

FINANCIAL INSTITUTIONS INC

Form 424B5

April 09, 2015

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Filed pursuant to Rule 424(b)(5)

Registration Statement Number 333-202791

The information in this preliminary prospectus supplement relates to an effective registration statement, but is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell securities and are not soliciting an offer to buy these securities in any state or jurisdiction where the offer or sale is not permitted.

Prospectus Supplement

To the Prospectus dated March 16, 2015

SUBJECT TO COMPLETION, DATED APRIL 9, 2015

\$35,000,000

% Fixed to Floating Rate Subordinated Notes due , 2030

Financial Institutions, Inc. is offering and selling \$35.0 million in aggregate principal amount of its % Fixed to Floating Rate Subordinated Notes due 2030, which we refer to as the notes. The notes will be issued in minimum denominations of \$1,000 and integral multiples of \$1,000 in excess thereof, will mature on , 2030 and will bear interest at a fixed rate of % per year, from and including , 2015 to but excluding , 2025. From and including , 2025 to the maturity date, the interest rate shall be a floating rate equal to the three-month LIBOR determined on the determination date of the applicable interest period plus basis points. We will pay interest on the notes on and of each year, commencing , 2015, through , 2025, and thereafter , , and of each year through the maturity date or earlier redemption date as more fully described under *Description of the Notes Interest Rate and Interest Payment Dates*. We may redeem the notes in whole or in part on , 2025 or on any scheduled interest payment date thereafter and upon the occurrence of certain special events as discussed under *Description of the Notes Redemption and Redemption Upon Special Events*. There is no sinking fund for the notes and the notes will not be listed on any securities exchange or included in any automated dealer quotation system. There is no market for the notes.

The notes will be unsecured obligations of ours and will be subordinated in right of payment to all our existing and future senior debt, whether secured or unsecured. The notes will not be obligations of, and will not be guaranteed by, any of our subsidiaries.

Because Financial Institutions, Inc. is a holding company, our cash flows and consequent ability to service our obligations, including the notes, are dependent on distributions and other payments of earnings to us by our

subsidiaries, and funds raised from borrowings or in the capital markets. Accordingly, our right to receive any assets of our subsidiaries upon their liquidation or reorganization, and the consequent right of the holders of the notes to participate in those assets, will be effectively subordinated to the claims of our subsidiaries' creditors.

Investing in the notes involves risks. See Risk Factors beginning on page S-9 of this prospectus supplement to read about factors you should consider before investing in the notes.

The notes are not savings accounts, deposits or other obligations of any bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Note	Total
Public offering price	100.00%	\$ 35,000,000
Underwriting discounts and commissions		\$
Proceeds, before expenses, to us		\$

The public offering price set forth above does not include accrued interest, if any. Interest on the notes will accrue from _____, 2015.

The underwriters expect to deliver the notes in book-entry form through the facilities of The Depository Trust Company for the accounts of their participants, on or about _____, 2015, against payment therefor in immediately available funds.

Sole Book-Running Manager

Sterne Agee

Co-Manager

Sandler O'Neill + Partners, L.P.

The date of this prospectus supplement is _____, 2015.

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You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus that we have authorized for use in connection with this offering when making your investment decision. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell our securities in any jurisdiction where the offer or sale is not permitted. If you are in a jurisdiction where offers to sell, or solicitations of offers to purchase, the securities offered by this document are unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this document does not extend to you.

You should assume that the information appearing in this prospectus supplement, the accompanying prospectus, any related free writing prospectus or any documents incorporated by reference herein, is accurate as of their respective dates. Our business, financial condition, results of operations, and prospects may have changed since those dates. This prospectus supplement supersedes the accompanying prospectus to the extent it contains information that is different from or in addition to the information in that prospectus.

ABOUT THIS PROSPECTUS SUPPLEMENT

This document consists of two parts. The first part is this prospectus supplement, which describes the specific terms of this offering, and updates and adds to the information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part is the accompanying prospectus, which provides more general information about us, the common stock, and other securities we may offer from time to time, some of which may not apply to this offering. You should read both this prospectus supplement and the accompanying prospectus, together with additional information described below under the headings *Where You Can Find Additional Information* and *Incorporation of Certain Documents by Reference*. Generally, when we refer to this prospectus we mean this prospectus supplement together with the accompanying prospectus.

