UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1998

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-9861

M&T BANK CORPORATION
(Exact name of registrant as specified in its charter)

New York	16-0968385
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One M & T Plaza Buffalo, New York	14240
(Address of principal executive offices)	(Zip Code)

(716) 842-5445
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No

Number of shares of the registrant's Common Stock, $5 par value, outstanding as of the close of business on November 6, 1998: 7,775,123 shares.

M&T BANK CORPORATION

FORM 10-Q

For the Quarterly Period Ended September 30, 1998

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

M&T BANK CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET (Unaudited)

Dollars in thousands, except per share		September 30, 1998	December 31, 1997
Assets	Cash and due from banks	$ 398,542	333,805
	Money-market assets		
	Interest-bearing deposits at banks	909	668
	Federal funds sold and agreements to resell securities	144,075	53,087
	Trading account	196,276	57,291
	Total money-market assets	341,260	111,046
	Investment securities		
	Available for sale (cost: $2,225,148 at September 30, 1998; $1,563,055 at December 31, 1997)	2,236,556	1,583,273
	Held to maturity (market value: $95,602 at September 30, 1998; $84,176 at December 31, 1997)	95,376	83,665
	Other (market value: $114,542 at September 30, 1998; $58,280 at December 31, 1997)	114,542	58,280
	Total investment securities	2,446,474	1,725,218
	Loans and leases	15,388,132	11,765,533
	Unearned discount	(224,808)	(268,965)
	Allowance for possible credit losses	(309,535)	(274,656)
	Loans and leases, net	14,853,789	11,221,912
	Premises and equipment	170,920	121,984
	Goodwill and core deposit intangible	556,137	17,288
	Accrued interest and other assets	711,278	471,682
	Total assets	$ 19,478,400	14,002,935
Liabilities	Noninterest-bearing deposits	$ 1,815,668	1,458,241
	NOW accounts	486,996	346,795
	Savings deposits	4,600,791	3,344,697
	Time deposits	7,197,688	5,762,497
	Deposits at foreign office	293,258	250,928
	Total deposits	14,394,401	11,163,158
	Federal funds purchased and agreements to repurchase securities	1,486,647	930,775
	Other short-term borrowings	354,555	120,143
	Accrued interest and other liabilities	400,167	330,774
	Long-term borrowings	1,193,453	427,819
	Total liabilities	17,829,223	12,972,669
Stockholders' equity	Preferred stock, $1 par, 1,000,000 shares authorized, none outstanding	--	--
	Common stock, $5 par, 15,000,000 shares authorized, 8,101,539 shares issued at September 30, 1998; 8,097,472 shares issued at December 31, 1997	40,508	40,487
	Common stock issuable, 8,223 shares at September 30, 1998	3,834	--
	Additional paid-in capital	484,829	103,233
	Retained earnings	1,220,942	1,092,106
	Accumulated other comprehensive income	6,782	12,016
	Treasury stock - common, at cost - 220,226 shares at September 30, 1998; 1,487,123 shares at December 31, 1997	(107,718)	(217,576)
	Total stockholders' equity	1,649,177	1,030,266
	Total liabilities and stockholders' equity	$ 19,478,400	14,002,935

M&T BANK CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME (Unaudited)

Amounts in thousands, except per share		Three months ended September 30 1998	1997	Nine months ended September 30 1998	1997
Interest income	Loans and leases, including fees	$314,986	240,254	$879,487	705,055
	Money-market assets				
	Deposits at banks	16	944	386	2,469
	Federal funds sold and agreements to resell securities	1,634	952	4,603	2,217
	Trading account	1,763	382	2,368	1,013
	Investment securities				
	Fully taxable	36,959	25,490	102,827	74,697
	Exempt from federal taxes	2,084	1,679	5,757	3,957
	Total interest income	357,442	269,701	995,428	789,408
Interest expense	NOW accounts	1,328	803	3,472	2,558
	Savings deposits	31,395	22,746	84,638	67,489
	Time deposits	103,525	85,889	289,659	241,900
	Deposits at foreign office	3,964	2,969	10,765	9,081
	Short-term borrowings	29,376	8,801	78,942	32,731
	Long-term borrowings	15,262	8,560	36,603	21,064
	Total interest expense	184,850	129,768	504,079	374,823
	Net interest income	172,592	139,933	491,349	414,585
	Provision for possible credit losses	10,500	12,000	35,700	34,000
	Net interest income after provision for possible credit losses	162,092	127,933	455,649	380,585
Other income	Mortgage banking revenues	16,405	12,748	48,741	36,995
	Service charges on deposit accounts	15,940	10,865	41,354	31,976
	Trust income	9,355	7,643	28,778	21,779
	Merchant discount and other credit card fees	2,321	4,514	10,889	13,979
	Trading account and foreign exchange gains (losses)	(148)	1,427	2,137	3,372
	Gain (loss) on sales of bank investment securities	376	(47)	698	(280)
	Other revenues from operations	22,319	13,032	70,777	32,267
	Total other income	66,568	50,182	203,374	140,088
Other expense	Salaries and employee benefits	63,520	56,270	191,783	165,390
	Equipment and net occupancy	18,876	13,302	50,233	39,690
	Printing, postage and supplies	4,743	3,334	13,342	10,157
	Amortization of goodwill and core deposit intangible	10,879	1,825	23,579	5,467
	Other costs of operations	40,472	29,975	148,430	90,356
	Total other expense	138,490	104,706	427,367	311,060
	Income before income taxes	90,170	73,409	231,656	209,613
	Income taxes	33,693	27,518	81,525	79,672
	Net income	$ 56,477	45,891	$150,131	129,941
	Net income per common share				
	Basic	$ 7.09	6.96	$ 19.84	19.59
	Diluted	6.81	6.62	19.01	18.60
	Cash dividends per common share	1.00	.80	2.80	2.40
	Average common shares outstanding				
	Basic	7,966	6,592	7,566	6,634
	Diluted	8,288	6,927	7,897	6,985

M&T BANK CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

Dollars In thousands		Nine months ended September 30 1998	1997
Cash flows from operating activities	Net income	$ 150,131	129,941
	Adjustments to reconcile net income to net cash provided by operating activities		
	Provision for possible credit losses	35,700	34,000
	Depreciation and amortization of premises and equipment	18,936	15,679
	Amortization of capitalized servicing rights	14,733	10,147
	Amortization of goodwill and core deposit intangible	23,579	5,467
	Provision for deferred income taxes	(2,225)	(11,389)
	Asset write-downs	3,304	905
	Net gain on sales of assets	(4,257)	(1,232)
	Net change in accrued interest receivable, payable	12,451	17,869
	Net change in other accrued income and expense	32,927	50,569
	Net change in loans held for sale	(141,177)	23,077
	Net change in trading account assets and liabilities	(141,036)	30,974
	Net cash provided by operating activities	3,066	306,007
Cash flows from investing activities	Proceeds from sales of investment securities		
	Available for sale	124,553	217,221
	Other	3,976	--
	Proceeds from maturities of investment securities		
	Available for sale	821,178	176,680
	Held to maturity	74,536	67,561
	Other	7,930	--
	Purchases of investment securities		
	Available for sale	(141,230)	(576,468)
	Held to maturity	(34,405)	(39,201)
	Other	(21,873)	(3,936)
	Net (increase) decrease in interest-bearing deposits at banks	(241)	46,529
	Additions to capitalized servicing rights	(9,516)	(16,000)
	Net increase in loans and leases	(771,606)	(604,303)
	Proceeds from sale of retail credit card business	189,818	--
	Capital expenditures, net	(17,207)	(7,517)
	Acquisitions, net of cash acquired:		
	ONBANCorp, Inc.	20,790	--
	Deposits and banking offices	--	123,043
	Purchases of bank owned life insurance	(150,000)	(100,000)
	Other, net	(13,204)	(3,460)
	Net cash provided (used) by investing activities	83,499	(719,851)
Cash flows from financing activities	Net increase (decrease) in deposits	(533,682)	557,360
	Net increase (decrease) in short-term borrowings	250,960	(379,204)
	Proceeds from long-term borrowings	500,000	250,000
	Payments on long-term borrowings	(2,479)	(120)
	Purchases of treasury stock	(135,528)	(67,771)
	Dividends paid - common	(21,279)	(15,920)
	Other, net	11,168	850
	Net cash provided by financing activities	69,160	345,195
	Net increase (decrease) in cash and cash equivalents	$ 155,725	(68,649)
	Cash and cash equivalents at beginning of period	386,892	449,985
	Cash and cash equivalents at end of period	$ 542,617	381,336
Supplemental disclosure of cash flow information	Interest received during the period	$ 999,174	784,005
	Interest paid during the period	500,793	354,753
	Income taxes paid during the period	48,162	40,915
Supplemental schedule of noncash investing and financing activities	Real estate acquired in settlement of loans	$ 5,754	6,522
	Acquisition of ONBANCorp, Inc:		
	Common stock issued	$ 587,819	--
	Fair value of:		
	Assets acquired (noncash)	5,205,420	--
	Liabilities assumed	4,618,967	--
	Stock options	19,424	--

M&T BANK CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (Unaudited)

Dollars in thousands, except per share	Preferred stock	Common stock	Common stock issuable	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Treasury stock	Total
1997								
Balance - January 1, 1997	$--	40,487	--	96,597	937,072	(2,485)	(166,012)	$ 905,659
Comprehensive income:								
Net income	--	--	--	--	129,941	--	--	129,941
Other comprehensive income, net of tax:								
Unrealized gains on investment securities, net of reclassification adjustment	--	--	--	--	--	13,729	--	13,729
								143,670
Exercise of stock options	--	--	--	4,934	--	--	10,986	15,920
Purchases of treasury stock	--	--	--	--	--	--	(67,771)	(67,771)
Common stock cash dividends - $2.40 per share	--	--	--	--	(15,920)	--	--	(15,920)
Balance - September 30, 1997	$--	40,487	--	101,531	1,051,093	11,244	(222,797)	$ 981,558
1998								
Balance - January 1, 1998	$--	40,487	--	103,233	1,092,106	12,016	(217,576)	$1,030,266
Comprehensive income:								
Net income	--	--	--	--	150,131	--	--	150,131
Other comprehensive income, net of tax:								
Unrealized losses on investment securities, net of reclassification adjustment	--	--	--	--	--	(5,234)	--	(5,234)
								144,897
Purchases of treasury stock	--	--	--	--	--	--	(135,528)	(135,528)
Acquisition of ONBANCorp:								
Common stock issued	--	10	--	364,427	--	--	223,382	587,819
Fair value of stock options	--	--	--	19,424	--	--	--	19,424
Stock-based compensation plans:								
Exercise of stock options	--	11	--	(2,303)	--	--	21,768	19,476
Directors' stock plan	--	--	--	49	--	--	177	226
Deferred bonus plan, net, including dividend equivalents	--	--	3,834	(1)	(16)	--	59	3,876
Common stock cash dividends - $2.80 per share	--	--	--	--	(21,279)	--	--	(21,279)
Balance - September 30, 1998	$--	40,508	3,834	484,829	1,220,942	6,782	(107,718)	$ 1,649,177

