



John R. Koelmel
President and
Chief Executive Officer
Direct: 716 625-7737
Fax: 716 625-8673
john.koelmel@fnfg.com

March 6, 2009

VIA E-MAIL & REGULAR MAIL

Neil M. Barofsky
Special Inspector General – TARP
1500 Pennsylvania Avenue, NW
Suite 1064
Washington, DC 20220

Dear Mr. Barofsky:

The following is in response to your letter dated February 6, 2009:

1. First Niagara has a long history of successfully meeting the financial needs of individuals and businesses in the communities that we serve. In the fourth quarter of 2008 and during some of the most difficult times of this current financial crisis, we continued to reach out and support the borrowing needs of our customers. In fact, we originated \$815 million in loans and line advances, an 18% increase from the previous quarter and more than four times the \$184 million in TARP proceeds received on November 21, 2008.

We also moved quickly to provide better clarity on the use of the TARP capital we received by issuing a press release on February 12, 2008 disclosing our lending activity in detail. Our ongoing efforts to leverage the TARP proceeds for the benefit of our customers will be reported to the public on a quarterly basis for as long as the Bank continues to participate in the Capital Purchase Program. Most importantly, our record as a strong lender in the region combined with our well-capitalized position has enabled us to accelerate our growth strategy and enhance our ability to support even more individuals and businesses throughout the Northeast.

Included as part of this response and for your review are the following First Niagara public communications containing references to the use of TARP proceeds:

Date	Communication	Description
February 12, 2009	Press Release	“First Niagara discloses new data to provide enhanced transparency into use of Capital Purchase Program(CPP) Federal Funds”
January 29, 2009	Earnings Release	“First Niagara Financial Group reports fourth quarter results”
January 29, 2009	Transcript	First Niagara fourth quarter conference call transcript
November 25, 2008	Press Release	“First Niagara completes \$184 million Capital Purchase Program transaction with the U.S. Treasury

2. First Niagara has already addressed all the Executive Compensation rules under the EESA, specifically:

- *Compensation Restrictions.* First Niagara as a qualifying financial institution (QFI), and its senior executive officers (SEOs) granted Treasury a waiver releasing Treasury from claims that the QFI and the SEOs may have as a result of any modifications to the terms of benefit plans, arrangements, and agreements between the SEO and the QFI to bring them into compliance with the new rules.
- *Executive Compensation Risk Assessments.* First Niagara’s Compensation Committee conducted an assessment of First Niagara’s compensation programs to identify any features that could encourage top executives to take “unnecessary and excessive risks that could threaten the value of the financial institution,” and found none. A certification to this will be included in our Proxy Statement.

Finally, I hereby certify that I have reviewed this response and supporting documents, and, based on my knowledge, this response and the supporting documents do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading.

Sincerely,

A handwritten signature in blue ink that reads "John R. Koelmel". The signature is fluid and cursive, with a large initial "J" and "K".

John R. Koelmel
President and Chief Executive Officer



First Niagara Discloses New Data to Provide Enhanced Transparency into Use of Capital Purchase Program (CPP) Federal Funds

Company Release - 02/12/2009 12:00

- First Niagara makes new quarterly lending data public to increase transparency into uses of the recent \$184 million investment by the federal government-

LOCKPORT, N.Y., Feb. 12 /PRNewswire-FirstCall/ – First Niagara Financial Group, Inc. (Nasdaq: FNFG) initiated voluntary disclosure of new data to provide enhanced transparency into how the bank holding company is using the \$184 million it received as one of the strong and sound financial institutions participating in the Department of the Treasury's Capital Purchase Program (CPP).

"While First Niagara is not required to make these new disclosures, we are making more extensive quarterly lending data available to the public while the federal government remains an equity investor in the company," President and CEO John R. Koelmel explained. "We take our responsibility to be a good corporate citizen very seriously and are very comfortable with providing greater transparency into how we're leveraging capital and putting it to work."

First Niagara has lent more than four times as much capital as it received from the federal government through Treasury Department's \$184 million CPP investment during the fourth quarter of 2008. The bank originated \$814.7 million in new loans and lines of credit during the quarter, an increase of \$126.0 million, or 18% as compared to the third quarter of 2008. Following are detailed disclosures of new lending activity, which is in addition to what the company normally reports as part of its regular quarterly and annual reports.

New Loan Originations (\$ millions)	Q4 2008	Q3 2008	Full Year 2008	Full Year 2007
Residential mortgages	\$43.1	\$51.9	\$204.9	\$258.7
Commercial mortgages	168.8	108.9	610.7	586.3
Consumer/home equity	37.0	43.5	167.0	127.6
Commercial loans and credit line advances	536.1	438.0	1,889.5	1,454.2
Municipal financing	29.7	46.4	129.9	124.4
Total new loan originations	\$814.7	\$688.7	\$3,002.0	\$2,551.2

First Niagara intends to make this origination data publicly available on a quarterly basis, for as long as the bank continues to participate in the CPP.

"We've consistently met the borrowing needs of our customers and communities from the outset of the financial crisis, and we intend to continue doing so," Koelmel explained. "By adhering to our longstanding underwriting discipline and making lending decisions at the local level, we're stepping up and filling the void left by the oversized national and international institutions that are unable or unwilling to lend to creditworthy borrowers in the communities where we live, work and do business every day."

First Niagara's robust lending activity is highlighted by a loan-to-deposit ratio of 1.09 on Dec. 31, 2008. While this important measure of lending activity has recently been dropping at many larger banks, First Niagara actually increased its average quarterly loan-to-deposit ratio to 1.06 in 2008, compared to 1.00 in 2007.

"Our commitment to our communities is not limited to providing lending and other services to our customers," Koelmel added. "While our regional markets have not been hit as hard in this recession as in some areas of the country, we know that some people are struggling. We pledge to work cooperatively and compassionately with any borrower facing financial challenges, just as First Niagara has strived to do throughout its 139-year history."

About First Niagara Financial Group

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. First Niagara Bank is a full-service, community-focused bank that provides financial services to individuals, families and businesses through 114 branches and four Regional Market Centers across Upstate New York. For more information, visit www.fnfg.com.

Forward-Looking Statements

This press release contains forward-looking statements with respect to the proposed offering of common stock by First Niagara

Financial Group, Inc. Forward-looking statements are generally identified by the use of words "believe," "expect," "intend," "anticipate," "estimate," and other similar expressions. These forward-looking statements involve certain risks and uncertainties. You should not place undue reliance on such statements. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, among others, (1) adverse developments in the capital markets in general or in the markets for financial institutions stock in particular; (2) changes in legislation or regulatory requirements affecting financial institutions, including the current debate in Congress as to restructuring the financial services industry; (3) changes in the interest rate environment; and (4) adverse changes in general economic conditions.

SOURCE First Niagara Financial Group, Inc.

Contact: John R. Koelmel, President and Chief Executive Officer, Michael W. Harrington, Chief Financial Officer, Anthony M. Alessi, Investor Relations Manager, +1-716-625-7692, tony.alessi@fnfg.com, or Leslie G. Garrity, Public Relations and Corporate Communications Manager, +1-716-625-7528, leslie.garrity@fnfg.com, all of First Niagara Financial Group, Inc.

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First Niagara Financial Group Reports 2008 Results

Company Release - 01/29/2009 08:30

LOCKPORT, N.Y., Jan. 29 /PRNewswire-FirstCall/ --

- First Niagara closes strong 2008 with solid fourth quarter performance
- 2008 operating earnings rose by 9% over the prior year
- Interest margin maintained at cyclical high
- Local market focus drives continued loan growth
- Capital strength positions First Niagara for continued growth and success

First Niagara Financial Group, Inc. (Nasdaq: FNFG), today announced 2008 operating net income rose by 9% to \$89.8 million or \$0.83 per diluted share from \$82.3 million or \$0.80 per diluted share from the prior year. Reported (GAAP) net income rose by 5% to \$88.4 million or \$0.81 per diluted share from \$84.1 million or \$0.81 per diluted share from the prior year.

Full Year Results

Operating Results (Non-GAAP)	2008	2007
Net interest income	\$268.6	\$224.2
Provision for credit losses	22.5	8.5
Noninterest income	115.7	115.9
Noninterest expense	226.2	210.3
Net income	89.8	82.3
Earnings per diluted share (a)	\$0.83	\$0.80
Reported Results (GAAP)		
Nonrecurring items (b)	\$ (2.0)	\$3.7
Net income	88.4	84.1
Earnings per diluted share (c)	\$0.81	\$0.81

All amounts in millions except earnings per diluted share. The Non-GAAP/Operating Results table above summarizes the Company's operating results excluding certain non-recurring items.

(a) Excludes the impact of \$1.2 million of preferred stock dividends and accretion of related discount.

(b) 2008 -Q1: Noninterest expense - real estate write-downs and severance related to the acquisition of Greater Buffalo Savings Bank of \$2.0 million. 2007 -Q4 2007: Noninterest income - gain on branch sales of \$21.5 million and investment portfolio restructuring loss of \$5.6 million, Noninterest expense - branch deposit loss of \$2.3 million, 2007-Q2: Noninterest expense - real estate write-downs and severance costs of \$7.5 million related to prior year's performance improvement initiative. 2007-Q1: Noninterest expense - severance and related costs of \$2.4 million. The Company believes these non-GAAP financial measures provide a meaningful comparison of the underlying operational performance of the Company, and facilitate investors' assessments of business and performance trends in comparison to others in the financial services industry. In addition, the Company believes the exclusion of these items enables management to perform a more effective evaluation and comparison of the Company's results and to assess performance in relation to the Company's ongoing operations.

(c) Includes the impact of \$1.2 million of preferred stock dividends and accretion of related discount.

John R. Koelmel, President and CEO said "2008 marked a year of great achievement for First Niagara, as we advanced the franchise in many important ways. Our business lines are tightly focused around their competitive strengths. Our employees are energized as never before to attract and serve customers with distinction, and we are doing the job for our shareholders with superior returns and financial performance. We continue to successfully navigate through the incredibly challenging environment and have stepped up to meet the credit needs in our market. In fact, we've supported even more individual and business customers last year by lending almost \$3.0 billion across Upstate New York, a substantial increase of 18% over 2007. Our capital strength and long-standing credit discipline leave us much better positioned than most to deal with the prevailing economic uncertainties. We're geared up and ready to move the Company forward by capitalizing on opportunities that will enhance the path we're on toward long-term success."

