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

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2000
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 of incorporation)	(I.R.S. Employer Identification No.)
One M&T Plaza, Buffalo, New York	14203
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $.50 par value	New York Stock Exchange
(Title of each class)	(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act:

8.234% Capital Securities of M&T Capital Trust I
(and the Guarantee of M&T Bank Corporation with respect thereto)
(Title of class)
8.234% Junior Subordinated Debentures of
M&T Bank Corporation
(Title of class)
8.277% Capital Securities of M&T Capital Trust II
(and the Guarantee of M&T Bank Corporation with respect thereto)
(Title of class)
8.277% Junior Subordinated Debentures of
M&T Bank Corporation
(Title of class)

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, and (2) has been subject to such filing requirements for the past 90 days. Yes _X_ No ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Aggregate market value of the Common Stock, $0.50 par value, held by non-affiliates of the registrant, computed by reference to the closing price as of the close of business on February 27, 2001: $5,516,204,248.

Number of shares of the Common Stock, $0.50 par value, outstanding as of the close of business on February 27, 2001: 96,677,727 shares.

Documents Incorporated By Reference:

(1) Portions of the Proxy Statement for the 2001 Annual Meeting of Stockholders of M&T Bank Corporation in Part III.

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M&T BANK CORPORATION

FORM 10-K

For the year ended December 31, 2000

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PART I

Item 1. Business.

M&T Bank Corporation (“Registrant” or “M&T”) is a New York business corporation which is registered as a bank holding company under the Bank Holding Company Act of 1956, as amended (“BHCA”) and under Article III-A of the New York Banking Law (“Banking Law”). The principal executive offices of the Registrant are located at One M&T Plaza, Buffalo, New York 14203. The Registrant was incorporated in November 1969. The Registrant and its direct and indirect subsidiaries are collectively referred to herein as the “Company.” As of December 31, 2000 the Company had consolidated total assets of $28.9 billion, deposits of $20.2 billion and stockholders’ equity of $2.7 billion. The Company had 7,616 full-time and 1,120 part-time employees as of December 31, 2000.

At December 31, 2000, the Registrant had two wholly owned bank subsidiaries: Manufacturers and Traders Trust Company (“M&T Bank”) and M&T Bank, National Association (“M&T Bank, N.A.”). The banks collectively offer a wide range of commercial banking, trust and investment services to their customers. At December 31, 2000, M&T Bank represented 97% of consolidated assets of the Company.

On February 9, 2001, M&T completed the merger of Premier National Bancorp, Inc. (“Premier”), a bank holding company headquartered in Lagrangeville, New York, with and into Olympia Financial Corp. (“Olympia”), a wholly owned subsidiary of M&T. Following the merger, Premier National Bank, Premier’s bank subsidiary, was merged into M&T Bank. Premier National Bank operated 34 banking offices in the mid-Hudson Valley region of New York State. At December 31, 2000, Premier had approximately $1.6 billion of assets, including $1.0 billion of loans, and approximately $1.4 billion of liabilities, including $1.3 billion of deposits. The transaction was accounted for using the purchase method of accounting and, accordingly, the operations acquired from Premier will be included in M&T’s financial results subsequent to the acquisition date. Premier’s stockholders received approximately $171 million in cash and 2,441,000 shares of M&T common stock in exchange for the Premier shares outstanding at the time of the acquisition.

On October 6, 2000, M&T completed the merger of Keystone Financial, Inc. (“Keystone”), a bank holding company headquartered in Harrisburg, Pennsylvania. Keystone Financial Bank, N.A., Keystone’s bank subsidiary, was merged into M&T Bank. Keystone Financial Bank, N.A. operated banking offices in Pennsylvania, Maryland and West Virginia. The acquisition has been accounted for using the purchase method of accounting and, accordingly, the operations acquired from Keystone have been included in M&T’s financial results since the acquisition date. Keystone’s stockholders received $375 million in cash and 15,900,292 shares of M&T common stock in exchange for the Keystone shares outstanding at the time of acquisition. Assets acquired totaled approximately $7.4 billion and included loans and leases of $4.8 billion and investment securities of $1.2 billion. Liabilities assumed on October 6 were approximately $6.4 billion and included $5.2 billion of deposits. In connection with the Keystone transaction, the Company recorded approximately $615 million of goodwill and core deposit intangible.

On March 1, 2000, M&T Bank completed the acquisition of Matthews, Bartlett & Dedecker, Inc. (“MBD”), an insurance agency located in Buffalo, New York. MBD provides insurance services principally to the commercial market and operates as a subsidiary of M&T Bank. The acquisition of MBD has not had a material impact on the Company’s financial position or its results of operations.

On March 31, 2000, The Chase Manhattan Bank (“Chase”) transferred trust and fiduciary accounts with assets of approximately $147 million to M&T Bank,

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completing a transaction that began in September 1999 with M&T Bank’s acquisition from Chase of 29 branch offices in upstate New York and the investment management and custody accounts associated with those offices. At the time of closing in September 1999, the branches had approximately $634 million of deposits and approximately $44 million of retail installment and commercial loans, and the investment management and custody accounts had assets of approximately $286 million.

The Company from time to time considers acquiring banks, thrift institutions, branch offices or other businesses within markets currently served or in other nearby markets. The Company has pursued acquisition opportunities in the past, continues to review different opportunities, including the possibility of major acquisitions, and intends to continue this practice.

Subsidiaries

Olympia is a Delaware corporation that holds the stock of M&T Bank and is registered as a bank holding company under the BHCA. Its registered office is located at 1209 Orange Street, Wilmington, Delaware 19801.

Keystone Financial Life Insurance Company ("KFLI"), a wholly owned subsidiary of Olympia, was incorporated as an Arizona business corporation in January 1984. KFLI is a captive credit reinsurer which provides credit life and accident and health insurance to M&T Bank consumer loan customers. As of December 31, 2000, KFLI had assets of $34 million and stockholders' equity of $14 million. KFLI recorded revenues of $853 thousand for the period from October 6, 2000 (the date it was acquired as part of the Keystone merger) through December 31, 2000. Headquarters of KFLI are located at 101 North First Avenue, Phoenix, Arizona 85003.

M&T Bank is a banking corporation which is incorporated under the laws of the State of New York. M&T Bank is a member of the Federal Reserve System and the Federal Home Loan Bank System, and its deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") up to applicable limits. M&T acquired all of the issued and outstanding shares of the capital stock of M&T Bank in December 1969. Olympia acquired all of the issued and outstanding shares of the capital stock of M&T Bank on April 1, 1998. The stock of Olympia and M&T Bank represent major assets of M&T. M&T Bank operates under a charter granted by the State of New York in 1892, and the continuity of its banking business is traced to the organization of the Manufacturers and Traders Bank in 1856. The principal executive offices of M&T Bank are located at One M&T Plaza, Buffalo, New York 14203. As of December 31, 2000, M&T Bank had 450 banking offices located throughout New York State, Pennsylvania, Maryland and West Virginia, plus a branch in Nassau, The Bahamas. As of December 31, 2000, M&T Bank had consolidated total assets of $28.0 billion, deposits of $19.5 billion and stockholder's equity of $3.0 billion. The deposit liabilities of M&T Bank are insured by the FDIC through either its Bank Insurance Fund ("BIF") or its Savings Association Insurance Fund ("SAIF"). Of M&T Bank's $19.1 billion in assessable deposits at December 31, 2000, 89% were assessed as BIF-insured and the remainder as SAIF-insured deposits. As a commercial bank, M&T Bank offers a broad range of financial services to a diverse base of consumers, businesses, professional clients, governmental entities and financial institutions located in its markets. Lending is largely focused on consumers residing in New York State and Pennsylvania, and on small and medium-size businesses based in those areas. In addition, the Company conducts lending activities in Maryland and West Virginia, as well as other states through various subsidiaries. M&T Bank and certain of its subsidiaries also offer commercial mortgage loans secured by income producing properties or properties used by borrowers in a trade or business. Additional financial services are provided through other operating subsidiaries of the Company.

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M&T Bank, N.A., a national banking association and a member of the Federal Reserve System and the FDIC, commenced operations on October 2, 1995. The deposit liabilities of M&T Bank, N.A. are insured by the FDIC through the BIF. The main office of M&T Bank, N.A. is located at 48 Main Street, Oakfield, New York 14125. M&T Bank, N.A. offers selected deposit and loan products on a nationwide basis, primarily through direct mail and telephone marketing techniques. M&T Bank, N.A. is also a licensed insurance agency, and offers insurance products primarily through the banking offices of M&T Bank. As of December 31, 2000, M&T Bank, N.A. had total assets of $903 million, deposits of $799 million and stockholder's equity of $59 million.

Highland Lease Corporation ("Highland Lease"), a wholly owned subsidiary of M&T Bank, was incorporated as a New York business corporation in October 1994. Highland Lease is a consumer leasing company with headquarters at One M&T Plaza, Buffalo, New York 14203. As of December 31, 2000, Highland Lease had assets of $637 million and stockholder's equity of $35 million. Highland Lease recorded $30 million of revenue during 2000.

M&T Credit Corporation ("M&T Credit"), a wholly owned subsidiary of M&T Bank, was incorporated as a New York business corporation in April 1994. M&T Credit is a credit and leasing company offering consumer loans and commercial loans and leases. Its headquarters are located at M&T Center, One Fountain Plaza, Buffalo, New York 14203, with offices in Massachusetts and Pennsylvania. As of December 31, 2000, M&T Credit had assets of $910 million and stockholder's equity of $25 million. M&T Credit recorded $62 million of revenue during 2000.

M&T Financial Corporation ("M&T Financial"), a New York business corporation, is a wholly owned subsidiary of M&T Bank which specializes in capital-equipment leasing. M&T Financial was formed in October 1985, had assets of $86 million and stockholder's equity of $27 million as of December 31, 2000, and recorded approximately $14 million of revenue in 2000. The headquarters of M&T Financial are located at One M&T Plaza, Buffalo, New York 14203.

M&T Investment Company, Inc. ("M&T Investment Company"), a wholly owned subsidiary of M&T Bank, was incorporated as a New Jersey business corporation in December 1999. Operated as a New Jersey investment company, M&T Investment Company owns all of the outstanding common stock and 87.6% of the preferred stock of M&T Real Estate, Inc. As of December 31, 2000, M&T Investment Company had assets of approximately $7.7 billion and stockholder's equity of approximately $7.6 billion. Excluding dividends from M&T Real Estate, Inc., M&T Investment Company recorded $9.8 million of revenue in 2000. The headquarters of M&T Investment Company are located at One Maynard Drive, Park Ridge, New Jersey 07656.

M&T Mortgage Corporation ("M&T Mortgage"), the wholly owned mortgage banking subsidiary of M&T Bank, was incorporated as a New York business corporation in November 1991. M&T Mortgage's principal activities are comprised of the origination of residential mortgage loans and providing residential mortgage loan servicing to M&T Bank, M&T Bank, N.A. and others. M&T Mortgage operates throughout New York State and Pennsylvania, and also maintains branch offices in Arizona, Colorado, Idaho, Massachusetts, Ohio, Oregon, Utah and Washington. M&T Mortgage had assets of $958 million and stockholder's equity of $156 million as of December 31, 2000, and recorded approximately $117 million of revenue during 2000. Residential mortgage loans serviced by M&T Mortgage for non-affiliates totaled $9.7 billion at December 31, 2000. The headquarters of M&T Mortgage are located at M&T Center, One Fountain Plaza, Buffalo, New York 14203.

