

State of Connecticut

RICHARD BLUMENTHAL
ATTORNEY GENERAL



Hartford
September 1, 2010

John R. Koelmel
President & Chief Executive Officer
First Niagara Financial Group, Inc.
726 Exchange Street, Suite 618
Buffalo, NY 14210

Peyton Patterson
President & Chief Executive Officer
NewAlliance Bancshares, Inc.
195 Church Street
New Haven, CT 06510

Dear Mr. Koelmel and Ms. Patterson:

I write to seek critical information regarding the recently announced proposed merger between NewAlliance Bank of New Haven, Connecticut ("NewAlliance") and First Niagara Bank of Buffalo, New York ("First Niagara"). I believe the proposed merger raises significant and far reaching legal and public policy issues, including its effect on Connecticut jobs, and our economy, as well as community banking -- in short, it's potential adverse impacts as compared to any benefits to the public.

Under Connecticut law, the proposed merger of a state chartered bank, such as NewAlliance, and a federally chartered bank, such as First Niagara, may only be approved where, *inter alia*, (1) the benefits to the public of the proposed merger outweigh any possible adverse effects, (2) the terms of the proposed merger comply with sound public policy, and (3) the proposed merger will benefit the economy of Connecticut. See Conn. Gen. Stat §§ 36a-125 and 36a-126. Moreover, under Conn. Gen. Stat. § 36a-34, approval may only be granted where the merging banks can show they comply with the requirements of the Community Reinvestment Act (CRA) -- unless the banks have received the highest CRA compliance rating on their most recent federal evaluation, which, according to the Office of Thrift Supervision (OTS), First Niagara has not. Finally, the merging banks must comply with all applicable consumer protection laws, see Conn. Gen. Stat. § 36a-34(b), which would include the consumer protection provisions of the recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"). As you know, state attorneys general have authority to enforce the consumer protection provisions of the Dodd-Frank Act. See Dodd-Frank Act § 1042.

Of course, the merging banks' proposed CRA compliance plan is also subject to public comment, see Conn. Gen. Stat. § 36a-34(c), and the merger in general may be the subject of a public hearing, see Conn. Gen. Stat. § 36a-24. As you know, NewAlliance's 2004 consolidation with two other banks and switch from a depositor owned mutual savings bank to a publicly traded bank was subject to just such a public hearing.

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To help my office better understand how the proposed First Niagara/NewAlliance merger benefits the public interest and our economy and complies with Connecticut law, I would appreciate your providing me with the information requested below. I note that you have indicated in your public statements that First Niagara and NewAlliance would like to complete their proposed merger by the early spring of 2011. A prompt response to my requests would greatly assist in meeting that deadline.

1. First Niagara's plans with respect to consolidation and job losses at NewAlliance's New Haven offices, including what specific job classifications may be eliminated or consolidated, how many jobs may be affected, and when any cuts may take effect.
2. First Niagara's plans for the future business function of NewAlliance's New Haven corporate offices. Please provide specific information, by job classification, regarding how conducting similar business functions affected employment at the offices of banks with which First Niagara has previously merged or acquired.
3. State specifically what products and services First Niagara will be able to provide its Connecticut customers that NewAlliance is not currently able to provide and any other benefits to Connecticut consumers, businesses -- especially small businesses -- and the state economy.
4. First Niagara's plan to provide adequate credit and banking services for housing, small business, and consumer loans.
5. First Niagara's plans regarding credit and underwriting decision making, including specific guidelines or policies regarding to what extent such authority remains at the local branch, regional, or higher corporate level. Please provide specific information regarding how credit and underwriting decision making is currently conducted at banks with which First Niagara has previously merged or acquired.
6. First Niagara's plans to mitigate foreclosures in Connecticut, including whether First Niagara participates in the Home Affordable Modification Program (HAMP). Please state how many residential home loans First Niagara has in the process of foreclosure, how many residential home loan modifications First Niagara has entered into with consumers, and how many residential home loan foreclosures First Niagara has completed since January 1, 2008. Unlike many other banks, my office can find no reference on your website to programs that help borrowers avoid foreclosure.

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7. The total value of compensation (including salary, stock options, bonuses, and severance amounts) that NewAlliance directors, officers, and executives stand to earn if the merger is approved. As you know, under certain circumstances, § 956 of the Dodd-Frank Act limits excessive compensation practices by financial institutions. Please provide justification and rationale for this compensation and explain how this compensation helps the bank better serve consumers, businesses and the state economy.
8. First Niagara's plan to comply with the Community Reinvestment Act, including, First Niagara plans to provide lending and consumer banking services to low and moderate income communities, including adequate lending and consumer banking services in branch offices located in low and moderate income communities.
9. First Niagara's policies and procedures regarding the posting of debits to customer accounts. As you know, some banks post debits from the largest amount to the smallest amount in an effort to generate overdraft fees. At least one federal court has found this practice to be illegal.
10. First Niagara's policy and procedures regarding its use of loan servicers and selling First Niagara originated loans into the secondary market. My office receives complaints on a daily basis from consumers whose loan has been sold to a bank or financial institution that they do not know, consumers who find that their sensitive financial documents are repeatedly lost by third party loan servicers, consumers who are angry because they cannot speak to any person familiar with their particular loan, and consumers who are simply given the run around by loan servicers who are understaffed or incompetent. These kinds of practices are all too prevalent among some banks and are contrary to the best interests of Connecticut consumers and the goal of community centered banking.
11. State whether First Niagara raised any interest rates, fees, or charges on any First Niagara brand credit cards prior to the effective date of the Credit Card Accountability Responsibility and Disclosure (CARD) Act. State the nature and circumstances of any such increases.
12. First Niagara's plans to continue philanthropy in Connecticut communities through the New Alliance Foundation, including how decisions will be made about the amount of money to be dedicated to philanthropy in Connecticut communities, who will make those decisions, now and in years to come, and the percentage of First Niagara profits First Niagara intends to dedicate to philanthropy in Connecticut.

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13. Copies of each of the reports filed by the NewAlliance Foundation as required by the Certificate of Approval of the Plan of Conversion of the New Haven Savings Bank, dated January 26, 2004, paragraphs 1(c) through 1(g).

I appreciate First Niagara's public commitment to community focused banking. These statements must be matched by actual business practices. According to your filings with the Securities and Exchange Commission, First Niagara has completed nine major acquisitions since 1999 that have significantly expanded the size and scope of First Niagara. In 2003, when NewAlliance sought permission to demutualize and merge with two other banks, I expressed my concern that NewAlliance was being structured not to better serve its customers or the community, but to become an attractive takeover target for an even larger bank.

The information I seek is necessary to determine whether First Niagara's move into Connecticut is primarily designed to serve Connecticut consumers or help Connecticut communities and businesses grow or, rather, to make First Niagara an attractive target for yet an even larger bank with even less connection and commitment to Connecticut consumers and communities. A larger bank may benefit bankers but not necessarily the public, or comply with sound public policy as Connecticut law requires.

Thank you for your attention to this vitally important matter. Please do not hesitate to contact my office with any information or questions.

Very truly yours,



RICHARD BLUMENTHAL

RB/pas