Quarterly Results

Operating Results (Non-GAAP)	Q4 2008	Q3 2008	Q4 2007
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Net interest income	\$71.7	\$70.2	\$55.2
Provision for credit losses	8.0	6.5	2.5
Noninterest income	27.6	29.2	27.9
Noninterest expense	57.5	56.8	53.3
Net income	22.8	23.7	19.6
Earnings per diluted share (d)	\$0.20	\$0.22	\$0.19
Reported Results (GAAP)			
Nonrecurring (e)	\$0.0	\$0.0	\$13.6
Net income	22.8	23.7	27.8
Earnings per diluted share (f)	\$0.19	\$0.22	\$0.27

All amounts in millions except earnings per diluted share.

(d) Excludes the impact of \$1.2 million of preferred stock dividends and accretion of related discount.

(e) 2007 -Q4 2007: Noninterest income - gain on branch sales of \$21.5 million and investment portfolio restructuring loss of \$5.6 million, Noninterest expense - branch deposit loss of \$2.3 million.

(f) Includes the impact of \$1.2 million of preferred stock dividends and accretion of related discount.

Chief Financial Officer, Michael W. Harrington, added, "Our solid fourth quarter results include nearly \$800 million in new loan advances, higher net interest income, stable credit quality despite the further deterioration of economic conditions and a continued lack of any oversized exposure to troubled securities in our investment portfolio. We maintained our net interest margin as we continued to reduce funding costs by following our disciplined deposit pricing strategy. We are mindful, however, that recessionary pressures are increasing in all markets and that we, as well as others, will face a very challenging environment in 2009. Given our strong performance and capital position, we are nonetheless confident in our ability to further our growth agenda while we weather the continuing economic storm."

(Loan and deposit balance comparisons to 2007 exclude the effect of the February 2008 Greater Buffalo Savings Bank acquisition.)

Loans

Originations of new loans and lines of credit totaled \$785 million in the fourth quarter. For 2008, total loan and line advances reached \$2.9 billion and were up a robust 18% from 2007. Commercial loan average balances for 2008 grew by \$405 million or 14% over the previous year. Commercial business loans were up by 24%, surpassing a very strong 2007 growth rate of 23%. Commercial real estate also posted a double digit increase for the year with average loan balances higher by 11%. Commercial loan average balances in the fourth quarter increased by an annualized 7% over the linked quarter. While this rate of growth is below early 2008 levels due to the economic slow down, the business loan pipeline activity has remained solid. Home equity average balances increased by \$37 million or 7% for the full year and grew by 11% annualized over the linked quarter due to increased line usage from existing customers as well as new relationships added during recent marketing campaigns. Despite originating over \$200 million in new residential loans, mortgage balances steadily declined throughout 2008 and averaged \$325 million or 14% below the prior year due to ongoing consumer preference for long-term, fixed rate products which the Company does not hold in its portfolio.

Credit Quality

During the fourth quarter nonperforming loans grew modestly by \$1.7 million over the linked quarter to \$46.4 million and increased by \$18.4 million for 2008. At year end, nonperforming loans were 0.72% of total loans compared to 0.49% at the prior year end. Net charge-offs in the fourth quarter rose by \$3.9 million over the linked quarter to \$7.9 million or 0.49% of average loans with the increase attributable to several business loans and denotes a quicker deterioration of the Upstate New York economy than previously experienced. Full year 2008 net chargeoffs increased to 0.28% of average loans compared to 0.18% in the prior year which is primarily reflective of the weakening economy as well as the ongoing maturation of our steadily growing commercial loan portfolios. The provision for credit losses was \$8.0 million for the quarter, compared to \$6.5 million in the linked quarter and \$2.5 million a year ago. At December 31, 2008, the allowance for credit losses represented 1.20% of total loans and 168% of nonperforming loans.

Deposits

Average core deposit balances rose by 7% in 2008. This increase was primarily due to the expansion of municipal money market deposit relationships across the state and the increased emphasis placed on growing business checking balances. Core deposits now comprise 66% of total deposits, an increase from 63% a year earlier. Total deposits declined by 3% on average for the full year due to the substantial drop in higher cost CD balances resulting from the Company's year-long focus on pricing discipline and profitable relationships. Average deposit balances in the fourth quarter were \$108 million below the linked quarter totals primarily due to declines in CD and savings balances with CD runoff slowing considerably during the fourth quarter as the majority of this portfolio re-priced earlier in 2008.

Net Interest Income

Net interest income for 2008 grew substantially by \$44.4 million, or 20% above 2007 to \$268.6 million and benefited from the continued reduction in funding costs, strong loan growth, and the February acquisition of Greater Buffalo Savings Bank. The 2008 yield on interest bearing liabilities of 2.59% declined to its lowest level since 2005 as the Company continued to improve its funding mix by replacing higher yielding CD balances with lower priced core deposits and wholesale borrowings. The net impact of these factors drove a 22 basis points increase in the tax equivalent net interest margin to 3.55% for 2008, the highest annual level in three years. The fourth quarter tax equivalent net interest margin of 3.68% remained unchanged from the linked quarter.

Noninterest Income

Operating (Non-GAAP) noninterest income for 2008 of \$115.7 million was stable from the prior year as the industry-wide softening in insurance renewal rates was offset by higher deposit related banking service fees and a 5% increase in wealth management fees. Noninterest income for the current quarter was \$27.6 million or \$1.5 million below third quarter levels reflecting the ongoing challenges in the insurance market and reduced demand for broker sold investment securities.

Noninterest Expense

Operating (Non-GAAP) noninterest expense in 2008 of \$226.2 million was 8% above the prior year predominately due to the absorption of Greater Buffalo Savings Bank staff along with general salary and benefit inflation. Marketing costs increased by 26% primarily due to the Company's aggressive statewide advertising campaign which has been successful in generating new business and increasing brand awareness. The continued disciplined management of the expense base helped to improve the efficiency ratio from 62% in 2007 to 59% in 2008, the lowest level in three years. Noninterest expense for the current quarter increased by \$0.8 million or 1% from the prior quarter as lower employee health care costs for 2008, recognized in the fourth quarter, were more than offset by higher marketing and seasonal branch maintenance costs.

Capital Management

The tangible equity ratio at December 31, 2008 was 11.03%, a substantial increase from last year's level of 8.21%. During the fourth quarter of 2008, the Company successfully raised \$115 million of private equity by issuing 8.5 million shares of common stock in a public offering. Also in the fourth quarter, the Company participated in the U.S. Treasury's Capital Purchase Program (CPP) raising an additional \$184 million of capital. The preferred dividends related to the securities issued to the Treasury amounted to \$1.2 million in the fourth quarter. No shares of the Company's stock were repurchased since the first quarter of 2008.

On January 27, 2009, the Board of Directors declared a quarterly dividend of fourteen cents(\$0.14) per share on outstanding FNFG common stock, consistent with the prior quarter and prior year levels. The dividend is payable on February 24, 2009 to stockholders of record on February 10, 2009.

Profile - 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. First Niagara Bank is a full-service, community-focused bank that provides financial services to individuals, families and businesses through 114 branches and four Regional Market Centers across Upstate New York. For more information, visit www.fnfg.com.

Conference Call - A conference call will be held at 11 a.m. Eastern Time on Thursday, January 29, 2009 to discuss the Company's financial results and business strategy. Those wishing to participate in the call may dial toll-free 1-877-709-8150. A replay of the call will be available until February 12, 2009 by dialing 1-877-660-6853, account number 240, ID number 308813.

Forward-Looking Statements - This press release 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.

First Niagara Financial Group, Inc.
Summary of Quarterly Financial Data

2008

December 31, September 30, June 30, March 31,

SELECTED FINANCIAL DATA
(Amounts in thousands)

Securities available

for sale	\$1,573,101	1,250,074	1,289,738	1,414,774
Loans and leases:				
Commercial:				
Real estate	\$2,551,966	2,489,601	2,468,932	2,388,769
Business	\$940,304	914,452	906,810	863,152
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Total commercial loans	\$3,492,270	3,404,053	3,375,742	3,251,921
Residential real estate	\$1,990,784	2,038,351	2,094,813	2,149,363
Home equity	\$624,495	607,800	589,846	564,164
Other consumer	\$143,989	152,640	162,603	173,264
Specialized lending	\$178,916	184,739	181,683	174,476
Net deferred costs and discounts	\$33,321	33,895	34,106	34,980
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Total loans and leases	\$6,463,775	6,421,478	6,438,793	6,348,168
Allowance for credit losses	\$77,793	77,664	75,128	74,283
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Loans and leases, net	\$6,385,982	6,343,814	6,363,665	6,273,885
Goodwill and other intangibles	\$784,549	803,914	806,327	808,262
Total assets	\$9,331,372	9,008,383	9,074,502	9,067,701
Total interest-earning assets	\$8,136,806	7,782,496	7,825,324	7,813,212
Deposits:				
Savings	\$788,767	778,794	811,160	795,464
Interest-bearing checking	\$485,220	521,206	505,656	509,121
Money market deposits	\$1,940,136	1,915,122	1,974,430	1,885,113
Noninterest-bearing Certificates	\$718,593	693,424	728,839	680,397
	\$2,010,897	1,908,174	2,138,148	2,367,176
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Total deposits	\$5,943,613	5,816,720	6,158,233	6,237,271
Borrowings	\$1,540,227	1,603,777	1,363,379	1,265,521
Total interest-bearing liabilities	\$6,765,247	6,727,073	6,792,773	6,822,395
Net interest-earning assets	\$1,371,559	1,055,423	1,032,551	990,817
Stockholders' equity	\$1,727,263	1,441,022	1,431,352	1,432,632
Tangible equity (1)	\$942,714	637,108	625,025	624,370
Securities available for sale fair value adjustment included in stockholders' equity	\$(12,716)	(11,132)	(6,011)	5,853
Common shares outstanding	118,562	109,992	109,722	109,703
Treasury shares	6,858	15,427	15,697	15,718
Total loans serviced for others	\$568,767	568,750	570,614	571,707

