

THE MARKETEER

BUFFALO'S BUSINESS TO BUSINESS JOURNAL

Banking evolution

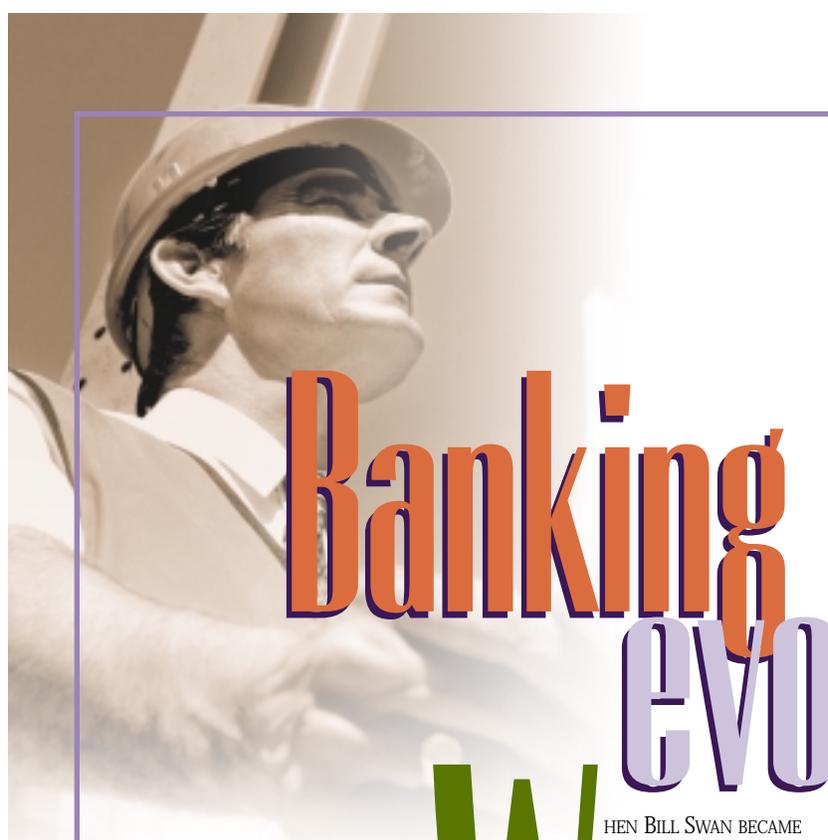
First Niagara Bank President Bill Swan builds a full-service financial institution on personal attention and diversified services.

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Banking evolution

First Niagara Bank emerges as a full-service financial institution.

BY DAVE TURNER

WHEN BILL SWAN BECAME president and chief executive officer of Lockport Savings Bank in 1989, it had \$450 million in assets. By the end of 1999, Swan had seen Lockport grow to \$1.7 billion in assets and 20 branches in spite of significant competition from much larger institutions. Key

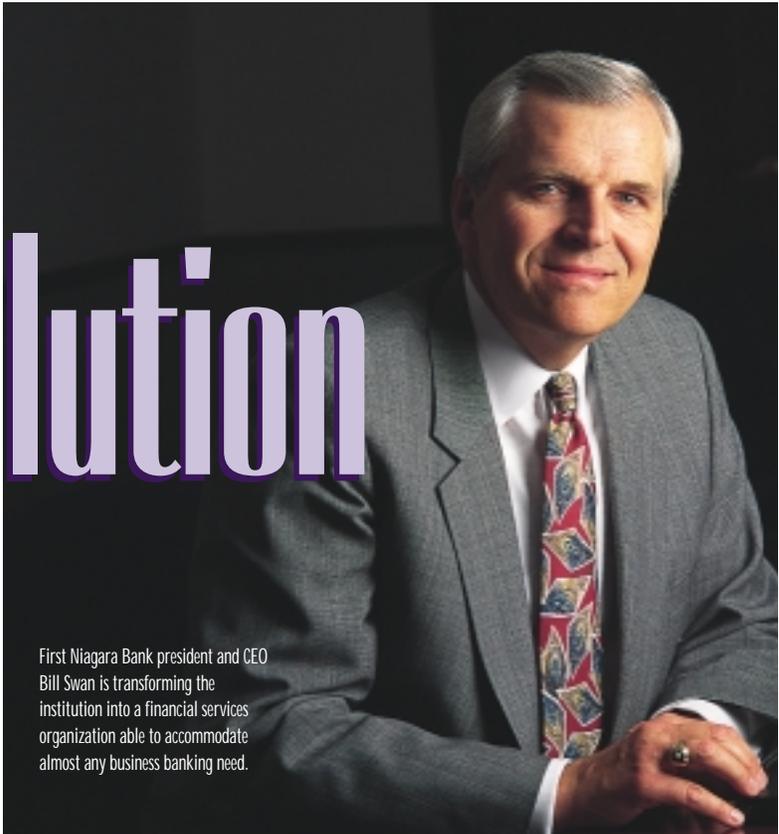
growth factors include acquisitions of business units that offer insurance, third party benefits administration and commercial leasing through the bank. A new business lending unit has boosted commercial real estate and business loan portfolios by a combined 38 percent. And, overall, enhanced delivery systems have helped win more retail and business customers. Having evolved from a small consumer savings bank to a full-service financial services organization, Lockport began its new fiscal year by changing its name to First Niagara Bank — the first step in an aggressive marketing campaign meant to reposition the company's image. But while First Niagara plans continued expansion, Swan says keeping the institution's small bank orientation will be critical to further success.

"No matter how big we grow, I think a community banking philosophy is important," he says. His goal has been to build an organization capable of delivering quick, personalized service and building long-term customer relationships, regardless of its size.

