

New York Market Brief

Market Snapshot: New York, September 30, 2016

Local Leadership, Scale and Scope	Retail Market Director	Lisa McGraw		Colleagues	1,200 (inc. NYC)
	Middle Market executive	Paul Taffe		Branches	140
	Business Banking	John Dill		- Buffalo	43
	Corporate Affairs	Beth Crow		- Rochester	34
				- Albany	29
				Commercial RMs	2
				NFP RMS	2
Commercial Banking Performance - Syracuse and Rochester <i>Includes: Middle Market and MidCorporate (in footprint)</i>	(\$MM)	2015	2014	2013	
	Revenue	\$43.7	\$53.9	\$51.2	
	Total Expenses	<u>19.6</u>	<u>24.6</u>	<u>21.7</u>	
	Provision	<u>0.1</u>	<u>0.0</u>	<u>(0.6)</u>	
	Net income	\$15.8	\$19.2	\$19.5	
	Loans & leases	1,289	1,301	1,244	
	Deposits/Repos	647	542	495	
Significant Commercial Client Relationships	Middle Market				
	<u>Central and Western NY</u>				
	- American Rock Salt, client since 2004, Lead Left				
	- Graphic Controls, Lead Left.				
	<u>Eastern NY</u>				
	- Golub Corporation/Price chopper, Co-Lead				
	- CHA, Sole Lead Arranger				
	- Saratoga Harness Racing, Sole Lead Arranger				
Noteworthy Community Projects	<u>Rochester</u>				
	FoodLink - Growing Communities partner since 2013. Most notable aspect of the program was the creation of the <i>Curbside Market</i> , a mobile food pantry that travels through low-income neighborhoods in Rochester, making 28 weekly stops, providing affordable, fresh, local produce to residents who live in neighborhoods without access to grocery stores. Curbside Market assisted 6,000+ people last year with one truck. Last year we partnered with FoodLink to add a second truck, doubling the impact.				
	<u>New York State/Capital Region</u>				
	Business Council of New York State (Workforce Development) - Through their affiliate organization, the Public Policy Institute, the Business Council is overseeing the development and implementation of <i>PTech</i> , a public-private partnership program that is preparing thousands of New York students for high-skills jobs of the future in technology,				

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	<p>manufacturing, healthcare and finance. These efforts address the skills gap - essentially a mismatch between the available labor force and the high-skilled jobs. Citizens provided a \$50M grant.</p>		
Market Economic Snapshot			
Key Economic Metrics	2015	2014	2013
Population (MSA)	<p>NY state UE rate 4.8% 5.8% 7.0%</p>		
<p>Rochester: 1.1 million</p> <p>Buffalo: 1.1 million</p> <p>Albany: .9 million</p> <p>Syracuse: .7 million</p>	<p><u>March 2016</u> Rochester 4.9% Buffalo 5.3% Albany 4.3% Syracuse 5.1%</p>		
	<p>Housing market Rochester - relatively stagnant Buffalo - home sales in first half of 2015 were the strongest in five years Albany - Average price down year-over-year, though in the range of the national average Syracuse - slow but steady...and affordable</p>		
Political Leadership	<p>Governor Andrew Cuomo (D) - in office since 2010. Elected to a second term in 2014. He focused on ethics reform, passed a property tax cap and worked to enact a same-sex marriage bill early in his tenure. His stance on maintaining a ban on "fracking" has earned enmity from business groups and plaudits from environmentalists.</p> <p>Senator Chuck Schumer (D) - Elected to Congress in 1980 and to the Senate in 1998. A prolific fundraiser and consumer advocate, he will become the Senate's top Democrat in 2017, after Harry Reid retires. Schumer will play a pivotal role in the 2016 elections as Democrats try to retake the Senate, which would position him as majority leader.</p>		
Top Industries State-wide		Stage of recovery	Future forecast
	Educational and health	Strong growth driver	Stable
	Professional services	Strong growth driver	Continued
	Manufacturing	Slow decline	Stable
Major CRE/Public Works projects	<p>Albany - Warehouse District apartments. Developers have started phase one of a plan to turn the Nipper Building in Albany's Warehouse District into 65-75 residential units. This is the first of four phases that eventually will include more than 200 units and will be valued at approximately \$70MM.</p> <p>Western NY - \$19.5 billion in development. Collectively, there are nearly 900 projects underway in Western New York totaling \$19.5B in development. Many of the projects - such as the \$3MM to build two Deep South Taco restaurants - are small. Officials are focused less on "home runs" and more on lots of singles and doubles. That said, some larger projects, such as the \$375MM Jacobs School of Medicine and Biomedical Sciences, are part of the plan.</p>		

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Areas of Economic Progress	<p>Buffalo showing signs of progress. As of late 2015, officials were cautiously optimistic that the Buffalo-area economy is turning a corner. Employment growth, home sales and other measures are either approaching national averages or reaching 5-year highs. Construction, manufacturing (which was decimated during the Great Recession) and financial services have led the way in job growth. And demographics are trending more favorably as the population of young people with college degrees is rising. Officials with the Federal Reserve Bank of New York have said it's "the strongest regional economy in Buffalo in recent memory."</p> <p>Workforce (Albany). Albany's strong public school system and well-regarded state university have helped the region develop a highly educated workforce. As a result, in recent years the city has rapidly worked to redefine itself as a hub for research and high technology.</p>
Economic Fears / Concerns	<p>Old city problems (Albany and Rochester). Due to lower tax revenue many cities across upstate New York are challenged to keep up with infrastructure demands - road repairs, water system upgrades and integrated mass transit systems. In Albany, much of the land is state owned and therefore not taxed, which has resulted in higher property taxes.</p>
Market SWOT Analysis & Needs Assessment	<p>Strengths:</p> <ul style="list-style-type: none"> • Strong retail network with considerable consumer market share in Albany, Buffalo, Rochester • Long-term community NFP support and commitments • Refocused efforts to build commercial scale in NY with recent hiring of State President • Core Middle Market and MidCorporate clients in place, providing strong reference opportunity for new client opportunities
	<p>Weaknesses:</p> <ul style="list-style-type: none"> • Significant restructuring and market RM turnover has created coverage holes and reputational issues regarding Upstate NY market commitment • Upstate NY commercial revenues have been trending down resulting in redeployment of critical resources toward higher growth markets • As a result of RM attrition, we have largely been in a defensive mode with our Upstate NY commercial client base
	<p>Opportunities:</p> <ul style="list-style-type: none"> • Bring on talented in-market bankers to help us establish a new Upstate NY commercial approach to market • Aggressively go to market with a focus on approaching new markets, building new relationships and winning • Leverage full Citizens Bank in market teams to deliver on local market commitments • Play on message of the new U.S. -based CFG as we seek to capitalize on the recent KeyBank/ FNFG consolidation

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THREATS:

Threats:

- National and regional banks, such as Wells Fargo, are moving into Upstate NY with a focus on commercial growth
- The push for asset growth in this most competitive environment is resulting in pricing and structuring that leaves limited winners
- Community banks continue to move up market with absence of structure discipline

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Top Prospects

- Tops
- SI Group
- Allied Motion
- Blue Cross / Blue Shield