CAPITAL

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First Niagara Bank:				
Tier 1 risk based capital	11.48%	10.05%	10.08%	9.84%
Total risk based capital	12.72%	11.30%	11.30%	11.06%
Tier 1 (core) capital	8.47%	7.58%	7.61%	7.29%
Tangible equity	8.47%	7.58%	7.61%	7.29%
Consolidated:				
Equity to assets	18.51%	16.00%	15.77%	15.80%
Tangible equity to tangible assets(1)	11.03%	7.77%	7.56%	7.56%
Book value per share(2)	\$15.02	13.55	13.51	13.54
Tangible book value per share(1)(2)	\$8.20	5.99	5.90	5.90

ASSET QUALITY DATA

(Amounts in thousands)

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Nonperforming loans:				
Commercial real estate	\$26,546	28,884	20,456	19,921
Commercial business	\$7,411	4,274	4,095	3,518
Residential real estate	\$5,516	5,167	4,957	5,113
Home equity	\$2,076	1,541	927	1,180
Other consumer	\$514	627	528	832
Specialized lending	\$4,354	4,205	3,430	2,872
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Total nonperforming loans	\$46,417	44,698	34,393	33,436
Real estate owned	\$2,001	2,782	1,414	976
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Total nonperforming assets	\$48,418	47,480	35,807	34,412
Net loan charge-offs	\$7,871	3,964	4,055	1,954
Net charge-offs to average loans (annualized)	0.49%	0.25%	0.26%	0.13%
Provision for credit losses	\$8,000	6,500	4,900	3,100
Provision for credit losses as a percentage of average loans (annualized)	0.49%	0.40%	0.31%	0.21%
Total nonperforming loans to total loans	0.72%	0.70%	0.53%	0.53%
Total nonperforming assets as a percentage of total assets	0.52%	0.53%	0.39%	0.38%
Allowance for credit losses to total loans	1.20%	1.21%	1.17%	1.17%
Allowance for credit losses to nonperforming loans	167.6%	173.8%	218.4%	222.2%
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Personnel FTE	1,909	1,910	1,892	1,903
Number of branches	114	114	114	115

	2007			
	December 31,	September 30,	June 30,	March 31,
SELECTED FINANCIAL DATA				
(Amounts in thousands)				

Securities available for sale	\$1,217,164	1,262,193	1,070,842	1,095,012
Loans and leases:				
Commercial:				
Real estate	\$2,195,009	2,150,885	2,098,245	2,065,472
Business	\$730,029	667,512	651,758	611,064
	-----	-----	-----	-----
Total commercial loans	\$2,925,038	2,818,397	2,750,003	2,676,536
Residential real estate	\$1,955,690	1,998,411	2,190,984	2,224,704
Home equity	\$503,779	507,834	498,200	472,714
Other consumer	\$127,169	135,697	134,282	151,885
Specialized lending	\$183,747	188,684	186,856	163,319
Net deferred costs and discounts	\$29,529	29,531	29,962	27,747
	-----	-----	-----	-----
Total loans and leases	\$5,724,952	5,678,554	5,790,287	5,716,905
Allowance for credit losses	\$70,247	70,970	71,102	71,051
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Loans and leases, net	\$5,654,705	5,607,584	5,719,185	5,645,854
Goodwill and other intangibles	\$750,071	753,336	750,732	753,296
Total assets	\$8,096,228	8,114,960	8,020,806	7,982,589
Total interest-earning assets	\$6,994,022	7,007,391	6,938,584	6,903,315
Deposits:				
Savings	\$786,759	844,576	906,852	936,496
Interest-bearing checking	\$468,165	499,058	502,925	511,169
Money market deposits	\$1,607,137	1,437,272	1,372,358	1,394,016
Noninterest-bearing Certificates	\$631,801	658,012	656,195	623,504
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Total deposits	\$5,548,984	5,705,453	5,755,446	5,799,076
Borrowings	\$1,094,981	947,055	797,574	716,463

Total interest-bearing liabilities	\$6,012,164	5,994,496	5,896,825	5,892,035
Net interest-earning assets	\$981,858	1,012,895	1,041,759	1,011,280
Stockholders' equity	\$1,353,179	1,332,313	1,329,063	1,353,792
Tangible equity (1)	\$603,108	578,977	578,331	600,496
Securities available for sale fair value adjustment included in stockholders' equity	\$(24)	(10,039)	(15,433)	(11,161)
Common shares outstanding	104,770	105,371	106,209	108,120
Treasury shares	15,274	14,674	13,835	11,925
Total loans serviced for others	\$553,631	554,934	392,597	398,166

CAPITAL

First Niagara Bank:

Tier 1 risk based capital	10.10%	10.40%	10.36%	10.69%
Total risk based capital	11.35%	11.65%	11.61%	11.94%
Tier 1 (core) capital	7.54%	7.68%	7.73%	7.75%
Tangible equity	7.54%	7.68%	7.73%	7.75%
Consolidated:				
Equity to assets	16.71%	16.42%	16.57%	16.96%
Tangible equity to tangible assets (1)	8.21%	7.86%	7.95%	8.31%
Book value per share (2)	\$13.41	13.14	13.01	13.02
Tangible book value per share (1) (2)	\$5.98	5.71	5.66	5.77

ASSET QUALITY DATA

(Amounts in thousands)

Nonperforming loans:

Commercial real estate	\$16,229	18,169	9,869	6,937
Commercial business	\$3,430	2,718	5,546	5,653
Residential real estate	\$3,741	3,836	4,425	3,713
Home equity	\$849	545	836	1,088
Other consumer	\$885	1,307	1,232	1,816
Specialized lending	\$2,920	2,596	2,283	1,880
Total nonperforming loans	\$28,054	29,171	24,191	21,087
Real estate owned	\$237	244	169	553
Total nonperforming assets	\$28,291	29,415	24,360	21,640
Net loan charge-offs	\$3,223	2,150	2,249	2,462
Net charge-offs to average loans (annualized)	0.22%	0.15%	0.16%	0.18%
Provision for credit losses	\$2,500	2,100	2,300	1,600
Provision for credit losses as a percentage of average				

loans (annualized)	0.17%	0.14%	0.16%	0.11%
Total nonperforming loans to total loans	0.49%	0.51%	0.42%	0.37%
Total nonperforming assets as a percentage of total assets	0.35%	0.36%	0.30%	0.27%
Allowance for credit losses to total loans	1.23%	1.25%	1.23%	1.24%
Allowance for credit losses to nonperforming loans	250.4%	243.3%	293.9%	336.9%
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Personnel FTE	1,824	1,840	1,884	1,915
Number of branches	110	120	121	119

First Niagara Financial Group, Inc.
Summary of Quarterly Financial Data (Cont'd)

	2008				
	Year Ended December 31	Fourth Quarter	Third Quarter	Second Quarter	First Quarter

SELECTED OPERATIONS DATA					
(Amounts in thousands)					

Interest income	\$441,138	109,798	109,951	111,402	109,987
Interest expense	\$172,561	38,092	39,751	44,793	49,925
	-----	-----	-----	-----	-----
Net interest income	\$268,577	71,706	70,200	66,609	60,062
Provision for credit losses	\$22,500	8,000	6,500	4,900	3,100
	-----	-----	-----	-----	-----
Net interest income after provision for credit losses	\$246,077	63,706	63,700	61,709	56,962
Noninterest income:					
Banking services	\$40,082	10,427	10,390	9,955	9,310
Insurance and benefits consulting	\$49,733	11,540	12,302	13,129	12,762
Wealth management services	\$9,922	2,159	2,686	2,860	2,217
Lending and leasing	\$8,783	2,079	2,224	2,225	2,255
Bank owned life insurance	\$5,449	1,723	1,294	1,255	1,177
Other	\$1,766	(285)	293	212	1,546
	-----	-----	---	---	-----
Total noninterest income	\$115,735	27,643	29,189	29,636	29,267
Noninterest expense:					

Salaries and benefits	\$134,195	33,018	33,914	33,844	33,419
Occupancy and equipment	\$24,915	6,199	5,744	5,812	7,160
Technology and communications	\$20,098	5,188	4,971	4,932	5,007
Marketing and advertising	\$10,679	3,076	2,639	2,462	2,502
Professional services	\$4,736	1,678	1,061	925	1,072
Amortization of intangibles	\$8,824	2,218	2,146	2,209	2,251
Other	\$24,963	6,178	6,279	6,410	6,096
	-----	-----	-----	-----	-----
Total noninterest expense	\$228,410	57,555	56,754	56,594	57,507
Income before income taxes	\$133,402	33,794	36,135	34,751	28,722
Income taxes	\$44,964	10,988	12,395	11,672	9,909
	-----	-----	-----	-----	-----
Net income	\$88,438	22,806	23,740	23,079	18,813
Preferred stock dividend and accretion	\$1,184	1,184	-	-	-
	-----	-----	---	---	---
Net income available to common stockholders	\$87,254	21,622	23,740	23,079	18,813
	=====	=====	=====	=====	=====

STOCK AND RELATED PER SHARE DATA

Earnings per share:

Basic	\$0.81	0.19	0.22	0.22	0.18
Diluted	\$0.81	0.19	0.22	0.22	0.18
Cash dividends	\$0.56	0.14	0.14	0.14	0.14
Dividend payout ratio	69.14%	73.68%	63.64%	63.64%	77.78%
Dividend yield (annualized)	3.46%	3.44%	3.54%	4.38%	4.14%
Market price (Nasdaq: FNFG):					
High	\$22.38	16.45	22.38	15.00	14.15
Low	\$9.98	11.00	11.68	12.60	9.98
Close	\$16.17	16.17	15.75	12.86	13.59

SELECTED RATIOS

Net income (annualized):