M&T Mortgage Reinsurance Company, Inc. (“M&T Reinsurance”), a wholly owned subsidiary of M&T Bank, was incorporated as a Vermont business corporation in July 1999. M&T Reinsurance enters into reinsurance contracts with insurance companies who insure mortgage lenders against the risk of a mortgage

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borrower’s payment default. M&T Reinsurance receives a share of the premium for those policies in exchange for accepting a portion of the insurer’s risk of borrower default. M&T Reinsurance had assets of approximately $1.9 million and stockholder’s equity of approximately $1.7 million as of December 31, 2000, and recorded approximately $767 thousand of revenue during 2000. M&T Reinsurance’s principal and registered office is at 148 College Street, Burlington, Vermont 05401.

M&T Real Estate, Inc.(“M&T Real Estate”), a subsidiary of M&T Investment Company, was incorporated as a New York business corporation in August 1995. All of the outstanding common stock and 87.6% of the preferred stock of M&T Real Estate is owned by M&T Investment Company. The remaining 12.4% of M&T Real Estate’s preferred stock is owned by officers or former officers of the Company. M&T Real Estate engages in commercial real estate lending and provides loan servicing to M&T Bank and others. As of December 31, 2000, M&T Real Estate had assets of $7.6 billion and stockholders’ equity of $7.4 billion. M&T Real Estate recorded $541 million of revenue in 2000. Commercial mortgage loans serviced for non-affiliates totaled $458 million at December 31, 2000. The headquarters of M&T Real Estate are located at M&T Center, One Fountain Plaza, Buffalo, New York 14203.

M&T Securities, Inc. (“M&T Securities”) is a wholly owned subsidiary of M&T Bank that was incorporated as a New York business corporation in November 1985. M&T Securities is registered as a broker/dealer under the Securities Exchange Act of 1934, as amended, as an investment advisor under the Investment Advisors Act of 1940, as amended, and is licensed as an insurance agent. It provides securities brokerage, investment advisory and insurance services. As of December 31, 2000, M&T Securities had assets of $13 million and stockholder’s equity of $9 million. M&T Securities recorded $36 million of revenue during 2000. The headquarters of M&T Securities are located at One M&T Plaza, Buffalo, New York 14203.

Matthews, Bartlett & Dedecker, Inc. (“MBD”), a wholly owned subsidiary of M&T Bank, was incorporated as a New York insurance agency in March 1955. MBD provides insurance services principally to the commercial market. As of December 31, 2000, MBD had assets of $9 million and stockholder’s equity of $5 million. MBD recorded revenues of $4 million for the period from March 1, 2000 (the date it was acquired by M&T Bank) through December 31, 2000. The headquarters of MBD are located at 334 Delaware Avenue, Buffalo, New York 14202.

During 1997, the Company and one of its predecessors, ONBANCorp, Inc. (“ONBANCorp”), formed three Delaware business trusts to issue preferred capital securities (“Capital Securities”). M&T Capital Trust I (“Trust I”) issued $150 million of 8.234% Capital Securities, M&T Capital Trust II (“Trust II”) issued $100 million of 8.277% Capital Securities, and M&T Capital Trust III (“Trust III” and, together with Trust I and Trust II, the “Trusts”) issued $60 million of 9.25% Capital Securities. The common securities (“Common Securities”) of Trust I and Trust II are wholly owned by M&T and the common securities of Trust III are wholly owned by Olympia. The Common Securities of each Trust 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 Trusts 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 M&T’s Tier 1 capital. The proceeds from the issuances of the Capital Securities and the Common Securities were used by the Trusts to purchase junior subordinated, deferrable interest debentures issued by M&T in the case of Trust I and Trust II and Olympia in the case of Trust III. The junior subordinated debentures represent the sole assets of the Trusts and payments under the junior subordinated debentures are the sole source of cash flow for the Trusts. As

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of December 31, 2000, Trust I had assets of $160 million and stockholders’ equity of $155 million, and during 2000 Trust I recorded $13 million of revenue. Trust II had assets of $104 million and stockholders’ equity of $103 million at December 31, 2000, and during 2000 Trust II recorded $9 million of revenue. Trust III had assets of $73 million and stockholders’ equity of $62 million at December 31, 2000, and during 2000 Trust III recorded $5 million of revenue.

The Registrant and its banking subsidiaries have a number of other special-purpose or inactive subsidiaries. These other subsidiaries represented, individually and collectively, an insignificant portion of the Company’s consolidated assets, net income and stockholders’ equity at December 31, 2000.

Segment Information, Principal Products/Services and Foreign Operations

Information about the Registrant’s business segments is included in note 19 of Notes to Financial Statements filed herewith in Part II, Item 8, “Financial Statements and Supplementary Data” and is further discussed in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”. The Company’s international activities are discussed in note 15 of Notes to Financial Statements filed herewith in Part II, Item 8, “Financial Statements and Supplementary Data.”

The Registrant's reportable segments have been determined based upon its internal profitability reporting system, which is organized by strategic business unit. Certain strategic business units have been combined for segment information reporting purposes where the nature of the products and services, the type of customer and the distribution of those products and services are similar. The reportable segments are Commercial Banking, Commercial Real Estate, Discretionary Portfolio, Residential Mortgage Banking and Retail Banking.

The only activities that, as a class, contributed 10% or more of the sum of consolidated interest income and other income in each of the last three years were lending and investment securities transactions. The amount of income from such sources during those years is set forth on the Company's Consolidated Statement of Income filed herewith in Part II, Item 8, "Financial Statements and Supplementary Data."

Supervision and Regulation of the Company

The banking industry is subject to extensive state and federal regulation and continues to undergo significant change. The following discussion summarizes certain aspects of the banking laws and regulations that affect the Company. Proposals to change the laws and regulations governing the banking industry are frequently raised in Congress, in state legislatures, and before the various bank regulatory agencies. The likelihood and timing of any changes and the impact such changes might have on the Company are impossible to determine with any certainty. A change in applicable laws or regulations, or a change in the way such laws or regulations are interpreted by regulatory agencies or courts, may have a material impact on the business, operations and earnings of the Company. To the extent that the following information describes statutory or regulatory provisions, it is qualified entirely by reference to the particular statutory or regulatory provision.

Financial Services Modernization

The Gramm-Leach-Bliley Act of 1999 ("Gramm-Leach") enables combinations among banks, securities firms and insurance companies. Under Gramm-Leach, bank holding companies are permitted to offer their customers virtually any type of financial service that is financial in nature or incidental thereto, including banking, securities underwriting, insurance (both underwriting and

agency), and merchant banking.

In order to engage in these new financial activities, a bank holding company must qualify and register with the Board of Governors of the Federal Reserve System ("Federal Reserve Board") as a "financial holding company" by demonstrating that each of its bank subsidiaries is "well capitalized," "well managed," and has at least a "satisfactory" rating under the Community Reinvestment Act of 1977 ("CRA").

The financial activities authorized by Gramm-Leach may also be engaged in by a "financial subsidiary" of a national or state bank, except for insurance or annuity underwriting, insurance company portfolio investments, real estate investment and development, and merchant banking, which must be conducted in a financial holding company. In order for these financial activities to be engaged in by a financial subsidiary of a national or state bank, Gramm-Leach requires each of the parent bank (and its sister-bank affiliates) to be well capitalized and well managed; the aggregate consolidated assets of all of that bank's financial subsidiaries may not exceed the lesser of 45% of its consolidated total assets or $50 billion; the bank must have at least a satisfactory CRA rating; and, if that bank is one of the 100 largest national banks, it must meet certain financial rating or other comparable requirements.

Gramm-Leach also establishes a system of functional regulation, under which the federal banking agencies will regulate the banking activities of financial holding companies and banks' financial subsidiaries, the U.S. Securities and Exchange Commission will regulate their securities activities, and state insurance regulators will regulate their insurance activities. Gramm-Leach also provides new protections against the transfer and use by financial institutions of consumers' nonpublic, personal information.

The foregoing discussion is qualified in its entirety by reference to the statutory provisions of Gramm-Leach and the implementing regulations which have been or will be adopted by various government agencies pursuant to Gramm-Leach.

Bank Holding Company Regulation

As a registered bank holding company, the Registrant and its nonbank subsidiaries are subject to supervision and regulation under the BHCA by the Federal Reserve Board and the New York State Banking Superintendent ("Banking Superintendent"). The Federal Reserve Board requires regular reports from the Registrant and is authorized by the BHCA to make regular examinations of the Registrant and its subsidiaries.

Although it meets the qualifications for electing to become a financial holding company, the Registrant has elected to retain its pre-Gramm-Leach status for the present time under the BHCA. The Registrant may not acquire direct or indirect ownership or control of more than 5% of the voting shares of any company, including a bank, without the prior approval of the Federal Reserve Board, except as specifically authorized under the BHCA. The Registrant is also subject to regulation under the Banking Law with respect to certain acquisitions of domestic banks. Under the BHCA, the Registrant, subject to the approval of the Federal Reserve Board, may acquire shares of non-banking corporations the activities of which are deemed by the Federal Reserve Board to be so closely related to banking or managing or controlling banks as to be a proper incident thereto.

The Federal Reserve Board has enforcement powers over bank holding companies and their non-banking subsidiaries, among other things, to interdict activities that represent unsafe or unsound practices or constitute violations of law, rule, regulation, administrative orders or written

agreements with a federal bank regulator. These powers may be exercised through the issuance of cease-and-desist orders, civil money penalties or other actions.

Under the Federal Reserve Board's statement of policy with respect to bank holding company operations, a bank holding company is required to serve as a source of financial strength to its subsidiary depository institutions and to commit all available resources to support such institutions in circumstances where it might not do so absent such policy. Although this "source of strength" policy has been challenged in litigation, the Federal Reserve Board continues to take the position that it has authority to enforce it. For a discussion of circumstances under which a bank holding company may be required to guarantee the capital levels or performance of its subsidiary banks, see Capital Adequacy, below. The Federal Reserve also has the authority to terminate any activity of a bank holding company that constitutes a serious risk to the financial soundness or stability of any subsidiary depository institution or to terminate its control of any bank or nonbank subsidiaries.

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, as amended (the "Interstate Banking Act") generally permits bank holding companies to acquire banks in any state, and preempts all state laws restricting the ownership by a bank holding company of banks in more than one state. The Interstate Banking Act also permits a bank to merge with an out-of-state bank and convert any offices into branches of the resulting bank if both states have not opted out of interstate branching; permits a bank to acquire branches from an out-of-state bank if the law of the state where the branches are located permits the interstate branch acquisition; and permits banks to establish and operate de novo interstate branches whenever the host state opts-in to de novo branching. Bank holding companies and banks seeking to engage in transactions authorized by the Interstate Banking Act must be adequately capitalized and managed.

The Banking Law authorizes interstate branching by merger or acquisition on a reciprocal basis, and permits the acquisition of a single branch without restriction, but does not provide for de novo interstate branching.

Bank holding companies and their subsidiary banks are also subject to the provisions of the CRA. Under the terms of the CRA, the Federal Reserve Board (or other appropriate bank regulatory agency) is required, in connection with its examination of a bank, to assess such bank's record in meeting the credit needs of the communities served by that bank, including low- and moderate-income neighborhoods. Furthermore, such assessment is also required of any bank that has applied, among other things, to merge or consolidate with or acquire the assets or assume the liabilities of a federally-regulated financial institution, or to open or relocate a branch office. In the case of a bank holding company applying for approval to acquire a bank or bank holding company, the Federal Reserve Board will assess the record of each subsidiary bank of the applicant bank holding company in considering the application. The Banking Law contains provisions similar to the CRA which are applicable to New York-chartered banks.

Supervision and Regulation of Bank Subsidiaries

The Registrant's banking subsidiaries are subject to supervision and regulation, and are examined regularly, by various bank regulatory agencies: M&T Bank by the Federal Reserve Board and the Banking Superintendent; and M&T Bank, N.A. by the Comptroller of the Currency ("OCC"). The Registrant and its direct non-banking subsidiaries are affiliates, within the meaning of the Federal Reserve Act, of the Registrant's subsidiary banks and their subsidiaries. As a result, the Registrant's subsidiary banks and their subsidiaries are subject to restrictions on loans or extensions of credit to,

purchases of assets from, investments in, and transactions with the Registrant and its direct non-banking subsidiaries and on certain other transactions with them or involving their securities. Gramm-Leach places similar restrictions on the Registrant's subsidiary banks making loans or extending credit to, purchasing assets from, investing in, or entering into transactions with, their financial subsidiaries, although the Registrant's subsidiary banks have not yet commenced any activities through financial subsidiaries.