We are offering to sell the notes and seeking offers to buy the notes only in jurisdictions where offers and sales of the notes are permitted. The distribution of this prospectus supplement and the accompanying prospectus and the offering or sale of the notes in certain jurisdictions may be restricted by law. We require persons into whose possession this prospectus supplement and the accompanying prospectus come to inform themselves about and to observe any applicable restrictions. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used for or in connection with, an offer or solicitation by any person in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not authorized or is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation, and this prospectus supplement and the accompanying prospectus may not be delivered to any person to whom it is unlawful to make such offer or solicitation. See *Underwriting* in this prospectus supplement.

The information contained in this prospectus supplement and the accompanying prospectus is accurate only as of the date of each document regardless of the time of delivery of this prospectus supplement and the accompanying prospectus or any sale of the notes. In case there are any differences or inconsistencies between this prospectus supplement, the accompanying prospectus and the information incorporated by reference, you should rely on the information in the document with the latest date.

Unless otherwise indicated or unless the context requires otherwise, all references in this prospectus supplement to FII, we, us, our, Company or similar references mean Financial Institutions, Inc. References in this prospectus supplement to the Bank mean Five Star Bank, the wholly-owned banking subsidiary of FII. The Bank is a New

York-chartered commercial bank and a member bank of the Board of Governors of the Federal Reserve System, which we refer to as the Federal Reserve. The main office of the Bank is located in Warsaw, New York.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Statements in this prospectus supplement that are based on other than historical data are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements provide current expectations or forecasts of future events and include, among others:

statements with respect to the beliefs, plans, objectives, goals, guidelines, expectations, anticipations, and future financial condition, results of operations and performance of FII and our subsidiaries; and

statements preceded by, followed by or that include the words may, could, should, would, believe, and estimate, expect, intend, plan, projects, or similar expressions.

These forward-looking statements are not guarantees of future performance, nor should they be relied upon as representing management's views as of any subsequent date. Forward-looking statements involve significant risks and uncertainties and actual results may differ materially from those presented, either expressed or implied, in this prospectus, any prospectus supplement, and our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, which we refer to as the Form 10-K, which is incorporated by reference into this prospectus, including, but not limited to, those presented in the Management's Discussion and Analysis of Financial Condition and Results of Operations. Factors that might cause such differences include, but are not limited to:

greater credit losses than anticipated;

changes in our tax strategies and the value of our deferred tax assets;

limited geographic concentration;

failure to obtain accurate and complete information about or from customers and counterparties;

insurance industry risks on our insurance brokerage subsidiary;

environmental liability risk associated with our lending activities;

changes in the quality or composition of our loan or investment portfolios;

risks through our indirect lending;

changes in banking laws, regulations and regulatory practices;

new or changing tax and accounting rules and interpretations;

legal and regulatory proceedings and related matters;

a breach in security of our information systems, including the occurrence of a cyber incident or a deficiency in cyber security;

technological changes;

failure of other companies to provide key components of our business infrastructure;

incorrect modeling assumptions for business planning purposes;

the failure to attract and retain skilled people;

interest rate risk, changes in interest rate risk and changes in real estate values;

conditions in the financial markets and economic conditions generally;

the fiscal and monetary policies of the federal government and its agencies;

goodwill impairment;

competition in our market area; and

severe weather, natural disasters, acts of war or terrorism, and other external events.

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We caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made, and advise readers that various factors, including those described above, could affect our financial performance and could cause our actual results or circumstances for future periods to differ materially from those anticipated or projected. See also Item 1A, Risk Factors in the Form 10-K for further information. Except as required by law, we do not undertake, and specifically disclaim any obligation to publicly release any revisions to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We file reports, proxy statements and other documents with the Securities and Exchange Commission, which we refer to as the SEC. You may read and copy any document we file at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, DC 20549. You should call 1-800-SEC-0330 for more information on the public reference room. Our SEC filings are also available to you on the SEC's Internet site at www.sec.gov.