Return on average assets	0.97%	0.94%	1.05%	1.02%	0.88%
Return on average equity	5.91%	5.26%	6.57%	6.46%	5.42%
Return on average tangible equity(1)	12.80%	10.34%	14.92%	14.75%	12.01%
Noninterest income as a percentage of net revenue	30.11%	27.82%	29.37%	30.79%	32.76%

Efficiency ratio -					
Consolidated	59.4%	57.9%	57.1%	58.8%	64.4%
- Banking segment (3)	55.3%	52.6%	52.2%	54.2%	59.8%
Net loan charge-offs	17,844	7,871	3,964	4,055	1,954
Net charge-offs to average loans (annualized)	0.28%	0.49%	0.25%	0.26%	0.13%
Provision for credit losses as a percentage of average loans (annualized)	0.36%	0.49%	0.40%	0.31%	0.21%

2007

Year Ended December 31,	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
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SELECTED OPERATIONS

DATA

(Amounts in thousands)

Interest income	\$422,772	107,120	106,911	105,543	103,198
Interest expense	\$198,594	51,913	51,206	48,477	46,998
Net interest income	\$224,178	55,207	55,705	57,066	56,200
Provision for credit losses	\$8,500	2,500	2,100	2,300	1,600
Net interest income after provision for credit losses	\$215,678	52,707	53,605	54,766	54,600
Noninterest income:					
Banking services	\$39,289	10,112	10,071	10,111	8,995
Insurance and benefits consulting	\$51,646	11,563	13,345	13,722	13,016
Wealth management services	\$9,494	2,247	2,412	2,632	2,203
Lending and leasing	\$8,880	2,604	2,191	2,181	1,904
Bank owned life insurance	\$4,848	1,088	1,144	1,561	1,055
Other	\$17,654	16,211	567	137	739
Total noninterest income	\$131,811	43,825	29,730	30,344	27,912
Noninterest expense:					
Salaries and benefits	\$125,697	30,269	30,159	32,377	32,892
Occupancy and equipment	\$28,550	5,540	5,544	11,484	5,982
Technology and communications	\$19,456	4,942	4,770	4,905	4,839
Marketing and advertising	\$8,362	2,632	2,121	1,921	1,688
Professional services	\$4,392	1,182	1,243	1,158	809
Amortization of intangibles	\$10,433	2,533	2,570	2,639	2,691

Other	\$25,576	8,489	5,541	5,806	5,740
	-----	-----	-----	-----	-----
Total noninterest expense	\$222,466	55,587	51,948	60,290	54,641
Income before income taxes	\$125,023	40,945	31,387	24,820	27,871
Income taxes	\$40,938	13,108	10,284	8,209	9,337
	-----	-----	-----	-----	-----
Net income	\$84,085	27,837	21,103	16,611	18,534
Preferred stock dividend and accretion	\$-	-	-	-	-
	--	---	---	---	---
Net income available to common stockholders	\$84,085	27,837	21,103	16,611	18,534
	=====	=====	=====	=====	=====

STOCK AND RELATED PER
SHARE DATA

Earnings per share:

Basic	\$0.82	0.27	0.21	0.16	0.18
Diluted	\$0.81	0.27	0.21	0.16	0.17
Cash dividends	\$0.54	0.14	0.14	0.13	0.13
Dividend payout ratio	65.85%	51.85%	66.67%	81.25%	72.22%
Dividend yield (annualized)	4.49%	4.61%	3.93%	3.98%	3.79%
Market price (Nasdaq: FNFG):					
High	\$15.13	15.13	14.60	14.28	15.07
Low	\$11.15	11.15	11.49	12.88	13.53
Close	\$12.04	12.04	14.15	13.10	13.91

SELECTED RATIOS

Net income (annualized):

Return on average assets	1.05%	1.36%	1.04%	0.84%	0.95%
Return on average equity	6.24%	8.26%	6.31%	4.93%	5.47%
Return on average tangible equity(1)	14.12%	18.87%	14.56%	11.09%	12.10%
Noninterest income as a percentage of net revenue	37.03%	44.25%	34.80%	34.71%	33.18%
Efficiency ratio - Consolidated	62.5%	56.1%	60.8%	69.0%	65.0%
- Banking segment (3)	58.6%	50.6%	57.0%	68.6%	61.7%
Net loan charge-offs	10,084	3,223	2,150	2,249	2,462
Net charge-offs to average loans (annualized)	0.18%	0.22%	0.15%	0.16%	0.18%
Provision for credit losses as a percentage of average loans (annualized)	0.15%	0.17%	0.14%	0.16%	0.11%

First Niagara Financial Group, Inc.
Summary of Quarterly Financial Data (Cont'd)

	2008				
	Year Ended December 31	Fourth Quarter	Third Quarter	Second Quarter	First Quarter

SELECTED AVERAGE BALANCES (Amounts in thousands)	-----				
Securities, at amortized cost	\$1,327,183	1,398,235	1,265,630	1,335,744	1,309,020
Loans (4)	-----				
Commercial:	-----				
Real estate	\$2,432,981	2,517,850	2,477,054	2,434,075	2,301,529
Business	\$880,222	928,052	906,773	890,154	795,092
	-----	-----	-----	-----	-----
Total commercial loans	\$3,313,203	3,445,902	3,383,827	3,324,229	3,096,621
Residential	\$2,074,277	2,023,596	2,078,863	2,131,922	2,063,235
Home equity	\$589,721	626,031	608,610	581,834	541,804
Other consumer	\$161,096	153,188	161,074	173,426	156,784
Specialized lending	\$187,311	189,244	189,867	183,469	186,616
	-----	-----	-----	-----	-----
Total loans	\$6,325,608	6,437,961	6,422,241	6,394,880	6,045,060
Total interest-earning assets	\$7,735,545	7,939,383	7,768,427	7,805,792	7,425,978
Goodwill and other intangibles	\$794,915	802,275	804,886	807,034	765,275
Total assets	\$8,963,141	9,148,625	8,991,899	9,115,902	8,593,783
Interest-bearing liabilities:	-----				
Savings accounts	\$790,707	772,359	802,900	804,834	782,804
Checking	\$486,789	486,166	498,065	494,395	468,411
Money market deposits	\$1,899,010	1,944,965	1,963,454	1,932,942	1,753,468
Certificates of deposit	\$2,106,481	1,958,090	1,985,925	2,249,847	2,235,016
Borrowed funds	\$1,372,314	1,526,141	1,444,923	1,309,847	1,205,857

Total interest-bearing liabilities	\$6,655,301	6,687,721	6,695,267	6,791,865	6,445,556
Noninterest-bearing deposits	\$687,741	707,300	726,852	688,403	627,762
Total deposits	\$5,970,728	5,868,880	5,977,196	6,170,421	5,867,461
Total liabilities	\$7,486,817	7,514,116	7,554,117	7,679,743	7,198,252
Net interest-earning assets	\$1,080,244	1,251,662	1,073,160	1,013,927	980,422
Stockholders' equity	\$1,476,324	1,634,510	1,437,782	1,436,159	1,395,531
Tangible equity (1)	\$681,409	832,235	632,896	629,125	630,256
Common shares outstanding(2):					
Basic	107,531	114,870	106,075	105,884	103,230
Diluted	108,174	115,626	106,795	106,523	103,641

SELECTED AVERAGE YIELDS/RATES (Tax equivalent basis)					

Securities, at amortized cost	4.92%	4.72%	4.95%	5.04%	5.00%
Loans					
Commercial:					
Real estate	6.27%	6.21%	6.15%	6.27%	6.48%
Business	5.65%	5.07%	5.52%	5.64%	6.50%
	----	----	----	----	----
Total commercial loans	6.11%	5.90%	5.98%	6.10%	6.48%
Residential	5.55%	5.54%	5.53%	5.52%	5.60%
Home equity	5.86%	5.53%	5.65%	5.84%	6.50%
Other consumer	7.46%	7.68%	7.44%	7.25%	7.49%
Specialized lending	7.41%	6.85%	7.20%	7.72%	7.89%
Total loans	5.97%	5.82%	5.88%	5.96%	6.25%
Total interest-earning assets	5.78%	5.59%	5.72%	5.81%	6.03%
Savings accounts	0.28%	0.25%	0.26%	0.27%	0.33%
Interest-bearing checking	0.28%	0.23%	0.27%	0.30%	0.33%
Money market deposits	2.29%	1.91%	2.10%	2.27%	2.98%
Certificates of deposit	3.40%	2.82%	2.95%	3.55%	4.16%
Borrowed funds	3.91%	3.67%	3.78%	4.02%	4.26%
Total interest-					

bearing liabilities	2.59%	2.26%	2.36%	2.65%	3.11%
Tax equivalent net interest rate spread	3.19%	3.33%	3.36%	3.16%	2.92%
Tax equivalent net interest rate margin	3.55%	3.68%	3.68%	3.50%	3.33%

2007

	Year Ended December 31,	Fourth Quarter	Third Quarter	Second Quarter	First Quarter

SELECTED AVERAGE BALANCES (Amounts in thousands)					

