

FIRST NIAGARA FINANCIAL GROUP, INC.
FIRST NIAGARA BANK
AUDIT COMMITTEE OF THE BOARD OF DIRECTORS
CHARTER

I. PURPOSE

The primary function of the Audit Committee (the “Committee”) is to assist the Board of Directors (the Board of First Niagara Financial Group, Inc. and subsidiaries, collectively, the “Company”) in fulfilling its oversight responsibilities by reviewing:

- The integrity of the financial statements of the Company and other significant written financial information provided by the Company to any governmental body or the public;
- The Company’s auditing, accounting and financial reporting processes;
- The independent auditors’ qualifications and independence;
- The performance of the Company’s internal audit function and independent auditors;
- The Company’s systems of internal controls regarding financial reporting; and
- Compliance by the Company with legal and regulatory requirements.

Consistent with this function, the Committee should encourage continuous improvement of, and foster adherence to, the Company’s policies, procedures and practices at all levels. More specifically, the Committee’s primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Company’s financial reporting process and internal control system;
- Review and appraise the audit efforts of the Company’s independent auditors and internal audit department; and
- Provide an open avenue of communication among the independent auditors, senior management, the internal audit department, and the Board.

The Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Section IV of this Charter.

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II. COMPOSITION

The Committee shall be comprised of four or more directors as determined by the Board, each of whom shall meet the independence and experience requirements of the Securities and Exchange Commission and the corporate governance listing standards of the Nasdaq stock market. Directors should be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.

All members of the Committee shall have a working familiarity with basic finance and accounting practices and be able to read and understand fundamental financial statements (including balance sheet, income statement, and cash flows). At least one member of the Committee shall qualify as a financial expert. Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Company or an outside consultant.

The members of the Committee shall be elected by the Board on the recommendation of the Governance Committee at the annual meeting of the Board and shall serve until their successors shall be duly elected. The Chair of the Audit Committee shall be elected by the Board of Directors. Audit Committee members may be replaced by the Board.

III. MEETINGS

The Committee shall meet at least four times annually or more frequently as circumstances dictate.

The Audit Committee Chair shall prepare and/or approve an agenda in advance of each meeting. At the beginning of the year, the Audit Committee Chair will establish a schedule of agenda subjects to be discussed during the year.

The Committee should meet quarterly with the CEO, the CFO, the independent auditors, and the Internal Auditor in separate executive sessions to discuss any matters that the Committee or each of these parties believes should be discussed privately.

The Chair of the Committee should report quarterly to the Board on significant results of the foregoing activities.

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IV. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties, the Audit Committee shall (by major area of oversight responsibility):

Documents/Reports Review

- Review the Company's quarterly and annual SEC filings including the financial statements, Management Discussion & Analysis information and management certifications with the CFO, CEO, the independent auditors, and the Internal Auditor;
- Review earnings press releases and information provided to analysts and rating agencies;
- Review reports or other financial information, as deemed necessary and appropriate, prior to submission to the governmental body, or the public, including the certification, report, opinion, or review rendered by the independent auditors;
- Review with the independent auditors and the Internal Auditor the coordination of audit efforts to assure completeness of coverage and the effective use of audit resources;
- Review the internal audit function of the Company, including the independence and authority of its reporting obligations and the annual audit plan. Periodically review the progress of internal audit relating to the audit plan and ensure that necessary adjustments to the audit plan are made as the business of the Company changes throughout the year;
- Review internal audit reports to management prepared by the internal audit department and management's response;
- Review and concur in the appointment, performance, reassignment or dismissal when circumstances warrant of the Internal Auditor; and
- Review and update this Charter and the Internal Auditing Charter, at least annually, or as conditions dictate.

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Independent Auditors

- Have the sole authority to appoint or replace the independent auditors (subject to Board of Directors and shareholder ratification). The Audit Committee shall be directly responsible for the compensation and oversight of the work of the independent auditors (including resolution of disagreements between management and the independent auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditors shall report directly to the Audit Committee;
- Approve all audit and non-audit services to be performed by the independent auditors prior to the performance of that work. Such approval may be pursuant to pre-approval procedures adopted by the Committee (attached, Schedule A - Pre-Approval Policy), including authority delegated to a member of the Committee (provided that any service pre-approved pursuant to delegated authority is reported to the Committee at its next meeting).
- On an annual basis, review and discuss with the independent auditors all significant relationships the independent auditors have with the Company to determine independence; and
- At least annually, obtain and review a report by the independent auditor describing the firm's internal quality control procedures, any material issues raised by the most recent internal quality control review, peer review, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more audits carried out by the firm, and any steps taken to deal with any such issues; and
- Periodically consult with the independent auditors and the Internal Auditor without the presence of management about internal controls and the completeness and accuracy of the Company's financial statements. The Committee should consider the independent auditors' judgement about the quality and appropriateness of the Company's accounting principles as applied in the Company's financial reporting.

