

2008

The Rock Solid
Year in Review.


First Niagara

A message from John Koelmel and Tom Bowers.



Left to right:
John R. Koelmel, President and CEO
G. Thomas Bowers, Chairman

2008 will go down in history as one of the most challenging years ever for the banking industry. And, while the economy worsened and many of our peers had a tough time, First Niagara performed very well. Operating earnings were up 9% over 2007. Credit quality remained strong and loan originations increased 18% over the prior year. And our stock price was up nicely while most of our industry and the market at large was down.

The keys to our success were simple: stay focused, be disciplined and execute efficiently. Whether it's day-to-day execution of our core strategy, the integration of Greater Buffalo Savings Bank, or raising more than \$100 million of new capital, we performed consistently well in 2008.

As we look ahead in 2009, you can count on more of the same from us. If someone is looking for a commercial loan, residential mortgage, home equity loan, or the security of FDIC-insured deposits, they can rest assured: ***we're open for business, taking deposits and making loans.***

We recognize that 2009 will be all the more challenging than last year. But we are working from a position of strength, leveraging our strong capital position and organizational resources to capture more market share and further grow our franchise profitably.

More than ever, our team—the Belief Backers—is focused on our customer-first service philosophy, working with customers, one at a time, listening to their needs and providing them with the right products and services that can help them succeed.

Strong, steady, and responsive, especially in the tough times. Focused on sound fundamentals, with a firm grasp on where we're headed. That's how we define "rock solid." And that's how we do business at First Niagara.

Thank you for your continuing business and support.

John R. Koelmel, President and CEO

G. Thomas Bowers, Chairman

Commercial Loan Growth

Commercial loans increased by over 30% and now constitute a greater percentage of total business loans. Commercial real estate loans represented 43% of total loans at year-end. *fig 5.*

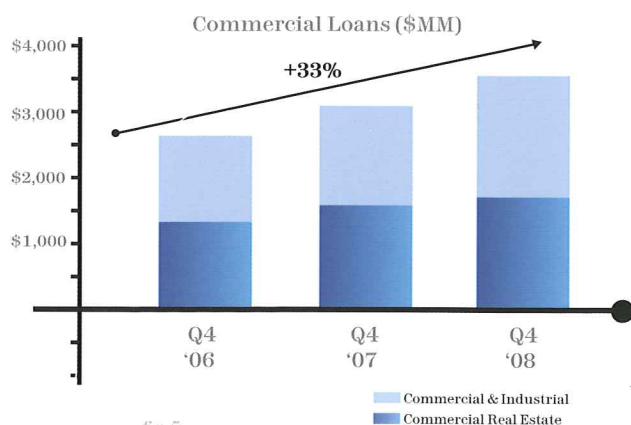


fig. 5

Stock Performance

First Niagara significantly outperformed the market in 2008. *fig 6.*

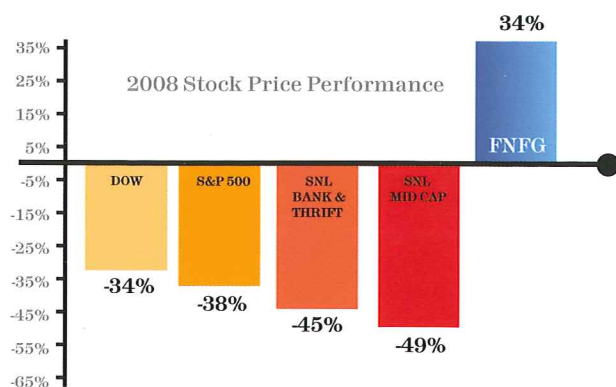


fig. 6



Financial Strength

Selected Financial Data

As of, or for the year ended December 31, 2008

BALANCE SHEET DATA (Average balances, dollars in billions except per share data)	2008	2007
Assets	\$9.3	\$8.0
Loans	6.5	5.7
Deposits	5.9	5.5
Stockholders' equity	1.7	1.4
Book value per diluted share	15.02	13.41
INCOME STATEMENT DATA (Dollars in millions except per share data)		
Net interest income	\$268.6	\$224.2
Provision for credit losses	22.5	8.5
Non-interest income	115.7	131.8
Non-interest expense	228.4	222.5
Net income	88.4	84.1
Net income per diluted share	0.81	0.81
CAPITAL RATIOS		
Tier 1 capital	11.48%	10.10%
Equity to assets	18.51	16.71
Tangible common equity to tangible assets	8.96	8.21
ASSET QUALITY RATIOS		
Total non-performing loans to total loans	0.72%	0.49%
Net charge-offs to average loans	0.28	0.18
Allowance for credit losses to total loans	1.20	1.23
Allowance for credit losses to non-performing loans	167.60	250.40

2008 Selected Financial Data

Top and Bottom Line Growth

First Niagara outperformed its peers at both the top and bottom line. Total revenue grew by 13% in 2008, better than the peer average of 5%. Net income increased 9%, while our peers suffered a 45% decline. *fig 1.*