CONSOLIDATED SUMMARY OF CHANGES IN ALLOWANCE FOR POSSIBLE CREDIT LOSSES (Unaudited)

Dollars in thousands	Nine months ended September 30 1998	1997
Beginning balance	$ 274,656	270,466
Provision for possible credit losses	35,700	34,000
Allowance obtained through acquisition	27,905	--
Net charge-offs		
Charge-offs	(41,088)	(44,332)
Recoveries	12,362	12,174
Total net charge-offs	(28,726)	(32,158)
Ending balance	$ 309,535	272,308

NOTES TO FINANCIAL STATEMENTS

1. Significant accounting policies

In May 1998, First Empire State Corporation changed its name to M&T Bank Corporation ("M&T"). The consolidated financial statements of M&T and subsidiaries ("the Company") were compiled in accordance with the accounting policies set forth in Note 1 of Notes to Financial Statements on pages 39 through 41 of the Company's 1997 Annual Report to stockholders, except as described below. In the opinion of management, all adjustments necessary for a fair presentation have been made and were all of a normal recurring nature. Certain reclassifications have been made to the 1997 financial statements to conform with the current year presentation.

2. Earnings per share

The computations of basic earnings per share follow:

	Three months ended September 30		Nine months ended September 30	
	1998	1997	1998	1997
	(in thousands, except per share)			
Income available to common stockholders:				
Net income	$56,477	45,891	150,131	129,941
Weighted-average shares outstanding (including common stock issuable)	7,966	6,592	7,566	6,634
Basic earnings per share	$ 7.09	6.96	19.84	19.59

The computations of diluted earnings per share follow:

	Three months ended September 30		Nine months ended September 30	
	1998	1997	1998	1997
	(in thousands, except per share)			
Income available to common stockholders	$56,477	45,891	150,131	129,941
Weighted-average shares outstanding (including common stock issuable)	7,966	6,592	7,566	6,634
Plus: incremental shares from assumed conversions of stock options	322	335	331	351
Adjusted weighted-average shares outstanding	8,288	6,927	7,897	6,985
Diluted earnings per share	$ 6.81	6.62	19.01	18.60

3. Comprehensive income

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income," in the first quarter of 1998. SFAS No. 130 establishes standards for reporting and displaying comprehensive income and its components. Financial statements presented for periods prior to 1998 are required to be reclassified to reflect application of the provisions of SFAS No. 130.

3. Comprehensive income, continued

The following table displays the components of other comprehensive income:

	Nine months ended September 30, 1998		
	Before-tax amount	Income taxes	Net
Unrealized losses on investment securities:			
Unrealized holding losses during period(a)	$(8,112)	3,291	(4,821)
Less: reclassification adjustment for gains realized in net income	698	(285)	413
Net unrealized losses	$(8,810)	3,576	(5,234)

(a) Including the effect of the contribution of appreciated investment securities described in note 4.

	Nine months ended September 30, 1997		
	Before-tax amount	Income taxes	Net
Unrealized gains on investment securities:			
Unrealized holding gains during period	$22,945	(9,382)	13,563
Add: reclassification adjustment for losses realized in net income	280	(114)	166
Net unrealized gains	$23,225	(9,496)	13,729

4. Contribution of appreciated investment securities

In January 1998, M&T contributed appreciated investment securities with a fair value of $24.6 million to an affiliated, tax-exempt private charitable foundation. As a result of this transfer, the Company recognized tax-exempt other income of $15.3 million and incurred charitable contributions expense of $24.6 million. These amounts are included in the Consolidated Statement of Income in "Other revenues from operations" and "Other costs of operations," respectively. The transfer provided an income tax benefit of approximately $10.0 million and, accordingly, resulted in an after-tax increase in net income of $0.7 million.

5. Acquisition of ONBANCorp, Inc.

On April 1, 1998, M&T consummated the merger ("Merger") of ONBANCorp, Inc. ("ONBANCorp") with and into Olympia Financial Corp.("Olympia"), a wholly owned subsidiary of M&T. Following the Merger, OnBank & Trust Co., Syracuse, New York, and Franklin First Savings Bank, Wilkes-Barre, Pennsylvania, both wholly owned subsidiaries of ONBANCorp, were merged with and into Manufacturers and Traders Trust Company ("M&T Bank"), M&T's principal banking subsidiary.

After application of the election, allocation and proration procedures contained in the merger agreement with ONBANCorp, M&T paid $266.3 million in cash and issued 1,429,998 shares of common stock in exchange for the ONBANCorp common shares outstanding at the time of acquisition. In addition, based on the merger agreement and the exchange ratio provided for therein, M&T converted outstanding and unexercised stock options granted by ONBANCorp into options to purchase 61,772 shares of M&T common stock. The purchase price of the transaction was approximately $873.6 million based on the cash paid to ONBANCorp stockholders, the market price of M&T common shares on October 28, 1997 before the terms of the Merger were agreed to and announced by M&T and ONBANCorp, and the estimated fair

5. Acquisition of ONBANCorp, Inc., continued

value of ONBANCorp stock options converted into M&T stock options.

Acquired assets, loans and deposits of ONBANCorp on April 1, 1998 totaled approximately $5.5 billion, $3.0 billion and $3.8 billion, respectively. The transaction has been accounted for as a purchase and, accordingly, operations acquired from ONBANCorp have been included in the Company's financial results since the acquisition date. In connection with the acquisition, the Company recorded approximately $501 million of goodwill and $61 million of core deposit intangible. The goodwill is being amortized on a straight-line basis over twenty years and the core deposit intangible is being amortized on an accelerated basis over ten years. The Company incurred expenses related to systems conversions and other costs of integrating and conforming the acquired operations with and into the Company of approximately $3.0 million and $21.3 million during the three and nine month periods ended September 30, 1998, respectively. Since the systems conversions and integration of operations is largely complete, the Company does not expect to incur a material amount of additional integration costs.

Presented below is certain pro forma information as if ONBANCorp had been acquired on January 1, 1997. These results combine the historical results of ONBANCorp into the Company's Consolidated Statement of Income and, while certain adjustments were made for the estimated impact of purchase accounting adjustments and other acquisition-related activity, they are not necessarily indicative of what would have occurred had the acquisition taken place at that time. In particular, expenses related to systems conversions and other costs of integration are included in the 1998 periods in which such costs were incurred and, additionally, the Company expects to achieve further operating cost savings as a result of the Merger which are not reflected in the pro forma amounts presented below.

	Pro forma Nine months ended September 30	
	1998	1997
	(in thousands, except per share)	
Interest income	$1,078,640	1,050,162
Other income	210,442	170,371
Net income	143,620	132,203
Diluted earnings per common share	$ 17.12	15.60

6. Borrowings

In January 1997, First Empire Capital Trust I ("Trust I"), a Delaware business trust organized by the Company on January 17, 1997, issued $150 million of 8.234% preferred capital securities. In June 1997, First Empire Capital Trust II ("Trust II"), a Delaware business trust organized by the Company on May 30, 1997, issued $100 million of 8.277% preferred capital securities. As a result of the ONBANCorp acquisition, the Company assumed responsibility for similar preferred capital securities previously issued by a special-purpose entity formed by ONBANCorp. In February 1997, OnBank Capital Trust I ("OnBank Trust I" and, together with Trust I and Trust II, the "Trusts"), a Delaware business trust organized by ONBANCorp on January 24, 1997, issued $60 million of 9.25% preferred capital securities.

Other than the following payment terms (and the redemption terms described below), the preferred capital securities issued by the Trusts ("Capital Securities") are similar in all material respects:

Trust	Distribution Rate	Distribution Dates
Trust I	8.234%	February 1 and August 1
Trust II	8.277%	June 1 and December 1
OnBank Trust I	9.25%	February 1 and August 1

6. Borrowings, continued

The common securities of Trust I and Trust II are wholly owned by M&T and the common securities of OnBank Trust I are wholly owned by Olympia. The common securities of each trust ("Common Securities") are the only class of each Trust's securities possessing general voting powers. The Capital Securities represent preferred undivided interests in the assets of the corresponding Trust and are classified in the Company's consolidated balance sheet as long-term borrowings, with accumulated distributions on such securities included in interest expense. Under the Federal Reserve Board's current risk-based capital guidelines, the Capital Securities are includable in the Company's Tier 1 capital.

The proceeds from the issuances of the Capital Securities and Common Securities were used by the Trusts to purchase the following amounts of junior subordinated deferrable interest debentures ("Junior Subordinated Debentures") issued by M&T in the case of Trust I and Trust II and Olympia in the case of OnBank Trust I:

Trust	Capital Securities	Common Securities	Junior Subordinated Debentures
Trust I	$150 million	$4.64 million	$154.64 million aggregate liquidation amount of 8.234% Junior Subordinated Debentures due February 1, 2027.
Trust II	$100 million	$3.09 million	$103.09 million aggregate liquidation amount of 8.277% Junior Subordinated Debentures due June 1, 2027.
OnBank Trust I	$60 million	$1.856 million	$61.856 million aggregate liquidation amount of 9.25% Junior Subordinated Debentures due February 1, 2027.

The Junior Subordinated Debentures represent the sole assets of each Trust and payments under the Junior Subordinated Debentures are the sole source of cash flow for each Trust.

Holders of the Capital Securities receive preferential cumulative cash distributions semi-annually on each distribution date at the stated distribution rate unless M&T, in the case of Trust I and Trust II, or Olympia, in the case of OnBank Trust I, exercise the right to extend the payment of interest on the Junior Subordinated Debentures for up to ten semi-annual periods, in which case payment of distributions on the respective Capital Securities will be deferred for a comparable period. During an extended interest period, M&T and/or Olympia may not pay dividends or distributions on, or repurchase, redeem or acquire any shares of the respective company's capital stock. The agreements governing the Capital Securities, in the aggregate, provide a full, irrevocable and unconditional guarantee by M&T in the case of Trust I and Trust II and Olympia in the case of OnBank Trust I of the payment of distributions on, the redemption of, and any liquidation distribution with respect to the Capital Securities. The obligations under such guarantee and the Capital Securities are subordinate and junior in right of payment to all senior indebtedness of M&T and Olympia.

