

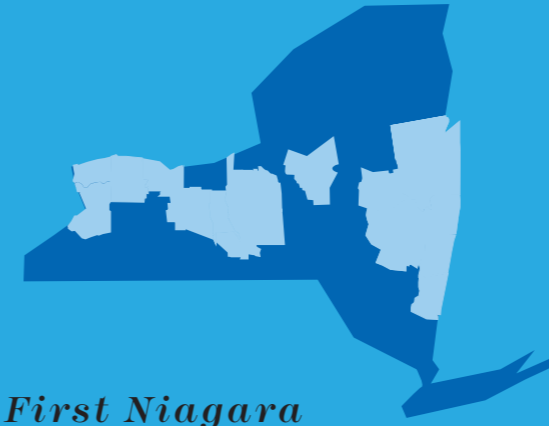


Strong. Steady. Responsive.

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.



2008

The Rock Solid Year in Review.



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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.

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

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.*

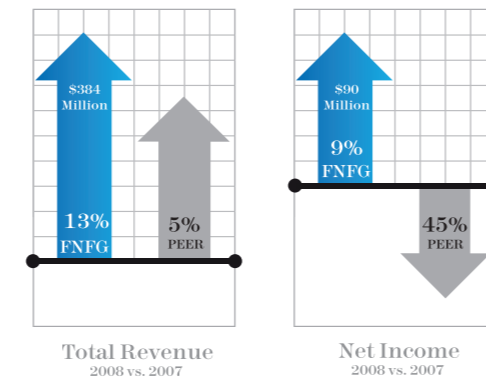


fig. 1

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.*

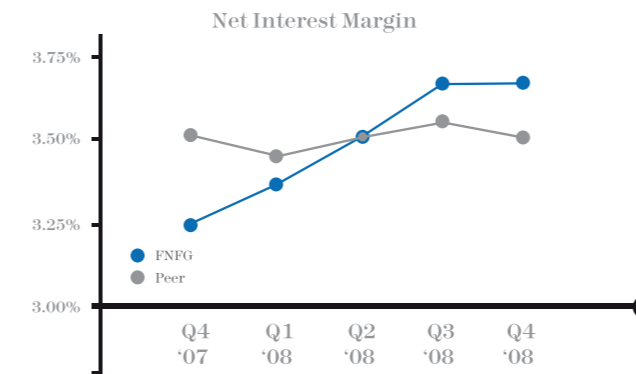


fig. 2

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.*

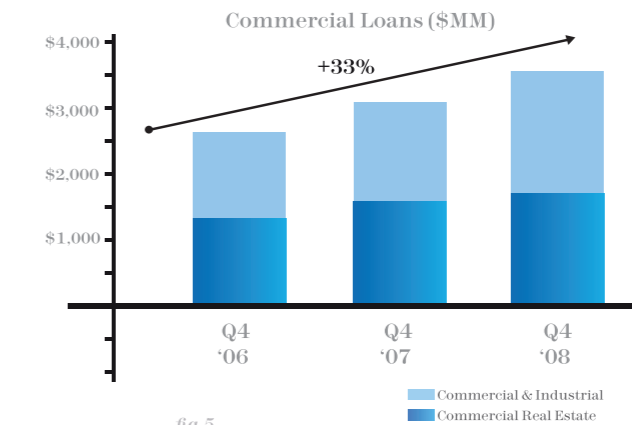


fig. 5

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.*

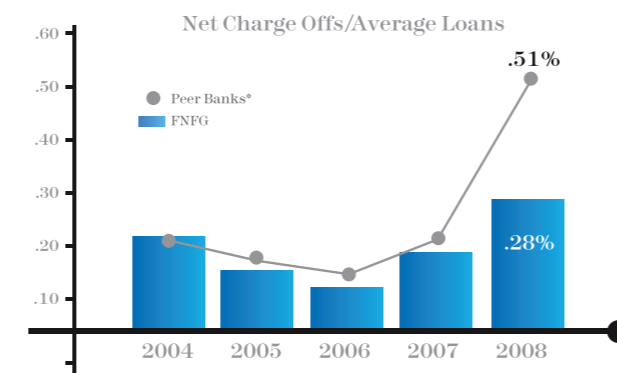


fig. 3

*SNL Midcap Banks & Thrifts

Capital Strength

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

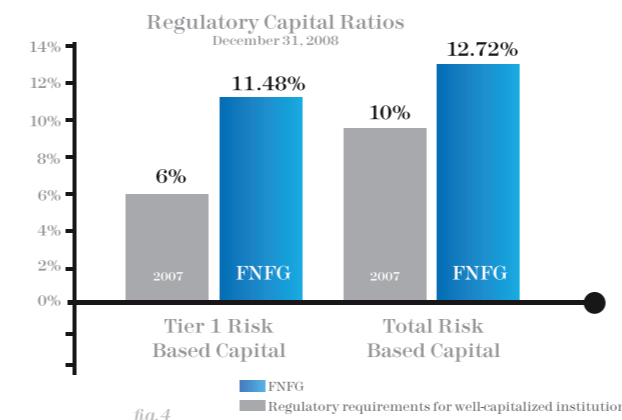


fig. 4

Stock Performance

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

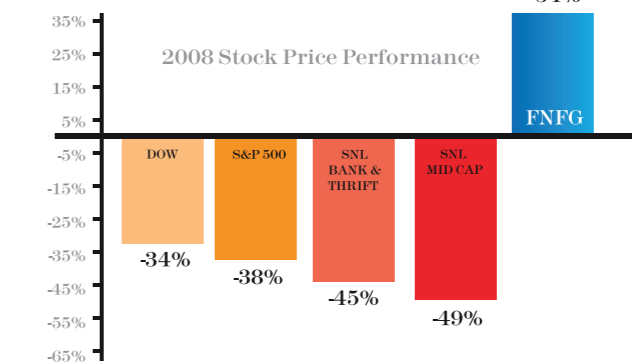


fig. 6



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