Securities, at amortized cost	\$1,135,221	1,251,346	1,112,741	1,089,189	1,086,037
Loans (4)					
Commercial:					
Real estate	\$2,101,431	2,185,998	2,112,119	2,068,315	2,037,544
Business	\$639,580	692,448	652,751	631,884	579,853
	-----	-----	-----	-----	-----
Total commercial loans	\$2,741,011	2,878,446	2,764,870	2,700,199	2,617,397
Residential Home equity	\$2,158,696	1,986,546	2,179,767	2,217,959	2,253,212
Other consumer	\$498,039	514,655	509,747	490,616	476,591
Specialized lending	\$145,501	135,524	136,990	144,449	165,462
	-----	-----	-----	-----	-----
Total loans	\$5,725,938	5,710,090	5,785,517	5,733,323	5,673,766
Total interest-earning assets	\$6,915,138	7,021,393	6,952,003	6,872,508	6,811,941
Goodwill and other intangibles	\$752,462	751,955	752,422	752,007	753,483
Total assets	\$7,997,299	8,116,588	8,044,675	7,940,621	7,884,237
Interest-bearing liabilities:					
Savings accounts	\$889,398	813,084	881,145	921,747	943,137
Checking	\$487,173	476,721	482,838	492,312	497,094
Money market					

deposits	\$1,413,178	1,581,043	1,393,680	1,369,121	1,306,061
Certificates of deposit	\$2,263,933	2,168,218	2,286,634	2,311,348	2,290,626
Borrowed funds	\$853,297	986,725	889,375	764,987	769,314
	-----	-----	-----	-----	-----
Total interest- bearing liabilities	\$5,906,979	6,025,791	5,933,672	5,859,515	5,806,232
Noninterest-bearing deposits	\$627,259	644,680	657,366	616,537	589,517
Total deposits	\$5,680,941	5,683,746	5,701,663	5,711,065	5,626,435
Total liabilities	\$6,649,427	6,779,481	6,717,283	6,587,797	6,509,433
Net interest- earning assets	\$1,008,159	995,602	1,018,331	1,012,993	1,005,709
Stockholders' equity	\$1,347,872	1,337,107	1,327,392	1,352,824	1,374,804
Tangible equity (1)	\$595,410	585,152	574,970	600,817	621,321
Common shares outstanding(2):					
Basic	102,838	101,274	101,472	103,373	105,294
Diluted	103,472	101,757	102,059	104,031	106,004

SELECTED AVERAGE YIELDS/RATES (Tax equivalent basis)					

Securities, at amortized cost	4.49%	4.72%	4.54%	4.40%	4.26%
Loans					
Commercial:					
Real estate	6.80%	6.73%	6.80%	6.84%	6.85%
Business	7.59%	7.26%	7.73%	7.70%	7.69%
	----	----	----	----	----
Total commercial loans	6.99%	6.86%	7.02%	7.04%	7.04%
Residential	5.61%	5.62%	5.61%	5.57%	5.62%
Home equity	6.95%	6.85%	6.96%	7.00%	7.00%
Other consumer	7.66%	7.81%	7.91%	7.55%	7.42%
Specialized lending	8.61%	8.16%	8.22%	9.67%	8.45%
Total loans	6.53%	6.49%	6.54%	6.57%	6.52%
Total interest-earning assets	6.20%	6.18%	6.22%	6.22%	6.16%
Savings accounts	0.44%	0.35%	0.35%	0.43%	0.62%
Interest- bearing checking	0.42%	0.40%	0.37%	0.37%	0.53%
Money market deposits	3.70%	3.79%	3.76%	3.65%	3.56%

Certificates of deposit	4.47%	4.39%	4.51%	4.53%	4.44%
Borrowed funds	4.58%	4.65%	4.78%	4.44%	4.38%
Total interest- bearing liabilities	3.36%	3.41%	3.42%	3.32%	3.28%
Tax equivalent net interest rate spread	2.84%	2.77%	2.80%	2.90%	2.88%
Tax equivalent net interest rate margin	3.33%	3.25%	3.30%	3.40%	3.37%

- (1) Excludes goodwill and other intangible assets.
- (2) Excludes unallocated ESOP shares and unvested restricted stock shares.
- (3) Includes operating results for the banking activities segment as defined in the Company's quarterly and annual reports.
- (4) Includes nonaccrual loans.

SOURCE First Niagara Financial Group, Inc.

Contact: John R. Koelmel, President and Chief Executive Officer, Michael W. Harrington, Chief Financial Officer, Anthony M. Alessi, Investor Relations Manager, +1-716-625-7692, tony.alessi@fnfg.com, or Leslie G. Garrity, Public Relations and Corporate Communications Manager, +1-716-625-7528, leslie.garrity@fnfg.com

Operator: Greetings, ladies and gentlemen, and welcome to the First Niagara Fourth Quarter Earnings Conference Call.

At this time, all participants are in listen-only mode.

A brief question-and-answer session will follow the formal presentation.

If anyone should require operator assistance during the call, please press star-zero on your telephone keypad.

As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Mr. John Koelmel, President and Chief Executive Officer of First Niagara.

Thank you. You may now begin.

Mr. John Koelmel: Thank you very much, Ryan. Good morning, everyone. With me on the call today are Mike Harrington, our Chief Financial Officer; and Dan Cantara, who runs our Commercial Services Business Unit.

After my opening comments, Mike and Dan will provide some additional color on our 2008 results, as well as give you our sense of what 2009 holds.

Our fourth quarter continued a string of solid performances. And as we put 2008 behind us, I'd like to start by taking a few minutes, take a look back on the year, as well as reference the current state of our franchise.

During what's been an unprecedented time in which we all experienced an incredibly challenging and dramatic economic downturn, unforeseen speed and magnitude volatility that's badly shaken the foundation of the financial industry, at First Niagara, we're intensely proud of what we have been able to accomplish.

Despite the strong headwinds of a catastrophic storm for many, we were able to profitably sustain the strategic progress begun in 2007. As we close out another annual cycle, we're very proud that we ended the year on a stronger position than when we began.

There's a very short list of banks that can cite higher operating earnings in 2008: ours bumped up by 9 percent compared to '07. A higher stock price one year later: we enjoyed robust appreciation of 34 percent as of December 31.

A higher dividend payout: our shareholders received a 4 percent dividend increase for the year and higher tangible book value. At year-end, our tangible book ratio was 11 percent, and our tangible common equity ratio was nine.

That set of accomplishments was the direct result of our concerted efforts to realign the franchise around our competitive strengths in a very focused manner and continue to be very disciplined in executing our customer focus strategy.

That improved execution has enabled us to make continued strides in a number of key areas again this year. The commercial franchise, under Dan's able leadership, delivered another solid performance, marked by strong double-digit loan growth and further cross selling of fee-based services

We've reengineered our commercial processes around local decision-making, leveraged our in-depth knowledge of our markets, and aggressively continued to hire seasoned lenders.

And the outcome, the result? Many new and extended relationships. There's no question we're taking market share from our primary competitors.

On the retail side, we brought in Lanny Little about a year ago from Wells, and he's really taken our efforts to another level. He fundamentally transformed our approach to consumer and small business relationships, and that's enabled us to increase our core household numbers while being even more disciplined in our pricing and improving the underlying profitability.

We pushed out most of our high-priced deposits, and that was key to the significant improvement in our margin. We also reinvigorated our sales and service activities, and that's well evidenced by our client satisfaction and loyalty scores.

This financial industry meltdown is proving anything, the value of a stable, reasonably priced deposit base, and that's exactly what we have.

We've also continued to manage our expense base intelligently, maintaining a tight ship on day-to-day expenses or continuing to fund key growth initiatives. And our efficiency ratio consistently remained below 60 percent though out the year.

Perhaps our most notable accomplishment's been our track record on credit. We haven't incurred any of the outsize charges that have afflicted many other institutions. That's because we never strayed from our disciplined underwriting practices and our in-depth knowledge of individual markets, which allows our local lenders to make intelligent credit decisions.

Under Dan and Kevin O'Bryan's [sp] stewardship, we've avoided the troubled exposures that have plagued the industry. Although we did see some upward pressure on our credit stats during the last quarter, as the impact of this recession begins to deepen, our non-performers are still less than 75 basis points of total loans, and our charge-off rate for the full year was only 28 basis points.

So, we head into 2009 with as strong a balance sheet as we've ever had. In October, you are well aware, we supplemented an already solid capital position with our own common equity offering that netted over \$100 million. And then, we accepted the Government's invitation to participate in the TARP CPP Program and received \$184 million in capital at the end of November, which, as I mentioned earlier, brings our tangible equity ratio to over 11 percent.

That early inclusion by the government in the program is a clear affirmation of the strength of our franchise and a sign of the confidence in our ability to deploy the added capital, meet the lending needs of our customers, benefit the communities we serve, and, ultimately, provide our shareholders with the long-term growth they expect.

Obviously, there's non-stop and incredible media, political scrutiny, as to how exactly those funds are being employed by the recipient banks and the chatter around are they really being used as designed to feed the credit system and the credit-starved borrowers.

I can only reassure you that, at First Niagara, we have been and continue to be there all along in meeting the credit needs of our local markets. New loan originations, line of credit advances last year, totaled almost \$3 billion, three billion with a "B." And that's 18 percent more than 2007 and a credible outcome under any circumstances, let alone in this much tougher economic environment.

In fact, in the fourth quarter alone, we supported the families and businesses of upstate New York by lending almost \$800 million. That's our strong capital position that will enable us to further stimulate our markets as we move forward in 2009.

So, all in all, the nearly \$300 million of combined capital added in the fourth quarter allows us to pursue our growth strategy without any trepidation. Capital, clearly king in this environment, and we are in a very, very good position in that regard.

And we carry that same sense of energy, confidence and opportunism into 2009. We're not distracted by any need to rethink our strategy or having to dig out from under any big write-offs or charges. And that gives us advantage over many of our competitors, and, hence, we intend to keep playing offense and further capitalize on our opportunity.

But, we are pragmatists, and we are definitely mindful of the very fragile economy and market conditions. So, you can count on us to proceed cautiously and pursue a prudent course of action.

While the upstate New York markets have fared competitively, and-- comparatively rather, but--much better than the rest of the country, we are certainly not immune, and signs of pressure are becoming more evident. But, trust us, there's still a lot of good business to be had, and we'll continue to stay after it.

So, in conclusion, we've worked very hard to put ourselves in a strong position, and we're very, very proud of last year's performance. More importantly, we're very bullish on our competitive opportunity. While many others will continue to be distracted by the industry turmoil, as well as their own reality, we're confident we can further capitalize on our strengths for the benefit of both our customers, as well as our shareholders.

With that, let me turn it over to Mike, Mike and Dan, walk you through our operating results and take you through the numbers in a little more detail. Michael?

Mr. Michael Harrington: Thanks, John. Good morning.

As just indicated, 2008 was a very successful year for us, as we produced outstanding financial performance and advanced the number of important strategic initiatives that we're confident will drive long-term growth.

Against the backdrop of nearly daily reminders in the media that the turmoil is engulfing many other financial institutions, we have produced steady results and remain true to our business principles.