The Capital Securities are mandatorily redeemable in whole, but not in part, upon repayment at the stated maturity dates of the Junior Subordinated Debentures or the earlier redemption of the Junior Subordinated Debentures in whole upon the occurrence of one or more events ("Events") set forth in the indentures relating to the Capital Securities, and in whole or in part at any time after the stated optional redemption dates (February 1, 2007 in the case of Trust I and OnBank Trust I, and June 1, 2007 in the case of Trust II) contemporaneously with the Company's optional redemption of the related Junior Subordinated Debentures in whole or in part. The Junior Subordinated Debentures are redeemable prior to their stated maturity dates at M&T's option in the case of Trust I and Trust II

6. Borrowings, continued

and Olympia's option in the case of OnBank Trust I (i) on or after the stated optional redemption dates, in whole at any time or in part from time to time, or (ii) in whole, but not in part, at any time within 90 days following the occurrence and during the continuation of one or more of the Events, in each case subject to possible regulatory approval. The redemption price of the Capital Securities upon their early redemption will be expressed as a percentage of the liquidation amount plus accumulated but unpaid distributions. In the case of Trust I, such percentage adjusts annually and ranges from 104.117% at February 1, 2007 to 100.412% for the annual period ending January 31, 2017, after which the percentage is 100%, subject to a make-whole amount if the early redemption occurs prior to February 1, 2007. In the case of Trust II, such percentage adjusts annually and ranges from 104.139% at June 1, 2007 to 100.414% for the annual period ending May 31, 2017, after which the percentage is 100%, subject to a make-whole amount if the early redemption occurs prior to June 1, 2007. In the case of OnBank Trust I, such percentage adjusts annually and ranges from 104.625% at February 1, 2007 to 100.463% for the annual period ending January 31, 2017, after which the percentage is 100%, subject to a make-whole amount if the early redemption occurs prior to February 1, 2007.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

M&T Bank Corporation ("M&T") completed the acquisition of ONBANCorp, Inc. ("ONBANCorp"), a bank holding company headquartered in Syracuse, New York, on April 1, 1998. Immediately after the acquisition, ONBANCorp's two banking subsidiaries, OnBank & Trust Co. in Syracuse, which operated 59 offices in upstate New York, and Franklin First Savings Bank in Wilkes-Barre, Pennsylvania, which operated 19 offices in northeastern Pennsylvania, were merged with and into Manufacturers and Traders Trust Company ("M&T Bank"), M&T's principal banking subsidiary. The acquisition was accounted for using the purchase method of accounting and, accordingly, the operations acquired from ONBANCorp have been included in the financial results of M&T and its consolidated subsidiaries ("the Company") since the acquisition date. ONBANCorp's stockholders received $266.3 million in cash and 1,429,998 shares of M&T common stock in exchange for ONBANCorp shares outstanding at the time of acquisition. A summary of assets acquired and liabilities assumed on April 1, 1998 in connection with the ONBANCorp transaction follows (in thousands):

Assets	
Investment securities	$ 1,576,604
Loans and leases, net of unearned discount	2,970,306
Allowance for possible credit losses	(27,905)
Loans and leases, net	2,942,401
Goodwill and core deposit intangible	562,426
Other assets	411,086
Total assets	$ 5,492,517
Liabilities	
Deposits	$ 3,767,729
Short-term borrowings	541,689
Long-term borrowings	268,617
Other liabilities	40,932
Total liabilities	$ 4,618,967

In connection with the acquisition, the Company recorded approximately $562 million of goodwill and core deposit intangible, and incurred nonrecurring expenses related to systems conversions and other costs of integrating and conforming the acquired operations with and into the operations of M&T Bank. Such expenses totaled $3.0 million and $21.3 million during the three and nine month periods ended September 30, 1998, respectively. Since the systems conversions and integration of operations is largely complete, the Company does not expect to incur a material amount of additional integration costs.

The Company's net income for the third quarter of 1998 was $56.5 million, an increase of 23% from $45.9 million in the year-earlier quarter. Diluted earnings per common share were $6.81 in the recent quarter, up 3% from $6.62 in the third quarter of 1997. Net income was $44.7 million in the second quarter of 1998, representing $5.32 of diluted earnings per share. Basic earnings per share increased 2% to $7.09 in the third quarter of 1998 from $6.96 in the comparable 1997 quarter and 28% from $5.55 earned in 1998's second quarter. The after-tax impact on the third and second quarters of 1998 of nonrecurring expenses associated with merging the operations of ONBANCorp into the Company was $1.8 million and $11.3 million, respectively, representing $.21 and $1.34 of diluted earnings per share, respectively, and $.22 and $1.40 of basic earnings per share, respectively. For the nine months ended September 30, 1998, net income totaled $150.1 million or $19.01 per diluted share, up 16% and 2%, respectively, from $129.9 million or $18.60 per share during the first nine months of 1997. Basic earnings per share rose to $19.84 in the first nine months of 1998 from $19.59 in the corresponding 1997 period. Nonrecurring merger-related expenses lowered net income during the nine month period ended September 30, 1998 by $14.0 million and diluted and basic earnings per share by $1.77 and $1.85, respectively.

The Company's net income for the third quarter of 1998 expressed as an annualized rate of return on average assets was 1.15%, compared with 1.36% and .92% in the third quarter of 1997 and the second quarter of 1998, respectively. The annualized rate of return on average common stockholders' equity was 13.48% in the recent quarter, compared with 18.92% in the year- earlier quarter and 10.77% in 1998's second quarter. During the first nine months of 1998, the annualized rates of return on average assets and average common stockholders' equity were 1.13% and 13.73%, respectively, compared with 1.32% and 18.58%, respectively, in the corresponding 1997 period. Excluding the impact of merger-related expenses, the annualized returns on average assets and average common equity were 1.19% and 13.91%, respectively, during the third quarter of 1998 and 1.24% and 15.01%, respectively, during the first nine months of 1998.

On July 31, 1998, M&T completed the sale of its retail credit card business, including outstanding balances of approximately $186 million on that date, and recognized a pre-tax gain of approximately $3.2 million. M&T continues to offer credit cards to customers in the name of M&T Bank, but the cardholder accounts are owned and serviced by the purchaser of that business.

Cash Operating Results

As a result of the acquisition of ONBANCorp on April 1, 1998 and, to a significantly lesser extent, acquisitions of other entities in prior years, M&T had recorded as assets at September 30, 1998 goodwill and core deposit intangible totaling $556 million. Since the amortization of goodwill and core deposit intangible does not result in a cash expense, M&T believes that reporting its operating results on a "cash" (or "tangible") basis (which excludes the after-tax effect of amortization of goodwill and core deposit intangible and the related asset balances) represents a more relevant measure of financial performance and better reflects the cash return on the investments made by M&T to improve and expand its franchise. Cash basis data presented herein do not exclude the effect of non-cash operating expenses such as depreciation, provision for possible credit losses, or deferred income taxes associated with the results of operations.

Excluding nonrecurring merger-related expenses, cash net income rose 43% to $67.7 million in the recent quarter, from $47.4 million in the third quarter of 1997. On the same basis, diluted earnings per share for the third quarter of 1998 were $8.17, up 19% from $6.85 in the year-earlier quarter. Cash net income and diluted earnings per share, excluding one-time expenses, were $65.4 million and $7.78, respectively, in the second quarter of 1998. For the first nine months of 1998 cash net income and diluted cash earnings per share, excluding merger-related expenses, were $184.6 million and $23.37, respectively, up 37% and 21%, respectively, from $134.6 million and $19.26 in the corresponding 1997 period.

Cash return on average tangible assets, excluding the impact of nonrecurring merger-related expenses, was an annualized 1.42% in the recent quarter, compared with 1.40% in the third quarter of 1997 and 1.38% in the second quarter of 1998. Cash return on average tangible common equity, also before one-time expenses, rose to an annualized 23.90% in the third quarter of 1998, compared with 19.98% in the year-earlier quarter and 23.50% in the second 1998 quarter. The annualized cash return on average tangible assets and average tangible common stockholders' equity for the first nine months of 1998, excluding one-time merger-related expenses, was 1.42% and 22.59%, respectively, compared with 1.37% and 19.70%, respectively, in the corresponding 1997 period. Including the effect of merger-related expenses, the annualized cash return on average tangible assets for the three and nine month periods ended September 30, 1998 was 1.38% and 1.32%, respectively, and the annualized cash return on average tangible common stockholders' equity was 23.28% and 20.87%, respectively.

Taxable-equivalent Net Interest Income

Net interest income expressed on a taxable-equivalent basis was $174.5 million in the third quarter of 1998, up $33.0 million or 23% from $141.5 million in the year-earlier quarter, but lower than $178.9 million earned in the second quarter of 1998. Growth in average loans and leases was the most significant factor contributing to the improvement in net interest income from the third quarter of 1997. Average loans and leases increased $4.1 billion, or 37%, to $15.1 billion in the third quarter of 1998 from $11.0 billion in the year-earlier quarter. The primary reason for the higher loan balances compared with 1997 was the $3.0 billion of loans obtained on April 1, 1998 from the ONBANCorp acquisition, including approximately $450 million of commercial loans, $380 million of commercial real estate loans, $1.2 billion of residential mortgage loans and $930 million of consumer loans. Partially offsetting these increases in average loans and leases was the impact of the July 1998 sale of M&T's retail credit card business. Average credit card balances for the third quarter of 1998 totaled $73 million, compared with $257 million in the corresponding 1997 quarter and $216 million in 1998's second quarter. Average loans and leases in the recent quarter were $146 million, or 1%, higher than the second quarter of 1998 despite the impact of the sale of the retail credit card portfolio described above and a decline in average commercial loan balances outstanding attributable to lower levels of inventory floor plan loans to automobile dealers resulting from normal seasonal fluctuations and the impact of a strike against certain production facilities of General Motors Corporation during the recent quarter. The accompanying table summarizes quarterly changes in the major components of the loan and lease portfolio.