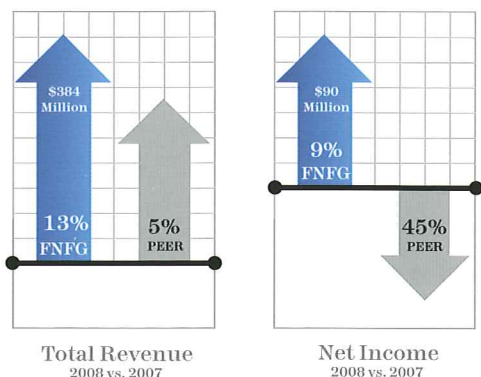


fig. 1

Median for SNL Banks & Thrifts \$1-5 billion in Mkt Cap. FNFG Revenue and Net Income excludes non-recurring items (Operating) e.g. merger related charges.

Disciplined Pricing

A substantial increase in net interest margin was the result of highly-disciplined pricing practices, which contributed significantly to our revenue growth. *fig 2.*

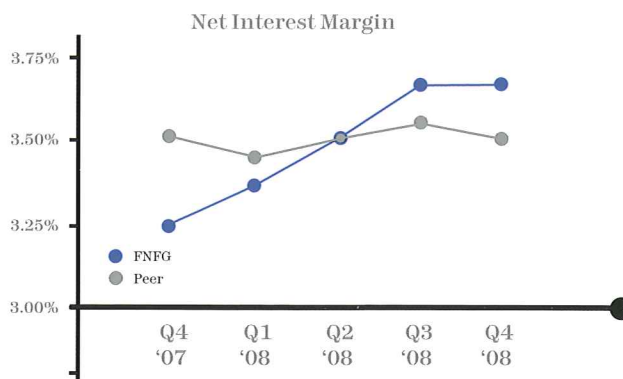


fig. 2

Credit Quality

Loan charge-offs were well below that of our peers, further reflecting First Niagara's focus on sustaining sound credit quality. *fig 3.*

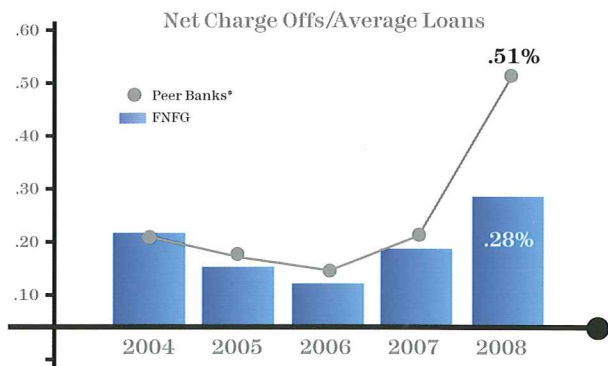


fig. 3

*SNL Midcap Banks & Thrifts

Capital Strength

First Niagara substantially exceeds regulatory requirements for well capitalized institutions, which positions us well for growth. *fig 4.*



fig. 4



Strong. Steady. Responsive.

That's how we do business every day—with sound fundamentals and a firm grasp on where we're headed.

We're focused on:

- Strengthening our franchise
- Leveraging our strong capital position
- Exceeding the expectations of all of our customers



About First Niagara

First Niagara Financial Group (NASDAQ: FNFG), the holding company for First Niagara Bank, is a leading provider of financial services to consumers and businesses across 21 counties in Upstate New York. We provide a full range of deposit, loan, insurance and investment products. At year end 2008, First Niagara had over 418,000 customers, \$9.3 billion in assets and 114 branches.



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Forward-Looking Statements – This annual report contains forward-looking statements with respect to the financial condition and results of operations of First Niagara Financial Group, Inc. including, without limitations, statements relating to the earnings outlook of the Company. These forward-looking statements involve certain risks and uncertainties. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, among others, the following possibilities: (1) changes in the interest rate environment; (2) competitive pressure among financial services companies; (3) general economic conditions including an increase in non-performing loans that could result from an economic downturn; (4) changes in legislation or regulatory requirements; (5) difficulties in continuing to improve operating efficiencies; (6) difficulties in the integration of acquired businesses; and (7) increased risk associated with an increase in commercial real estate and business loans and non-performing loans.



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Stephen R. Carman
Vice President

April 24, 2009

Mr. J. Petter Turnquist
Business Administrator
Warren County School District
185 Hospital Drive
North Warren, PA 16365

Re: First Niagara Financial Group/First Niagara Bank

Dear Petter;

Thank you for calling yesterday, it was good to talk with you. Enclosed please find a copy of the press release from April 7th, announcing FNFG's purchase of fifty seven branches and Corporate Banking portfolios in Western Pennsylvania. I also enclosed a brochure re-capping FNFG's 2008 fiscal year. At a glance, you will be able to quickly ascertain that this is a very well run bank and that they only operate in segments that they had experience in. This allowed them to be profitable through 2008, which continued into 2009. I encourage you to look at their website at www.fnfg.com. The company is traded on the NASDAQ as FNFG.

