

FINANCIAL INSTITUTIONS INC  
Form DEFA14A  
May 16, 2016

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, DC 20549**

**SCHEDULE 14A**  
**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**  
**(Amendment No.    )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**Financial Institutions, Inc.**

**(Name of Registrant as Specified in Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)**

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No fee required.

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(4) Date Filed:

Financial Institutions, Inc., a New York corporation ( FISI or the Company ), is filing materials contained in this Schedule 14A with the U.S. Securities and Exchange Commission ( SEC ) in connection with the solicitation of proxies from its shareholders in connection with its 2016 Annual Meeting of Shareholders to be held on Friday, June 3, 2016, at 10:00 a.m., local time, at FISI's corporate headquarters in Warsaw, New York and at any and all adjournments or postponements thereof (the 2016 Annual Meeting ). On April 19, 2016, FISI filed with the SEC its definitive proxy statement and accompanying definitive **BLUE** proxy card in connection with its solicitation of proxies from its shareholders to be used at the 2016 Annual Meeting.

#### **Investor Presentation First Used on May 16, 2016**

Attached hereto is an investor presentation that FISI is first using on May 16, 2016 in presentations to shareholders and proxy advisory firms. This investor presentation is being filed herewith because it may be deemed to be solicitation material in connection with FISI's solicitation of proxies from its shareholders to be used at the 2016 Annual Meeting. As previously announced, Clover Partners, L.P. and affiliates thereof, including MHC Mutual Conversion Fund, L.P. and Johnny Guerry, have publicly disclosed that they intend to pursue a proxy contest in an attempt to elect their two proposed director nominees, including Mr. Guerry, to the FISI Board of Directors at the 2016 Annual Meeting.

#### **Important Additional Information And Where To Find It**

Financial Institutions, Inc. ( FISI ) its directors and certain of its executive officers are deemed to be participants in the solicitation of proxies from FISI's shareholders in connection with the matters to be considered at FISI's 2016 Annual Meeting of Shareholders. On April 19, 2016, FISI filed a definitive proxy statement and accompanying definitive **BLUE** proxy card with the Securities and Exchange Commission ( SEC ) in connection with the solicitation of proxies from FISI's shareholders in connection with the matters to be considered at FISI's 2016 Annual Meeting of Shareholders. Information regarding the names of FISI's directors and executive officers and their respective interests in FISI by security holdings or otherwise can be found in such definitive proxy statement, including the schedules and appendices thereto. **INVESTORS AND SHAREHOLDERS ARE STRONGLY ENCOURAGED TO READ ANY SUCH PROXY STATEMENT AND THE ACCOMPANYING BLUE PROXY CARD AND OTHER DOCUMENTS FILED BY FINANCIAL INSTITUTIONS WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE AS THEY WILL CONTAIN IMPORTANT INFORMATION.** Shareholders may obtain the definitive proxy statement, any amendments or supplements to the proxy statement, the accompanying **BLUE** proxy card, and other documents filed by FISI with the SEC for no charge at the SEC's website at [www.sec.gov](http://www.sec.gov). Copies will also be available at no charge at the Investor Relations section of FISI's corporate website at [www.fiiwarsaw.com](http://www.fiiwarsaw.com), by writing to FISI's Corporate Secretary at Financial Institutions, Inc., 220 Liberty Street, Warsaw, New York 14569, or by calling FISI's Corporate Secretary at (585) 786-1100.

NASDAQ: FISI  
Investor Presentation  
May 2016

Safe Harbor for Forward-Looking Statements

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This presentation may contain forward-looking statements as defined by Section 21E of the Securities Exchange Act of 1934, and other such laws. These forward-looking statements can generally be identified as such by the context of the statements, including words such as "may," "would," "intend," "estimate," "guidance" and other similar expressions, whether in the negative or affirmative. Such forward-looking statements of Financial Institutions, Inc. ("FISI") are forward-looking. Such forward-looking statements include, but are not limited to, statements regarding FISI's ability to continue to execute on and implement its strategic