This prospectus supplement is part of a registration statement that we filed with the SEC. The registration statement contains more information than this prospectus supplement and the prospectus regarding us, including certain exhibits and schedules. You can obtain a copy of the registration statement from the SEC at the address listed above or from the SEC's Internet site.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

We incorporate information into this prospectus supplement by reference, which means that we can disclose important information to you by referring you to those documents. Accordingly, this prospectus supplement incorporates documents by reference that are not presented in or delivered with this prospectus supplement. The information incorporated by reference is considered to be part of this prospectus supplement. You should rely only on the information contained in this prospectus supplement, the prospectus and in the documents that we have incorporated by reference into this prospectus supplement. We have not authorized anyone to provide you with information that is different from or in addition to the information contained in this document and incorporated by reference into this prospectus supplement.

We incorporate by reference the documents listed below and all documents subsequently filed with the SEC pursuant to Section 13(a), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act, after the date of this prospectus and prior to the date this offering is terminated or we issue all of the securities under this prospectus supplement:

Our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, filed on March 6, 2015.

The information specifically incorporated by reference into our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 from our Definitive Proxy Statement on Schedule 14A, filed on March 25, 2015.

Our Current Reports on Form 8-K filed on January 20, 2015 and February 25, 2015.

The description of our common stock set forth in the registration statement on Form 8-A, filed with the SEC on June 23, 1999.

Nothing in this prospectus supplement shall be deemed to incorporate information furnished, but not filed, with the SEC pursuant to Item 2.02 or Item 7.01 of Form 8-K and corresponding information furnished under Item 9.01 of Form 8-K or included as an exhibit.

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Information in this prospectus supplement supersedes related information in the documents listed above and information in subsequently filed documents supersedes related information in both this prospectus supplement and the incorporated documents.

You may request orally or in writing, and we will provide you with, a copy of these filings, at no cost, by calling us at (585) 786-1100 or by writing to us at the following address:

General Counsel
Financial Institutions, Inc.
220 Liberty Street
Warsaw, New York 14569

These filings and reports can also be found on our website, located at <http://www.fiiwarsaw.com>, by following the links to Investor Relations and SEC Filings.

The reference to our website is for the convenience of investors as required by the SEC and shall not be deemed to incorporate any information on our website into this prospectus supplement.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus and may not contain all of the information that you need to consider in making your investment decision. To understand this offering fully, you should read this prospectus supplement and the accompanying prospectus carefully. You should carefully read the sections titled *Risk Factors* in this prospectus supplement and in the accompanying prospectus and the documents identified in the section *Incorporation of Certain Documents by Reference*.

Financial Institutions, Inc.

Financial Institutions, Inc. is a financial holding company organized in 1931 under the laws of New York State. We offer a broad array of deposit, lending and other financial services to individuals, municipalities and businesses in Western and Central New York through our wholly-owned New York-chartered banking subsidiary, Five Star Bank. The Bank has also expanded its indirect lending network to include relationships with franchised automobile dealers in the Capital District of New York and Northern Pennsylvania. We also offer insurance services through our wholly-owned insurance subsidiary, Scott Danahy Naylor, LLC, a full-service insurance agency. Additionally, the Bank has formed a wholly-owned subsidiary, Five Star REIT, Inc., which is a special purpose real estate investment trust. Our executive offices are located at 220 Liberty Street, Warsaw, New York.

Our Business Strategy

Our business strategy has been to maintain a community bank philosophy, which consists of focusing on and understanding the individualized banking needs of individuals, municipalities and businesses of the local communities surrounding our banking centers. We believe this focus allows us to be more responsive to our customers' needs and provide a high level of personal service that differentiates us from larger competitors, resulting in long-standing and broad-based banking relationships. Our core customers are primarily comprised of small- to medium-sized businesses, individuals and community organizations who prefer to build a banking relationship with a community bank that offers and combines high quality, competitively-priced banking products and services with personalized service. Because of our identity and origin as a locally operated bank, we believe that our level of personal service provides a competitive advantage over larger banks, which tend to consolidate decision-making authority outside local communities.