Under the "cross-guarantee" provisions of the FDI Act, insured depository institutions under common control are required to reimburse the FDIC for any loss suffered by either the BIF or SAIF of the FDIC as a result of the default of a commonly controlled insured depository institution or for any assistance provided by the FDIC to a commonly controlled insured depository institution in danger of default. Thus, any insured depository institution subsidiary of M&T could incur liability to the FDIC in the event of a default of another insured depository institution owned or controlled by M&T. The FDIC's claim under the cross-guarantee provisions is superior to claims of stockholders of the insured depository institution or its holding company and to most claims arising out of obligations or liabilities owed to affiliates of the institution, but is subordinate to claims of depositors, secured creditors and holders of subordinated debt (other than affiliates) of the commonly controlled insured depository institution. The FDIC may decline to enforce the cross-guarantee provisions if it determines that a waiver is in the best interest of the BIF or SAIF or both.

Dividends from Bank Subsidiaries

M&T Bank and M&T Bank, N.A. are subject, under one or more of the banking laws, to restrictions on the amount and frequency (no more often than quarterly) of dividend declarations. Future dividend payments to the Registrant by its subsidiary banks will be dependent on a number of factors, including the earnings and financial condition of each such bank, and are subject to the limitations referred to in note 20 of Notes to Financial Statements filed herewith in Part II, Item 8, "Financial Statements and Supplementary Data," and to other statutory powers of bank regulatory agencies.

An insured depository institution is prohibited from making any capital distribution to its owner, including any dividend, if, after making such distribution, the depository institution fails to meet the required minimum level for any relevant capital measure, including the risk-based capital adequacy and leverage standards discussed below.

Capital Adequacy

The Federal Reserve Board, the FDIC and the OCC have adopted risk-based capital adequacy guidelines for bank holding companies and banks under their supervision. Under these guidelines, the so-called "Tier 1 capital" and "Total capital" as a percentage of risk-weighted assets and certain off-balance sheet instruments must be at least 4% and 8%, respectively.

The Federal Reserve Board, the FDIC and the OCC have also imposed a leverage standard to supplement their risk-based ratios. This leverage standard focuses on a banking institution's ratio of Tier 1 capital to average total assets, adjusted for goodwill and certain other items. Under these guidelines, banking institutions that meet certain criteria, including excellent asset quality, high liquidity, low interest rate exposure and good earnings, and that have received the highest regulatory rating must maintain a ratio of Tier 1 capital to total adjusted average assets of at least 3%. Institutions not meeting these criteria, as well as institutions with supervisory, financial or operational weaknesses, along with those

experiencing or anticipating significant growth are expected to maintain a Tier 1 capital to total adjusted average assets ratio equal to at least 4% to 5%.

As reflected in the following table, the risk-based capital ratios and leverage ratios of the Registrant, M&T Bank and M&T Bank, N.A. as of December 31, 2000 exceeded the required capital ratios for classification as "well capitalized," the highest classification under the regulatory capital guidelines.

Capital Components and Ratios at December 31, 2000
(dollars in millions)

	Registrant (Consolidated)	M&T Bank	M&T Bank, N.A.
Capital Components			
Tier 1 capital	$ 1,820	$ 1,772	$ 59
Total capital	2,720	2,665	64
Risk-weighted assets and off-balance sheet instruments	$24,313	$23,731	$ 552
Risk-based Capital Ratio			
Tier 1 capital	7.49%	7.47%	10.71%
Total capital	11.19%	11.23%	11.53%
Leverage Ratio	6.66%	6.72%	6.47%

The federal banking agencies, including the Federal Reserve Board and the OCC, maintain risk-based capital standards in order to ensure that those standards take adequate account of interest rate risk, concentration of credit risk and the risk of nontraditional activities, as well as reflect the actual performance and expected risk of loss on certain multifamily housing loans. Bank regulators periodically propose amendments to the risk-based capital guidelines and related regulatory framework. While the Company's management studies such proposals, the timing of adoption, ultimate form and effect of any such proposed amendments on the Company's capital requirements and operations cannot be predicted.

The federal banking agencies are required to take "prompt corrective action" in respect of depository institutions and their bank holding companies that do not meet minimum capital requirements. FDICIA established five capital tiers: " well capitalized", "adequately capitalized", "undercapitalized", "significantly undercapitalized" and "critically undercapitalized". A depository institution's capital tier, or that of its bank holding company, depends upon where its capital levels are in relation to various relevant capital measures, including a risk-based capital measure and a leverage ratio capital measure, and certain other factors.

Under the implementing regulations adopted by the federal banking agencies, a bank holding company or bank is considered "well capitalized" if it has (i) a total risk-based capital ratio of 10% or greater, (ii) a Tier 1 risk-based capital ratio of 6% or greater, (iii) a leverage ratio of 5% or greater and (iv) is not subject to any order or written directive to meet and maintain a specific capital level for any capital measure. An "adequately capitalized" bank holding company or bank is defined as one that has (i) a total risk-based capital ratio of 8% or greater, (ii) a Tier 1 risk-based capital ratio of 4% or greater and (iii) a leverage ratio of 4% or greater (or 3% or greater

in the case of a bank with a composite CAMELS rating of 1). A bank holding company or bank is considered (A) “undercapitalized” if it has (i) a total risk-based capital ratio of less than 8%, (ii) a Tier 1 risk-based

capital ratio of less than 4% or (iii) a leverage ratio of less than 4% (or 3% in the case of a bank with a composite CAMELS rating of 1); (B) “significantly undercapitalized” if the bank has (i) a total risk-based capital ratio of less than 6%, or (ii) a Tier 1 risk-based capital ratio of less than 3% or (iii) a leverage ratio of less than 3% and (C)“ critically undercapitalized” if the bank has a ratio of tangible equity to total assets equal to or less than 2%. The Federal Reserve Board may reclassify a “well capitalized” bank holding company or bank as “adequately capitalized” or subject an “adequately capitalized” or “ undercapitalized” institution to the supervisory actions applicable to the next lower capital category if it determines that the bank holding company or bank is in an unsafe or unsound condition or deems the bank holding company or bank to be engaged in an unsafe or unsound practice and not to have corrected the deficiency. M&T, Olympia, M&T Bank and M&T Bank, N.A. currently meet the definition of “well capitalized” institutions.

“Undercapitalized” depository institutions, among other things, are subject to growth limitations, are prohibited, with certain exceptions, from making capital distributions, are limited in their ability to obtain funding from a Federal Reserve Bank and are required to submit a capital restoration plan. The federal banking agencies may not accept a capital plan without determining, among other things, that the plan is based on realistic assumptions and is likely to succeed in restoring the depository institution’s capital. In addition, for a capital restoration plan to be acceptable, the depository institution’s parent holding company must guarantee that the institution will comply with such capital restoration plan and provide appropriate assurances of performance. If a depository institution fails to submit an acceptable plan, including if the holding company refuses or is unable to make the guarantee described in the previous sentence, it is treated as if it is “significantly undercapitalized”. Failure to submit or implement an acceptable capital plan also is grounds for the appointment of a conservator or a receiver. “Significantly undercapitalized” depository institutions may be subject to a number of additional requirements and restrictions, including orders to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets and cessation of receipt of deposits from correspondent banks. Moreover, the parent holding company of a significantly undercapitalized depository institution may be ordered to divest itself of the institution or of nonbank subsidiaries of the holding company. “Critically undercapitalized” institutions, among other things, are prohibited from making any payments of principal and interest on subordinated debt, and are subject to the appointment of a receiver or conservator.

Each federal banking agency prescribes standards for depository institutions and depository institution holding companies relating to internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, a maximum ratio of classified assets to capital, minimum earnings sufficient to absorb losses, a minimum ratio of market value to book value for publicly traded shares and other standards as they deem appropriate. The Federal Reserve Board and OCC have adopted such standards.

Depository institutions that are not “well capitalized” or “adequately capitalized” and have not received a waiver from the FDIC are prohibited from accepting or renewing brokered deposits. As of December 31, 2000, M&T Bank and M&T Bank, N.A. had approximately $528 million and $3 million of brokered deposits, respectively.

Although M&T has issued shares of common stock in connection with acquisitions or at other times, the Company has generally maintained capital ratios in excess of minimum regulatory guidelines largely through internal capital generation (i.e. net income less dividends paid). Historically, M&T’s dividend payout ratio and dividend yield, when compared with other bank

holding companies, has been relatively low, thereby allowing for capital retention to support growth or to facilitate purchases of M&T’s common stock to be held as treasury stock. Management’s policy of reinvestment of earnings and repurchase of shares of common stock is intended to enhance M&T’s earnings per share prospects and thereby reward stockholders over time with capital gains in the form of increased stock price rather than high dividend income.

FDIC Deposit Insurance Assessments

As institutions with deposits insured by the BIF and the SAIF, M&T Bank and M&T Bank, N.A. are subject to FDIC deposit insurance assessments. Under current law the regular insurance assessments to be paid by BIF-insured and SAIF-insured institutions are specified in schedules issued by the FDIC that specify, at semiannual intervals, target reserve ratios designed to maintain the reserve ratios of each of those insurance funds at 1.25% of their estimated insured deposits. The FDIC is also authorized to impose one or more special assessments.

The FDIC has implemented a risk-based deposit premium assessment system under which each depository institution is placed in one of nine assessment categories based on the institution’s capital classification under the prompt corrective action provisions described above, and whether such institution is considered by its supervisory agency to be financially sound or to have supervisory concerns. The adjusted assessment rates for both BIF-insured and SAIF-insured institutions under the current system range from .00% to .27% depending upon the assessment category into which the insured institution is placed. Neither of the Company’s banking subsidiaries

paid regular insurance assessments to the FDIC in 2000. However, the FDIC retains the ability to increase regular BIF and SAIF assessments and to levy special additional assessments.

In addition to deposit insurance fund assessments, beginning in 1997 the FDIC assessed BIF-assessable and SAIF-assessable deposits to fund the repayment of debt obligations of the Financing Corporation ("FICO"). FICO is a government agency-sponsored entity that was formed to borrow the money necessary to carry out the closing and ultimate disposition of failed thrift institutions by the Resolution Trust Corporation. The current annualized rates established by the FDIC for both BIF-assessable and SAIF-assessable deposits are 1.96 basis points (hundredths of one percent).

Any significant increases in assessment rates or additional special assessments by the FDIC could have an adverse impact on the results of operations and capital of M&T Bank or M&T Bank, N.A.

Governmental Policies

The earnings of the Company are significantly affected by the monetary and fiscal policies of governmental authorities, including the Federal Reserve Board. Among the instruments of monetary policy used by the Federal Reserve Board to implement these objectives are open-market operations in U.S. Government securities and Federal funds, changes in the discount rate on member bank borrowings and changes in reserve requirements against member bank deposits. These instruments of monetary policy are used in varying combinations to influence the overall level of bank loans, investments and deposits, and the interest rates charged on loans and paid for deposits. The Federal Reserve Board frequently uses these instruments of monetary policy, especially its open-market operations and the discount rate, to influence the level of interest rates and to affect the strength of the economy, the level of inflation or the price of the dollar in foreign exchange markets. The monetary policies of the Federal Reserve Board have had a significant effect on the operating results of banking institutions in the past and are expected

to continue to do so in the future. It is not possible to predict the nature of future changes in monetary and fiscal policies, or the effect which they may have on the Company's business and earnings.

