



Five Star Bank **POLICY**

Title **Code of Business Conduct and Ethics Policy**

Entity Five Star Bank
Five Star Investment Services, Inc.
Financial Institutions, Inc.

Purpose To provide a general statement of the expectations regarding the business conduct and ethical standards that each director, officer and employee of Financial Institutions, Inc. ("FII") and its subsidiaries (collectively, the "Company") should adhere to while acting on behalf of the Company. The Company's reputation is dependant upon the good judgment, ethical standards and personal integrity of every individual in our Company. It is of paramount importance that our employees always conduct their day-to-day activities in an ethical and responsible manner.

Scope Each director, officer and employee is expected to read and become familiar with the business conduct and ethical standards described in this Code and will be required, annually, to affirm his or her agreement to adhere to such standards by signing the Code of Business Conduct and Ethics Policy Acknowledgement.

Policy Administration
The Company's Board of Directors is responsible for setting the standards of business conduct contained in this Code and updating these standards as it deems appropriate to reflect changes in the legal and regulatory framework applicable to the Company, the business practices within the Company's industry, the Company's own business practices, and the

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prevailing ethical standards of the communities in which the Company operates. While the Company's Chief Risk Officer will oversee the procedures designed to implement this Code to ensure that they are operating effectively, it is the individual responsibility of each director, officer and employee of the Company to comply with this Code. Violations of this Code by any director, officer or employee may subject such individual to dismissal for cause or other disciplinary action, as determined by such individual's supervisor, together with civil or criminal sanctions in certain cases.

Compliance with Laws, Rules and Regulations

The Company will comply with all laws and governmental regulations that are applicable to the Company's activities, and expect that all directors, officers and employees acting on behalf of the Company will obey the law. Specifically, the Company is committed to:

- Maintaining a safe and healthy work environment;
- Promoting a workplace that is free from discrimination or harassment based on race, color, religion, sex, sexual orientation, national origin and veteran status or other factors that are unrelated to the Company's business interests;
- Supporting fair competition and laws prohibiting restraints of trade and other unfair trade practices;
- Conducting its activities in full compliance with all applicable environmental laws;
- Keeping the political activities of the Company's directors, officers and employees separate from the Company's business;
- Prohibiting any illegal payments to any government officials or political party representatives of any country; and
- Complying with all applicable state and federal banking, consumer and securities laws

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Insider Trading

Simply put, it is illegal for employee's to buy or sell FII's common stock while they are in possession of material non-public information or to pass such information to others. A director, officer, or employee who fails to follow this policy could, as a maximum penalty, lose his or her job, be imprisoned for up to ten years, be fined up to \$1 million and have to forfeit up to three times the profits or losses avoided.

"Non-public information" consists of information that is known within the Company that has not been publicly released.

"Material" information is information that a reasonable investor would consider important in deciding to buy, sell or hold FII common stock. Material information can be favorable or unfavorable.

There are no valid excuses for insider trading. There are no financial hardship exemptions. There is no exception for small trades. Losing money is not a defense. If employee's have material non-public information – don't trade. Always assume trading or advice to others will be scrutinized with twenty-twenty hindsight and presume the worst outcome.

If employee's obtain material non-public information concerning a depositor, borrower, supplier or other company doing business with the Company, the law considers the employee to be an insider of that company and, therefore, they may not purchase or sell such company's securities or make trading recommendations to others. Employee's must always remember that information, which may not be material to the Company, may be material to the other company.

Questions regarding insider trading should be directed to the Insider Trading Compliance Officer. Refer to the company's Insider Trading Policy located on Starnet under Documents/Policies for additional information.

Conflicts of Interest: Corporate Opportunities

Directors, officers and employees should not be involved in any activity that creates or gives the appearance of a conflict of interest between their personal interests and the Company's

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interests. Directors, officers and employees complete questionnaires annually to notify the Company's Director of Human Resources of the existence of any actual or potential conflict of interest.

The following will serve as a guide to the types of activity which might cause conflicts and which should be fully reported to the Company's Director of Human Resources of the existence of any actual or potential conflict of interest.

In particular, no director, officer or employee shall:

- Be consultant to, or a director, officer or employee of, or otherwise operate an outside business:
 - That markets products or services in competition with the Company's current or potential products and services;
 - That supplies products or services to the Company, provided outside the normal course of business; or
 - That purchases products or services from the Company, provided outside the normal course of business.
- Solicit or accept for themselves or for a third party (other than the Company) anything of value from anyone in return for any business, service or confidential information of the Company;
- Have any financial interest, including stock ownership, except where such interest consists of securities of a publicly-owned corporation and such securities are regularly traded on the open market, in any such outside business that might create or give the appearance of a conflict of interest;
- Seek or accept any personal loan or services from any such outside business, except from financial institutions or service providers offering similar loans or services to third parties under similar terms in the ordinary course of their respective businesses;
- Accept any personal loan or guarantee of obligations from

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the Company, except to the extent such arrangements are legally permissible;

- Conduct business on behalf of the Company with immediate family members, which includes spouses, children, parents, siblings and persons sharing the same home whether or not legal relatives;
- Use the Company's property, information or position for personal gain.

The appearance of a conflict of interest may exist if an immediate family member of a director, officer or employee of the Company is a consultant to, or a director, officer or employee of, or has a significant financial interest in, a competitor or supplier of the Company.