initiatives to improve its financial and operational performance and increase its growth and profitability, FISI's future stock price and dividend growth, FISI's future returns to shareholders, FISI's ability to continue to strengthen its balance sheet and grow its core business, FISI's ability to continue to profitably grow its commercial lending business, FISI's ability to enhance its competitive position through its client base to offer its clients additional fee-based products, FISI's future returns from its existing fee-based platforms and the FISI's ability to continue to maintain expense discipline, FISI's plans

to  
continue  
to  
return  
cash  
to  
its  
shareholders  
through  
cash  
dividends  
and  
future  
increases  
that  
may  
be  
made  
thereto,  
FISI s  
actions  
taken  
or  
contemplated  
to  
enhance  
its  
long-term  
prospects  
and  
create  
and  
return  
value  
for  
its  
shareholders,  
FISI s  
future  
operational  
and  
financial  
performance,  
FISI s  
future  
growth  
and  
profitability,  
the  
effect

that  
the  
election  
of  
FISI s  
nominees  
to  
the  
FISI  
Board  
will  
have  
on  
FISI s  
execution  
of  
its  
long-term  
plan  
and  
long-term  
shareholder  
value,  
and  
the

future effect of FISI s strategic growth plan on FISI s growth, profitability and total shareholder returns. Such forward-looking financial performance and are based on current expectations, estimates, forecasts and projections and management s current business plan. Management does not know or cannot predict, with any degree of certainty, all of the significant risks and uncertainties, any one or more of which could cause actual results to differ materially from those described above. The following table sets forth a list of important risks and uncertainties that could cause FISI s actual events or results to differ materially from those indicated or expected. This list is not intended to be exhaustive and is not limited to: FISI s ability to implement its strategic plan, FISI s ability to redeploy investment assets into loan assets, whether FISI experiences breaches of its, or third party, information systems, the attitudes and preferences of FISI s customers, the competitive environment, whether FISI operates SDN and Courier Capital, the competitive environment, fluctuations in the fair value of securities in its investment portfolio, changes in regulatory requirements, changes in interest rates, general economic conditions and credit market conditions nationally and regionally, and

the  
actions  
of  
activist  
investors,  
including  
the  
amount  
of  
related  
costs  
incurred  
by  
FISI  
and  
the  
disruption  
caused  
to  
FISI's  
business  
activities  
by  
these  
actions.

Consequently,  
all  
forward-looking  
statements  
made  
herein

are qualified by these cautionary statements and the cautionary language in FISI's Annual Report on Form 10-K, its Quarterly SEC. Except as required by law, FISI undertakes no obligation to revise these statements, whether to reflect new information or following the date of this presentation.

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I. Overview of Financial Institutions, Inc.

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Strong, growing bank headquartered in  
Western New York

Change in management in 2013  
since year

end 2012 assets grew 27%, net income up  
30% and dividends increased 40%

Total shareholder return of +66% over last 3  
years, significantly outperforming S&P 500  
and U.S. bank indices

Excellent deposit franchise growing at an  
average rate of 7% over last 3 years, with 51  
banking offices, average cost of funds of  
0.27% and significant opportunity for growth  
from competitor mergers/dislocations

Assets:

\$3.5bn

Loans:

\$2.1bn

Deposits:

\$3.0bn

Market Capitalization

(1)

:

\$421mm

Overview of Financial Institutions, Inc.

Market Footprint

Market Footprint

Corporate Overview and Key Statistics

Corporate Overview and Key Statistics

Source:

SNL Financial.

Note:

Financial data as of 3/31/16.

(1)

Market data as of 3/31/16.

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Upstate NY Bank Consolidation Creates Opportunity to Grow  
Our Business; Deposits Up 31% with New Management

Deposit Market Share

Counties of Operation (15)

Key Highlights

10,000 square-mile operating footprint (size of  
Maryland)

Top 3 market share in 11 of the 15 counties of operation

4

largest bank in counties of operation

(1)

Source:

SNL Financial.

Note:

Deposit market share data as of 6/30/2015.

(1)  
Pro forma for acquisition of FNFG and divestiture of 18 branches in the Buffalo area purchased by Northwest Bancshares Inc.