AVERAGE LOANS AND LEASES
(net of unearned discount)
Dollars in millions

		Percent increase (decrease) from	
	3rd Qtr. 1998	3rd Qtr. 1997	2nd Qtr. 1998
Commercial, financial, etc.	$ 2,935	32 %	(1)%
Real estate - commercial	5,192	23	4
Real estate - consumer	4,081	82	3
Consumer			
Automobile	1,425	37	3
Home equity	743	15	(1)
Credit cards	73	(71)	(66)
Other	675	85	(7)
Total consumer	2,916	26	(5)
Total	$15,124	37 %	1 %

Taxable-equivalent net interest income for the first nine months of 1998 totaled $496.6 million, up 19% from $418.8 million in the corresponding 1997 period. An increase in average loans and leases of $3.1 billion, including approximately $2.0 billion attributable to the loans acquired in the ONBANCorp transaction, was the primary contributor to this improvement.

Investment securities averaged $2.5 billion in the recent quarter, including $1.1 billion acquired in the ONBANCorp transaction, up from $1.7 billion in the third quarter of 1997. Holdings of investment securities averaged $2.9 billion in the second quarter of 1998, including $1.4 billion of securities obtained in the acquisition of ONBANCorp. Money-market assets averaged $224 million in 1998's third quarter, compared with $156 million in both the year-earlier quarter and the second quarter of 1998. For the first nine months of 1998, average balances of investment securities and money-market assets were $2.3 billion and $174 million, respectively, compared with $1.7 billion and $131 million, respectively, during the comparable period of 1997. Investment securities obtained in the acquisition of ONBANCorp averaged approximately $800 million during the first nine months of 1998. In general, the size of the investment securities and money-market assets portfolios are influenced by such factors as demand for loans, which generally yield more than investment securities and money-market assets, ongoing repayments, the levels of deposits, and management of balance sheet size and resulting capital ratios.

As a result of the changes described above, average earning assets totaled $17.9 billion in the third quarter of 1998, an increase of $5.0 billion, or 39%, from $12.9 billion in the comparable 1997 quarter. Average earning assets were $18.0 billion in the second quarter of 1998 and aggregated $16.4 billion and $12.7 billion for the nine month periods ended September 30, 1998 and 1997, respectively.

Core deposits represent the most significant source of funding to the Company and generally carry lower interest rates than wholesale funds of comparable maturities. Core deposits consist of noninterest-bearing deposits, interest-bearing transaction accounts, savings deposits and nonbrokered domestic time deposits under $100,000. The Company's branch network is the principal source of core deposits. Core deposits include certificates of deposit under $100,000 generated on a nationwide basis by M&T Bank, National Association ("M&T Bank, N.A."), a wholly owned bank subsidiary of M&T. Core deposits obtained on April 1, 1998 in conjunction with the acquisition of ONBANCorp totaled approximately $2.8 billion. Average core deposits increased to $11.4 billion in the third quarter of 1998, from $8.4 billion in the year-earlier quarter. Core deposits averaged $11.5 billion in the second quarter of 1998. The accompanying table provides an analysis of quarterly changes in the components of average core deposits. For the nine months ended September 30, 1998 and 1997, core deposits averaged $10.5 billion and $8.3 billion, respectively.

AVERAGE CORE DEPOSITS
Dollars in millions

	3rd Qtr. 1998	Percent increase (decrease) from 3rd Qtr. 1997	Percent increase (decrease) from 2nd Qtr. 1998
NOW accounts	$ 344	47 %	13 %
Savings deposits	4,709	37	-
Time deposits less than $100,000	4,600	32	(3)
Noninterest-bearing deposits	1,792	43	2
Total	$11,445	36 %	(1)%

In addition to core deposits, the Company obtains funding through domestic time deposits of $100,000 or more, deposits originated through M&T Bank's offshore branch office, and brokered certificates of deposit. Brokered deposits are used as an alternative to short-term borrowings to lengthen the average maturity of interest-bearing liabilities. Brokered deposits averaged $1.4 billion during the recent quarter, compared with $1.5 billion during both the comparable 1997 period and the second quarter of 1998. At September 30, 1998, brokered deposits totaled $1.4 billion and had a weighted average remaining term to maturity of 2.02 years. However, certain of the deposits have provisions that allow early redemption. Additional amounts of brokered deposits may be solicited in the future depending on market conditions and the cost of funds available from alternative sources at the time.

The Company uses borrowings from banks, securities dealers, the Federal Home Loan Banks ("FHLB") and others as alternative sources of funding. Short-term borrowings averaged $2.1 billion in the recent quarter, compared with $641 million in the year-earlier quarter and $2.2 billion in the second quarter of 1998. Long-term borrowings averaged $861 million and $428 million in the third quarter of 1998 and 1997, respectively, and $695 million in the second quarter of 1998. Long-term borrowings include $250 million of trust preferred securities issued by two special-purpose entities formed by M&T during the first half of 1997 and similar securities with a carrying value of $69 million that were issued in the first quarter of 1997 by a special-purpose entity formed by ONBANCorp, as well as $175 million of subordinated capital notes issued in prior years by M&T Bank. Also included in average long-term borrowings during the third quarter of 1998 were $348 million of FHLB borrowings, compared with $2 million in the year-earlier quarter and $182 million in the second quarter of 1998.

Net interest income is impacted by changes in the composition of the Company's earning assets and interest-bearing liabilities, as well as changes in interest rates and spreads. Net interest spread, or the difference between the taxable-equivalent yield on earning assets and the rate paid on interest-bearing liabilities, was 3.30% in the third quarter of 1998, compared with 3.65% in the corresponding 1997 quarter. The yield on earning assets decreased 37 basis points (hundredths of one percent) to 7.97% in the third quarter of 1998 from 8.34% in the year-earlier quarter. Approximately one-half of the 37 basis point decrease in the recent quarter's yield was due to lower yielding residential real estate loans, consumer loans and investment securities acquired in the ONBANCorp transaction. Competitive pressure on interest rates charged for newly originated loans, particularly commercial loans and commercial real estate loans, also contributed to the decline in yield. The rate paid on interest-bearing liabilities in the third quarter of 1998 was 4.67%, compared with 4.69% in the corresponding 1997 quarter. The net interest spread was 3.44% in the second quarter of 1998 when the yield on earning assets was 8.10% and the rate paid on interest-bearing liabilities was 4.66%.

Interest-free funds, consisting largely of noninterest-bearing demand deposits and stockholders' equity, contributed .57% to net interest margin, or taxable equivalent net interest income expressed as an annualized percentage of average earning assets, in the third quarter of 1998, compared with .70% in the corresponding 1997 quarter and .55% in the second quarter of 1998. Average interest-free funds totaled $2.2 billion in the third quarter of 1998, up from $1.9 billion a year earlier and $2.1 billion in the second 1998 quarter. The decline in the contribution to net interest margin of interest-free funds from 1997 was due, in part, to the goodwill and core deposit intangible assets recorded in conjunction with the ONBANCorp acquisition, which averaged $549 million during the recent quarter, and the cash surrender value of bank-owned life insurance, which averaged $362 million in the third quarter of 1998. The cash surrender value of bank-owned life insurance averaged $44 million during the third quarter of 1997. Increases in the cash surrender value of bank-owned life insurance are not included in interest income, but rather are recorded in "other revenue from operations." These two noninterest-earning assets mitigated much of the benefit derived from increases in noninterest-bearing deposits and stockholders' equity resulting from the ONBANCorp transaction.

Due to the changes described above, the Company's net interest margin was 3.87% in 1998's third quarter, compared with 4.35% in the comparable quarter of 1997 and 3.99% in the second quarter of 1998. During the first nine months of 1998 and 1997, the net interest margin was 4.04% and 4.42%, respectively.

The Company, as part of the management of interest rate risk, utilizes interest rate swap agreements to modify the repricing characteristics of certain portions of the loan and deposit portfolios. Revenue and expense arising from these agreements are reflected in either the yields earned on loans or, as appropriate, rates paid on interest-bearing deposits. The notional amount of interest rate swap agreements used as part of the Company's management of interest rate risk in effect at September 30, 1998 and 1997 was $2.5 billion and $3.0 billion, respectively. In general, under the terms of these swaps, the Company receives payments based on the outstanding notional amount of the swaps at fixed rates of interest and makes payments at variable rates. However, under the terms of a $32 million swap, the Company pays a fixed rate of interest and receives a variable rate. At September 30, 1998, the weighted average rates to be received and paid under interest rate swap agreements were 6.29% and 5.63%, respectively. As of September 30, 1998, the Company had also entered into forward-starting swaps with an aggregate notional amount of $391 million in which the Company will pay a fixed rate of interest and receive a variable rate. Such forward- starting swaps had no effect on the Company's net interest income through September 30, 1998. The average notional amounts of interest rate swaps and the related effect on net interest income and margin are presented in the accompanying table.

INTEREST RATE SWAPS
Dollars in thousands

	Three months ended September 30			
	1998		1997	
	Amount	Rate *	Amount	Rate *
Increase (decrease) in:				
Interest income	$ 688	.02%	$ (96)	-- %
Interest expense	(2,859)	(.07)	(3,830)	(.13)
Net interest income/margin	$ 3,547	.08 %	$ 3,734	.12 %
Average notional amount **	$ 2,538,794		$ 2,972,119	

	Nine months ended September 30			
	1998		1997	
	Amount	Rate *	Amount	Rate *
Increase (decrease) in:				
Interest income	$ 1,378	.01 %	$ (48)	- %
Interest expense	(9,193)	(.09)	(10,455)	(.13)
Net interest income/margin	$ 10,571	.09 %	$ 10,407	.11 %
Average notional amount **	$ 2,530,748		$ 2,629,053	

* Computed as an annualized percentage of average earning assets or interest-bearing liabilities.

** Excludes forward starting interest rate swaps.

The Company estimates that as of September 30, 1998 it would have received approximately $31 million if all interest rate swap agreements entered into for interest rate risk management purposes had been terminated. This estimated fair value of the interest rate swap portfolio results from the effects of changing interest rates and should be considered in the context of the entire balance sheet and the Company's overall interest rate risk profile. Changes in the estimated fair value of interest rate swaps entered into for interest rate risk management purposes are not recorded in the consolidated financial statements.

