



First Niagara Financial Group

Compensation Committee Charter

July 1, 2005

THE ROLE OF THE COMPENSATION COMMITTEE

The Compensation Committee of the Board of Directors plays a crucial role in overseeing compensation plans for all employees and in setting specific pay levels for the Company's top executives, and for outside directors. The members of this Committee form the key link for the Board and management in balancing the interests of shareholders with those of management.

COMPOSITION

The Compensation Committee will be composed of two or more directors, none of whom will be an employee of the Company and each of whom will meet the independence requirements of the NASDAQ Exchange and the Securities Exchange Act of 1934 (the "Exchange Act"). All members of the Compensation Committee will be "non-employee directors" as defined in Rule 16b-3 promulgated under the Exchange Act, and "outside directors" as defined in Section 162(m) of the Internal Revenue Code.

The members and chair of the Compensation Committee will be elected by the Board and will serve until their respective successors will be duly elected and qualified.

In addition to independence, the members of the Compensation Committee will have such qualifications as the Company's Governance/Nominating Committee will determine are suitable.

GENERAL RESPONSIBILITIES

The Committee's mission will be to assure that the Company's compensation program is effective in attracting and retaining key talent, that it links pay to performance, that it is administered fairly, is aligned with the strategy and values of FNFG, and is in the shareholders' interests. The Compensation Committee will act on behalf of the Board of Directors in setting compensation policy, administering Board or shareholder-approved plans, approving benefit programs and making decisions for the Board with respect to the compensation of the Management Committee.

SPECIFIC RESPONSIBILITIES

The Compensation Committee will:

- a) Establish the compensation and benefits philosophy and strategy for the Company, in consultation with the CEO.
- b) In conjunction with the CEO determine performance measures and goals for measuring corporate performance as they relate to compensation.
- c) Evaluate the performance of the CEO including the setting of performance goals.
- d) Establish compensation awards for the CEO, including salary, short term incentives, long term incentives, and, if applicable, contracts and any supplemental compensation or benefit arrangements.
- e) Review and approve compensation programs covering the Management Committee and, considering the recommendation of the CEO, approve individual compensation awards for senior executives included in this group. Review salary adjustments awarded to all officers.
- f) Evaluate competitive compensation levels for the Management Committee based on reliable industry analyses; and approve "peer group" companies to be included in competitive compensation comparisons.
- g) Review overall compensation and benefits budget.
- h) Approve implementation or revision of any major compensation or benefit programs.
- i) Approve all stock option, restricted stock and common share grants.
- j) Review and approve the Compensation Committee report to shareholders in the annual proxy statement.
- k) Review, on an annual basis, a report prepared by the Human Resources Department on "the state of compensation & benefit plans at FNFG" to ensure consistency with the Compensation Philosophy.
- l) Review a report by management designed to ensure regulatory compliance and efficiency, including determining Bank policies on structuring compensation programs to preserve tax deductibility. Establish and administer performance goals and certify that performance goals have been attained for Sect 162(m).
- m) Recommend Board of Director Compensation Philosophy, compensation levels and other compensation related programs to the full Board for approval
- n) Report Committee actions fully and promptly to the Board.
- o) Review reports of investments related to various employee benefit plans.
- p) Annually evaluate, and as needed, revise the Committee Charter.

- q) Retain and/or terminate any compensation consultant or consulting firm to assist in the evaluation of director, CEO or senior executive compensation, including sole authority to approve the consultant's fees and other retention terms.
- r) At its discretion, engage outside legal counsel or other advisors, as it deems necessary to carry out its functions.
- s) Provide the Board with a bi-annual self-evaluation of the Committee.

SCOPE OF RESPONSIBILITY

Unless otherwise directed by the Governance/Nominating Committee of the Board, the scope of Compensation Committee actions will be as follows:

	<i>Committee approves actions before action is taken</i>	<i>Committee is informed after the action is taken</i>	<i>Committee never involved unless CEO or Director wants</i>
Compensation Program	Committee Approves All	CEO Briefs Committee	No Data Provided Routinely
Salary	CEO salary increases Target salary ranges for the Management Committee Annual salary budgets	Non-executive officers annual salary range adjustments	Hourly wage rates
Short Term and Long Term Incentives	Cash and stock programs, performance targets and awards and for the Management Committee Funding for all programs	Incentive programs for managers and other officers Management awards	Non-exempt/hourly incentive plans or award levels Spot bonus awards*
Stock	Stock option, restricted stock grants and common share grants	Programs to explain equity plans	Equity plan administration
Benefits	Changes to pension plans Supplemental benefit programs Funding/cost of all programs	Selection of investment manager for pension plans Selection of other benefit vendors	Enrollment programs
External Resources	Selection of executive compensation consultant Approval of peer group for compensation purposes	Surveys of benefit levels, overall exempt compensation levels	Local non-exempt wage analysis

* Unless granted to a member of the Management Committee.

Compensation Committee Plan of Work

There is an annual cycle to the activities of the Compensation Committee, imposed by legal or regulatory requirements, the availability of year-end performance data, or the availability of competitive pay data. To effectively manage time, the Committee has developed, with input from Management Committee members, a Plan of Work and a meeting schedule. The Plan of Work for the current year is included as Attachment A.

ADMINISTRATIVE ISSUES

In order to make efficient and informed decisions, it may be helpful to distinguish routine approvals under existing programs from the adoption of new programs or major modifications to existing programs

- New programs or major modifications to existing programs: Any recommendations for new programs or significant modifications to existing programs must be submitted to the Committee at least one month before the Committee meeting.
- Routine approvals under existing programs: All normal recommendations for members of the Management Committee salary increases, bonus awards, or stock option grants should be submitted to the Committee at least two weeks before the Committee meeting.

The Compensation Committee will meet at least four times per year and will hold any additional meetings as may be called by the Chair of the Compensation Committee or a majority of the members of the Compensation Committee. Members of senior management or others may attend meetings of the Compensation Committee at the invitation of the Compensation Committee and will provide pertinent information as necessary. The Chair of the Compensation Committee will set the agenda of each meeting and arrange for the distribution of the agenda, together with supporting material, to the Compensation Committee members prior to each meeting. The Chair will also cause minutes of each meeting to be prepared and circulated to the Committee members. The Compensation Committee may meet via telephone conference calls. A majority of the members of the Compensation Committee will constitute a quorum for all purposes.