Before I start my review, please note that all balances will be stated in averages unless I indicate otherwise. And to help with an apples and apples--apples-to-apples comparison, I will exclude the effects of the Great Lakes acquisition, which closed in mid-February, when discussing year-over-year trends and changes in balances.

Our solid performance continued in the fourth quarter of 2008, with operating net income of \$22.8 million and earnings per share of 20 cents. For the year, net operating income was up an impressive 9 percent from 2007. Operating earnings per share were 83 cents. That's three cents, or 4 percent better than 2007.

I'll now provide you a bit more detail on our strong performance. Let me start off with our lending activities. Our combined commercial loan portfolios grew by \$405 million, or 14 percent, in 2008, and loan originations topped 2007's exceptional levels. Loans outstanding finished higher in every region. Also, total lines of credit grew by 26 percent as both new and existing customers deepened their relationships with us.

In the fourth quarter, commercial loans grew by a healthy 7 percent annualized over the linked quarter. Commercial business loan balances were higher by 24 percent last year as we generated another year of growth above the 20 percent mark. Solid statewide production from our middle market and small business sectors was augmented

by higher line usage. And the C&I pipeline of approved loans picked up in December compared to the slower pace seen in--earlier in the quarter.

In the fourth quarter, C&I loan balances were higher than the linked quarter by an annualized 9 percent. Commercial real estate loans posted solid results in 2008, with balances ending the year up 11 percent, significantly beating 2007's growth rate.

Another strong year of originations and lower levels of pay-downs due to decreased competition from financial conduits and insurance companies combined to generate robust growth from our largest loan portfolio.

For the fourth quarter, accrued balances were above the linked quarter by an annualized 7 percent. While the rate of commercial loan growth has naturally decreased from the exceptional pace of early 2007, we remain very pleased with the ongoing expansion of the portfolio, especially given the realities of the slowing economic environment in our footprint.

And we're continuing to move toward a more profitable bank loan mix as commercial loans now comprise 57 percent of the total loan portfolio, an indication of the ongoing and successful transformation of our franchise.

As our loan production levels slow--show, we are building market share by adding quality customers that have become dissatisfied with their current providers' attentiveness or services, and we're retaining more existing business because of our improved strength in the marketplace, a clear sign of our substantial capabilities as a commercial service provider across the Upstate region.

Turning to the home equity portfolio, loan balances increased by 37 million, or 7 percent, for all of last year and grew by an annualized 11 percent over the linked quarter

as our successful marketing efforts drove application volume 21 percent higher in 2008. This in turn led to a significant increase in line usage for the same period.

Additionally, most customers chose the variable rate line of credit versus our fixed product, a change from their 2007 behavior and indicative of the declining rate environment in 2008. This portfolio continues to perform well, with total delinquencies remaining below 1 percent at year-end.

Finally, residential mortgage and other consumer loan balances steadily declined by 360 million throughout 2008. While we were very successful at originating over \$200 million in home loans last year, consumer preference continues to be for long-term fixed-rate mortgage products which we originate and sell into the secondary market.

Nevertheless, we continue to be very active mortgage lender in our marketplace, and are heading into 2009 with a solid pipeline of loans in place.

Looking at our ever-important funding activities, core deposit balances rose by 242 million, or 7 percent, in 2008. The ongoing change in deposit mix remains positive, as core deposits are now 66 percent of total deposits, a nice increase from 63 percent a year earlier.

Contributing to the solid growth was a strong increase in municipal money market accounts, and our business development efforts really paid off in this market segment, as we successfully added municipalities to our program across the state.

Non-interest bearing deposits also grew by 22 million in 2008 as our commercial banking units focused on expanding customer relationships through deposit gathering. Over the last half of 2008, the majority of our CD portfolio re-priced and our steadfast

adherence to a disciplined pricing strategy helped to substantially lower the portfolio's overall cost for the year.

Our branch staff has done a great job at retaining these customer relationships and improving our profitability by switching the majority of their CD balances to lower cost money market accounts.

Total deposits declined by 3 percent for the full year, primarily due to the reduction of CD balances of 431 million. The addition of active checking accounts is the real key in creating a solid and long-lasting bond with the customers, whether they are for retail or commercial.

We're focused on gathering and retaining these relationships and building accounts as evidenced by the pick-up in our checking deposits per branch for 2008.

Let me now spend a few minutes on our investment portfolio. As we have noted previously, we did not own any GSE preferred securities, and 59 percent of our investment portfolio is MBS guaranteed by the GSEs, now presumed to be fully backed by the U.S. Government.

Virtually all the remaining portfolio, 559 million or 38 percent, is comprised of municipal securities and non-agency CMOs. Municipal portfolio is comprised primarily of short-term municipal bonds totaling 296 million, with all but one bond with a par value of less than \$1 million below investment grade.

Our non-agency mortgage-backed securities, with a book value of \$264 million, continued to be highly rated, with 87 percent of the bonds rated AAA and all but one security rate at less than investment grade.

At year-end, the portfolio had an unrealized pretax loss of \$35 million. We continue to be diligent in monitoring the performance of our entire portfolio, with a special emphasis on the non-agency book.

Given the uncertainties around this asset class caused by the ongoing housing crisis and potential government intervention, although future outcomes are difficult to predict, it is possible, despite the quality of the portfolio, that some of the bonds could become impaired if conditions continue to worsen.

As we have also noted previously, we own three CDO trust preferred pools with a total par value of \$3 million. At the end--at year-end, one of these pools was determined to be other than temporarily impaired and written down to fair value, with a pretax charge of \$700,000. The two remaining bonds, with a book value of \$1.6 million, continue to exhibit no signs of credit deterioration at this time, but could become exposed to OTTI in the future.

Before I move on to our operating results let me give--let me have Dan take a few minutes to review our credit quality and share his thoughts on our current operating environment.

Dan?

Mr. Dan Cantara: Thanks, Mike, and good morning, everyone.

Overall credit quality trends continue to be generally consistent with our expectations, especially in light of the macro environment in early signs pointing to an accelerating softening in our upstate New York marketplace.

For the quarter, non-performing loans increased by just two basis points, or less than \$2 million. Offsetting this positive trend was a higher level of net charge-offs, which totaled close to \$8 million, or an annualized 49 basis points of total loans.

Although 50 percent of these charge-offs came from just two fully performing credits, it is clear that economic conditions worsened further in the fourth quarter, and we have entered a new and more uncertain environment as 2009 gets underway.

The loan loss adequacy ratios, including coverage of non-performers at a 167 percent, remained strong. We also add to the level of our allowances over the year, with our provision exceeding next charge-offs by 26 percent.

Nonetheless, it is evident that the severe downturn in economic activity nationally has begun to take hold on our upstate New York markets, and that may, despite the quality of our underwriting, lead to higher level of credit losses in the coming years--coming year.

Evidence of the softening economy includes a modest negative migration of loan loss risk ratings as well as higher levels of delinquencies versus the previous quarter.

But, on a more upbeat note, despite weakening economic conditions, we're very much open for business. New customer activity, as noted previously by Mike and John, remains robust as our competition pulls back from the marketplace and costumers looked to us to serve all their needs in these difficult times.

At this point, I'll turn it back to Mike.

Mr. Michael Harrington: Thanks, Dan.

Moving on to operating results. Net interest income for 2008 increased by 44.4 million, or 20 percent, above 2007, a substantial improvement over last year, capped by our fourth-quarter increase of \$1.5 million.

This growth was direct result of our active and ongoing efforts to increase the size of our balance sheet through organic growth and acquisition, reduced our funding cost through the execution of our deposit pricing strategy, improve our mix of deposits by deemphasizing CD sales and promoting the gathering of relationship-building active checking accounts, and finally, improving the mix of our earning assets, with our focus on growing higher yielding commercial loans.

The largest single impact on net interest income for the year was adhering to a disciplined CD pricing strategy. The fourth quarter average yield of this portfolio has dropped by almost a 160 basis points from a year ago to 2.00--2.82 percent. While the majority of this income was re-priced by the end of the third quarter, our retention rate is held strong throughout the year, a testament to our relationship-building approach with customers.

And that CD pricing discipline also extended to our core deposits, including those accounts acquired from Greater Buffalo Savings Bank. Our active management of these accounts and a lower rate environment combined to drive these rates down further.

In fact, fourth-quarter rates on money market accounts, the largest component of our core deposits, were reduced by 188 basis points from a year ago and now stand at multi-year lows.

Borrowing costs also lower by 98 basis points from a year ago, and we continue to extend the maturity of these borrowings as part of our overall asset liability management strategy to minimize our interest rate risk position.

The cumulative effect of our yearlong efforts resulted in a 43 basis point increase in our fourth-quarter tax equivalent and interest margins at 3.68 percent, the highest we have seen in over two years.

For the quarter, net interest margins remained stable from the linked quarter, as we continue to successfully manage competitive deposit pricing pressures, smartly deploy our capital proceeds, and encourage lending activity across our markets.

As for fee income, operating non-interest income for 2008 of 116 million was consistent with the prior year, as industry-wide softening in insurance renewal rates was offset by higher deposit-related banking service fees.

While we see some deterioration in the softening of the insurance market pricing, we don't anticipate any benefits of this trend until early 2010.

Wealth management fees rose by 5 percent in 2008. Increased referral activity from branch bankers helped to raise financial consultant production and mitigate the effect of the downtrodden financial markets.

Non-interest income for the current quarter was 26.6 million, or one and a half million below third quarter levels, reflecting the ongoing challenges in the insurance market. Additionally, recession-driven fears have reduced demand for branched-based investment security sales.

As for operating expenses, operating non-interest expense in 2008 of 226 million was 8 percent above the prior year primarily due to the absorption of Greater Buffalo Savings Bank staff, along with general salary and benefit inflation.

Marketing cost increased by 26 percent, primarily due to the company's aggressive statewide advertising campaign, which has been successful in generating new business and dramatically increasing brand awareness.

The continued discipline management for the expense base helped to improve the efficiency ratio from 62 percent in 2007 to 59 percent in 2008, the lowest level in three years. Non-interest expense for the current quarter increased only 1 percent from the prior quarter, as lower employee healthcare costs minimizing impact of higher marketing seasonal branch maintenance cost.