Financial Reporting Process

- In consultation with the independent auditors and the Internal Auditor, review the integrity of the Company's financial reporting processes, both

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internal and external. The review should include the adequacy and effectiveness of the accounting and financial controls of the Company, and should set forth recommendations for the improvement of such internal control procedures or particular areas where new or more detailed controls or procedures are desirable;

- Inquire of management, the independent auditors, and the Internal Auditor about significant risks or exposures and assess the steps management has taken to minimize such risks;
- Receive written representations from management as to the integrity of the Company's internal controls and financial reporting systems and the conformity of the Company's financial statements with generally accepted accounting principles appropriate in the circumstances;
- Inquire as to the independent auditors' views about whether management's choices of accounting principles are conservative, moderate, or aggressive from the perspective of income, asset, and liability recognition, and whether those principles are in accordance with generally accepted accounting principles; and
- Review with the independent auditor any problems or difficulties in connection with the audit and management's response, review the independent auditor's attestation and report on management's internal control report, and hold timely discussions with the independent auditors regarding the following: (i) all critical accounting policies and practices: (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatment, and the treatment preferred by the independent auditor; (iii) other material written communications between the independent auditor and management including, but not limited to, the management letter and schedule of unadjusted differences; and (iv) an analysis of the auditor's judgment as to the quality of the Company's accounting principles, discussing significant reporting issues and judgments made in connection with the preparation of the financial statements;
- Consider and approve, if appropriate, major changes to the Company's auditing and accounting principles and practices as suggested by the independent auditors, management or internal audit.

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Process Improvement

- Establish regular and separate systems of reporting to the Audit Committee by management, the independent auditors and internal audit regarding any significant judgements made in management's preparation of the financial statements and the appropriateness of such judgments;
- Following completion of the annual audit, review separately with management, the independent auditors and internal audit any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information; and
- Review any significant disagreement among management, the independent auditors and internal audit in connection with the preparation of the financial statements.

Ethical and Legal Compliance

- Review the Company's "Code of Ethics" and ensure that management has established a system to monitor and enforce such code;
- Ensure that management has the proper review system in place to assure that the Company's financial statements, reports and other financial information that are disseminated to government organizations and the public satisfy all legal requirements;
- Review legal and regulatory matters that may have a material impact on the Company's financial statements, related Company compliance policies, and programs and reports received from regulators;
- Review with the Company's outside counsel, any legal matters that could have a significant impact on the Company's financial statements, the Company's compliance with applicable laws and regulations, and inquiries received from regulators or government agencies; and
- Review policies and procedures with respect to officers' expense accounts and perquisites, including their use of corporate assets, and consider the results of any review of these areas by internal audit.

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Other Audit Committee Responsibilities

- Annually submit a report of the Committee to shareholders as required by the Securities and Exchange Commission. The report should be included in the Company's annual proxy statement;
- Review, discuss, and assess its own performance as well as the Committee's role and responsibilities, seeking input from management, the Board, and others. Changes in role and/or responsibilities, if any, shall be recommended to the Board for approval;
- Establish procedures for the receipt, retention, and treatment of complaints regarding corporate accounting, internal accounting controls, and auditing matters;
- Establish procedures for the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters;
- Review complaints received and the status of resolution of complaints;
- Perform any other activities consistent with this Charter, the Company's By-laws and governing law, as the Committee or the Board deems necessary or appropriate. The Committee is authorized to access internal and external resources, as the Committee requires, to carry out its responsibilities, including the authority to engage independent counsel and other advice as deemed necessary;
- Form and delegate authority to subcommittees consisting of two or more members when appropriate, provided that decisions of such subcommittee to grant pre-approvals shall be presented to the full Audit Committee at its next scheduled meeting;
- Review and approve all related-party transactions in accordance with and as required by the Nasdaq listing standards.

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V. LIMITATION OF AUDIT COMMITTEE'S ROLE

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are presented fairly in all material respects and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditors.