A key aspect of our current business strategy is to foster a community-oriented culture where our customers and employees establish long-standing and mutually beneficial relationships. We believe that we are well-positioned to be a strong competitor within our market area because of our focus on community banking needs and customer service, our comprehensive suite of deposit and loan products typically found at larger banks, our highly experienced management team and our strategically located banking centers. A central part of our strategy is generating core deposits to support growth of a diversified and high-quality loan portfolio. Further, we look to continue to grow our non-interest income through the operations of our non-banking subsidiaries.

Historically we have operated in smaller cities and towns throughout Western New York. We have begun to expand our operations, in particular our commercial lending platform, to include the larger markets of Buffalo and Rochester, New York and we plan to continue to strategically expand our operations in these markets.

Acquisition Strategy

Although we do not currently have any binding understandings or agreements regarding any specific acquisition transaction, we expect to pursue targeted acquisitions of bank and complementary non-bank

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businesses as opportunities arise, using a disciplined approach. We believe that the challenging economic environment combined with more restrictive bank regulatory reforms will cause many financial institutions to seek merger partners in the near to intermediate future. We also believe our community banking philosophy, access to capital and successful acquisition history position us as a purchaser of choice for community banks seeking a strong partner.

We expect that our primary geographic target area for acquisitions will complement our current footprint. Our senior management team has had extensive experience in acquisitions and post-acquisition integration of operations. We believe this experience positions us to successfully integrate additional acquired financial services and banking businesses.

Additional information about us and our subsidiaries is included in documents incorporated by reference in this prospectus supplement. See *Where You Can Find Additional Information* on page S-iv.

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THE OFFERING

Issuer	Financial Institutions, Inc.
Securities offered	% Fixed to Floating Rate Subordinated Notes due , 2030.
Aggregate Principal Amount	\$35,000,000.
Maturity Date	, 2030.
Interest Rate	From and including the original issuance date to but excluding , 2025, the notes will bear interest at a fixed rate equal to % per year. From and including , 2025, the notes will bear interest at an annual floating rate equal to the three-month LIBOR determined on the determination date of the applicable interest period plus basis points. See <i>Description of the Notes Interest Rate and Interest Payment Dates</i> .
Interest Payment Dates	Interest on the notes will be payable on and of each year, commencing , 2015, through , 2025, and thereafter on , and of each year through the maturity date or earlier redemption date as more fully described under <i>Description of the Notes Interest Rate and Interest Payment Dates</i> .
Record Dates	Interest on each note will be payable to the person in whose name such note is registered on the or (whether or not a business day) through , 2025, and thereafter the , and immediately preceding the applicable interest payment date.
Listing	The notes will not be listed on any national securities exchange or quoted on any automated quotation system. Currently, there is no market for the notes.
Subordination; Ranking	The notes offered by this prospectus supplement will be issued by the Company pursuant to the First Supplemental Indenture, to be dated on or about April , 2015 between the Company and Wilmington Trust, National Association, not in its individual capacity but solely as trustee, to the Subordinated Indenture, to be dated on or about April , 2015 between the Company and Wilmington Trust, National Association as

trustee, which we refer to as the base indenture. In this prospectus supplement, we refer to the base indenture and the first supplemental indenture collectively as the indenture, and we refer to Wilmington Trust, National Association, as the Trustee.

The notes will be unsecured, subordinated and:

will rank junior in right of payment and upon our liquidation to our existing and all of our future senior debt (as defined in the indenture and described below under *Description of the Notes* in this prospectus supplement);

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will rank equally in right of payment and upon our liquidation with our existing and all of our future indebtedness the terms of which provide that such indebtedness ranks equally with promissory notes, bonds, debentures and other evidences of indebtedness of types that include the notes;

will rank senior in right of payment and upon our liquidation to any indebtedness the terms of which provide that such indebtedness ranks junior to promissory notes, bonds, debentures and other evidences of indebtedness of types that include the notes; and

will be effectively subordinated to all of the existing and future indebtedness, deposits and other liabilities of the Bank and our other current and future subsidiaries, including without limitation the Bank's liabilities to depositors in connection with the deposits in the Bank, liabilities to general creditors and liabilities arising during the ordinary course or otherwise.