Loan & Deposit Composition (1Q 16)

\$2,115mm

\$2,960mm

Key Opportunities

Deposit Market Share

Rochester & Buffalo MSAs

Significant opportunity to gain deposit market share in our key expansion markets

Combined Rochester and Buffalo MSAs represent deposit market of ~\$56bn

Current FISD market share of ~2%

Regional consolidation creates opportunities (i.e. KeyCorp's acquisition of First Niagara)  
Wealth management and insurance cross-sell opportunities exist across entire operating footprint

(1)

Rank

Institution

Active

Branches

2015

Deposits in

Market

(\$MM)

Market

Share (%)

1

M&T Bank Corp.

108

\$24,587

40.2%

2

KeyCorp

130

13,888

22.7%

3

Citizens Financial Group Inc.

68

3,058

5.0%

4

Financial Institutions Inc.

51  
2,673  
4.4%  
5  
Bank of America Corp.  
38  
2,503  
4.1%  
6  
Northwest Bancshares Inc.  
30  
2,180  
3.6%  
7  
JPMorgan Chase & Co.  
26  
2,150  
3.5%  
8  
Community Bank System Inc.  
68  
2,059  
3.4%  
9  
Canandaigua National Corp.  
24  
1,822  
3.0%  
10  
Tompkins Financial Corp.  
20  
1,166  
1.9%  
Rank  
Institution  
Active  
Branches  
2015  
Deposits in  
Market  
(\$MM)  
Market  
Share (%)  
1  
M&T Bank Corp.  
87  
\$24,285  
43.1%  
2  
KeyCorp

132  
14,194  
25.2%  
3  
Citizens Financial Group Inc.  
75  
3,283  
5.8%  
4  
Bank of America Corp.  
42  
2,776  
4.9%  
8  
Financial Institutions Inc.  
24  
1,093  
1.9%  
Total Buffalo + Rochester MSAs  
539  
56,365  
100.0%  
Commercial  
38.4%  
Small  
Business  
4.5%  
Consumer  
Indirect  
32.2%  
Residential  
Real Estate  
24.1%  
Other  
Consumer  
0.9%  
Noninterest -  
bearing  
demand  
20.9%  
Int. bearing  
demand  
21.0%  
Savings &  
money  
market  
35.2%  
Certificates  
of deposit  
22.9%

th

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Source:

FactSet and public filings. Indexed price includes reinvested dividends.

(1)

3 year TSR based on December 31, 2015 end date.

The Board's Strategic Steps Have Created Value for Shareholders Since the Management Change in 2013

Dec. 16, 2015:

Clover Partners

files its 13D at FISI

Aug. 1, 2014:

FISI closes

on its acquisition of SDN

Apr. 5, 2016:

Clover

Partners discloses its

intent to nominate  
for two board seats  
Jan. 6, 2016:  
FISI closes  
on its acquisition of  
Courier Capital  
TSR before mgt change,  
over 13 yrs: 66.4%  
(4% annualized return)  
Same TSR under new mgt,  
but in just 3 yrs: 66.4%  
(1)  
(18%  
annualized  
return)  
Mar. 1, 2013:  
Marty  
Birmingham  
appointed as CEO  
Aug. 28, 2012: Peter  
Humphrey steps down  
as CEO and Chairman  
Jack Benjamin takes  
over as interim CEO  
1-Jul-10  
13-Dec-11  
27-May-13  
7-Nov-14  
22-Apr-16  
60  
80  
100  
120  
140  
160  
180  
200  
220  
Financial  
Institutions,  
Inc.

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Total Shareholder Returns from December 31, 2005 to December 31, 2015

93.4%

8.7%

For the last two years in our public filings we have benchmarked our TSR to both the SNL Bank \$1B-\$5B Index

and SNL Small Cap US Bank and Thrift Index. In both 2014 and 2015, FISI significantly beat both indices FISI total shareholder returns have exceeded the SNL Bank \$1B-\$5B Index by 85% over the past ten years

We believe it is misleading for Clover Partners to focus solely on a holding period that penalizes FISI for recovering from the financial crisis more robustly than many of the SNL Bank \$1B-\$5B Index constituents (1)

We have delivered 10x the returns of the index and have outperformed the index for two years running how would a so-called expert in the banking sector say we significantly underperformed the index ?