As a financial intermediary, the Company is exposed to various risks, including liquidity and market risk. Liquidity risk arises whenever the maturities of financial instruments included in assets and liabilities differ. Accordingly, a critical element in managing a financial institution is ensuring that sufficient cash flow and liquid assets are available to satisfy demands for loans and deposit withdrawals, to fund operating expenses, and to be used for other corporate purposes. Deposits and borrowings, maturities of money-market assets, repayments of loans and investment securities, and cash generated from operations, such as net interest income and fees collected for services, provide the Company with other sources of liquidity. M&T's banking subsidiaries have access to additional funding sources through membership in the FHLB, as well as other available borrowing facilities. M&T utilizes dividend payments from its banking subsidiaries, which are subject to various regulatory limitations, to pay common stock dividends, repurchase treasury stock, and fund debt service and other operating expenses. M&T also maintains a $25 million line of credit with an unaffiliated commercial bank, all of which was available for borrowing at September 30, 1998. The proceeds from $250 million of junior subordinated debt issued to two special-purpose entities provided additional funds to M&T in 1997. Management does not anticipate engaging in any activities, either currently or in the long-term, which would cause a significant strain on liquidity at either M&T or its subsidiary banks. Furthermore, management closely monitors the Company's liquidity position for compliance with internal policies and believes that available sources of liquidity are adequate to meet anticipated funding needs.

Market risk is the risk of loss from adverse changes in interest rates and the resulting impact on market prices of the Company's financial instruments. The core banking activities of lending and deposit-taking expose the Company to this interest rate risk. As a result of interest rate risk, net interest income earned by the Company is subject to the effects of changing interest rates. The Company measures interest rate risk by calculating the variability of net interest income under various interest rate scenarios using projected balances for earning assets, interest-bearing liabilities and off-balance sheet financial instruments. Management's philosophy toward positioning the Company for interest rate movements is to attempt to limit such variability. The balances of both on- and off-balance sheet financial instruments used in the projections are based on expected growth from forecasted business opportunities, anticipated prepayments of mortgage-related assets and expected maturities of investment securities, loans and deposits. Management supplements the modeling technique described above with analyses of the Company's sensitivity to changes in the market values of financial instruments resulting from changing interest rates.

The Asset-Liability Committee, which includes members of senior management, monitors the Company's interest rate sensitivity with the aid of a computer model which considers the impact of ongoing lending and deposit gathering activities, as well as statistically derived interrelationships in the magnitude and timing of the repricing of financial instruments, including the effect of changing interest rates on expected prepayments and maturities. When deemed prudent, management has taken actions, and intends to do so in the future, to mitigate exposure to interest rate risk through the use of on- or off-balance sheet financial instruments. Possible actions include, but are not limited to, changes in the pricing of loan and deposit products, modifying the composition of earning assets and interest-bearing liabilities, and entering into or modifying existing interest rate swap agreements.

The accompanying table displays the estimated impact on net interest income from financial instruments held for non-trading purposes resulting from changes in interest rates during the first modeling year.

SENSITIVITY OF NET INTEREST INCOME
TO CHANGES IN INTEREST RATES
(dollars in thousands)

Changes in Interest Rates	Calculated increase (decrease) in projected net interest income
+200 basis points	$ 376
+100 basis points	2,797
- -100 basis points	(2,954)
- -200 basis points	(6,161)

The calculation of the impact of changes in interest rates on net interest income is based upon many assumptions, including interest rate spreads, the shape of the yield curve, prepayments of mortgage-related assets, cash flows from derivative and other financial instruments held for non-trading purposes, loan and deposit volumes and pricing, and deposit maturities. The Company also assumes gradual changes in interest rates of 100 and 200 basis points up and down during a twelve-month period. These assumptions are inherently uncertain and, as a result, the Company cannot precisely predict the impact of changes in interest rates on net interest income. Actual results may differ significantly due to timing, magnitude and frequency of interest rate changes and changes in market conditions, as well as any actions, such as those previously described, which management may take to counter these changes.

The Company engages in trading activities to meet the financial needs of customers and to profit from perceived market opportunities. Trading activities are conducted utilizing financial instruments that include forward and futures contracts related to foreign currency exchange and mortgage-backed securities, U.S. Treasury and other government securities, and interest rate contracts such as swaps. As a result, the Company is exposed to foreign currency and interest rate risk resulting from trading activities. However, the Company monitors its trading position daily and generally mitigates exposure arising from trading activities by entering into offsetting positions. Accordingly, the Company's exposure to interest rate, foreign exchange or other price risk related to trading activities as of September 30, 1998 was not considered material.

Provision for Possible Credit Losses

The provision for possible credit losses in the third quarter of 1998 was $10.5 million, down from $12.0 million in the year-earlier quarter and $13.2 million in 1998's second quarter, in part reflecting the July 1998 sale of M&T's retail credit card business. The purpose of the provision is to replenish or build the Company's allowance for possible credit losses to a level necessary to maintain an adequate reserve position. Net loan charge-offs totaled $11.8 million in the recent quarter, compared with $11.6 million and $9.0 million in the third quarter of 1997 and the second quarter of 1998, respectively. Net charge-offs as an annualized percentage of average loans and leases were .31% in the recent quarter, compared with .42% in the corresponding 1997 quarter and .24% in the second quarter of 1998. Net charge-offs of consumer loans in the recent quarter were $8.5 million, compared with $8.2 million in the year-earlier period and $9.3 million in 1998's second quarter. Net consumer loan charge-offs as an annualized percentage of average consumer loans and leases were 1.16% in the third quarter of 1998, compared with 1.42% in the corresponding quarter of 1997 and 1.21% in 1998's second quarter. Net charge-offs of credit card balances included in net consumer loan charge-offs were $4.6 million and $4.5 million in the third quarter of 1998 and 1997, respectively, and $4.6 million in the second quarter of 1998. For the nine months ended September 30, 1998 and 1997, the provision for possible credit losses was $35.7 million and $34.0 million, respectively. Through September 30, net charge-offs were $28.7 million in 1998 and $32.2 million in 1997, representing .28% and .40%, respectively, of average loans and leases. Consumer loan net charge-offs totaled $25.6 million and $26.8 million during the nine months ended September 30, 1998 and 1997, respectively. Net credit card charge-offs were $13.8 million during the first nine months of 1998 and $14.4 million during the corresponding 1997 period.

Including $39.0 million of loans obtained in the acquisition of ONBANCorp, nonperforming loans were $119.2 million or .79% of total loans and leases outstanding at September 30, 1998, compared with $85.8 million or .76% a year earlier and $127.2 million or .83% at June 30, 1998. Nonperforming commercial real estate loans totaled $18.7 million at September 30, 1998, $24.9 million at September 30, 1997 and $24.8 million at June 30, 1998. Nonperforming commercial real estate loans include loans secured by properties located in the New York City metropolitan area of $716 thousand at September 30, 1998, $10.1 million a year earlier and $3.6 million at June 30, 1998. Nonperforming consumer loans and leases totaled $27.6 million at September 30, 1998, compared with $19.5 million at September 30, 1997 and $30.0 million at June 30, 1998. As a percentage of consumer loan balances outstanding, nonperforming consumer loans and leases were .96% at September 30, 1998 compared with .84% at September 30, 1997 and .99% at June 30, 1998. Assets acquired in settlement of defaulted loans were $11.1 million at September 30, 1998, $8.2 million a year earlier and $12.2 million at June 30, 1998.

A comparative summary of nonperforming assets and certain credit quality ratios is presented in the accompanying table.

NONPERFORMING ASSETS
Dollars in thousands

	1998 Quarters			1997 Quarters	
	Third	Second	First	Fourth	Third
Nonaccrual loans	$ 73,778	78,527	40,737	38,588	50,369
Loans past due 90 days or more	37,746	41,686	24,449	30,402	29,979
Renegotiated loans	7,656	7,025	4,819	11,660	5,413
Total nonperforming loans	119,180	127,238	70,005	80,650	85,761
Real estate and other assets	11,106	12,211	7,828	8,413	8,239
Total nonperforming assets	$130,286	139,449	77,833	89,063	94,000
Government guaranteed nonperforming loans*	$ 13,776	16,062	14,787	17,712	17,853
Nonperforming loans to total loans and leases, net of unearned discount	.79%	.83%	.58%	.70%	.76%
Nonperforming assets to total net loans and real estate and other assets	.86%	.91%	.65%	.77%	.83%

* Included in total nonperforming loans.

The allowance for possible credit losses was $309.5 million, or 2.04% of total loans and leases at September 30, 1998, compared with $272.3 million or 2.42% a year earlier, $274.7 million or 2.39% at December 31, 1997 and $310.8 million or 2.04% at June 30, 1998. The ratio of the allowance for possible credit losses to nonperforming loans was 260% at the most recent quarter-end, compared with 318% a year earlier, 341% at December 31, 1997 and 244% at June 30, 1998. Management regularly assesses the adequacy of the allowance by performing an ongoing evaluation of the loan and lease portfolio, including such factors as the differing economic risks associated with each loan category, the current financial condition of specific borrowers, the economic environment in which borrowers operate, the level of delinquent loans and the value of any collateral. Significant loans are individually analyzed, while other smaller balance loans are evaluated by loan category. Impacting the assessment as of September 30, 1998 was the effect that volatile economic conditions in foreign markets were having on the domestic economy. While the Company's direct international exposure is limited, the volatile conditions caused some instability in the domestic economy. Given the concentration of commercial real estate loans in the Company's loan portfolio, particularly the large concentration of loans secured by properties in New York State, in general, and in the New York City metropolitan area, in particular, coupled with significant growth in recent years in loans to individual consumers, management cautiously evaluated the impact of interest rates and overall economic conditions on the ability of borrowers to meet repayment obligations when assessing the adequacy of the Company's allowance for possible credit losses as of September 30, 1998. Based upon the results of such review, management believes that the allowance for possible credit losses at September 30, 1998 was adequate to absorb credit losses from existing loans and leases.

Other Income

Other income totaled $66.6 million in the third quarter of 1998, up 33% from $50.2 million in the year-earlier quarter. Approximately one-half of the increase from the third quarter of 1997 was attributable to revenues related to operations and market areas associated with the ONBANCorp acquisition. Other income was $66.4 million in the second quarter of 1998. Excluding $15.3 million of tax-exempt other income the Company recognized in 1998's first quarter in connection with the contribution of appreciated investment securities with a fair value of $24.6 million to an affiliated, tax-exempt private charitable foundation, other income was $188.1 million in the first nine months of 1998, up 34% from $140.1 million in the comparable 1997 period. Approximately one-third of this increase was attributable to revenues related to operations and market areas associated with the ONBANCorp acquisition. As a result of the charitable contribution noted above, the Company also incurred $24.6 million of charitable contributions expense and realized income tax benefits of $10.0 million.