Competition

The Company competes in offering commercial and personal financial services with other banking institutions and with firms in a number of other industries, such as thrift institutions, credit unions, personal loan companies, sales finance companies, leasing companies, securities firms and insurance companies. Furthermore, diversified financial services companies are able to offer a combination of these services to their customers on a nationwide basis. The Company's operations are significantly impacted by state and federal regulations applicable to the banking industry. Moreover, the provisions of Gramm-Leach may increase competition among diversified financial services providers, and the Interstate Banking Act and the Banking Law may further ease entry into New York State by out-of-state banking institutions. As a result, the number of financial services providers and banking institutions with which the Company competes may grow in the future.

Other Legislative Initiatives

Proposals may be introduced in the United States Congress and in the New York State Legislature and before various bank regulatory authorities which would alter the powers of, and restrictions on, different types of banking organizations and which would restructure part or all of the existing regulatory framework for banks, bank holding companies and other providers of financial services. Moreover, other bills may be introduced in Congress which would further regulate, deregulate or restructure the financial services industry. It is not possible to predict whether these or any other proposals will be enacted into law or, even if enacted, the effect which they may have on the Company's business and earnings.

Statistical Disclosure Pursuant to Guide 3

See cross-reference sheet for disclosures incorporated elsewhere in this Annual Report on Form 10-K. Additional information is included in the following tables.

M&T BANK CORPORATION AND SUBSIDIARIES

Item 1, Table 1

SELECTED CONSOLIDATED YEAR-END BALANCES

In thousands	2000	1999
Money-market assets		
Interest-bearing deposits at banks	$ 3,102	1,092

Federal funds sold and resell agreements	17,261	643,555
Trading account	37,431	641,114
Total money-market assets	57,794	1,285,761
Investment securities		
U.S. Treasury and federal agencies	1,984,347	737,586
Obligations of states and political subdivisions	249,425	79,189
Other	1,076,081	1,083,747
Total investment securities	3,309,853	1,900,522
Loans and leases		
Commercial, financial, leasing, etc.	5,171,959	3,697,058
Real estate —construction	900,170	525,241
Real estate —mortgage	12,654,236	10,152,905
Consumer	4,243,949	3,197,657
Total loans and leases	22,970,314	17,572,861
Unearned discount	(227,500)	(166,090)
Allowance for credit losses	(374,703)	(316,165)
Loans and leases, net	22,368,111	17,090,606
Goodwill and core deposit intangible	1,199,407	648,040
Real estate and other assets owned	13,619	10,000
Total assets	28,949,456	22,409,115
Noninterest-bearing deposits	3,344,913	2,260,432
NOW accounts	873,472	583,471
Savings deposits	6,105,689	5,198,681
Time deposits	9,664,088	7,088,345
Deposits at foreign office	244,511	242,691
Total deposits	20,232,673	15,373,620
Short-term borrowings	2,072,824	2,554,159
Long-term borrowings	3,414,516	1,775,133
Total liabilities	26,248,971	20,612,069
Stockholders’ equity	2,700,485	1,797,046

[Additional columns below]

[Continued from above table, first column(s) repeated]

SELECTED CONSOLIDATED YEAR-END BALANCES

In thousands	1998	1997	1996
Money-market assets			
Interest-bearing deposits at banks	674	668	47,325
Federal funds sold and resell agreements	229,066	53,087	125,326
Trading account	173,122	57,291	37,317
Total money-market assets	402,862	111,046	209,968
Investment securities			
U.S. Treasury and federal agencies	1,321,000	1,081,247	1,023,038
Obligations of states and political subdivisions	73,789	38,018	41,445
Other	1,390,775	605,953	507,215
Total investment securities	2,785,564	1,725,218	1,571,698
Loans and leases			
Commercial, financial, leasing, etc.	3,211,427	2,406,640	2,206,282
Real estate —construction	489,112	254,434	90,563
Real estate —mortgage	9,289,521	6,765,408	6,199,931
Consumer	3,015,641	2,339,051	2,623,445
Total loans and leases	16,005,701	11,765,533	11,120,221
Unearned discount	(214,171)	(268,965)	(398,098)
Allowance for credit losses	(306,347)	(274,656)	(270,466)
Loans and leases, net	15,485,183	11,221,912	10,451,657
Goodwill and core deposit intangible	546,036	17,288	18,923
Real estate and other assets owned	11,129	8,413	8,523
Total assets	20,583,891	14,002,935	12,943,915
Noninterest-bearing deposits	2,066,814	1,458,241	1,352,929
NOW accounts	509,307	346,795	334,787

Savings deposits	4,830,678	3,344,697	3,280,788
Time deposits	7,027,083	5,762,497	5,352,749
Deposits at foreign office	303,270	250,928	193,236
Total deposits	14,737,152	11,163,158	10,514,489
Short-term borrowings	2,229,976	1,050,918	1,127,900
Long-term borrowings	1,567,543	427,819	178,002
Total liabilities	18,981,525	12,972,669	12,038,256
Stockholders' equity	1,602,366	1,030,266	905,659

STOCKHOLDERS, EMPLOYEES AND OFFICES

Number at year-end	2000	1999	1998	1997	1996
Stockholders	11,936	4,991	5,207	3,449	3,654
Employees	8,736	6,569	6,467	5,083	5,180
Offices	488	310	283	210	202

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M&T BANK CORPORATION AND SUBSIDIARIES

Item 1, Table 2

CONSOLIDATED EARNINGS

In thousands	2000	1999	1998	1997	1996
Interest income					
Loans and leases, including fees	$1,579,701	1,323,262	1,198,639	954,974	883,500
Money-market assets					
Deposits at banks	308	87	400	2,475	2,413
Federal funds sold and resell agreements	12,891	24,491	8,293	2,989	2,985
Trading account	1,009	3,153	4,403	1,781	980
Investment securities					
Fully taxable	165,811	118,741	139,731	99,640	107,415
Exempt from federal taxes	13,064	8,897	7,984	5,640	2,637
Total interest income	1,772,784	1,478,631	1,359,450	1,067,499	999,930
Interest expense					
NOW accounts	7,487	4,683	4,851	3,455	9,430
Savings deposits	132,225	121,888	115,345	90,907	84,822
Time deposits	445,666	367,889	388,185	327,611	286,088
Deposits at foreign office	14,915	12,016	14,973	12,160	12,399
Short-term borrowings	172,466	104,911	105,582	44,341	59,442
Long-term borrowings	145,838	107,847	58,567	29,619	14,227
Total interest expense	918,597	719,234	687,503	508,093	466,408
Net Interest Income	854,187	759,397	671,947	559,406	533,522
Provision for credit losses	38,000	44,500	43,200	46,000	43,325
Net interest income after provision for credit losses	816,187	714,897	628,747	513,406	490,197
Other income					
Mortgage banking revenues	63,168	71,819	65,646	51,547	44,484
Service charges on deposit accounts	92,544	73,612	57,357	43,377	40,659
Trust income	45,165	40,751	38,211	30,688	27,672
Brokerage services income	32,795	27,140	19,587	16,550	13,898
Trading account and foreign exchange gains	2,351	315	3,963	3,690	2,421
Gain (loss) on sales of bank investment securities	(3,078)	1,575	1,761	(280)	(37)
Other revenues from operations	91,727	67,163	76,414	44,957	38,653
Total other income	324,672	282,375	262,939	190,529	167,750
Other expense					

Salaries and employee benefits	329,209	284,822	259,487	220,017	208,342
Equipment and net occupancy	80,960	73,131	66,553	53,299	51,346
Printing, postage and supplies	20,138	17,510	17,603	13,747	15,167
Amortization of goodwill and core deposit intangible	69,576	49,715	34,487	7,291	6,292
Other costs of operations	194,570	153,780	187,993	127,422	127,831
Total other expense	694,453	578,958	566,123	421,776	408,978
Income before income taxes	446,406	418,314	325,563	282,159	248,969
Income taxes	160,250	152,688	117,589	105,918	97,866
Net income	$ 286,156	265,626	207,974	176,241	151,103
Dividends declared					
Common	$ 51,987	35,128	28,977	21,207	18,617
Preferred	—	—	—	—	900

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M&T BANK CORPORATION AND SUBSIDIARIES

Item 1, Table 3

COMMON SHAREHOLDER DATA

	2000	1999	1998	1997	1996
Per Share					
Net income					
Basic	$ 3.55	3.41	2.73	2.66	2.25
Diluted	3.44	3.28	2.62	2.53	2.11
Cash dividends declared	.625	.45	.38	.32	.28
Stockholders’ equity at year-end	28.93	23.24	20.79	15.59	13.55
Tangible stockholders’ equity at year-end	16.74	15.14	13.99	15.32	13.26
Dividend payout ratio	17.61%	13.22%	13.93%	12.03%	12.39%

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M&T BANK CORPORATION AND SUBSIDIARIES

Item 1, Table 4

CHANGES IN INTEREST INCOME AND EXPENSE*

	2000 compared with 1999		
	Total	Resulting from changes in:	
Increase (decrease) in thousands	change	Volume	Rate
Interest income			
Loans and leases, including fees	$257,100	176,459	80,641
Money-market assets			
Deposits at banks	221	172	49
Federal funds sold and agreements to resell securities	(11,600)	(15,023)	3,423
Trading account	(2,152)	(1,501)	(651)
Investment securities			
U.S. Treasury and federal agencies	51,996	43,880	8,116
Obligations of states and political subdivisions	4,230	3,398	832
Other	(2,805)	(7,985)	5,180
Total interest income	$296,990		
Interest expense			
Interest-bearing deposits			

NOW accounts	$ 2,804	1,342	1,462
Savings deposits	10,337	8,241	2,096
Time deposits	77,777	32,630	45,147
Deposits at foreign office	2,899	(168)	3,067
Short-term borrowings	67,555	38,286	29,269
Long-term borrowings	37,991	22,511	15,480
Total interest expense	$199,363		

[Additional columns below]

[Continued from above table, first column(s) repeated]

CHANGES IN INTEREST INCOME AND EXPENSE*

	1999 compared with 1998		
	Total	Resulting from changes in:	
Increase (decrease) in thousands	change	Volume	Rate
Interest income			
Loans and leases, including fees	124,849	173,474	(48,625)
Money-market assets			
Deposits at banks	(313)	(305)	(8)
Federal funds sold and agreements to resell securities	16,198	16,499	(301)
Trading account	(1,303)	(1,250)	(53)
Investment securities			
U.S. Treasury and federal agencies	(34,922)	(30,636)	(4,286)
Obligations of states and political subdivisions	94	101	(7)
Other	15,102	17,203	(2,101)
Total interest income	119,705		
Interest expense			
Interest-bearing deposits			
NOW accounts	(168)	810	(978)
Savings deposits	6,543	17,854	(11,311)
Time deposits	(20,296)	2,885	(23,181)
Deposits at foreign office	(2,957)	(1,667)	(1,290)
Short-term borrowings	(671)	7,074	(7,745)
Long-term borrowings	49,280	57,149	(7,869)
Total interest expense	31,731		

- *Interest income data are on a taxable-equivalent basis. The apportionment of changes resulting from the combined effect of both volume and rate was based on the separately determined volume and rate changes.*

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Item 2. Properties.

Both M&T and M&T Bank maintain their executive offices at One M&T Plaza in Buffalo, New York. This twenty-one story headquarters building, containing approximately 276,000 rentable square feet of space, is owned in fee by M&T Bank, and was completed in 1967. M&T, M&T Bank and their subsidiaries occupy approximately 73% of the building and the remainder is leased to non-affiliated tenants. At December 31, 2000, the cost of this property (including improvements subsequent to the initial construction), net of accumulated depreciation, was $8.3 million.