On the capital management front, as John stated earlier, we are in excellent shape. For the fourth quarter, fourth-quarter equity offering and TARP participation brought our year-end capital ratios to robust levels, with the tangible equity ratio and tier one capital ratios in excess of 11 percent.

We remain attentive to shareholder returns, just having declared a common dividend of 14 cents per share, consistent with the prior quarter and prior year, and expect to continue to pay dividends at this level, given our outlook for 2009 and the strong and consistent cash earnings we produce.

Regarding the TARP funds which we received in late November, the 5 percent preferred dividend, plus the cost of the warrants, amounted to \$1.2 million in the first quarter. Going forward, the full quarter equivalent of the dividend, inclusive of the warrant expense, is 2.7 million.

And finally, on the subject of earnings in 2009, despite the truly unprecedented economic environment which we find ourselves in--or due to this environment, predicting earnings is obviously very difficult.

That said, we offer the following for your consideration: Expect our margin to be in the 360 zone for the year, off from levels achieved in the fourth quarter and possibly drifting up or down by five basis points on an inter-quarter basis.

Well, we expect this to happen because, given the pull between deposit cost and what we expect to happen with deposit costs, we're hoping those deposit costs--be able to manage those and keep them down, but also we're seeing asset yields drop as well, so that's why we're guiding into that 360 zone.

With that 360 zone for margin, we are projecting average earnings asset growth to be in the 9 percent zone, or in the--at the 9 percent level, but included in this 9 percent is a full effect of the leverage strategy we deployed to neutralize the cost of the preferred stock.

As for provision for loan losses, as we've noted, credit trends have begun to soften, and, given the current environment, maintaining strong coverage ratios is a priority. We intend to further strengthen our allowance in the foreseeable future net of any change in that charge-off activity that may surface.

Fee income growth should be solid and in the mid-single digit range. And expenses--and we expect expenses, inclusive of a few uncontrollable items, to grow by 5 to 7 percent. These two uncontrollable items I reference are \$2.5 million in additional pension cost related to the declining asset values and \$5 million of additional FDIC costs.

Lastly, on the subject of taxes, we expect our effective tax rate to increase by 150 basis points due to the phase-out of the allowable deductions for REIT dividends and the cap on the deduction of executive compensation associated with the participation in the capital purchase program.

And as you update your model, make sure your share count reflects the impact of our common stock offering, as well as the CPP warrants. Fully diluted shares today are 115,800,000.

With that, John, Dan and I would be happy to take your questions.

Operator: Thank you.

Ladies and gentlemen, we will now be conducting a question-and-answer session.

If you'd like to ask a question, please press star-one on your telephone keypad.

A confirmation tone will indicate that your line is in the question queue.

You may press star-two if you wish to remove your question.

For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys.

We'll take a moment and poll for questions.

Once again, if you have a question, please press star-one.

And our first question comes from the line of Damon Delmonte with KBW.

Please go ahead.

Mr. Damon Delmonte: Hi, good morning, guys. How are you?

Mr. Michael Harrington: Hi, Damon,

Mr. John Koelmel: Hi, Damon, how about you?

Mr. Damon Delmonte: Good, thanks.

With respect to your outlook for the upstate New York region, are there any areas in particular you're seeing rapid deterioration in economic conditions, or would you characterize it more as a broad-based--you know, a--more broad-based across the entire state?

Mr. John Koelmel: We don't see any sector that's really moving in any kind of dramatic way, Damon. If anything, is that we were a bit surprised, you know? We had a couple of borrowers that, you know, are performing at current on September 30, turn around and file bankruptcy in the fourth quarter or so.

The inherent risk in the portfolio, what we see in general across the state, clearly beginning to soften. It's just the periodic one-off surprises that underscore the volatility and the uncertainty of where we sit today.

Mr. Damon Delmonte: Okay.

And, Mike, kind of a specific question regarding charge-off levels. Regarding your commentary with the provision in the reserve level, going forward, would you characterize this quarter's level of charge-offs as sort of unique or do you think that something in the, you know, seven, \$8 million range is--probably be more expected in '09?

Mr. Michael Harrington: Well, I think, as John just noted, you know, we had a couple credits that came out of nowhere, and it's those unknown unknowns, that we like to call them, that creates some volatility in what that charge-off number is going to be. So, whether or not 49 basis points was a good number is difficult to predict, going forward.

But, even if it was less than that our intent's to continue to build our provision like we did this year. So, if charge-offs are less, we're still going to--we're still going to want to move our provision up to a higher level.

Mr. Damon Delmonte: Okay great.

That's all I had for now. Thank you.

Mr. John Koelmel: Thanks, Damon.

Operator: Once again, if you'd like to ask a question, please press star-one on your telephone keypad.

Our next question comes from the line of Rick Weiss with Janney, Montgomery, Scott.

Mr. Richard Weiss: Good morning, guys.

Mr. John Koelmel: Hey, Rick.

Mr. Michael Harrington: Good morning.

Mr. Richard Weiss: I guess question with regard to loan growth. And would you ever consider doing more in the way of participations, or what's your feeling toward shared national credits?

Mr. Michael Harrington: You know, we've taken a measured view of that. We're getting more opportunities to, and there's some good opportunities for us to participate.

To the extent we do, we tend to focus on companies that are in our general footprint even though we may not be leading the credit. And we like to have it, you know, the geographical knowledge and the general industry knowledge to participate and monitor those credits.

So, we have taken a modest step in that direction. Clearly, the opportunities will increase as we go into 2009, given the pullback from our competition.

Mr. John Koelmel: As I'd underscore, Rick, it's not on a national basis that we're looking. Our ability to move up market and take share, employ and participate, literally and figuratively, is a function of the bigger guys pulling back and retrenching, us further establishing our credentials, and it gets us to the table whether it's on our own or as very active participant with some of the larger local companies that previously didn't give us full consideration.

So, we're not stretching, looking just to grow the footings. We want to continue to work the market and the footprint, but readily acknowledge we're able to do that at a much higher level than we might have anticipated.

Mr. Richard Weiss: What would be kind of like the dollar size, or the amount of exposure that you would go in?

Mr. Michael Harrington: Well, I think, consistent with the type of risk that we're comfortable with with, you know, our non-share credit as well, and, you know, we've looked at, you know, pieces and participations in the 15 to \$20 million range, north of that, you know. Just in keeping with our overall credit philosophy and our overall capital base in our comfort zone, we start to pull back a bit.

Mr. Richard Weiss: And do you have--or approximately what dollar amount is on the books now of participated loans?

Mr. Michael Harrington: I think it's in the 200 to \$250 million range, tops.

Mr. John Koelmel: I was going to say the same thing, about a couple hundred million bucks, Rick.

Mr. Richard Weiss: Okay, so not too much on that.

Mr. Michael Harrington: And most of our syndicated--all of our syndicated--if not most of it, if not all is in upstate New York.

Mr. Richard Weiss: Okay.

Mr. John Koelmel: Which is I what I was saying earlier.

Mr. Michael Harrington: Yeah. Yeah.

Mr. John Koelmel: So--.

Mr. Richard Weiss: --Right.

And so, as a result, I guess trying to leverage up now, it's getting [unintelligible] more difficult. Mike, I think we talked about this, as the rates are going--coming down, to use the TARP program.

How long would you think it takes to totally leverage this up?

Mr. Michael Harrington: Well, we've talked about few years, that it would take a few years, and not only leverage the preferred, but also the follow-on offering, and that we were going to--that's how we were going to progress, with a plan to do that over a number of years.

Mr. John Koelmel: You know, we--.

Mr. Michael Harrington: I mean, you'll--.

Mr. John Koelmel: --But, I'll take that in reverse order, Rick.

When we were out in September raising 100--what turned out to be the 115, we said then that that was a multi-year process to leverage that up. Took the TARP money, not with an expectation that we could do the same over a short period of time. So, be a little bit careful there.

I don't want to sit here and suggest we can pop and leverage 300 million in new capital, two and a half, three billion in our markets that were unduly motivated to do that.

We just wanted to ensure when we raised it that we have the capital to sustain the growth that you've heard referenced. The government's money--the minimum, we wanted to play good defense, both to our capital positions, maintain a lower cost of capital to enable us to compete bigger picture.

So, confident we can continue to take share in spite of the challenging times, but I don't want to overcook the math as to how readily we can leverage the full 300 million versus the 100 million we were raising on our own.

Mr. Michael Harrington: What we did do with the TARP proceeds is we did execute a strategy just to leverage our balance sheet on a wholesale basis, so we have--if you look at our securities, you'll see they're increasing, and then we borrowed money to fund the security purchases to neutralize the cost of the dividend.

Mr. Richard Weiss: Do you think you will be able to neutralize it for 2009?

Mr. Michael Harrington: Yes.

Mr. Richard Weiss: Okay.

Mr. Michael Harrington: Yeah.

We're well--we're 60 to 70 percent through that as of year-end, that--putting that strategy on.

Mr. Richard Weiss: Okay.

And basically, I guess the preferred dividend would double in the next quarters. Is that correct?

Michael Harrington: Yes.

Mr. Richard Weiss: Okay.

Mr. Michael Harrington: A little bit more than that. We had it less than a half a quarter.

Mr. John Koelmel: It was out there for 40 days.

Mr. Michael Harrington: Yeah.

Mr. John Koelmel: It closed November 21st, so literally had about 40 days
Rick. And--.

Mr. Michael Harrington: --I mean the exact number is 2.7 million per quarter.

Mr. Richard Weiss: Okay.

One of the things I'm finding very confusing is sort of the accounting for the preferred. I guess you're taking a mark-to-market on those. I don't know if that's the right term.

Mr. Michael Harrington: Well, just the warrants have a--so, the preferred dividend's 5 percent, and then the warrants have some value that's also--has to be expensed over the life of that warrant, the presumed life of the warrant.

So, whatever your--the preferred was 184 million and, whatever that math works out to be at 5 percent, then you have to add on the expense of the warrant on top of that, and that gets you to the 2.7 million per quarter, 10.7 million annualized.