Confidentiality: Protection and Proper Use of the Company Assets

Directors, officers and employees shall comply with all applicable privacy regulations and maintain the confidentiality of all information entrusted to them by the Company or its depositors, borrowers, suppliers, customers or other business partners, except when the Company authorizes disclosure or it is legally required.

Confidential information includes: (1) information marked "Confidential," "Private," "For Internal Use Only," or similar legends, (2) technical or scientific information relating to current and future products, services or research, (3) business or marketing plans or projections, (4) anticipated changes in the management and staffing within the Company (5) earnings and other internal financial data, (6) *personnel and payroll information, (7) supply and customer lists, (8) names, relationship, amounts or details, personal, financial or business data concerning any customer or applicant customer of the Company, and (9) other non-public information that, if disclosed, might be of use to the Company's competitors, or harmful to the Company or its suppliers, customers or other business partners.

To avoid inadvertent disclosure of confidential information,

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directors, officers and employees shall not discuss confidential information with or in the presence of any unauthorized persons, including family members and friends. *Employees are expected to discuss such information inside the organization only with those who need to know and NOT with anyone outside the organization. *Employees must refrain from discussing rate of pay or employment status with other employees.

Employees should not request or give account balances, credit information, or information about other employees to any Company employee who is not authorized to request it as part of their regular duties. Employees are expected to follow the established procedures within each department for handling sensitive and confidential customer, employee and business information when requested by individuals not associated with the Company. Employees are obligated by law to keep customer information strictly confidential in all circumstances other than as required to carry out unique job assignments. All Company employees are restricted from asking customers to divulge their Personal Identification Number (PIN) information under any circumstances.

Employees will receive and have access to information that is confidential due to the nature of the organization, its clients and vendors. Employees are not to disclose any such confidential information to (a) any other person in the organization unless there is a legitimate business reason for doing so; or (b) any person outside the organization unless management has expressly stated that the information can be disclosed to that person. This obligation exists even after the employee leaves the organization.

Directors, officers and employees are personally responsible for protecting those Company assets that are entrusted to them and for helping to protect the Company's assets in general.

Directors, officers and employees shall use the Company's assets for the Company's legitimate business purposes only.

* This policy is not intended to limit or prevent an employee

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from exercising rights under the National Labor Relations Act.

Safeguarding Information

Employees should make every effort to ensure that all Company related information and records are properly secured and safeguarded. Before departing at the end of the workday, lock all files and cabinets and clear all work materials from desk surfaces, especially materials of a sensitive or confidential nature. Be sure all doors are locked or secured as appropriate for the office or department. All passwords, telephone codes, building access cards or keys issued must not be shared with anyone else. Making these available for use by others can be grounds for disciplinary action, including termination.

If, during the course of training, employee's need to take notes pertaining to the job, notes must be left on Company premises at all times. Under no circumstances should any documentation pertaining to Company operations, policies, or procedures be removed from the department or office, for any reason, unless prior approval from management has been obtained.

All Company equipment must remain on Company premises unless employee's have received approval from their supervisor to remove it. Employee's may be liable for any loss or damage to Company equipment being used off Company premises.

Fair Dealing

The Company is committed to promoting the values of honesty, integrity and fairness in the conduct of its business and sustaining a work environment that fosters mutual respect, openness and individual integrity. Directors, officers and employees are expected to deal honestly and fairly with the Company's customers, suppliers, competitors and other third parties. To this end, directors, officers and employees shall not:

- Make false or misleading statements to customers, suppliers or other third parties;
- Make false or misleading statements about competitors;

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- Solicit or accept from any person that does business with the Company, or offer to extend to any such person:
 - Cash of any amount; or
 - Gifts, gratuities, meals or entertainment that could influence or reasonably give the appearance in influencing the Company's business relationship with that person or go beyond common courtesies usually associated with accepted business practice;
- Solicit or accept any fee, commission or other compensation for referring customers to third-party vendors; or
- Otherwise take unfair advantage of the Company's customers or suppliers, or other third parties, through manipulation, concealment, abuse of privileged information or any other unfair-dealing practice.

Accurate and Timely Periodic Reports

The Company is committed to providing investors with full, fair, accurate, timely and understandable disclosure in the periodic reports that it is required to file. To this end, all directors, officers and employees shall strive to enable the Company to:

- Comply with generally accepted accounting principles at all times;
- Maintain a system of internal accounting controls that will provide reasonable assurances to management that all transactions are properly recorded;
- Maintain books and records that accurately and fairly reflect the Company's transactions;
- Prohibit the establishment of any undisclosed or unrecorded funds or assets;
- Maintain a system of internal controls that will provide

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reasonable assurances to management that material information about the Company is made known to management, particularly during the periods in which the Company's periodic reports are being prepared; and

- Present information in a clear and orderly manner and avoid the use of legal and financial jargon in the Company's periodic reports.

All directors, officers, and employees shall respond honestly and candidly when dealing with the Company's independent and internal auditors, regulators and attorneys.

Waivers

The provisions of this Code may not be waived for any director, officer or employee.

Owner

HR Director

Approvals

Chief Financial Officer, Chief Executive Officer and Board of Directors

Date

October 17, 2012 (initial effective date of March 27, 2006)
