



First Niagara Annual Survey Finds Philadelphia/Allentown Business Leaders Cautious Regarding Growth for 2012

Eastern PA Executives Register Slightly Lower Levels of Optimism for Economic Outlook

PHILADELPHIA, PA. – February 7, 2012 – Leaders of private businesses in Philadelphia and Allentown, representing eastern Pennsylvania, plan to be cautious when it comes to expectations in 2012 for revenues, profits, size of workforces and the possibility of growing through fixed asset acquisitions, according to results from First Niagara’s 3rd Annual Survey of Pennsylvania Business Leaders released today.

The results also show these business leaders are still more optimistic than pessimistic, but at slightly lower levels than last year, when it comes to their assessment of current business conditions and forecasts for the state economy and their own industries in 2012.

By a more than a two-to-one ratio, Eastern PA business leaders expect the state economy to improve in 2012 compare to those who say it will worsen. Of these leaders, 42% say they expect it to improve in the coming year, down from 47% last year, compared to 16%, down from 18% last year and 27% from two years ago, that say it will worsen. Another 42%, up from 35% last year, expect it to remain about the same in 2012.

“Private business leaders from Philadelphia to Allentown are telling us they want to believe in a more robust economic recovery for Pennsylvania, but at the same time they are realistically cautious about their expectations for revenues, profits and investment in their fixed assets and workforces,” said Robert Kane, Eastern Pennsylvania regional president for First Niagara Financial Group Inc. (Nasdaq: FNFG), the parent company of First Niagara Bank.

Overall, 865 chief executive officers, chief financial officers and other senior managers of private businesses in Pittsburgh, Erie, Philadelphia, Allentown, Scranton, Altoona, Harrisburg, Erie, Lancaster, Reading and York, responded to First Niagara’s third annual survey.

These businesses register between \$5 million and \$200 million in annual sales in industries representing the service, manufacturing, engineering and construction, retail, wholesale and

distribution, financial and food and beverage sectors. Eastern PA business leaders responding totaled 292 with 235 from the Philadelphia area and 57 from the Allentown region.

When it comes to projected revenues, almost one-half (46%) of Eastern PA business leaders, up from 45% last year, predict increasing revenues in 2012, while 35% think they will stay the same and 19%, up from 18% last year but down from 25% two years ago, say revenues will decrease.

For projected profits, 36% of Eastern PA business leaders, down from 38% last year, expect profits to increase in 2012, while another 38% predict they will stay the same and 26%, down from 28% last year, expect profits to decrease.

Almost one-third, 32%, of Eastern PA company leaders say they expect to increase their current labor force in 2012, compared to 28% last year, while 59% say it will remain the same and only 9% say they will decrease their work force.

More than two-fifths, 43% -- the same as last year -- of regional business leaders say they plan to invest in fixed asset acquisitions over the next year -- with another 10% unsure -- to meet growing demand, reduce costs or enhance profitability. Of those that intend to invest in fixed assets, 54% plan to use internally generated funds while 34% intend to finance with the assistance of a financial institution.

Each year the First Niagara survey uses an overall Confidence Index as a measure of business leaders' current assessment of and future expectations for economic conditions regarding the state economy and their specific industries. The index is based on a scale of zero to 200 with zero being the most pessimistic and 200 being the most optimistic. An index of 100 would have an equal percentage of negative and positive responses.

The survey report provides three confidence indices for the current assessment, future expectations and overall as a combination of the two. This year, Eastern PA business leaders registered an overall Confidence Index of 114.1, down 2.5 points from last year, and up 15.4 points from two years ago.

The Philadelphia/Allentown leaders also registered a 121.7 for the "future" Confidence Index, down 5.9 points from last year but 4.9 points higher than two years ago.

The “current” Confidence Index assessing business conditions compared to six months earlier registered 106.5, 0.9 points higher than last year.

Other key survey results for the Eastern PA region featuring Philadelphia and Allentown include:

- Almost one-third, 32%, of Eastern PA business leaders say current business conditions in Pennsylvania were a little better at the end of 2011 compared to six months earlier. Another 45%, up from 40% last year, say conditions were about the same and 22%, down from last year’s 25%, say they were a little or considerably worse.
- 36%, down from 46% last year, of area business leaders say they expect business in their own industries to be a little better or considerably better in 2012, compared to 44%, and 33% last year, who say it will be the same and 20%, same as last year, who say it will be a little or considerably worse.
- Market growth/demand at 45% was cited as the foremost strategy local business leaders will employ to enhance profits, followed by cost reduction (29%), price increase (12%) and new technology (11%).
- The top two challenges concerning Eastern Pennsylvania business leaders are adverse economic conditions (22%) and governmental regulation (19%), followed by health care costs (15%), and existing U.S. competition (7%).
- In Eastern PA regarding the state government’s ability to improve the business climate in 2012, 3% of business leaders say they are very confident in the ability, 32% somewhat confident, 49% are not very confident and 16% are not confident at all.

Results from First Niagara’s Third Annual Survey of Pennsylvania Business Leaders are available at <http://www.fnfg.com/CEOSurvey>

METHODOLOGY

A quantitative 26-question survey was conducted during the last two months of 2011 and first three weeks of 2012 by the Siena College Research Institute (SRI) where 865 business leaders responded either by mail, on the SRI Web site, or through a personal interview. Business leaders included chief executive officers, chief financial officers and other senior managers of private businesses with \$5 million to \$200 million in annual sales in the service, manufacturing, engineering and construction, retail, wholesale and distribution, financial and food and beverage industries. These business leaders represented the major areas of: Philadelphia/Allentown (34% of respondents), Pittsburgh/Erie (29%), rest of statewide including Harrisburg, York, Scranton, Lancaster, Reading, and Altoona (37%).

ABOUT FIRST NIAGARA

First Niagara, through its wholly owned subsidiary, First Niagara Bank, N.A., is a multi-state community-oriented bank that currently has approximately \$33 billion in assets, \$19 billion in deposits, more than 330 branches and 5,000 employees providing financial services to individuals, families and businesses across Upstate New York, Pennsylvania, Connecticut and Massachusetts. For more information, visit www.fnfg.com.

When First Niagara completes its acquisition of the HSBC branches, expected to occur in the second quarter of 2012, the regional bank will have an enhanced leadership position in the Northeast, with nearly 430 locations, \$30 billion in total deposits, \$38 billion in assets and more than 6,000 employees serving consumers, businesses and communities across New York, Pennsylvania, Connecticut and Massachusetts. The transaction will also provide First Niagara with number-one retail market share across Upstate New York, virtually doubling its number of branches in New York State to more than 200, stretching from Buffalo to Albany and down through the Hudson Valley.

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