Mr. John Koelmel: Yeah. I mean, it's simple math--.

Mr. Michael Harrington: --And that won't change--.

Mr. John Koelmel: --It's 9 million bucks--

Mr. Michael Harrington: --Yeah--.

Mr. John Koelmel: --On the preferred, based on the face amount, then you throw an extra--.

Mr. Michael Harrington: --Yeah--.

Mr. John Koelmel: --Two and a half million on top of that for amortization of the costs of the warrants, Rick. And obviously, we're not unique. That's just--you know, you'll see everybody doing.

Mr. Michael Harrington: That's how it's going to be done.

Mr. Richard Weiss: Okay.

And also, look, I guess I should just double-check. On your tangible--on the book value of--you gave 820, right? Now, that's--you're just deduct--that's--in the press release, you're giving tangible equity. That includes the TARP, right, so I'll just take the TARP out?

Mr. Michael Harrington: Tangible equity to tangible assets?

Mr. Richard Weiss: No, no, on the tangible book value per share.

Mr. John Koelmel: Yeah. What's in the tables--.

Mr. Michael Harrington: --Yeah--.

Mr. John Koelmel: --The 820 and the 11 percent, includes the TARP. You back out the TARP, and the 11 drops down to nine.

Mr. Richard Weiss: Okay, that's nine.

And the 820 stays at 820, though, right, because that's just tangible equity?

Mr. Michael Harrington: Yeah.

Mr. John Koelmel: If you're talking tangible--you know, tangible common--.

Mr. Michael Harrington: --Tangible common supported--.

Mr. John Koelmel: --You know, it's going to drop down because of the 180.

Mr. Richard Weiss: Okay.

Mr. John Koelmel: All right.

Mr. Richard Weiss: Okay. Yep. Thank you.

Mr. John Koelmel: Thank you.

Mr. Michael Harrington: Thanks.

Operator: Our next question comes from the line of John Stewart with Sandler O'Neill.

Mr. John Stewart: Good morning, guys.

Mr. John Koelmel: Good morning, John.

Mr. Michael Harrington: Morning, John.

Mr. John Stewart: How are you?

Mr. John Koelmel: Great. How about you--?

Mr. Michael Harrington: --How you doing?

Mr. John Stewart: Good, thanks.

Just a couple of clarification questions. Mike, did you say there was a 700,000 pretax OTTI on one of the CDO pools this quarter?

Mr. Michael Harrington: Yes.

Mr. John Stewart: Okay.

And that flowed through other fee income, correct--?

Mr. Michael Harrington: --Right, exactly. Yes.

Mr. John Stewart: Okay.

And then, just to follow up on Damon's question earlier on the provision, going forward, you mentioned it'll be up year-over-year. Is that on a full year basis, so, in other words up from the 22 and a half million in '08, or up on a quarterly run rate basis from the eight million in the fourth quarter?

Mr. John Koelmel: Clearly, we would expect, John, on an annualized basis, we're going to be up. I mean we're sitting at 28 basis points for the year.

Mr. John Stewart: Right.

Mr. John Koelmel: The tough part is, you know, ballparking where it goes. Do we sit here and think the inherent risk in our portfolio would result in 49 basis point charge-off number for all of next year? Nope, but just don't know where, you know, the economic slip-and-slide's going to take us.

So, do we think it's north of 28? Yep, definitely, and we're planning to build the level of our allowance in anticipation of some continued erosion. And while we're not trying to dance, we're trying to be as transparent as we can.

Yeah, we didn't expect 49 in the fourth quarter, as Dan said. Couple credits come out of nowhere or disappear from nowhere. So, to the extent that type of event occurs, you're going to continue to see some aberration.

So, no, our gut tells us 49 isn't a reasonable run rate, but I'm not going to sit here and tell you it couldn't happen either if the economy slips and slides or there's some more onerous ramifications. So, we'll leave it to you guys a bit to, you know, sort through all of that, but, yeah, 28 and 49, at least there's some guideposts you can run through.

Mr. John Stewart: Okay.

And you said that the unexpected credits were roughly 50 percent of this quarter's--.

Mr. John Koelmel: --Right--.

Mr. Michael Harrington: --Yep--.

Mr. John Stewart: --Seven-point-nine million?

Mr. Michael Harrington: Yep, that's correct.

Mr. Dan Cantara: Two businesses--banking small, middle size credits, just in industries that--particularly hard hit by the rough economy and went from fully performing to bankrupt.

Mr. John Stewart: Okay.

All right, great. That was it. Thanks, guys.

Mr. John Koelmel: Thank you.

Operator: Once again, if you'd like to ask a question, please press star-one on your telephone keypad.

We have a follow-up question from Damon DelMonte.

Mr. Damon Delmonte: Hi guys, just a quick follow-up.

Shortly before Christmas, I believe it was, Nat City and P&C announced that they were going to be divesting a pretty decent number of branches down in the western Pennsylvania area. Just kind of wondering what your thoughts are with M&A.

And I know bank--whole bank deals haven't been too prevalent lately unless they've been assisted in some fashion, but didn't know what your thoughts are about maybe looking to expand out of upstate New York and into western Pennsylvania markets.

Mr. John Koelmel: Well, I'll give you the same answer that you've heard from us consistently in the past. Priority one for us is to continue to work our footprint, stay focused there, deepen, strengthen our reach across upstate New York. But, there's no question, yeah, we have longer-term aspirations that would take us beyond our current geography. And as always, Damon, you're not going to get us to bite on any particular opportunity that's out there.

But, we'll continue to look where we think we've got some strategic benefit and strategic upside. And I think, broader based to your question, yeah, branch deals I think a number of organizations are going to have to right-size their operation and their balance sheet, and, with some time, shed some branches. And whether they've been nationalized here or overseas, you're going to start to see some more fallout.

Whether on the whole bank side the pace picks up, your guess is probably better than mine, but I'd expect to see more of that activity. And as we've consistently told you guys, we have been, are and will continue to take a look at opportunities that we think hang together and would service well over the long run.

Mr. Damon Delmonte: Okay, great.

Thank you very much for the color.

Mr. John Koelmel: Yep, thanks.

Operator: Once again, if you'd like to ask a question, please press star-one on your telephone keypad.

Mr. John Koelmel: It sounds like we're tapped out, Ryan.

Operator: There are no further questions.

Do you have any concluding remarks?

Mr. John Koelmel: Just thank you for taking the time. We realize these are busy days, and there's a lot to do, so, appreciate your time and interest. And we look forward to chat with you again in another three months. And have a good one.

Operator: Ladies and gentlemen, this does conclude today's teleconference. Thank you for your participation.

First Niagara Completes \$184 Million Capital Purchase Program Transaction with the U.S. Treasury

Company Release - 11/25/2008 08:00

LOCKPORT, N.Y., Nov. 25 /PRNewswire-FirstCall/ – First Niagara Financial Group, Inc. (Nasdaq: FNFG), which last month reported that the Department of the Treasury approved its application for the Treasury's Capital Purchase Program (CPP), has received \$184 million as part of its participation in the program.

"First Niagara continues to actively lend to both new and existing customers across Upstate New York," President and CEO John R. Koelmel said. "By participating in the CPP, we are even better positioned to accelerate the execution of our growth strategy and further support individuals and businesses throughout our regional markets.

"Given our ability and readiness to lend, and our success in communicating our strong capital position, we have been attracting an influx of new borrowers throughout this period of economic challenge and uncertainty. Participation in the CPP will only enhance our ability to further stimulate the credit markets for the benefit of Upstate New Yorkers."

First Niagara reported significant increases in lending at the end of the third quarter of 2008 compared to a year earlier with commercial business and real estate average loan balances growing by 26% and 12%, respectively. Total loan originations in October 2008 exceeded \$200 million across all of First Niagara's businesses, reflecting its continuing growth commitment.

Including the \$184 million in CPP funds, First Niagara has nearly \$300 million in new capital to leverage for the further benefit of its customers, shareholders and the Upstate New York communities it serves. The Company completed a successful stock offering raising \$115 million in capital in early October.

The CPP is a voluntary program opened in October to the nation's strong and sound financial institutions. As part of the transaction completed on Friday, the Treasury Department purchased 184,011 shares of newly issued, non-voting First Niagara senior preferred stock valued at \$184 million, with an initial annual dividend of 5%. Treasury will also receive warrants to purchase 1.9 million shares of First Niagara common stock with an aggregate market price of 15% of the \$184 million in capital, or \$27.6 million, and an exercise price of \$14.48 per share. These and the uniform terms and conditions for all CPP participants are publicly available from the Treasury Department Web site at <http://www.treas.gov/press/releases/reports/document5hp1207.pdf>.

AboutFirstNiagaraFinancialGroup

First Niagara Financial Group, Inc., through its wholly owned subsidiary First Niagara Bank, has assets of \$9.0 billion and deposits of \$5.8 billion. First Niagara Bank is a full-service, community-focused bank that provides financial services to individuals, families and businesses through 114 branches and four Regional Market Centers across Upstate New York. For more information, visit www.fnfg.com.

Forward-Looking Statements

This press release contains forward-looking statements with respect to the proposed offering of common stock by First Niagara Financial Group, Inc. Forward-looking statements are generally identified by the use of words "believe," "expect," "intend," "anticipate," "estimate," and other similar expressions. These forward-looking statements involve certain risks and uncertainties. You should not place undue reliance on such statements. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, among others, (1) adverse developments in the capital markets in general or in the markets for financial institutions stock in particular; (2) changes in legislation or regulatory requirements affecting financial institutions, including the current debate in Congress as to restructuring the financial services industry; (3) changes in the interest rate environment; and (4) adverse changes in general economic conditions.

SOURCE First Niagara Financial Group, Inc.

Contact: John R. Koelmel, President and Chief Executive Officer; or Michael W. Harrington, Chief Financial Officer; or Anthony M. Alessi, Investor Relations Manager, +1-716-625-7692, tony.alessi@fnfg.com; or Leslie G. Garrity, Public Relations and Corporate Communications Manager, +1-716-625-7528, leslie.garrity@fnfg.com