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Responsibilities and Duties

* = as needed X = scheduled review

**Scheduled Meetings
2005**

I. Documents/Reports Review

- 1 Review quarterly financial statements and management certification.
- 2 Review annual financial statements and management certification.
- 3 Review other reports and financial information (including press release and analysts information).
- 4 Review coordination of audit efforts and completeness of coverage.
- 5 Review and approve the internal audit plan.
- 6 Review internal audit reports and management responses.
- 7 Review appointment of internal auditor and/or performance.
- 8 Review and update Charter and Internal Auditing Charter annually.

	Mar.	May	Aug.	Nov.
	X		X	X
	X			
	X	X	X	X
		X		
	X	X	X	X
	X	X	X	X
	X			
	X			

II. Independent Auditors

- 1 Appointment of independent auditors
- 2 Approve audit and non-audit work by independent auditor.
- 3 Review and discuss auditor independence.
- 4 Review independent auditor's internal quality control procedures.
- 5 Consult separately with independent auditors and internal audit department about internal controls over financial reporting in executive session.
- 6 Consider the independent auditors' judgement about quality and appropriateness of accounting principles.

X				
X	X	X	X	X
X				
*	X	*	*	*
X	X	X	X	X
X	X	X	X	X

III. Financial Reporting Process

- 1 Review the integrity of financial reporting processes.
- 2 Inquire about significant risks or exposures and assess management's response.
- 3 Review representations from management.
- 4 Obtain independent auditors' views on use of accounting principles.
- 5 Review independent auditors attestation & management's report on internal control.
- 6 Review and approve major changes to auditing and accounting principles.

X	X	X	X	X
X	*	*	*	*
X	X	X	X	X
X	*	*	*	*
X	*	*	*	*
X	*	*	*	*

IV. Process Improvement

- 1 Consider the appropriateness of significant judgements made in preparation of financial statements.
- 2 Review any significant difficulties encountered during annual audit.
- 3 Inquire of significant disagreements among management, independent accountants, and internal audit.

X	*	*	*	*
X				
X	X	X	X	X

V. Ethical and Legal Compliance

- 1 Review Code of Ethics, and management's monitoring system.
- 2 Review system to ensure financial information and statements satisfy all legal requirements.
- 3 Review legal and regulatory matters and reports received from regulators.
- 4 Review legal matters with counsel.
- 5 Review policies and procedures for officer expense accounts and perquisites.
- 6 Maintain minutes and report to Board of Directors.
- 7 Assess independence of Audit Committee.

	X			
X	*	*	*	*
*	*	*	*	*
*	*	*	*	X
				X
X	X	X	X	X
X	*	*	*	*

VI. Other Audit Responsibilities

- 1 Submit report to shareholders.
- 2 Perform self-assessment of Audit Committee performance.
- 3 Review complaints regarding corporate accounting, internal controls and auditing matters.
- 4 Review employees concerns regarding questionable accounting or auditing matters.
- 5 Perform other activities deemed necessary or appropriate.
- 6 Delegate authority to subcommittees.
- 7 Approve actions of subcommittees.
- 8 Review and approve all related party transactions.

X				
	X			
X	X	X	X	X
X	X	X	X	X
*	*	*	*	*
X	*	*	*	*
*	*	*	*	*
X	X	X	X	X

FIRST NIAGARA FINANCIAL GROUP, INC.
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PRE-APPROVAL POLICY

STATEMENT OF PRINCIPLES

SCHEDULE A

The Audit Committee is required to pre-approve the audit and non-audit services performed by the independent auditor in order to assure that the provision of such services does not impair the auditor's independence. Unless a type of service to be provided by the independent auditor has received general pre-approval, it will require specific pre-approval by the Audit Committee. Any proposed services exceeding pre-approved cost levels will require specific pre-approval by the Audit Committee.

The appendices to this Policy describe the audit, audit-related, tax and "all other" services that have the general pre-approval of the Audit Committee. The term of any pre-approval is 12 months from the date of pre-approval, unless the Audit Committee specifically provides for a different period. The Audit Committee will periodically revise the list of pre-approval services, based on subsequent determinations.

DELEGATION

The Audit Committee may delegate pre-approval authority to one or more of its members. The member or members to whom such authority is delegated shall report any pre-approval decisions to the Audit Committee at its next scheduled meeting. The Audit Committee does not delegate its responsibilities to pre-approve services performed by the independent auditor to management.

AUDIT SERVICES

The annual audit services engagement terms and fees will be subject to the specific pre-approval of the Audit Committee. The Audit Committee will approve, if necessary, any changes in terms, conditions and fees resulting from changes in audit scope, Company structure or other matters.