In September 1992, M&T Bank acquired an additional facility in Buffalo, New York with approximately 365,000 rentable square feet of space at a cost of approximately $12 million. Approximately 86% of this facility, known as M&T Center, is occupied by M&T Bank and its subsidiaries, with the remainder leased to non-affiliated tenants. At December 31, 2000, the cost of this building (including improvements subsequent to acquisition), net of accumulated depreciation, was $14.5 million.

M&T Bank also owns and occupies two separate facilities in the Buffalo area which support certain back-office and operations functions of the Company. The total square footage of these facilities approximates 223,000 square feet and their combined cost (including improvements subsequent to acquisition), net of accumulated depreciation, was $12.5 million at December 31, 2000.

M&T Bank also owns a facility in Syracuse, New York with approximately 136,000 rentable square feet of space. Approximately 47% of this facility is occupied by M&T Bank, with the remainder leased to non-affiliated tenants. At December 31, 2000, the cost of this building, net of accumulated depreciation, was $7.5 million.

On October 6, 2000 M&T Bank acquired several owned properties as a result of the Keystone merger, none of which have more than 65,000 square feet of space.

The cost, net of accumulated depreciation and amortization, of the Company's premises and equipment is detailed in note 6 of Notes to Financial Statements filed herewith in Part II, Item 8, "Financial Statements and Supplementary Data". Of the 450 domestic banking offices of the Registrant's subsidiary banks at December 31, 2000, 211 are owned in fee and 239 are leased.

Item 3. 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 4. Submission of Matters to a Vote of Security Holders. Not applicable.

Executive Officers of the Registrant

Information concerning the Registrant's executive officers is presented below as of February 27, 2001. The year the officer was first appointed to the indicated position with the Registrant or its subsidiaries is shown parenthetically. In the case of each corporation noted below, officers' terms run until the first meeting of the board of directors after such corporation's annual meeting, and until their successors are elected and qualified.

Robert G. Wilmers, age 66, is chairman of the board (2000), president (1988), chief executive officer (1983) and a director (1982) of the Registrant. From April 1998 until July 2000, he served as president and chief executive officer of the Registrant. He is chairman of the board, chief executive officer (1983) and a director (1982) of M&T Bank, and served as president of M&T Bank from March 1984 to June 1996. Mr. Wilmers is chairman of the board and a director of M&T Bank, N.A.(1995). He is a director of M&T Financial (1983).

Emerson L. Brumback, age 49, is an executive vice president (1997) of the Registrant and M&T Bank, and is in charge of the Company's Retail Banking Division. Mr. Brumback is chairman of the Directors Advisory Council (1999) of M&T Bank's Jamestown Division. Mr. Brumback is chairman of the board (1999) and a director (1997) of Highland Lease and an executive vice president (1998) and a director of M&T Bank, N.A.(1997). He is chairman of the board (1999) and a director (1997) of M&T Credit and a director of M&T Mortgage (1997), M&T Reinsurance (1999) and M&T Securities (1997). Mr. Brumback was executive vice president, national retail distribution, at BancOne Corporation prior to joining the Company.

Carl L. Campbell, age 57, is a vice chairman of the board and a director (2000) of the Registrant and M&T Bank. He is chairman (2000) of M&T Bank's Pennsylvania Division. From 1986 through October 6, 2000, Mr. Campbell served as president and chief executive officer of Keystone, and since May 1998 he had also served as chairman of the board. He also was chairman and chief executive officer of Keystone Financial Bank, N.A., Keystone's bank subsidiary, from January 1999 through October 6, 2000.

Atwood Collins, III, age 54, is an executive vice president of the Registrant (1997) and M&T Bank (1996), president (2000) of the Hudson Valley Division of M&T Bank and is chairman of the Directors Advisory Council (1998) of M&T Bank's New York City Division. Previously, Mr. Collins served as president and chief executive officer of the New York City Division of M&T Bank (1997), and as president, chief executive officer and a director (1995) of The East New York Savings Bank, which had been a wholly owned subsidiary of the Registrant prior to its merger with and into M&T Bank on May 24, 1997. He is a director of M&T Real Estate (1995). Mr. Collins also has responsibility for managing the Company's middle market, commercial real estate and business banking activities in Westchester, Putnam and Rockland counties of New York State and Connecticut, business banking in New York City and investment banking, institutional and correspondent banking activities. He also manages the Company's Facilities Management and Services group.

Mark J. Czarnecki, age 45, is an executive vice president of the Registrant (1999) and M&T Bank (1997) and is in charge of the M&T Investment Group, which is comprised of M&T Securities, the Insurance Services Division of M&T Bank, N.A., MBD and the Trust and Investment Services Division of M&T Bank. Mr. Czarnecki is a director of M&T Securities (1999) and an executive vice president of M&T Bank, N.A. (1997). He is chairman of the board and a director

of MBD (2000) and of KFLI (2000). Mr. Czarnecki has held a number of management positions with M&T Bank since 1977, most recently as senior vice president of the private client services group of the Trust and Investment Services Division (1994), and prior thereto as an administrative vice president and regional manager for the Retail Banking Division.

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Brian E. Hickey, age 48, is an executive vice president of the Registrant (1997) and M&T Bank (1996). He is president and a member of the Directors Advisory Council (1994) of the Rochester Division of M&T Bank, and is president (2000) of the Syracuse Division of M&T Bank. Mr. Hickey is a director of M&T Financial (1996). Mr. Hickey is responsible for managing all of the business segments in the Rochester, Syracuse and Southern Divisions of M&T Bank, and he also has responsibility for managing the Company's Western New York Commercial Banking Division.

James L. Hoffman, age 61, is an executive vice president of the Registrant (1997) and M&T Bank (1996). Mr. Hoffman is a director of M&T Investment Company (1999). He served as president of the Hudson Valley Division of M&T Bank from 1992 until August 2000. Mr. Hoffman served as chairman of the board, president, chief executive officer and a director (1983) of The First National Bank of Highland, which had been a wholly owned subsidiary of the Registrant prior to its merger with and into M&T Bank on February 29, 1992.

Adam C. Kugler, age 43, is an executive vice president and treasurer (1997) of the Registrant and M&T Bank, and is in charge of the Company's Treasury Division. Mr. Kugler is chairman of the board and a director of M&T Investment Company (1999), a director of M&T Financial (1997), M&T Securities (1997) and is an executive vice president, Treasurer and a director of M&T Bank, N.A. (1997). Mr. Kugler was previously a senior vice president in the Treasury Division of M&T Bank.

Ray E. Logan, age 63, is an executive vice president of M&T Bank (1999) and is in charge of the Company's Human Resources Division. Mr. Logan served as senior vice president of M&T Bank from 1986 to 1999.

John L. Pett, age 52, is an executive vice president (1997) and chief credit officer (1995) of the Registrant and is an executive vice president and chief credit officer of M&T Bank (1996). Mr. Pett is a director of Highland Lease (1997) and M&T Credit (1997). He is an executive vice president (1998) and a director (1996) of M&T Bank, N.A. Mr. Pett served as senior vice president of the Registrant from 1991 to 1997.

Michael P. Pinto, age 45, is an executive vice president and chief financial officer of the Registrant (1997) and M&T Bank (1996), and is in charge of the Company's Finance Division and its Technology and Banking Operations Division. Mr. Pinto is chairman of the board, president and a director of Olympia Financial Corp. (1997), and a director of M&T Financial (1996), M&T Mortgage (1996), M&T Real Estate (1996) and M&T Investment Company (1999). He is an executive vice president and chief financial officer (1996) and a director (1998) of M&T Bank, N.A. Mr. Pinto served as senior vice president and controller of the Registrant from 1993 to 1997.

Robert E. Sadler, Jr., age 55, is an executive vice president (1990) and a director (1999) of the Registrant, president and a director of M&T Bank (1996), and is in charge of the Company' s Commercial Banking Division. Mr. Sadler is president, chief executive officer and a director of M&T Bank, N.A.(1995); chairman of the board (1989) and a director of M&T Financial (1985); chairman of the board and a director of M&T Mortgage (1991); chairman of the board and a director of M&T Securities (1994); chairman of the board, president and a director of M&T Real Estate (1995); and a director (2000) of MBD.

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PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters. The Registrant's common stock is traded under the symbol MTB on the New York Stock Exchange. See cross-reference sheet for disclosures incorporated elsewhere in this Annual Report on Form 10-K for market prices of the Registrant's common stock, approximate number of common stockholders at year-end, frequency and amounts of dividends on common stock and restrictions on the payment of dividends.

Item 6. Selected Financial Data. See cross-reference sheet for disclosures incorporated elsewhere in this Annual Report on Form 10-K.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Corporate Profile and Significant Developments

M&T Bank Corporation ("M&T") is a bank holding company headquartered in Buffalo, New York with consolidated assets of $28.9 billion at December 31, 2000. M&T and its consolidated subsidiaries are hereinafter referred to collectively as "the Company." M&T's wholly owned banking subsidiaries are Manufacturers and Traders Trust Company ("M&T Bank") and M&T Bank, National Association ("M&T Bank, N.A.").

M&T Bank, with total assets of $28.0 billion at December 31, 2000, is a New York-chartered commercial bank with banking offices in New York State, Pennsylvania, Maryland and West Virginia, and an office in Nassau, The Bahamas. M&T Bank and its subsidiaries offer a broad range of financial services to a diverse base of consumers, businesses, professional clients, governmental entities and financial institutions located in its markets. Lending is largely focused on consumers residing in New York State and Pennsylvania, and on small and medium size businesses based in those areas. Certain lending activities are also conducted in other states through various subsidiaries. M&T Bank's subsidiaries include: Highland Lease Corporation, a consumer leasing company; M&T Credit Corporation, a consumer lending and commercial leasing and lending company; M&T Financial Corporation, a commercial leasing company; M&T Mortgage Corporation, a residential mortgage banking company; M&T Real Estate, Inc., a commercial mortgage lender; M&T Securities, Inc., a broker/dealer; and Matthews, Bartlett & Dedecker, Inc., an insurance agency.

M&T Bank, N.A., with total assets of $903 million at December 31, 2000, is a national bank with an office in Oakfield, New York. M&T Bank, N.A. offers selected deposit and loan products on a nationwide basis, largely through telephone and direct mail marketing techniques. Insurance products are offered by M&T Bank, N.A. through banking offices of M&T Bank.

On February 9, 2001, M&T acquired Premier National Bancorp, Inc. ("Premier"), a bank holding company headquartered in Lagrangeville, New York. Premier National Bank, Premier's bank subsidiary, was merged into M&T Bank on that date. Premier National Bank operated 34 banking offices in the mid-Hudson Valley region of New York State. At December 31, 2000, Premier had approximately $1.6 billion of assets, including $1.0 billion of loans, and $1.4 billion of liabilities, including $1.3 billion of deposits. The acquisition has been accounted for using the purchase method of accounting and, accordingly, the operations acquired from Premier will be included in M&T's financial results subsequent to the acquisition date. Premier's stockholders received $171 million in cash and 2,441,000 shares of M&T common

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stock in exchange for the Premier shares outstanding at the time of the acquisition.

