



First Niagara Survey Finds Rochester Area Business Leaders Show Signs of Optimism for Economic Conditions in 2012

Local Executives Cautious About Expectations for Revenues, Profits, New Hires

ROCHESTER, N.Y. – January 31, 2012 – Leaders of Rochester area businesses are showing higher degrees of confidence compared to three other Upstate metro areas when looking at business conditions in 2012 for the New York State economy, according to results from First Niagara’s Annual Survey of Upstate New York Business Leaders released today.

The survey reports that 38% of Rochester area business leaders say they expect the state economy to improve in 2012 – the highest percentage to say so compared to leaders surveyed in Buffalo, Syracuse and Albany. Another 37% expect conditions to remain about the same in 2012, and 25%, down from 29% last year, say business conditions will worsen.

Rochester area business leaders also fared well on the survey’s Confidence Index series. 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, survey responses from Rochester area business leaders produced the second highest overall Confidence Index among the four Upstate metro areas at 99.6, down from 109.1 last year but still up 15.8 points from 2009, and up 58.4 points from three years ago.

The overall Confidence Index was bolstered by future expectations of Rochester area business leaders that resulted in a future Confidence Index of 106.7 – the highest among the four Upstate metro areas.

Responses from 636 leaders of private businesses in the four major Upstate markets of Buffalo, Albany, Rochester and Syracuse were used in First Niagara’s fifth annual survey, conducted by

Siena College Research Institute during the last two months of 2011 and the first week of 2012. There were responses from 119 business leaders in the Rochester area alone.

Responding to the survey were chief executive officers, chief financial officers and other senior managers of private businesses with \$5 million to \$150 million in annual sales in the service, manufacturing, engineering and construction, retail, wholesale and distribution, financial and food and beverage industries.

This year's survey found Rochester area business leaders to have the second highest percentage among those in major Upstate markets that expect increased revenues and profitability in 2012, and the most likely to keep workforce sizes at the same level.

“Leaders of Rochester area businesses are showing signs of optimism, compared to company executives in other Upstate markets, but their responses also demonstrate an acute realism in attempting to find more economic stability in the coming year as they project their future revenues, profits and company investments,” said Suzanne Nasipak-Chapman, Rochester Market Executive for First Niagara Bank, a wholly owned subsidiary of First Niagara Financial Group (Nasdaq:FNFG).

“Our customers across Upstate New York continue to be challenged by this post-recessionary economy and, as a strong, community-oriented financial institution, we are working with them to make investments necessary to drive top-line growth in their organizations,” she said.

Other key survey results for the Rochester area include:

- 27% of Rochester area business leaders say current business conditions in New York State were a little better or considerably better at the end of 2011 compared to six months earlier, down from 38% responding last year. Another 44%, up from 33% last year, say conditions were about the same and 29%, the same percentage as last year, say they were a little or considerably worse.
- 33%, down from 43% 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 34%, up from 27% last year, who say it will be the same and 33%, up from 29% last year, who say it will be a little or considerably worse.

- 19% of Rochester area company leaders say they expect in 2012 to increase their current labor force, while 70%, the highest percentage in Upstate, say it will remain the same and only 11 % say they will decrease their work force, compared to 22% who said that two years ago.
- Exactly one-half (50%) of local business leaders say they plan to invest in fixed asset acquisitions over the next year – with another 9% unsure -- to meet growing demand, reduce costs or enhance profitability. Of those that intend to invest in fixed assets, 63% plan to use internally generated funds while 28% intend to finance with the assistance of a financial institution.
- 42% of Rochester area business leaders, down from 49% last year, predict increasing revenues in 2012, while 35% think they will stay the same and 22%, up from 21% last year, say they will decrease.
- 30% of Rochester area business leaders, down from 37% last year, expect profits to increase in 2012 while 40% predict they will stay the same and 29%, up from 24% last year, expect a decrease.
- Cost reduction (45%), followed by market growth/demand at 37% was cited as the foremost strategy business leaders will employ to enhance profits, followed by price increase (8%) and new technology (3%).
- Overall, the number one challenge concerning Upstate New York business leaders is adverse economic conditions (27%) followed by governmental regulation (22%), healthcare costs (11%) and taxation (10%).

Results from the fifth annual First Niagara Survey of Upstate New York Business Leaders are available at <https://www.fnfg.com/CEOSurvey>

METHODOLOGY

A quantitative 26-question survey was conducted during the last two months of 2011 and first week of 2012 for First Niagara by the Siena College Research Institute (SRI) in which 636

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 \$150 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 four Upstate Metropolitan Statistical Areas (MSAs): Albany (30% of respondents), Rochester (19%), Syracuse (18%) and Buffalo (31%).

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 more than 400 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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