After you have had a chance to review this information, please do not hesitate to contact me for further discussions. As the next couple of months unfold, we will be learning much more about the specific products and procedures of First Niagara, which I will gladly share with you. I will also be happy to come to any committee or Board meeting that you invite me to.

I thank you for the ongoing business of the Warren School District and look forward to working with you through (and beyond) this transition to First Niagara.

Sincerely,

Stephen R. Carman
Vice President
Corporate Banking Group



First Niagara to Acquire \$4.2 Billion in Deposits and 57 National City Bank Branches in Western Pennsylvania

- Profitable and well-capitalized Upstate New York-based bank to use additional liquidity to expand commercial and consumer lending in new and existing markets --*
- Workforces across both Western Pennsylvania and Upstate New York to be expanded with the addition of 200 jobs --*
- Option to issue \$150 million in stock and debt will maintain strong capital position --*

LOCKPORT, N.Y., April 7, 2009 -- First Niagara Financial Group, Inc. (NASDAQ: FNFG) has signed a definitive purchase agreement to acquire \$4.2 billion of deposits and 57 Western Pennsylvania bank branches from National City Bank, a subsidiary of The PNC Financial Services Group, Inc., for a deposit premium of 1.3%. In addition to \$3.2 billion in cash, First Niagara will also receive approximately \$839 million of performing business and consumer loans.

This acquisition immediately provides Upstate New York-based First Niagara more than 400,000 customer accounts and the number-three deposit market share position in the combined Pittsburgh, Erie and Warren regions. Divestiture of these branches was a regulatory condition of PNC's purchase of National City in December of 2008.

"This transaction enables us to strategically expand our franchise, leverage our strong financial position and enhance shareholder value," First Niagara President and CEO John R. Koelmel said. "We are also very pleased to be able to retain 500 jobs in the Western Pennsylvania market and add upwards of 200 new jobs there and in Upstate New York during these very challenging economic times. We will provide the same high quality, personalized financial services to the communities served by these branches, just as we're doing across Upstate New York. We're excited to become an active lender in Western Pennsylvania and provide our new employees with continued career and growth opportunities."

The acquisition, which is expected to close in September 2009, is anticipated to be accretive to earnings per share by approximately 20% in 2010. This transaction represents a continuation of the company's growth strategy and is the latest in a series of acquisitions that First Niagara has undertaken over the past decade.

First Niagara anticipates that approximately 500 employees in Western Pennsylvania, most of whom work in the branches to be acquired, will join First Niagara. In addition, 50 to 75 new jobs will be created in and around Pittsburgh to support the newly acquired branches and lending teams. In addition, to support First Niagara's new branch network in Pennsylvania, the company expects to add 100 to 125 positions in Upstate New York.

"The people of Western Pennsylvania and neighboring Upstate New York share common cultures and values, a tremendous work ethic and an unwavering commitment to their communities," Koelmel said. "Given the similarities in the economic, demographic and competitive profiles of the regions, we believe First Niagara's business model will succeed in our newest markets."

Under a separate agreement with PNC and National City, First Niagara has the option to issue a combination of common stock and debt at closing in order to maintain its strong capital levels. Under terms of the agreement, the aggregate amount of stock and debt would not exceed \$150 million, and the number of common shares would not exceed 6.8 million. For additional details and metrics associated with the transaction, visit www.fnfg.com.

The branch acquisition has received approvals from the parties' boards of directors and remains subject to regulatory approval and other customary closing conditions.

First Niagara was advised by the investment banking firm of Goldman, Sachs & Co. as well as the law firm of Luse Gorman Pomeroy & Schick. PNC was advised by the investment banking firm of Sandler O'Neill and Partners and the law firm of Wachtell, Lipton, Rosen & Katz.

Investor Conference Call – An investor conference call will be held at 11:00 a.m. Eastern Time today to discuss this transaction. Those wishing to participate in the call may dial toll-free 1-877-709-8150. A replay of the call will be available for 14 days by dialing 1-877-660-6853, account

number 240, ID number 319681. The investor presentation for this transaction can be accessed at First Niagara's website www.fnfg.com.

Press Conference Call –First Niagara will host a press conference call at 1:00 pm. Eastern Time today to discuss this transaction. Those wishing to participate in the call may dial toll-free 1-877-407-8289.

About First Niagara – First Niagara Financial Group, Inc., through its wholly owned subsidiary First Niagara Bank, has assets of \$9.3 billion and deposits of \$5.9 billion as of December 31, 2008. First Niagara Bank is a full-service, community-focused bank that provides financial services to individuals, families and businesses through 113 branches and four Regional Market Centers across Upstate New York. For more information, visit www.fnfg.com.

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