporting home-buying opportunities for low- to moderate-income borrowers throughout our communities. The Bank has invested more than \$26 million in mortgage-backed securities over the past three years.

We support local municipal activity in low- to moderate-income areas with the issuance of bond anticipation notes and statutory installment bonds. The Bank has issued more than \$21 million in local municipal debt over the past three years.

Five Star Bank is also an active participant in the Federal Home Loan Bank's Urban Development Advance (UDA) program which provides financing for economic development projects in urban areas. Over the past three years, the Bank has completed more than \$100 million in UDA advances.

Volunteering

Our commitment to the community involves the active support of local non-profit organizations both financially and through volunteer efforts. Through our STAR program, we empower and inspire our employees to give back to their communities by supporting volunteer activity with paid time off. In addition to this program, employees volunteer for events across our geographic footprint and support hundreds of different community and professional organizations as volunteers, trustees and committee members.

Examples include:

- American Red Cross
- Auburn Housing Authority
- Chambers of Commerce
- The Champion Academy
- Flower City Habitat for Humanity
- Junior Achievement
- Kiwanis Clubs
- Lion's Club
- NYBA Agriculture and Rural Affairs Committee
- PathStone
- Resolve of Greater Rochester
- Ride for Roswell
- Rotary Clubs

- Salvation Army
- United Way
- Urban League of Buffalo and Rochester
- Veteran's Outreach Center
- WNY Rural Area Health Education Center
- Warsaw Food Pantry
- YMCA/YWCA



Donations, Sponsorships and Grants

Five Star Bank is proud to support organizations across Central and Western New York by investing in our communities through donations, community sponsorships and grants. The largest annual donation by the Bank is United Way, plus we conduct employee fundraising campaigns for United Way annually.

Financial support is provided for numerous community events, festivals, youth sporting events, and school functions across our operating footprint. One example is our 2017 and 2018 presenting sponsorship of the Lilac Festival in Rochester. The Lilac Festival is the largest free festival of its kind in North America, offering beautiful gardens and many special events to enrich the lives of the people of Rochester, Western NY and beyond. This sponsorship provides a wonderful opportunity to make an investment in an event that signals the economic vitality and resilience of our marketplace.

We have identified four focus areas for the award of grant dollars, designed to support programs and organizations that empower individuals and neighborhoods in the communities we serve. The focus areas are: **Affordable Housing / Economic Development / Neighborhood Revitalization & Stabilization / Community Services Targeted to Low- to Moderate-Income (LMI) Individuals.**

We provide below just a few examples of grants awarded by Five Star Bank over the past 18 months.

43North Buffalo

43North is an annual \$5 million startup competition located in Buffalo. Entrepreneurs compete for business-related awards including free space in 43North's incubator, participation in an expanded mentorship program, marketing exposure and access to the START-UP NY program, which enables companies to operate free of New York State taxes for up to 10 years.

Five Star Bank's support in the fall of 2017 provided funding to enhance 43North's ability to provide technical assistance to small businesses. Specifically, it increased the prize pool for the winners of "The Pitch" business plan competition. "The Pitch" is a collaborative minority and women business plan competition designed to elevate the profile of minority and women business owners in the city of Buffalo.

The Champion Academy Extreme Mentoring & Empowerment Initiative Rochester

The Champion Academy Extreme Mentoring & Empowerment Initiative is an innovative program created in 2014 by Rochester native and NFL Super Bowl Champion Roland Williams to address the many social and emotional gaps facing youth in poverty. The Champion Academy's mission is to provide youth in poverty with the critical support, consistency, and accountability necessary to overcome barriers and reach his or her fullest potential.

Five Star Bank's grant in the summer of 2017 helped underwrite the program's financial literacy training and monthly meetings for more than 300 families living in poverty within the City of Rochester. Bank employees volunteer at the Champion Academy by serving as mentors and by providing encouragement and financial literacy training.

"It was a true pleasure to partner with Five Star Bank. From our initial meeting, we could feel the enthusiasm and interest in supporting small businesses in the Western NY community. Their dedication to the judging process and diligent work in preparing for our event was critical to the success of the entire program."

Colleen Heidinger, Vice President of Programming and Community Strategy of 43North

Hillside Family of Agencies Erie, Genesee, Seneca and Wyoming Counties

Hillside Family of Agencies is one of the oldest family and youth non-profit human services organizations in the United States. The organization provides child welfare, mental and physical health, youth development, juvenile justice, special education and developmental disabilities services. Hillside served nearly 14,000 youth, adults and families in 2017.

Five Star Bank's grants to Hillside supported a program that provides supportive services to nearly 700 Buffalo students in grades 9-12; efforts in Genesee County to expand connections to jobs and financial literacy for youth as they move into adulthood; efforts to expand access to trauma-informed care and training for parents, teachers and young people in Seneca County; and job readiness and employment skills training for transitional youth in Wyoming County.

The Economic Opportunity Program (EOP) of Chemung County Elmira and Surrounding Area

EOP provides services that create positive change in individuals, families and the community, and encourages and facilitates participation by all people who can help make their vision a reality. Each year, EOP impacts and serves 5,000 people.

Five Star Bank provided financial support for:

- The Community Food for Jobs Program, a 10-week culinary arts program facilitating employment opportunities by providing job training, education and job placement in food service.
- The Ernie Davis Community Center STEM program, introducing youth from ages 7 to 17 to the fields of Science, Technology, Engineering and Math in a hands-on experiential curriculum.
- The Emerging Care Food Program, providing weekend snack packs of nutritious food and lesson plans promoting healthy eating to pre-K children and their families.