As of December 31, 2014, at the holding company level, we had no senior debt outstanding, and we had approximately \$334.8 million in total short-term borrowings outstanding, consisting of secured overnight borrowings with customers and overnight and short-term advances from the Federal Home Loan Bank.

The indenture does not contain any limitation on the amount of debt or offering obligations ranking senior to or equally with the indebtedness evidenced by the notes that we may incur hereafter.

Because we are a holding company, our cash flows and, consequently, our ability to pay and discharge our obligations, including the principal of, and premium, if any, and interest on, our debt securities depends on the dividends paid and distributions and other payments made to us by our subsidiaries, and funds we obtain from our corporate borrowings or by selling our securities. Accordingly, our right to receive any payments or assets of our subsidiaries upon their liquidation or reorganization, and the consequent right of the holders of the notes to participate in the proceeds of those payments or assets, will be effectively subordinated to the claims of our subsidiaries' respective creditors and preferred equity holders. As of December 31, 2014, the Bank and our other subsidiaries had total liabilities aggregating \$2.8 billion, excluding intercompany liabilities, all of which were structurally superior in right of payment to the notes. For more information, see *Description of the Notes Subordination of the Notes* in this prospectus supplement.

**Redemption and Redemption Upon
Special Events**

Subject to obtaining the prior approval of the Federal Reserve, to the extent such approval is then required, we may, at our option, beginning with the interest payment date of _____, 2025 and on any interest payment date thereafter, redeem the notes, in whole or in part,

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at a redemption price equal to 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest to the date of redemption. Any partial redemption will be made on a *pro rata* basis, by lot or by any other method which the Trustee deems fair and appropriate and, in the case of global notes, subject to the applicable procedures of DTC (as defined below). The notes are not subject to repayment at the option of the holders. We may also redeem the notes, at our option, in whole if (1) a change or prospective change in law occurs that could prevent us from deducting interest payable on the notes for U.S. federal income tax purposes, (2) a subsequent event occurs that precludes the notes from being recognized as Tier 2 capital for regulatory capital purposes, or (3) we are required to register as an investment company under the Investment Company Act of 1940, as amended, in each case, at a redemption price equal to 100% of the principal amount of the notes plus any accrued and unpaid interest through, but excluding, the redemption date. For more information, see *Description of the Notes Redemption and Redemption Upon Special Events* in this prospectus supplement.

Events of Default; Remedies

The notes will contain customary payment, covenant and insolvency events of default. The Trustee and the holders of the notes may not accelerate the maturity of the notes upon the occurrence of any payment or covenant event of default. However, if an insolvency-related event of default occurs, the principal of, and accrued and unpaid interest on, the notes will become immediately due and payable without any action of the Trustee or the holders of the notes. In the event of such an acceleration of the maturity of the notes, all of our obligations to holders of our senior indebtedness will be entitled to be paid in full before any payment or distribution, whether in cash, securities or other property, can be made on account of the principal of, or interest on, the notes. See *Description of the Notes Events of Default; Limitation on Suits* in this prospectus supplement and *Description of Debt Securities* in the accompanying prospectus.

No Guarantees

The notes are unsecured obligations of the Company and will not be guaranteed by any of our subsidiaries.

Denomination; Form

The notes will be issued only in fully registered form without coupons, in minimum denominations of \$1,000 and integral multiples of \$1,000 in excess thereof. The notes will be evidenced by a global note deposited with the Trustee, as custodian for The Depository Trust Company, which we refer to as the DTC. Beneficial interests in the global note will be shown on, and transfers of those beneficial interests can only be made through, records maintained by DTC and its participants. See *Description of the Notes General* and *Clearance and Settlement* in this prospectus

supplement.