Mortgage banking revenues totaled $16.4 million in the recent quarter, compared with $12.7 million in the year-earlier quarter and $18.5 million in the second quarter of 1998. Residential mortgage loan servicing fees were $7.3 million in the third quarter of 1998, compared with $6.2 million in the year-earlier quarter and $7.8 million in the second quarter of 1998. Gains from sales of residential mortgage loans and loan servicing rights were $8.1 million in the recently completed quarter, compared with $5.8 million in the corresponding 1997 quarter and $9.9 million in 1998's second quarter. During the second quarter of 1998, the Company completed bulk sales of servicing rights related to approximately $400 million of loans sold to investors in prior periods resulting in a gain of $1.2 million. Due, in part, to generally favorable interest rates for borrowers, during the third quarter of 1998 residential mortgage loans originated for sale to other investors totaled $939 million, up from $608 million in 1997's third quarter, but down slightly from $953 million in the second 1998 quarter. Residential mortgage loans serviced for others totaled $7.5 billion and $6.5 billion at September 30, 1998 and 1997, respectively. Capitalized servicing assets were $64 million and $49 million at September 30, 1998 and 1997, respectively. Loans serviced for others and the related capitalized servicing assets obtained in the ONBANCorp acquisition were $988 million and $16 million, respectively, at April 1, 1998.

Service charges on deposit accounts increased to $15.9 million in the third quarter of 1998, up from $10.9 million in the corresponding quarter of the previous year and $14.2 million in the second quarter of 1998. Fees for services provided to customers in the areas formerly served by ONBANCorp contributed approximately three-fourths of the increase from the third quarter of 1997. Trust income was $9.4 million in the third quarter of 1998, compared with $7.6 million in last year's third quarter and $9.9 million in the second quarter of 1998. The increase from 1997 was due largely to higher revenues for investment management and personal trust services. Merchant discount and credit card fees were $2.3 million in the recent quarter, compared with $4.5 million in the year-earlier period and $4.3 million in the second 1998 quarter. As further discussed below, the decrease from the prior periods was predominately the result of the July sale of the Company's retail credit card business. Trading account and foreign exchange activity resulted in losses of $148 thousand in the third quarter of 1998, compared with gains of $1.4 million and $506 thousand in the third quarter of 1997 and the second quarter of 1998, respectively. Other revenue from operations totaled $22.3 million in the recent quarter, compared with $10.7 million in the corresponding quarter of 1997 and $18.7 million in the second quarter of 1998. The increase from the year-earlier period was due largely to an increase of $4.5 million of tax-exempt income earned from the Company's ownership of bank-owned life insurance, a $3.2 million gain on the previously mentioned sale of the Company's retail credit card business and an increase of $2.3 million in fees for services provided to borrowers and other credit customers.

For the nine-month period ended September 30, 1998, mortgage banking revenues totaled $48.7 million, up 32% from $37.0 million in the corresponding 1997 period. Compared with the first nine months of 1997, mortgage servicing fees and gains from sales of loans and loan servicing rights in 1998 were up by $4.0 million and $7.2 million, respectively. Compared with the same period in 1997, service charges on deposit accounts increased 29% to $41.4 million during the first nine months of 1998, while trust income increased 32% to $28.8 million. As a result of the factors discussed in the next paragraph, merchant discount and credit card fees decreased 22% to $10.9 million from $14.0 million in the similar period of 1997. Trading account and foreign exchange activity resulted in gains of $2.1 million for the initial nine months of 1998, compared with gains of $3.4 million during the first nine months of 1997. Excluding the effect of the contribution of securities to the affiliated charitable foundation, other revenues from operations increased 72% to $55.5 million in the first nine months of 1998 from $32.3 million in the comparable 1997 period. The increase resulted largely from an increase of $11.9 million in tax-exempt income earned from bank-owned life insurance, $4.6 million of increased fees for credit and other services provided to borrowers and other customers, the $3.2 million gain from the sale of the retail credit card business, a $2.3 million rise in automated teller machine service fees and a $2.0 million increase in fees earned from the sales of mutual funds and annuities. These latter fees totaled $13.5 million during the first nine months of 1998.

Due to poorer than expected results, during 1997 and 1998 the Company terminated all of its co-branded credit card programs and, as previously discussed, sold its retail credit card business, including outstanding balances of approximately $186 million, on July 31, 1998, recognizing a pre-tax gain of $3.2 million. Outstanding credit card balances were $263.9 million, or 2.3% of total loans and leases, at September 30, 1997 and $205.5 million, or 1.3%, at June 30, 1998. Total credit card fees included in merchant discount and credit card fees in the first nine months of 1998 were $8.3 million, compared with $11.7 million in the corresponding 1997 period. Through the date of sale, the results of operations of the retail credit card business in 1998, including internal allocations of the provision for possible credit losses, interest expense and other expenses, were essentially break-even. On the same basis, the Company incurred a loss of approximately $8 million during the nine months ended September 30, 1997.

Other Expense

Excluding the amortization of goodwill and core deposit intangible and nonrecurring merger-related expenses, other expense totaled $124.6 million in the third quarter of 1998, 21% higher than $102.9 million in the year-earlier quarter, but down 2% from $127.4 million in the second quarter of 1998. On the same basis, through the first nine months of 1998, other expense totaled $382.4 million, up 25% from $305.6 million in the corresponding 1997 period. Nonrecurring merger-related expenses totaled $3.0 million and $16.7 million in the third and second quarters of 1998, respectively, and $21.3 million for the first nine months of 1998. The charitable contributions expense of $24.6 million related to the January 1998 donation of appreciated investment securities already discussed and higher operating expense levels resulting from combining ONBANCorp with the Company largely explain the increases in expenses from 1997 to 1998. Since nearly all operating systems and support operations of ONBANCorp have been converted to or combined with those of the Company, the Company's operating expenses cannot be precisely divided between or attributed directly to ONBANCorp or the Company as it existed prior to the merger.

Salaries and employee benefits expense was $63.5 million in the recent quarter, 13% higher than the $56.3 million in the year-earlier quarter, but 9% lower than the $69.9 million in the second quarter of 1998. For the first nine months of 1998, salaries and employee benefits expense increased 16% to $191.8 million from $165.4 million in the corresponding 1997 period. Salaries and employee benefits relating to the operations acquired from ONBANCorp largely contributed to the increased expense level in the 1998 periods over 1997. Other factors contributing to the higher expenses were merit salary increases and higher costs associated with commissions, other incentive-based compensation arrangements and employee benefits. Partially offsetting the impact of these higher expenses was a decrease in expense associated with stock appreciation rights. For the three and nine month periods ended September 30, 1998, expenses for stock appreciation rights declined $7.9 million and $6.4 million, respectively, from the comparable periods of 1997. Such expenses declined $6.7 million from the second to the third quarter of 1998.

Excluding one-time merger-related expenses and amortization of goodwill and core deposit intangible, nonpersonnel expense totaled $61.9 million in the recent quarter, compared with $46.6 million in the third quarter of 1997 and $58.8 million in 1998's second quarter. On the same basis, such expenses were $192.8 million during the first nine months of 1998, up 38% from $140.2 million during the corresponding 1997 period. The increases from 1997 were largely the result of expenses related to the acquired operations of ONBANCorp and an increase in amortization of capitalized servicing rights. Including $1.2 million of amortization of servicing rights obtained in the ONBANCorp acquisition, amortization and impairment of capitalized servicing rights increased to $6.0 million in the third quarter of 1998 from $3.3 million in the third quarter of 1997. For the first nine months of 1998 and 1997, such expenses were $15.7 million and $10.1 million, respectively. The previously mentioned transfer of securities to an affiliated charitable foundation in January 1998 also contributed $24.6 million to the higher expense level during the first nine months of 1998. Partially offsetting these increases were declines in co-branded credit card rebate and other operating expenses based on card usage of $2.2 million and $577 thousand compared with the third quarter of 1997 and the second quarter of 1998, respectively. Such expenses for the first nine months of 1998 were $2.8 million, compared with $8.5 million in the corresponding 1997 period.

Capital

Stockholders' equity at September 30, 1998 was $1.6 billion or 8.47% of total assets, compared with $982 million or 7.18% of total assets a year earlier and $1.0 billion or 7.36% at December 31, 1997. Stockholders' equity per share was $209.03 at September 30, 1998, up from $149.31 and $155.86 at September 30 and December 31, 1997, respectively. Excluding goodwill and core deposit intangible, net of applicable tax effect, tangible equity per share was $141.43 at September 30, 1998, compared with $146.40 a year earlier and $153.24 at December 31, 1997. To complete the acquisition of ONBANCorp on April 1, 1998, M&T issued 1,429,998 shares of common stock to former holders of ONBANCorp common stock and assumed employee stock options for 61,772 shares of M&T common stock resulting in additions to stockholders' equity of $587.8 million and $19.4 million, respectively.

Stockholders' equity at September 30, 1998 reflected a gain of $6.8 million, or $.86 per share, for the net after-tax impact of unrealized gains on investment securities classified as available for sale, compared with unrealized gains of $11.2 million or $1.71 per share at September 30, 1997 and $12.0 million or $1.82 per share at December 31, 1997. Such unrealized gains represent the difference, net of applicable income tax effect, between the estimated fair value and amortized cost of investment securities classified as available for sale. The market valuation of investment securities should be considered in the context of the entire balance sheet of the Company. With the exception of investment securities classified as available for sale, trading account assets and liabilities, and residential mortgage loans held for sale, the carrying values of financial instruments in the balance sheet are generally not adjusted for appreciation or depreciation in market value resulting from changes in interest rates.

Federal regulators generally require banking institutions to maintain "core capital" and "total capital" ratios of at least 4% and 8%, respectively, of risk-adjusted total assets. In addition to the risk-based measures, Federal bank regulators have also implemented a minimum "leverage" ratio guideline of 3% of the quarterly average of total assets. Under regulatory guidelines, unrealized gains or losses on investment securities classified as available for sale are generally not recognized in determining regulatory capital. Core capital includes the $250 million of trust preferred securities issued by two special-purpose entities formed by M&T during 1997 and similar securities having a carrying value of $69 million issued by a special-purpose entity formed by ONBANCorp. As of September 30, 1998, total capital also included $160 million of subordinated notes issued by M&T Bank in prior years. The capital ratios of the Company and its banking subsidiaries, M&T Bank and M&T Bank, N.A., as of September 30, 1998 are presented in the accompanying table.