INTEGRATED DELIVERY SYSTEMS

Banking customers today make clear assumptions their institution will make it convenient for them to do business 24-hours a day, seven days a week. Bill Swan, president and chief executive officer of First Niagara Bank in Lockport, says banks today must focus on having integrated delivery systems to be successful. Here's how First Niagara gets it done:

- Growing network of 22 branches and 37 ATMs
- Online banking with bill pay and ongoing enhancements.
- Major investment in automated and personal telephone support center.
- Diverse set of in-bank financial services.



First Niagara Bank president and CEO Bill Swan is transforming the institution into a financial services organization able to accommodate almost any business banking need.

His strategy has been to start by setting the right tone internally. "We spend a lot of time on our culture," says Swan. "If the company can present a set of values that are in sync with an individual's personal value system, then [it can create] tremendous energy, and that's what we've tried to do," he says. "We don't just say it, we do it."

ONE-STOP INSTITUTION

By acting on several opportunities to acquire additional business units in 1999, First Niagara has potentially become a one-stop financial institution for business customers. In January 1999, the bank acquired Warren-Hoffman and Associates, Inc., an insurance agency established in 1968. The acquisition included Warren-Hoffman affiliate, NOVA Healthcare Administrators, Inc., a provider of third party benefits administration. And in September 1999, First Niagara announced its acquisition of Empire National Leasing, Inc., a nationwide provider of equipment lease financing. The companies now operate as wholly-owned subsidiaries of First Niagara.

Through Warren-Hoffman, customers can purchase personal and commercial insurance, surety bonds, risk management and self insurance services and coverage for life insurance and related products such as disability and long-term care. Severson Environmental Services, a Niagara Falls-based waste cleanup contractor, has worked with Warren-Hoffman for more than 30 years. "Our ability to

get insurance at reasonable costs and to maintain it has been critical to our business," says Bill McDermott, chief financial officer for Severson, which requires substantial coverage due to the high-risk nature of its work. "Warren-Hoffman has been with us right from the beginning," he says. "They've always been able to satisfy our insurance needs."

NOVA Healthcare Administrators helps companies secure self-insured benefits programs, features a technologically advanced claims system and has created the Western and Eastern New York Preferred Provider Medical and Dental Networks. Habasit Belting, Inc., an Atlanta-based manufacturer of conveyor belts, employs 130 in the Buffalo area and has worked with

NOVA on its benefits administration issues since 1992.

"NOVA came in and did a first class job," says John Brown, human resource manager for Habasit. In Brown's view, NOVA is especially proficient at dealing with the margin for error in today's complex healthcare benefit environment. "They have an extraordinary ability to solve problems," he says. "We have found NOVA to be very efficient at going through the claims and then bringing about solutions on a timely basis."

Empire National Leasing provides equipment lease financing for companies in a wide variety of industries. Prime Wines Corp., a wine and liquor retailer in Kenmore, N.Y., leases cash registers, computers, air conditioners and other equipment through Empire. "They do their homework and are competitive with their rates," says Matt Kozlowski, controller for Prime Wines. "They have the ability to lease almost any type of commercial equipment you need."

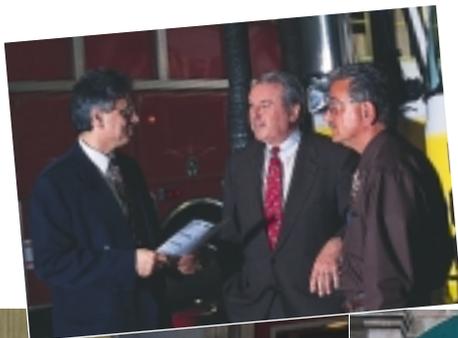
First Niagara plans to round out its financial services offerings with the acquisition of Niagara Investment Advisors, Inc. "That fits in with our current plan of diver-

sification within the fields of financial services," says Swan. "We want to do as much as we can to take care of our customers in any number of ways."

TRADITIONAL SERVICES

Subsidiaries notwithstanding, First Niagara's traditional banking services and attention to customer relationships are keeping existing customers and attracting new ones. The bank's commercial and small business lending units and other initiatives have grown its commercial lending and commercial real estate lending capabilities into a major operation. And business customers appreciate dealing with a local bank. "Customers want to have a responsive organization that gives them answers quickly and without a lot of red tape or bureaucracy," says Swan. "All of our decisions are made right here."

Charles Galante, president of Colden Enterprises in Kenmore, saw



First Niagara's personal service and attention to customer relationships are among the qualities that attract customers to the bank.



great value in First Niagara's one-on-one banking style.

"They won us over because of that personal attention and service," he says. Real estate investor Tony Kissling of The Kissling Interests, L.L.C. in Buffalo, agrees. "They sit down, they listen to you and they try to tailor something to fit your parameters," he says. "It's like going to a small store." ♦



QUICK STATS

COMPANY NAME

▼ First Niagara Bank

TYPE OF BUSINESS

▼ Financial institution

LOCATIONS

▼ 22 branches and 37 ATM locations in Erie, Niagara, Orleans, Genesee and Monroe counties

NUMBER OF EMPLOYEES

▼ 700

YEAR FOUNDED

▼ 1870

TOTAL ASSETS

▼ \$1.8 billion, as of March 31, 2000, with pending acquisitions; the bank will be at \$2.5 billion by September 30, 2000

KEYS TO SUCCESS

▼ Community banking philosophy; personal service orientation; diverse range of financial services

WHAT'S AHEAD

▼ Continued branch growth; ongoing improvement of delivery systems; enhanced commercial lending and cash management capabilities; additional online services; acquisition of Niagara Investment Advisors and further acquisitions as opportunities arise

WEB SITE

www.first-niagara.com