Further Issuances

We may, from time to time, without notice to or consent of the holders, increase the aggregate principal amount of the notes outstanding by issuing additional notes in the future with the same

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terms as the notes, except for the issue date and offering price, and such additional notes may be consolidated with the notes issued in this offering and form a single series.

Use of Proceeds

We estimate that the net proceeds of this offering will be approximately \$34.1 million, after deducting the underwriting discount and the payment of the transaction expenses payable by us. We plan to use the net proceeds of the offering for general corporate purposes, including, but not limited to, contributing capital to the Bank, supporting organic growth, possible acquisitions of bank and complimentary non-bank businesses should acquisition opportunities arise and the payment of dividends. For more details, see *Use of Proceeds* in this prospectus supplement.

Risk Factors

Investing in the notes involves certain risks. See *Risk Factors* beginning on page S-9 of this prospectus supplement and *Risk Factors* on page 7 of the accompanying prospectus for information regarding risk factors you should consider before investing in the notes.

Trustee

Wilmington Trust, National Association, acts as the trustee under the indenture pursuant to which the notes will be issued.

Governing Law

The indenture and the notes will be governed by and construed in accordance with the laws of the State of New York.

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The following table shows selected historical consolidated financial data for the Company as of and for each of the five years ended December 31, 2014, which has been derived from our audited consolidated financial statements. You should read this table together with the historical consolidated financial information contained in our consolidated financial statements and related notes as well as *Management's Discussion and Analysis of Financial Condition and Results of Operation* included in the Form 10-K, which has been filed with the SEC and is incorporated by reference into this prospectus supplement.

<i>(Dollars in thousands, except per share data)</i>	At or for the year ended December 31,				
	2014	2013	2012	2011	2010
Selected financial condition data:					
Total assets	\$ 3,089,521	\$ 2,928,636	\$ 2,763,865	\$ 2,336,353	\$ 2,214,307
Loans, net	1,884,365	1,806,883	1,681,012	1,461,516	1,325,524
Investment securities	916,932	859,185	841,701	650,815	694,530
Deposits	2,450,527	2,320,056	2,261,794	1,931,599	1,882,890
Borrowings	334,804	337,042	179,806	150,698	103,877
Shareholders' equity	279,532	254,839	253,897	237,194	212,144
Common shareholders' equity ⁽¹⁾	262,192	237,497	236,426	219,721	158,359
Tangible common shareholders' equity ^{(2) (3)}	193,553	187,495	186,037	182,352	120,990
Equity to assets	9.05%	8.70%	9.19%	10.15%	9.58%
Common equity to assets ⁽¹⁾	8.49%	8.11%	8.55%	9.40%	7.15%
Tangible common equity to tangible assets ^{(2) (3)}	6.41%	6.51%	6.86%	7.93%	5.56%
Selected operations data:					
Interest income	\$ 101,055	\$ 98,931	\$ 97,567	\$ 95,118	\$ 96,509
Interest expense	7,281	7,337	9,051	13,255	17,720
Net interest income	93,774	91,594	88,516	81,863	78,789
Provision for loan losses	7,789	9,079	7,128	7,780	6,687
Net interest income after provision for loan losses	85,985	82,515	81,388	74,083	72,102
Noninterest income	25,350	24,833	24,777	23,925	19,454
Noninterest expense	72,355	69,441	71,397	63,794	60,917
Income before income taxes	38,980	37,907	34,768	34,214	30,639
Income tax expense	9,625	12,377	11,319	11,415	9,352
Net income	\$ 29,355	\$ 25,530	\$ 23,449	\$ 22,799	\$ 21,287
Preferred stock dividends and accretion	1,462	1,466	1,474	3,182	3,725
Net income applicable to common shareholders	\$ 27,893	\$ 24,064	\$ 21,975	\$ 19,617	\$ 17,562

Stock and related per share data:

Earnings per common share:										
Basic	\$	2.01	\$	1.75	\$	1.60	\$	1.50	\$	1.62
Diluted		2.00		1.75		1.60		1.49		1.61
Cash dividends declared on common stock		0.77		0.74						