REGULATORY CAPITAL RATIOS
September 30, 1998

	M&T (Consolidated)	M&T Bank	M&T Bank, N.A.
Core capital	9.18%	8.51%	19.53%
Total capital	11.48%	10.83%	20.79%
Leverage	7.44%	6.97%	9.28%

The rate of internal capital generation, or net income less dividends paid expressed as an annualized percentage of average total stockholders' equity, was 11.59% and 11.79% during the three and nine month periods ended September 30, 1998, compared with 16.75% and 16.30% during the comparable periods of 1997 and 8.84% in the second 1998 quarter.

During the third quarter of 1998, M&T acquired 128,660 shares of its common stock pursuant to the repurchase program announced in February 1997. In October, this program was completed with a purchase of 1,318 shares of M&T's common stock. Under the completed program, a total of 155,133 shares were repurchased at an average cost of $479.54 per share. In the aggregate, M&T repurchased 280,439 common shares during the first nine months of 1998 at a total cost of $135.5 million. In October 1998, M&T announced another plan to repurchase up to 200,674 additional shares for reissuance upon the possible future exercise of outstanding stock options, and through November 6, 1998 had acquired 114,449 shares at an average cost of $462.62 per share.

Year 2000 Initiatives

The "Year 2000" problem relates to the ability of computer systems, including those in non-information technology equipment and systems ("Computer Systems"),to distinguish date data between the twentieth and twenty-first centuries. The Company is currently working to resolve the potential impact of the Year 2000 problem. The risk for the Company is that all of the corrections and testing will not be made in time for its own Computer Systems and for those third parties doing business with or providing services to the Company.

Addressing the Year 2000 problem requires that the Company identify, remediate and test its Computer Systems that have date sensitive functions. As part of this process, the Company has identified those of its Computer Systems which, if uncorrected, would have a material adverse impact on the Company's customers, the Company's compliance with applicable regulations, or the Company's financial statements ("Mission Critical"). As a result of completed testing under a planned program to test for such compliance, management presently believes that approximately one-half of all of the Company's Mission Critical Computer Systems are Year 2000 compliant. Management currently anticipates that all but two of the Company's Mission Critical Computer Systems will be Year 2000 compliant by the end of 1998, and that the two remaining Mission Critical Computer Systems will be Year 2000 compliant by March 31, 1999. The Company currently expects that its remaining computer Systems will be Year 2000 compliant before the new millennium.

The Company could also be adversely affected if its vendors, customers and other third parties that supply or rely on data processing systems are not Year 2000 compliant prior to the end of 1999. The Company, therefore, is working with its data processing vendors and providing information to its commercial customers regarding Year 2000 issues. Specifically, lending officers have been trained to address Year 2000 issues with customers, including assessing customer needs for Year 2000 compliance. The Company is also addressing the Year 2000 risks posed by other third parties such as its funds providers and capital market/asset management counterparties. Lack of corrective measures by government agencies or service providers which the Company either receives data from or provides data to could also have a negative impact on the Company's operations. Notwithstanding the Company's efforts, a risk remains due to the uncertainty that such third parties will not be Year 2000 compliant before the new millennium. As a result, it is possible that if all aspects of Year 2000 issues are not adequately resolved by each of the third parties referred to above, the Company's future business operations, financial position and results of operations could be adversely impacted. For example, the credit quality of commercial and other loans may be adversely affected by the failure of customers' operating systems resulting from Year 2000 issues. As of September 30, 1998, the Company has not yet received sufficient information from all such third parties about their remediation plans to predict the outcome of their efforts.

Management is monitoring the Company's progress regarding Year 2000 issues. The Company has established a committee consisting of senior members of management to oversee all Year 2000 activities. In conjunction with its assessment of the Company's Year 2000 remediation plans, management is in the process of identifying and/or developing appropriate contingency plans should any critical issues not be resolved prior to January 1, 2000.

Through September 30, 1998, the Company has spent approximately $3 million (including approximately $2 million during the first nine months of 1998) in addressing its potential Year 2000 problems. Management believes that the Company is continuing to devote appropriate financial and human resources to resolve its Year 2000 issues in a timely manner, and currently estimates that it will expend an additional $6 to $8 million in order to address Year 2000 issues. A majority of the Company's past and future Year 2000 expenses relate to internal costs and constitute resources that would otherwise have been reallocated within the Company. Such reallocation has not had a material adverse impact on the Company's financial condition or results of operations, nor is it expected to have a material adverse impact in future periods. Costs associated with Year 2000 issues are recognized as expense as incurred.

The preceding discussion of Year 2000 initiatives contains forward- looking statements as to Year 2000 issues. See also the discussion of Future Factors under the caption "Forward-Looking Statements," which are incorporated by reference into the preceding discussion.

Recently issued accounting standards not yet adopted

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as (a) a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, (b) a hedge of the exposure to variable cash flows of a forecasted transaction, or (c) a hedge of the foreign currency exposure of a net investment in a foreign operation, an unrecognized firm commitment, an available for sale security, or a foreign currency denominated forecasted transaction.

The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. An entity that elects to apply hedge accounting is required to establish at the inception of the hedge the method it will use for assessing the effectiveness of the hedging derivative and the measurement approach for determining the ineffective aspect of the hedge. Those methods must be consistent with the entity's approach to managing risk.

SFAS No. 133 is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. Initial application of SFAS No. 133 should be as of the beginning of an entity's fiscal quarter; on that date, hedging relationships must be designated anew and documented pursuant to the provisions of the statement. Early application of all of the provisions of

SFAS No. 133 is encouraged, but is permitted only as of the beginning of any fiscal quarter that began after issuance of the statement. SFAS No. 133 should not be applied retroactively to financial statements of prior periods.

The Company intends to adopt SFAS No. 133 as of January 1, 2000; however, it has not yet quantified the financial statement impact of adoption, nor has the method of adoption been determined. The Company anticipates that adoption of SFAS No. 133 could increase the volatility of reported earnings and stockholders' equity and could result in the modification of certain data processing systems and hedging practices.

Forward-Looking Statements

Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this quarterly report contain forward- looking statements that are based on current expectations, estimates and projections about the Company's business, management's beliefs and assumptions made by management. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions ("Future Factors") which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. The Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Future Factors include changes in interest rates, spreads on earning assets and interest-bearing liabilities, and interest rate sensitivity; credit losses; sources of liquidity; regulatory supervision and oversight, including required capital levels; increasing price and product/service competition by competitors, including new entrants; rapid technological developments and changes; the ability to continue to introduce competitive new products and services on a timely, cost-effective basis; the mix of products/services; containing costs and expenses; governmental and public policy changes, including environmental regulations; protection and validity of intellectual property rights; reliance on large customers; technological, implementation and cost/financial risks in large, multi-year contracts; technological, implementation and financial risks associated with Year 2000 issues; the outcome of pending and future litigation and governmental proceedings; continued availability of financing; and financial resources in the amounts, at the times and on the terms required to support the Company's future businesses. These are representative of the Future Factors that could affect the outcome of the forward-looking statements. In addition, such statements could be affected by general industry and market conditions and growth rates, general economic conditions, including interest rate and currency exchange rate fluctuations, and other Future Factors.

M&T BANK CORPORATION AND SUBSIDIARIES

QUARTERLY TRENDS

Taxable-equivalent basis	1998 Quarters Third	Second	First	1997 Quarters Fourth	Third	Second	First
Earnings and dividends							
Amounts in thousands, except per share							
Interest income	$359,339	363,503	277,803	277,166	271,305	265,301	257,029
Interest expense	184,850	184,644	134,585	133,270	129,768	125,734	119,321
Net interest income	174,489	178,859	143,218	143,896	141,537	139,567	137,708
Less: provision for possible credit losses	10,500	13,200	12,000	12,000	12,000	11,000	11,000
Other income	66,568	66,410	70,396	52,979	50,182	43,983	45,923
Less: other expense	138,490	155,004	133,873	110,716	104,706	102,070	104,284
Income before income taxes	92,067	77,065	67,741	74,159	75,013	70,480	68,347
Applicable income taxes	33,693	30,587	17,245	26,246	27,518	26,329	25,825
Taxable-equivalent adjustment	1,897	1,779	1,541	1,613	1,604	1,360	1,263
Net income	$ 56,477	44,699	48,955	46,300	45,891	42,791	41,259
Per common share data							
Net income							
Basic	$ 7.09	5.55	7.34	7.01	6.96	6.46	6.17
Diluted	6.81	5.32	7.01	6.66	6.62	6.17	5.81
Cash dividends	$ 1.00	1.00	.80	.80	.80	.80	.80
Average common shares outstanding							
Basic	7,966	8,051	6,666	6,599	6,592	6,627	6,685
Diluted	8,288	8,409	6,981	6,955	6,927	6,928	7,100
Performance ratios, annualized							
Return on							
Average assets	1.15%	.92%	1.41%	1.33%	1.36%	1.31%	1.30%
Average common stockholders' equity	13.48%	10.77%	18.86%	18.25%	18.92%	18.55%	18.24%
Net interest margin on average earning assets	3.87%	3.99%	4.35%	4.34%	4.35%	4.41%	4.50%
Nonperforming assets to total assets, at end of quarter	.67%	.69%	.53%	.64%	.69%	.79%	.81%
Cash (tangible) operating results (1)							
Net income (in thousands)	$ 67,703	65,445	51,448	47,837	47,428	44,350	42,773
Diluted net income per common share	8.17	7.78	7.37	6.88	6.85	6.40	6.02
Annualized return on							
Average tangible assets	1.42%	1.38%	1.49%	1.38%	1.40%	1.36%	1.35%
Average tangible common stockholders' equity	23.90%	23.50%	20.13%	19.20%	19.98%	19.70%	19.39%
Balance sheet data							
Dollars in millions, except per share							
Average balances							
Total assets	$ 19,455	19,547	14,055	13,785	13,424	13,148	12,866
Earning assets	17,881	17,992	13,357	13,148	12,905	12,700	12,420
Investment securities	2,533	2,858	1,614	1,721	1,747	1,715	1,611
Loans and leases, net of unearned discount	15,124	14,978	11,602	11,327	11,002	10,842	10,715
Deposits	14,552	14,726	10,988	11,261	11,170	10,914	10,454
Stockholders' equity	1,662	1,664	1,053	1,007	962	925	917
At end of quarter							
Total assets	$ 19,478	20,138	14,570	14,003	13,675	13,441	13,122
Earning assets	17,905	18,419	13,778	13,333	13,100	12,903	12,621
Investment securities	2,446	2,707	1,530	1,725	1,752	1,708	1,693
Loans and leases, net of unearned discount	15,163	15,245	12,033	11,497	11,271	10,980	10,803
Deposits	14,394	14,813	11,085	11,163	11,205	11,186	10,533
Stockholders' equity	1,649	1,659	1,069	1,030	982	951	912
Equity per common share	209.03	207.18	160.06	155.86	149.31	143.64	137.33
Tangible equity per common share	141.43	139.37	157.75	153.24	146.40	140.43	133.84
Market price per common share							
High	$ 582	554	504	468	415	343 1/2	336
Low	410	480	429	401	335	303	281
Closing	461	554	499 7/8	465	415	337	320

(1) Excludes amortization and balances related to goodwill and core deposit intangible and nonrecurring merger-related expenses, net of applicable income tax effects.