On October 6, 2000, M&T completed the acquisition of Keystone Financial, Inc. ("Keystone"), a bank holding company headquartered in Harrisburg, Pennsylvania. Keystone Financial Bank, N.A., Keystone's bank subsidiary, was merged into M&T Bank. Keystone Financial Bank, N.A. operated banking offices in Pennsylvania, Maryland and West Virginia. The acquisition has been accounted for using the purchase method of accounting and, accordingly, the operations acquired from Keystone have been included in M&T's financial results since the acquisition date. Keystone's stockholders received $375 million in cash and 15,900,292 shares of M&T common stock in exchange for the Keystone shares outstanding at the time of the acquisition. The accompanying table provides a summary of assets acquired and liabilities assumed by the Company on October 6, 2000 in connection with the Keystone transaction:

	(in thousands)
Assets	
Investment securities	$1,167,646
Loans and leases, net of unearned discount	4,847,013
Allowance for possible credit losses	(49,518)
Loans and leases, net	4,797,495
Goodwill and core deposit intangible	614,628
Other assets	835,262
Total assets	$7,415,031
Liabilities	
Deposits	$5,182,893
Short-term borrowings	348,842
Long-term borrowings	670,924
Other liabilities	173,830
Total liabilities	$6,376,489

The Company recorded approximately $615 million of goodwill and core deposit intangible as a result of the Keystone acquisition, 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. Nonrecurring expenses associated with the Keystone merger, and to a significantly lesser extent with the Premier merger, totaled approximately $26.0 million ($16.4 million after-tax) during the year ended December 31, 2000. Such expenses consisted largely of expenses for professional services and other temporary help fees associated with the conversion of systems and/or integration of operations; recruiting and other incentive compensation; initial marketing and

promotion expenses designed to introduce M&T Bank to Keystone's customers; travel; and printing, supplies and other costs of commencing operations in new markets. Although the systems conversions and integration of operations of Keystone are largely complete, the Company expects that it will incur some additional Keystone integration costs. However, the amount of such additional costs is not expected to be significant. Furthermore, the Company also expects to incur costs of a nature similar to those described above in connection with the February 2001 merger with Premier. In accordance with generally accepted accounting principles, included in the determination of goodwill associated with the Keystone merger were charges totaling $29.7 million, net of applicable income taxes, for severance of former Keystone employees; investment banking, legal and other professional fees; and termination of Keystone contracts for data processing and other services. As of December 31, 2000, the remaining unpaid portion of merger-related expenses and charges included in the determination of goodwill were $1.5 million and $7.3 million,

respectively. The resolution of any preacquisition contingencies is not expected to have a material impact on the allocation of the purchase price or the amount of goodwill recorded as part of the acquisition.

In anticipation of the Keystone and Premier acquisitions, M&T Bank issued $500 million of 8% fixed rate subordinated capital notes on October 5, 2000. The subordinated notes are included in total regulatory capital of M&T and M&T Bank. The notes pay interest semi-annually on April 1 and October 1, and will mature on October 1, 2010. In addition to providing regulatory capital, the proceeds were used to fund the cash portions of the Keystone and Premier merger consideration.

On September 19, 2000, M&T's Board of Directors authorized a ten-for-one split of M&T's common stock in connection with the Keystone transaction. The additional shares were payable to stockholders of record as of September 29 and were distributed on October 5, 2000. The par value of each share of M&T's common stock was reduced from $5.00 to $.50 in conjunction with the stock split. All per share data presented herein, including earnings, dividends and the number of common shares authorized, issued, issuable or held in treasury, have been adjusted to reflect the ten-for-one stock split. Also in connection with the Keystone transaction, in the fourth quarter of 2000 M&T doubled the quarterly cash dividend payable on its common stock to $.25 on each post-split share.

On March 1, 2000, M&T Bank completed the acquisition of Matthews, Bartlett & Dedecker, Inc. ("MBD"), an insurance agency located in Buffalo, New York. MBD provides insurance services principally to the commercial market and operates as a subsidiary of M&T Bank. The acquisition has not had a material impact on the Company's financial position or its results of operations.

On March 31, 2000, The Chase Manhattan Bank ("Chase") transferred trust and fiduciary accounts with assets of approximately $147 million to M&T Bank, completing a transaction that began in September 1999 with M&T Bank's acquisition from Chase of 29 banking offices in upstate New York and the investment management and custody accounts associated with those offices. At the September 1999 closing, the banking offices had approximately $634 million of deposits and approximately $44 million of retail installment and commercial loans, and the investment management and custody accounts had assets of approximately $286 million.

On June 1, 1999, M&T completed the acquisition of FNB Rochester Corp. ("FNB"), a bank holding company headquartered in Rochester, New York. Immediately after the acquisition, FNB's banking subsidiary, First National Bank of Rochester, which had 17 banking offices in western and central New York State, was merged into M&T Bank. The acquisition was accounted for using the purchase method of accounting and, accordingly, the results of operations obtained from FNB have been included in the financial results of the Company since the acquisition date. FNB's stockholders received $76 million in cash and 1,225,160 shares (stated to reflect the ten-for-one stock split) of M&T common stock in exchange for FNB shares outstanding at the time of the acquisition. Assets acquired totaled approximately $676 million on June 1, 1999 and included loans and leases of $393 million and investment securities of $148 million. Liabilities assumed on June 1, 1999 were approximately $541 million and included $511 million of deposits.

The Company recorded approximately $153 million of goodwill and core deposit intangible in connection with the Chase branch and FNB acquisitions. Nonrecurring expenses related to systems conversions and other costs of integrating and conforming the acquired operations with and into M&T Bank totaled $4.7 million ($3.0 million after-tax) during the year ended December 31, 1999 and consisted largely of expenses similar in nature to those

previously described as having been incurred in connection with the Keystone merger. In accordance with generally accepted accounting principles, included in the determination of goodwill were charges totaling $4.1 million, net of applicable income taxes, for severance of former Chase and FNB employees; legal and other professional fees; and termination of contracts for data processing and other services. As of December 31, 1999, the remaining unpaid portion of merger-related expenses and charges included in the determination of goodwill were $130 thousand and $960 thousand, respectively. Substantially all of these amounts were paid during 2000.

Overview

The Company's net income in 2000 totaled $286.2 million or $3.44 of diluted earnings per common share, increases of 8% and 5%, respectively, from $265.6 million or $3.28 per diluted share in 1999. Basic earnings per common share rose to $3.55 in 2000, an increase of 4% from $3.41 in 1999. Net income in 1998 was $208.0 million, while diluted and basic earnings per share were $2.62 and $2.73, respectively. The after-tax impact of nonrecurring expenses associated with the previously described acquisitions was $16.4 million ($26.0 million pre-tax) or $.20 of diluted and basic earnings per share in 2000, compared with $3.0 million ($4.7 million pre-tax) or $.03 of diluted earnings per share and $.04 of basic earnings per share in 1999. Nonrecurring merger-related expenses were incurred in 1998 in connection with the acquisition of ONBANCorp, Inc. ("ONBANCorp") on April 1, 1998. The after-tax impact of such expenses was $14.0 million ($21.3 million pre-tax) or $.18 of diluted and basic earnings per share in 1998.

Net income expressed as a rate of return on average assets in 2000 was 1.21%, compared with 1.26% in 1999 and 1.14% in 1998. The return on average common stockholders' equity was 14.07% in 2000, 15.30% in 1999 and 13.86% in 1998. Excluding the impact of merger-related expenses, the rates of return on average assets and average common equity in 2000 were 1.28% and 14.88%, respectively; compared with 1.28% and 15.47%, respectively, in 1999; and 1.21% and 14.79%, respectively, in 1998.

Taxable-equivalent net interest income increased 13% to $865 million in 2000 from $767 million in 1999 largely due to a $2.4 billion or 13% rise in average earning assets to $21.5 billion in 2000 from $19.1 billion in 1999. The increase in average earning assets resulted primarily from growth in average loans and leases. Despite the impact of the securitization of approximately $1.0 billion of residential mortgage loans during the second quarter of 2000, average loans and leases rose to $18.5 billion in 2000, an increase of $2.1 billion or 13% from $16.4 billion in 1999. Excluding the impact of the securitization, average loans and leases grew approximately $2.7 billion in 2000, approximately half of which was due to new originations, net of repayments. The remaining increase was largely the result of the $4.8 billion of loans and leases obtained in the acquisition of Keystone on October 6, 2000. A 15% increase in average loans outstanding in 1999 was the most significant factor contributing to the rise in that year's net interest income from $679 million in 1998. Average loans and leases and average earning assets in 1998 were $14.3 billion and $16.9 billion, respectively. Net interest margin, or taxable-equivalent net interest income expressed as a percentage of average earning assets, has remained stable throughout the past three years, measuring 4.02% in 2000 and 1999, and 4.01% in 1998.

Reflecting favorable credit loss experience, the provision for credit losses decreased to $38.0 million in 2000, compared with $44.5 million in 1999 and $43.2 million in 1998. Net charge-offs totaled $29.0 million in 2000, significantly lower than $40.3 million in 1999 and $39.4 million in 1998. Net charge-offs as a percentage of average loans and leases

outstanding declined to .16% in 2000 from .25% in 1999 and .28% in 1998.

Noninterest income grew by 15% to $325 million in 2000 from $282 million in 1999. Contributing to the higher noninterest income were increases in service charges on deposit accounts, income from leasing activities, and brokerage services income, partially offset by lower mortgage banking revenues and losses from sales of bank investment securities. Approximately 40% of the increase in noninterest income from 1999 to 2000 was attributable to revenues related to operations and/or market areas associated with the Keystone acquisition.

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 the contribution, in 1998 the Company recognized charitable contributions expense of $24.6 million and recognized tax-exempt other income of $15.3 million. The contribution provided an income tax benefit of approximately $10.0 million and, accordingly, resulted in an after-tax increase in 1998's net income of $700 thousand, or $.01 per diluted share. Excluding the effect of this contribution, noninterest income in 1999 increased 14% from $248 million in 1998. Growth in mortgage banking revenues and fees earned from deposit services, as well as a full year of revenues associated with operations obtained in the ONBANCorp acquisition, were factors that contributed to the increase from 1998 to 1999.

Noninterest expenses associated with operations, which exclude amortization of goodwill and core deposit intangible and certain nonrecurring expenses, were $599 million in 2000, an increase of 14% from $525 million in 1999. The excluded items consist of nonrecurring merger-related expenses of $26.0 million and $4.7 million in 2000 and 1999, respectively, and amortization of goodwill and core deposit intangible of $69.6 million in 2000 and $49.7 million in 1999. Higher salaries and employee benefits expenses, including merit salary increases, incentive-based compensation arrangements, and increased staffing levels as a result of acquisitions in 2000 and 1999, contributed to the increase in noninterest operating expenses. After excluding $21.3 million of nonrecurring merger-related expenses, $34.5 million of amortization of goodwill and core deposit intangible, and $24.6 million of expense related to the contribution to the affiliated charitable foundation, noninterest expenses associated with operations totaled $486 million in 1998. Higher expenses related to salaries, employee benefits and occupancy contributed to the higher expense level in 1999 compared with 1998.

The efficiency ratio, or noninterest operating expenses divided by the sum of taxable-equivalent net interest income and noninterest income, measures how much of a company's revenue is consumed by operating expenses. Reflecting the smooth integration of the acquisitions into M&T, the efficiency ratio, calculated using the adjusted income and expense totals noted above and excluding gains or losses from sales of bank investment securities from noninterest income, was 50.2% in 2000, compared with 50.1% in 1999 and 52.5% in 1998.

Cash Operating Results

Unlike many other banking companies, M&T has accounted for substantially all of its business combinations using the purchase method of accounting. As a result, the Company had recorded intangible assets consisting predominately of goodwill and core deposit intangible totaling $1.2 billion, $648 million and $546 million at December 31, 2000, 1999 and 1998, respectively. Included in such intangible assets at December 31, 2000, 1999 and 1998 was goodwill of $1.0 billion, $572 million and $493 million, respectively. Since the amortization of these acquired intangible assets does not result in a cash expense, M&T believes that supplemental reporting of 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 relevant measure of financial performance. The supplemental cash basis data presented herein do not exclude the effect of other non-cash operating expenses such as depreciation, provision for credit losses, or deferred income taxes associated with the results of operations. Unless noted otherwise, cash basis data does, however, exclude the after-tax impact of nonrecurring merger-related expenses associated with acquisitions.

Cash net income grew to $358.6 million in 2000, an improvement of 15% from $311.0 million in 1999. Diluted and basic cash earnings per share in 2000 both increased by 12% to $4.31 and $4.45, respectively, from $3.84 and $3.99 in 1999. In 1998, cash net income was $251.9 million, while diluted and basic cash earnings per share were $3.17 and $3.31, respectively.