In addition to the annual audit services engagement approved by the Audit Committee, the Audit Committee may grant pre-approval for other audit services, which are those services that only the independent auditor reasonably can provide. The Audit Committee has pre-approved the audit services listed in Appendix A. All other audit services not listed in Appendix A must be separately pre-approved by the Audit Committee.

AUDIT-RELATED SERVICES

Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statement or that are traditionally performed by the independent auditor. The Audit Committee believes that the provision of audit-related services does not impair the independence of the auditor, and has pre-approved the audit-related services listed in Appendix B. The audit related services are per occurrence. All audit related services performed will be reviewed at the next regular scheduled Audit Committee

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meeting. All other audit-related services not listed in Appendix B must be separately pre-approved by the Audit Committee.

TAX SERVICES

The Audit Committee believes that the independent auditor can provide tax services to the Company such as tax compliance, tax planning and tax advice without impairing the auditor's independence. However, the Audit Committee will not permit the retention of the independent auditor in connection with a transaction initially recommended by the independent auditor, the purpose of which may be tax avoidance and the tax treatment of which may not be supported in the Internal Revenue Code and related regulations. The Audit Committee has pre-approved the tax services listed in Appendix C. All tax services involving large and complex transactions not listed in Appendix C must be separately pre-approved by the Audit Committee.

NON-AUDIT SERVICES

A list of the SEC's prohibited non-audit services is attached to this policy as Exhibit 1. The SEC's rules and relevant guidance should be consulted to determine the precise definitions of these services and the applicability of exceptions to certain of the prohibitions.

PRE-APPROVAL FEE LEVELS

Pre-approval fee levels for all services to be provided by the independent auditor will be established periodically by the Audit Committee. Any proposed services exceeding these levels will require specific pre-approval by the Audit Committee.

SUPPORTING DOCUMENTATION

With respect to each pre-approved service, the independent auditor will provide detail back-up documentation, which will be provided to the Audit Committee regarding the specific services to be provided.

PROCEDURES

Requests or applications to provide services that require separate approval by the Audit Committee will be submitted to the Audit Committee by both the independent auditor and the Chief Financial Officer. They will inform the Audit Committee, in their view, that the request or application is consistent with the SEC's rules on auditor independence.

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APPENDIX A

PRE-APPROVED SERVICES

Date: _____

Service	<u>Range of Fees</u>
Statutory audits or financial audits for subsidiaries or affiliates of the Company	\$10,000
Services associated with SEC registration statements, periodic reports and other documents filed with the SEC or other documents issued in connection with securities offerings (e.g., comfort letters, consents, and assistance in responding to SEC comment letters)	\$10,000
Consultations by the Company's management as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by the SEC, FASB, or other regulatory or standard setting bodies (Note: Under SEC rules, some consultations may be "audit-related" services rather than "audit" services)	\$15,000

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APPENDIX B

PRE-APPROVED AUDIT-RELATED SERVICES

Date: _____

Service	<u>Range of Fees</u>
Due diligence services pertaining to potential business start up/ acquisitions/dispositions	\$20,000
Financial statement audits of employee benefit plans	\$10,000
Agreed-upon or expanded audit procedures related to accounting and/or billing records required to respond to or comply with financial, accounting or regulatory reporting matters	\$10,000
Internal control reviews and assistance with internal control reporting requirements	\$10,000
Consultations by the Company's management as to the accounting of disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by the SEC, FASB, or other regulatory or standard-setting bodies (Note: Under SEC rules, some consultations may be "audit" services rather than "audit-related" services)	\$15,000
Attest services not required by statute or regulation	\$10,000

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APPENDIX C

PRE-APPROVED TAX SERVICES

Date: _____

Service	<u>Range of Fees</u>
U.S. federal, state and local tax planning and advice	\$20,000
U.S. federal, state and local tax compliance	\$20,000
Review of federal, state and other tax returns	\$20,000
Licensing or purchase of income tax preparation software from the independent auditor, provided the functionality is limited to preparation of tax returns	\$10,000

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EXHIBIT 1

PROHIBITED NON-AUDIT SERVICES

- Bookkeeping or other services related to the accounting records of financial statements of the audit client
- Financial information systems design and implementation
- Appraisal or valuation services, fairness opinions or contribution-in-kind reports
- Actuarial services
- Internal audit outsourcing services
- Management functions
- Human resources
- Broker-dealer, investment adviser or investment banking services
- Legal services
- Expert services unrelated to the audit