M&T BANK CORPORATION AND SUBSIDIARIES

AVERAGE BALANCE SHEETS AND ANNUALIZED TAXABLE-EQUIVALENT RATES

Average balance in millions; interest in thousands	1998 Third quarter Average balance	Interest	Average rate
Assets			
Earning assets			
Loans and leases, net of unearned discount*			
Commercial, financial, etc	$ 2,935	$ 61,547	8.32%
Real estate	9,273	188,843	8.15
Consumer	2,916	65,230	8.87
Total loans and leases, net	15,124	315,620	8.28
Money-market assets			
Interest-bearing deposits at banks	2	16	3.07
Federal funds sold and agreements to resell securities	119	1,634	5.44
Trading account	103	1,797	6.93
Total money-market assets	224	3,447	6.11
Investment securities**			
U.S. Treasury and federal agencies	1,561	23,644	6.01
Obligations of states and political subdivisions	85	1,321	6.18
Other	887	15,307	6.84
Total investment securities	2,533	40,272	6.31
Total earning assets	17,881	359,339	7.97
Allowance for possible credit losses	(311)		
Cash and due from banks	413		
Other assets	1,472		
Total assets	$ 19,455		
Liabilities and stockholders' equity			
Interest-bearing liabilities			
Interest-bearing deposits			
NOW accounts	$ 344	1,328	1.53
Savings deposits	4,709	31,395	2.65
Time deposits	7,414	103,525	5.54
Deposits at foreign office	293	3,964	5.36
Total interest-bearing deposits	12,760	140,212	4.36
Short-term borrowings	2,069	29,376	5.63
Long-term borrowings	861	15,262	7.03
Total interest-bearing liabilities	15,690	184,850	4.67
Noninterest-bearing deposits	1,792		
Other liabilities	311		
Total liabilities	17,793		
Stockholders' equity	1,662		
Total liabilities and stockholders' equity	$ 19,455		
Net interest spread			3.30
Contribution of interest-free funds			.57
Net interest income/margin on earning assets		$ 174,489	3.87%

Average balance in millions; interest in thousands	1998 Second quarter Average balance	Interest	Average rate
Assets			
Earning assets			
Loans and leases, net of unearned discount*			
Commercial, financial, etc	2,954	62,026	8.42%
Real estate	8,951	184,120	8.23
Consumer	3,073	69,672	9.09
Total loans and leases, net	14,978	315,818	8.46
Money-market assets			
Interest-bearing deposits at banks	37	364	3.93

Federal funds sold and agreements to resell securities	88	1,247	5.70
Trading account	31	494	6.31
Total money-market assets	156	2,105	5.40
Investment securities**			
U.S. Treasury and federal agencies	1,816	27,620	6.10
Obligations of states and political subdivisions	90	1,396	6.25
Other	952	16,564	6.98
Total investment securities	2,858	45,580	6.40
Total earning assets	17,992	363,503	8.10
Allowance for possible credit losses	(310)		
Cash and due from banks	417		
Other assets	1,448		
Total assets	19,547		
Liabilities and stockholders' equity			
Interest-bearing liabilities			
Interest-bearing deposits			
NOW accounts	304	1,189	1.57
Savings deposits	4,718	30,636	2.60
Time deposits	7,686	105,500	5.51
Deposits at foreign office	267	3,562	5.34
Total interest-bearing deposits	12,975	140,887	4.36
Short-term borrowings	2,207	30,969	5.63
Long-term borrowings	695	12,788	7.38
Total interest-bearing liabilities	15,877	184,644	4.66
Noninterest-bearing deposits	1,751		
Other liabilities	255		
Total liabilities	17,883		
Stockholders' equity	1,664		
Total liabilities and stockholders' equity	19,547		
Net interest spread			3.44
Contribution of interest-free funds			.55
Net interest income/margin on earning assets		178,859	3.99%

	1998 First quarter		
Average balance in millions; interest in thousands	Average balance	Interest	Average rate
Assets			
Earning assets			
Loans and leases, net of unearned discount*			
Commercial, financial, etc	2,393	49,755	8.43%
Real estate	7,012	148,744	8.49
Consumer	2,197	51,194	9.45
Total loans and leases, net	11,602	249,693	8.73
Money-market assets			
Interest-bearing deposits at banks	1	6	2.91
Federal funds sold and agreements to resell securities	127	1,722	5.51
Trading account	13	169	5.13
Total money-market assets	141	1,897	5.45
Investment securities**			
U.S. Treasury and federal agencies	1,013	15,861	6.35
Obligations of states and political subdivisions	37	628	6.83
Other	564	9,724	7.00
Total investment securities	1,614	26,213	6.59
Total earning assets	13,357	277,803	8.43
Allowance for possible credit losses	(279)		
Cash and due from banks	321		
Other assets	656		
Total assets	14,055		
Liabilities and stockholders' equity			
Interest-bearing liabilities			
Interest-bearing deposits			

NOW accounts	270	955	1.44
Savings deposits	3,446	22,607	2.66
Time deposits	5,753	80,634	5.68
Deposits at foreign office	247	3,239	5.31
Total interest-bearing deposits	9,716	107,435	4.48
Short-term borrowings	1,353	18,597	5.57
Long-term borrowings	428	8,553	8.11
Total interest-bearing liabilities	11,497	134,585	4.75
Noninterest-bearing deposits	1,272		
Other liabilities	233		
Total liabilities	13,002		
Stockholders' equity	1,053		
Total liabilities and stockholders' equity	14,055		
Net interest spread			3.68
Contribution of interest-free funds			.67
Net interest income/margin on earning assets		143,218	4.35%

* Includes nonaccrual loans

** Includes available for sale securities at amortized cost

(continued)

AVERAGE BALANCE SHEETS AND ANNUALIZED TAXABLE-EQUIVALENT RATES (continued)

	1997 Fourth quarter			1997 Third quarter		
Average balance in millions; interest in thousands	Average balance	Interest	Average rate	Average balance	Interest	Average rate
Assets						
Earning assets						
Loans and leases, net of unearned discount*						
Commercial, financial, etc	$ 2,353	$ 49,625	8.37%	2,226	47,527	8.47%
Real estate	6,752	145,960	8.65	6,468	139,184	8.61
Consumer	2,222	52,259	9.33	2,308	54,025	9.28
Total loans and leases, net	11,327	247,844	8.68	11,002	240,736	8.68
Money-market assets						
Interest-bearing deposits at banks	1	6	2.80	63	944	5.91
Federal funds sold and agreements to resell securities	56	772	5.50	69	952	5.47
Trading account	43	825	7.55	24	414	6.96
Total money-market assets	100	1,603	6.36	156	2,310	5.88
Investment securities**						
U.S. Treasury and federal agencies	1,098	17,328	6.26	1,132	17,959	6.29
Obligations of states and political subdivisions	40	672	6.60	45	755	6.61
Other	583	9,719	6.62	570	9,545	6.64
Total investment securities	1,721	27,719	6.39	1,747	28,259	6.42
Total earning assets	13,148	277,166	8.36	12,905	271,305	8.34
Allowance for possible credit losses	(273)			(273)		
Cash and due from banks	322			303		
Other assets	588			489		
Total assets	$ 13,785			13,424		
Liabilities and stockholders' equity						
Interest-bearing liabilities						
Interest-bearing deposits						
NOW accounts	$ 257	897	1.39	234	803	1.36
Savings deposits	3,483	23,418	2.67	3,443	22,746	2.62
Time deposits	5,978	85,711	5.69	6,021	85,889	5.66
Deposits at foreign office	227	3,079	5.37	221	2,969	5.32
Total interest-bearing deposits	9,945	113,105	4.51	9,919	112,407	4.50
Short-term borrowings	829	11,610	5.56	641	8,801	5.45
Long-term borrowings	428	8,555	7.93	428	8,560	7.94
Total interest-bearing liabilities	11,202	133,270	4.72	10,988	129,768	4.69
Noninterest-bearing deposits	1,316			1,251		
Other liabilities	260			223		
Total liabilities	12,778			12,462		
Stockholders' equity	1,007			962		
Total liabilities and stockholders' equity	$ 13,785			13,424		
Net interest spread			3.64			3.65
Contribution of interest-free funds			.70			.70
Net interest income/margin on earning assets		$ 143,896	4.34%		141,537	4.35%

* Includes nonaccrual loans.

** Includes available for sale securities at amortized cost.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Incorporated by reference to the discussion contained under the caption "Taxable-equivalent Net Interest Income" in Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

M&T and its subsidiaries are subject in the normal course of business to various pending and threatened legal proceedings in which claims for monetary damages are asserted. Management, after consultation with legal counsel, does not anticipate that the aggregate ultimate liability, if any, arising out of litigation pending against M&T or its subsidiaries will be material to M&T's consolidated financial position, but at the present time is not in a position to determine whether such litigation will have a material adverse effect on M&T's consolidated results of operations in any future reporting period.

Item 2. Changes in Securities and Use of Proceeds.
(Not applicable.)

Item 3. Defaults Upon Senior Securities.
(Not applicable.)

Item 4. Submission of Matters to a Vote of Security Holders.
(Not applicable.)

Item 5. Other Information.
(None.)

Item 6. Exhibits and Reports on Form 8-K.

(a) The following exhibits are filed as a part of this report:

Exhibit No.	
27.1	Financial Data Schedule. Filed herewith.

(b) Reports on Form 8-K. M&T did not file any Current Reports on Form 8-K during the fiscal quarter ended September 30, 1998.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

M&T BANK CORPORATION

Date: November 13, 1998

By: /s/ Michael P. Pinto

Michael P. Pinto
Executive Vice President
and Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	
27.1	Financial Data Schedule. Filed herewith.

9-MOS
DEC-31-1998
SEP-30-1998
398,542
909
144,075
196,276
2,236,556
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