Cash return on average tangible assets was 1.56% in 2000, compared with 1.52% in 1999 and 1.41% in 1998. Cash return on average tangible common equity was 27.65% in 2000, compared with 26.71% and 23.08% in 1999 and 1998, respectively. Including the effect of merger-related expenses, the cash return on average tangible assets for 2000, 1999 and 1998 was 1.49%, 1.50% and 1.33%, respectively, and the cash return on average tangible common equity was 26.38%, 26.45% and 21.80%, respectively.

Net Interest Income/Lending and Funding Activities

Net interest income expressed on a taxable-equivalent basis rose 13% to $865 million in 2000 from $767 million in 1999, largely the result of growth in average earning assets, which increased $2.4 billion or 13% to $21.5 billion in 2000 from $19.1 billion in 1999. Taxable-equivalent net interest income and average earning assets in 1998 were $679 million and $16.9 billion, respectively. The growth in average earning assets in 2000 and 1999 was largely attributable to higher average loans and leases outstanding, which totaled $18.5 billion in 2000, up 13% from $16.4 billion in 1999 and 30% higher than $14.3 billion in 1998. Growth in average loans and leases resulting from origination and acquisition activities was partially offset in 2000 by the impact of the securitization of approximately $1.0 billion of residential mortgage loans during the second quarter. The resulting mortgage-backed securities, which are fully guaranteed by the Federal National Mortgage Association, are included in the Company's portfolio of available-for-sale investment securities. Excluding the impact of the securitization, average loans and leases grew by approximately $2.7 billion, or 17%, from 1999 to 2000. Approximately half of such growth was attributable to new originations, net of the impact of repayments. The remaining increase was largely the result of the $4.8 billion of loans obtained in the October 6, 2000 acquisition of Keystone. Those acquired loans included approximately $1.2 billion of commercial loans, $1.3 billion of commercial real estate loans, $1.1 billion of residential mortgage loans and $1.2 billion of consumer loans and leases. In addition to net origination activities, the impact of the $393 million of loans obtained in June 1999 from the FNB transaction and the full-year impact of the $3.0 billion of loans acquired in the April 1998 ONBANCorp transaction contributed to the higher average loan balances in 1999 compared with 1998. The accompanying table 4 summarizes average loans and leases outstanding in 2000 and percentage changes in the major components of the portfolio over the past two years.

Loans secured by real estate, including home equity loans and outstanding home equity lines of credit which the Company classifies as consumer loans, represented approximately 65% of the loan and lease portfolio during 2000, compared with 66% in 1999 and 1998. At December 31, 2000, the Company held approximately $8.7 billion of commercial real estate loans,

$4.8 billion of consumer real estate mortgage loans secured by one-to-four family residential properties and $1.1 billion of outstanding home equity loans and lines of credit, compared with $6.5 billion, $4.1 billion and $885 million, respectively, at December 31, 1999.

Commercial real estate loans originated by the Company are largely secured by properties in the New York City metropolitan area, including areas in neighboring states generally considered to be within commuting distance of New York City, and other areas of New York State where the Company operates, including the Buffalo, Rochester, Syracuse, Albany, Hudson Valley and Southern Tier regions. Commercial real estate loans are also originated through the Company's offices in central Pennsylvania, Maryland, Oregon and West Virginia. Commercial real estate loans originated by the Company include fixed-rate instruments with monthly payments and a balloon payment of the remaining unpaid principal at maturity, in many cases five years after origination. For borrowers in good standing, the terms of such loans may be extended by the customer for an additional five years at the then-current market rate of interest. In response to customer needs, in recent years the Company has also originated fixed-rate commercial real estate loans with maturities of greater than five years. In general, these loans have original maturity terms of approximately ten years. The Company also originates adjustable-rate commercial real estate loans. As of December 31, 2000, approximately 32% of the commercial real

estate loan portfolio consisted of adjustable-rate loans. The accompanying table 6 presents commercial real estate loans by geographic area, type of collateral and size of the loans outstanding at December 31, 2000. Of the $3.5 billion of commercial real estate loans in the New York City metropolitan area, approximately 47% were secured by multi-family residential properties, 21% by retail space and 14% by office space. The Company's experience has been that office space and retail properties tend to demonstrate more volatile fluctuations in value through economic cycles and changing economic conditions than do multi-family residential properties. Approximately 52% of the aggregate dollar amount of New York City area loans were for $5 million or less, while loans of more than $10 million made up approximately 30% of the total. Commercial real estate loans secured by properties elsewhere in New York State and in Pennsylvania tend to have a greater diversity of collateral types and include a significant amount of lending to customers who use the mortgaged property in their trade or business. Approximately 76% of the aggregate dollar amount of commercial real estate loans in New York State secured by properties located outside of the metropolitan New York City area were for $5 million or less. Approximately 86% of the outstanding balance of commercial real estate loans in Pennsylvania were for $5 million or less.

Commercial real estate loans secured by properties located outside of New York State and Pennsylvania, and outside of areas of neighboring states considered to be part of the New York City metropolitan area, comprised 10% of total commercial real estate loans as of December 31, 2000.

Of the $534 million of commercial construction loans presented in the accompanying table, $289 million represent loans for which the Company has also committed to provide permanent financing. At December 31, 2000, commercial construction loans represented 2% of total loans and leases.

Real estate loans secured by one-to-four family residential properties totaled $4.8 billion at December 31, 2000, including approximately 46% secured by properties located in New York State and 31% secured by properties located in Pennsylvania. At December 31, 2000, $525 million of residential real estate loans were held for sale by M&T Mortgage Corporation, the Company's residential mortgage banking subsidiary. Loans to finance the construction of one-to-four family residential properties totaled $364 million at December 31, 2000, or approximately 2% of total loans and leases.

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Consumer loans and leases represented approximately 18% of the average loan portfolio during 2000 and 1999, down slightly from 19% in 1998. Automobile loans and leases and home equity loans and lines of credit represent the largest components of the consumer loan portfolio. Approximately 85% of home equity loans and lines of credit outstanding at December 31, 2000 were secured by properties in New York State and 12% were secured by properties in Pennsylvania. At December 31, 2000, 31% and 51% of the automobile loan and lease portfolio were to customers residing in New York State and Pennsylvania, respectively. Automobile loans and leases are generally originated through dealers, however, all applications submitted through dealers are subject to the Company's normal underwriting and loan approval procedures. Automobile loans and leases represented approximately 8% of the Company's average loan portfolio during 2000, while no other consumer loan product represented more than 6%. The average outstanding balance of automobile leases was approximately $375 million in both 2000 and 1999, and $315 million in 1998. Automobile leases acquired in the Keystone transaction totaled $231 million on October 6, 2000. Due to poorer than expected results, during 1998 and 1997 the Company terminated all of its co-branded credit card programs and sold its retail credit card business on July 31, 1998, including outstanding balances of approximately $186 million.

The Company's investment securities portfolio averaged $2.8 billion in 2000, $2.1 billion in 1999 and $2.4 billion in 1998. Investment securities obtained in the acquisition of Keystone added approximately $185 million to the average balance in 2000. The remaining increase in 2000 from 1999 was generally the result of the previously described securitization of approximately $1.0 billion of residential mortgage loans during the second quarter of 2000. The investment securities portfolio is largely comprised of residential mortgage-backed securities and collateralized mortgage obligations, commercial real estate mortgage-backed securities, and shorter-term U.S. Treasury notes. The Company has also invested in debt securities issued by municipalities and debt and preferred equity securities issued by government-sponsored agencies and certain financial institutions. When purchasing investment securities, the Company considers its overall interest-rate risk profile as well as the adequacy of expected returns relative to prepayment and other risks assumed. In managing its investment securities portfolio, the Company occasionally sells investment securities following completion of a business combination, such as the recent acquisition of Keystone, and as a result of changes in interest rates and spreads, actual or anticipated prepayments, or credit risk associated with a particular security. Investment securities obtained in the Keystone transaction totaled approximately $1.2 billion on October 6, 2000. Through December 31, 2000, approximately $628 million of such securities were sold. The size of the investment securities portfolio is influenced by such factors as demand for loans, which generally yield more than investment securities, ongoing repayments, the level of deposits, and management of balance sheet size and resulting capital ratios.

Money-market assets, which are comprised of interest-earning deposits at banks, interest-earning trading account assets, Federal funds sold and agreements to resell securities, averaged $239 million in 2000, compared with $517 million in 1999 and $230 million in 1998.

Core deposits represent the most significant source of funding to the Company and consist of noninterest-bearing deposits, interest-bearing transaction accounts, savings deposits and nonbrokered domestic time deposits under $100,000. Core deposits generally carry lower interest rates than wholesale funds of comparable maturities. The Company's branch network is its principal source of core deposits. Certificates of deposit under $100,000 generated on a nationwide basis by M&T Bank, N.A. are also included in core deposits. Average core deposits were $13.6 billion in 2000, up from $11.9 billion in 1999 and $10.7 billion in 1998. The increase in average

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core deposits in 2000 was due to the $4.7 billion of core deposits obtained on October 6, 2000 in connection with the Keystone transaction. The increase in average core deposits in 1999 from 1998 reflected the 1999 Chase branch and FNB acquisitions and the full-year impact of the 1998 ONBANCorp acquisition. Core deposits obtained in the Chase branch acquisition as of September 24, 1999 and in the FNB acquisition as of June 1, 1999 were $618 million and $419 million, respectively. Core deposits obtained in the acquisition of ONBANCorp totaled approximately $2.8 billion on April 1, 1998. Average core deposits of M&T Bank, N.A. were $643 million in 2000, $429 million in 1999 and $401 million in 1998. Funding provided by core deposits totaled 63% of average earning assets in 2000, compared with 62% in 1999 and 63% in 1998. The accompanying table 7 summarizes average core deposits in 2000 and percentage changes in the components of such deposits over the past two years.

The Company also obtains funding through domestic time deposits of $100,000 or more, deposits originated through the Company’s offshore branch office, and brokered certificates of deposit. Domestic time deposits over $100,000, excluding brokered certificates of deposit, averaged $1.8 billion in 2000, compared with $1.6 billion in 1999 and $1.3 billion in 1998. Offshore branch deposits, comprised primarily of accounts with balances of $100,000 or more, averaged $250 million in 2000, compared with $254 million and $288 million in 1999 and 1998, respectively. Brokered deposits averaged $696 million in 2000, compared with $1.1 billion in 1999 and $1.4 billion in 1998, and totaled $531 million at December 31, 2000. Brokered deposits have been used as an alternative to short-term borrowings to lengthen the average maturity of interest-bearing liabilities. The weighted-average remaining term to maturity of brokered deposits at December 31, 2000 was 1.2 years. Certain of the brokered deposits have provisions that allow early redemption. In connection with the Company’s management of interest rate risk, interest rate swaps have been entered into under which the Company receives a fixed rate of interest and pays a variable rate and that have notional amounts and terms similar to the amounts and terms of many of the brokered deposits. 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 also uses borrowings from banks, securities dealers, the Federal Home Loan Bank of New York and the Federal Home Loan Bank of Pittsburgh (together, the “FHLB”), and others as sources of funding. Short-term borrowings averaged $2.7 billion in 2000, $2.1 billion in 1999 and $1.9 billion in 1998. The average balance of long-term borrowings was $2.1 billion in 2000, $1.7 billion in 1999 and $835 million in 1998. Included in average long-term borrowings were amounts borrowed from the FHLB of $1.4 billion in 2000, $1.2 billion in 1999 and $343 million in 1998 and subordinated capital notes issued by M&T Bank of $295 million in 2000 and $175 million in 1999 and 1998. Trust preferred securities with a carrying value of $318 million that were issued by special-purpose entities in 1997 are also included in average long-term borrowings. Further information regarding the trust preferred securities, as well as information regarding contractual maturities of long-term borrowings, is provided in note 8 of Notes to Financial Statements. As previously noted, M&T Bank issued $500 million of 8% subordinated capital notes on October 5, 2000 in anticipation of the Keystone and Premier acquisitions.