“Five Star Bank’s support of the Massachusetts Avenue Project’s Growing Green Program and Mobile Market helped increase healthy food access to thousands of Buffalo households while providing jobs and job training to young people. Five Star Bank’s commitment to supporting community efforts allows a small organization like MAP to have big impacts on the lives of people in the community.”

Diane Picard, Executive Director of Massachusetts Avenue Project (MAP)

Massachusetts Avenue Project (MAP) Growing Green Mobile Market

Buffalo

The Growing Green Mobile Market increases healthy food access to some of Buffalo’s most vulnerable populations and provides education, employment and job training opportunities for low-income youth. Youth work side-by-side with MAP staff and college interns and learn communication, marketing, customer service, financial management and problem-solving skills through their work on the market.

Five Star Bank’s grant in the summer of 2017 provided funds to help youth leaders gain job skills and knowledge while increasing health, wellness and food and nutrition knowledge.

NeighborWorks® Rochester

Rochester

NeighborWorks® Rochester’s educational curriculum is designed for people dreaming of becoming homeowners – especially those at the low- to moderate-income level – as well as those who already own a home. The program provides tools and resources that allow homebuyers to become mortgage-ready and be successful homeowners, supporting families and strengthening communities in Rochester and the surrounding suburbs.

Five Star Bank’s grant helped to fund the homebuyer education and counseling program.

“Five Star Bank’s support of the Champion Academy provides a critical vehicle for Rochester’s teens in poverty to learn fundamentals of finance that will empower them and their families for a lifetime. We are grateful for Five Star Bank’s proactive commitment to making a difference in communities that need it most.”

Roland Williams, Founder of the Champion Academy Extreme Mentoring & Empowerment Initiative

PathStone Enterprise Center

Upstate New York

PathStone enhances the economic self-sufficiency and quality of life of individuals and communities through entrepreneurial training, technical assistance and access to financing for new and expanding businesses and mortgage products for underserved borrowers.

Five Star Bank’s support provided specialized technical assistance for underserved small businesses.

Lifespan of Greater Rochester

Rochester

Lifespan provides information, guidance and services that help older adults take on both the challenges and opportunities of the second half of life.

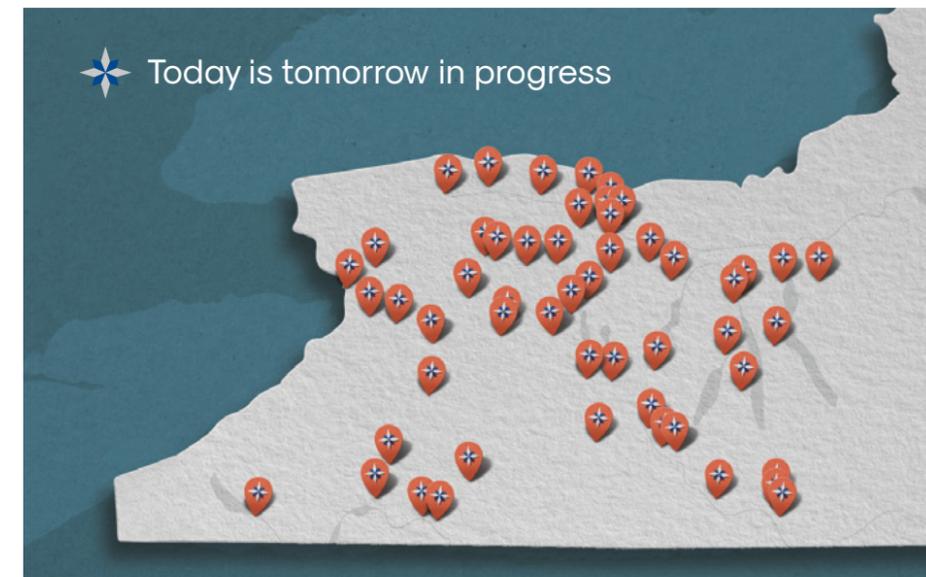
Five Star Bank’s grant provided support for programs and services to low- and moderate-income individuals in and around Rochester – particularly in the Wolk Older Adult Center located in the Sibley Building.



Today's commitment to a stronger tomorrow.

At Five Star Bank, we have a responsibility to help support the success of communities we serve. Just like you, we're proud to call Western New York home. And we're committed to strengthening our communities through volunteer activities, charitable investments, and need-based product offerings.

For more information about Five Star Bank and our community initiatives, visit our website at www.Five-Starbank.com and click on the About tab.



About Five Star Bank and Financial Institutions, Inc.

Five Star Bank provides a wide range of consumer and commercial banking and lending services to individuals, municipalities, and businesses through a network of more than 50 offices throughout Western and Central New York State.

Five Star Bank, Courier Capital, LLC (Courier Capital), HNP Capital, LLC (HNP) and Scott Danahy Naylor, LLC (SDN), are subsidiaries of Financial Institutions, Inc. SDN provides a broad range of insurance services to personal and business clients across 45 states. Courier Capital and HNP provide customized investment management, investment consulting and retirement plan services to individuals, businesses, institutions, foundations and retirement plans. Financial Institutions, Inc. and its subsidiaries employ approximately 650 individuals. Financial Institutions, Inc. stock is listed on the NASDAQ Global Select Market under the symbol FISL. Additional information is available at www.fiiwarsaw.com.



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