Changes in the composition of the Company’s earning assets and interest-bearing liabilities, as described herein, as well as changes in interest rates and spreads, can impact net interest income. Net interest spread, or the difference between the yield on earning assets and the rate paid on interest-bearing liabilities, was 3.39% in 2000, compared with 3.48% in 1999. As a result of generally rising interest rates during much of 2000, the yield on earning assets increased 51 basis points (hundredths of one

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percent) to 8.30% from 7.79% in 1999. However, the rate paid on interest-bearing liabilities increased even further, rising 60 basis points to 4.91% from 4.31% in 1999. Actions taken by the Federal Reserve in 1999 and 2000 contributed to the rising level of interest rates in 2000. In 1998, the net interest spread was 3.44%, the yield on earning assets was 8.08% and the rate paid on interest-bearing liabilities was 4.64%.

Net interest-free funds consist largely of noninterest-bearing demand deposits and stockholders’ equity, partially offset by goodwill and core deposit intangible, bank owned life insurance and other non-earning assets. Net interest-free funds contributed .63% to net interest margin in 2000, compared with .54% in 1999 and .57% in 1998. Average net interest-free funds totaled $2.8 billion in 2000, $2.4 billion in 1999 and $2.1 billion in 1998. The increase in the contribution to net interest margin ascribed to net interest-free funds in 2000 as compared with 1999 resulted from the impact of higher interest rates on interest-bearing liabilities used to value such contribution and a $390 million increase in the average balance of net interest-free funds, largely comprised of higher average balances in noninterest-bearing deposits and retained earnings. The decline from 1998 to 1999 in the contribution to net interest margin of net interest-free funds was due, in part, to the goodwill and core deposit intangible assets recorded in conjunction with the FNB, Chase branch and ONBANCorp acquisitions and the cash surrender value of bank owned life insurance. Goodwill and core deposit intangible assets averaged $766 million in 2000, $594 million in 1999 and $427 million in 1998, while the cash surrender value of bank owned life insurance averaged $458 million in 2000, $379 million in 1999 and $314 million in 1998. Increases in the cash surrender value of bank owned life insurance are not included in interest income, but rather are recorded in “other revenues from operations.”

Future changes in market interest rates or spreads, as well as changes in the composition of the Company’s portfolios of earning assets and interest-bearing liabilities that result in reductions in spreads could adversely impact the Company’s net interest margin and

net interest income. Management assesses the potential impact of future changes in interest rates and spreads by projecting net interest income under a number of different interest rate scenarios. As part of the management of interest rate risk, the Company utilizes interest rate swap agreements to modify the repricing characteristics of certain portions of its portfolios of earning assets and interest-bearing liabilities. Revenue and expense arising from these agreements are reflected in either the yields earned on assets or, as appropriate, the rates paid on interest-bearing liabilities. The notional amount of interest rate swaps entered into for interest rate risk management purposes as of December 31, 2000 was approximately $534 million. In general, under the terms of these swaps, the Company receives payments based on the outstanding notional amount of the swaps at fixed rates and makes payments at variable rates. In anticipation of the previously noted issuance of $500 million of fixed-rate subordinated notes in October 2000, the Company terminated certain interest rate swap agreements during September, including forward-starting swaps, with an aggregate notional amount of approximately $421 million. Under the terms of the terminated swaps, the Company would have made fixed-rate payments and received variable-rate payments. The termination of these swaps, which had been entered into to hedge interest rate risk associated with fixed-rate commercial real estate loans, resulted in a net deferred gain of approximately $15.5 million which will be recognized in income over the designated hedge period of the swaps. The impact of the termination of the swaps on the Company's results of operations in 2000 was not significant. The average notional amounts of interest rate swaps entered into for interest rate risk management purposes, the related effect on net interest income and margin, and the weighted-average rate paid or received on those swaps are presented in the accompanying table 8.

The Company estimates that as of December 31, 2000 it would have received approximately $1 million if all interest rate swap agreements entered into for interest rate risk management purposes had been terminated, compared with $25 million and $23 million at December 31, 1999 and 1998, respectively. The estimated fair value of the interest rate swap portfolio results from the effects of changing interest rates. Additional information about interest rate swaps is included in note 16 of Notes to Financial Statements. Through December 31, 2000, changes in the estimated fair value of interest rate swaps entered into for interest rate risk management purposes were not recorded in the consolidated financial statements. A discussion of the impact of changes in accounting for interest rate swaps and other derivative financial instruments that became effective January 1, 2001 is presented herein under the heading "Recently Issued Accounting Standards Not Yet Adopted."

Provision For Credit Losses

A provision for credit losses is recorded to adjust the Company's allowance for credit losses to a level that is adequate to absorb losses inherent in the loan and lease portfolio. The provision for credit losses was $38.0 million in 2000, down from $44.5 million in 1999 and $43.2 million in 1998. Net loan charge-offs in 2000 were $29.0 million, significantly lower than $40.3 million in 1999 and $39.4 million in 1998. Net loan charge-offs as a percentage of average loans outstanding decreased to .16% in 2000 from .25% in 1999 and .28% in 1998. Nonperforming loans, consisting of nonaccrual and restructured loans, totaled $110.6 million or .49% of loans and leases outstanding at December 31, 2000, compared with $72.2 million or .41% a year earlier and $79.3 million or .50% at December 31, 1998. The increase at December 31, 2000 as compared with 1999 and 1998 reflects the inclusion of approximately $43 million of nonperforming loans acquired in the merger with Keystone on October 6, 2000. Accruing loans past due 90 days or more totaled $141.8 million or .62% of total loans and leases at December 31, 2000, compared with $31.0 million or .18% at December 31, 1999 and $37.8 million or .24% at December 31, 1998. The increase resulted largely from the inclusion at December 31, 2000 of $87 million of one-to-four family residential mortgage loans serviced by the Company and repurchased during the fourth quarter of 2000 from the Government National Mortgage Association ("GNMA"). The outstanding principal balances of such loans are fully guaranteed by government agencies. The loans were repurchased to reduce servicing costs associated with the loans, including a requirement to advance principal and interest payments to GNMA that had not been received from individual mortgagors. Expenses incurred during the fourth quarter of 2000 associated with the repurchased loans were approximately $3 million and have been included in "Other costs of operations" in the consolidated statement of income.

The allowance for credit losses was $374.7 million or 1.65% of net loans and leases at the end of 2000, compared with $316.2 million or 1.82% at December 31, 1999 and $306.3 million or 1.94% at December 31, 1998. The ratio of the allowance to nonperforming loans at year-end 2000, 1999 and 1998 was 339%, 438% and 387%, respectively. The decline in the allowance as a percentage of total loans at December 31, 2000 as compared with prior years reflects management's evaluation of the loan and lease portfolio as of each date, the relatively favorable and/or stable economic environment for many commercial borrowers during much of the recent year, the July 1998 sale of the Company's retail credit card business, and other factors. 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. Management cautiously evaluated the impact of changes in 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 credit losses as of December 31, 2000. In addition to the impact of acquisitions, factors considered by management when performing such assessment included, but were not

limited to: (i) 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; (ii) the amount of commercial and industrial loans to businesses in areas of New York State outside of the New York City metropolitan area that have not experienced the same degree of economic growth experienced by the vast majority of other regions of the country in recent years; and (iii) significant growth in loans to individual consumers. Based upon the results of such review, management believes that the allowance for credit losses at December 31, 2000 was adequate to absorb credit losses inherent in the portfolio as of that date.

The accompanying table 10 presents a comparative allocation of the allowance for credit losses for each of the past five year-ends. Amounts were allocated to specific loan categories based upon management's classification of loans under the Company's internal loan grading system and assessment of near-term charge-offs and losses existing in specific larger balance loans that are reviewed in detail by the Company's internal loan review department and pools of other loans that are not individually analyzed. The unallocated portion of the allowance is intended to provide for probable losses that are not otherwise identifiable resulting from (i) comparatively poorer economic conditions and an unfavorable business climate in many market regions served by the Company that have not experienced the same degree of economic growth evident in much of the rest of the country in recent years; (ii) portfolio concentrations regarding loan type, collateral type and geographic location, in particular the large concentration of commercial real estate loans secured by properties in the New York City metropolitan area and other areas of New York State; (iii) the effect of expansion into new markets, including market areas entered through acquisitions; (iv) the introduction of new loan product types, including expansion of automobile loan and leasing activities in recent years; and, (v) the possible use of imprecise estimates in determining the allocated portion of the allowance. Led by growth in New York City, the economy in New York State expanded during 2000 at a rate similar to that of the national average. However, although improved when compared to prior years, economic growth in areas of New York State outside of the New York City metropolitan area continued to lag behind the rest of the country. Furthermore, consistent with other regions of the country, the rate of employment growth in New York State slowed during the second half of 2000. Slower job growth, coupled with a declining population base, has left the upstate New York region susceptible to potential credit problems, particularly related to commercial customers. After contracting throughout 1998 and 1999, the economy in central Pennsylvania stabilized in 2000. Nevertheless, the rate of employment growth in central Pennsylvania in 2000 was approximately one-half the rate experienced in the rest of the country. Given the Company's high concentration of commercial loans and commercial real estate loans in New York State, including the upstate New York region, and central Pennsylvania, and considering the other factors already discussed, the level of the unallocated portion of the allowance for credit losses was deemed prudent and reasonable by management. Nevertheless, the allowance is general in nature and is available to absorb losses from any loan or lease category. Accordingly, the amounts presented in the table are not necessarily indicative of future losses within the individual loan categories.

Several factors influence the Company's credit loss experience,

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including overall economic conditions affecting businesses and consumers, in general, and, due to the size of the Company's commercial real estate loan portfolio, real estate valuations, in particular. Commercial real estate valuations include many assumptions and, as a result, can be highly subjective. Commercial real estate values can be significantly affected over relatively short periods of time by changes in business climate, economic conditions and interest rates, and, in many cases, the results of operations of businesses and other occupants of the real property.

Nonperforming commercial real estate loans totaled $37.0 million, $13.4 million and $18.9 million at December 31, 2000, 1999 and 1998, respectively. Commercial real estate loans acquired in the Keystone merger that were classified at December 31, 2000 as nonperforming were $23.0 million. During 2000 and 1999, the Company realized net recoveries of previously charged-off commercial real estate loans of $383 thousand and $2.2 million. During 1998, net charge-offs of commercial real estate loans were $3.6 million.

Net charge-offs of consumer loans and leases were $18.9 million in 2000, or .56% of average consumer loans and leases outstanding during the year, compared with $21.7 million or .72% in 1999 and $31.5 million or 1.13% in 1998. Charge-offs of indirect automobile loans and leases represented the most significant type of consumer loans charged off during the past three years. Net indirect automobile loan and lease charge-offs during 2000 were $7.2 million, compared with $8.3 million in 1999 and $10.5 million in 1998. Net charge-offs of credit card balances in 1998 totaled $14.4 million. There were no significant charge-offs of credit card balances in 2000 and 1999 since the Company's retail credit card business was sold in July 1998. Nonperforming consumer loans and leases totaled $12.1 million or .29% of outstanding consumer loans at December 31, 2000, compared with $11.5 million or .37% at December 31, 1999 and $10.3 million or .36% at December 31, 1998. Accruing consumer loans and leases past due ninety days or more at December 31, 2000 were $21.3 million, compared with $15.8 million and $18.0 million at December 31, 1999 and 1998, respectively. Consumer loans and leases acquired in the Keystone merger that were past due ninety days or more and accruing interest at December 31, 2000 were $5.6 million. Despite the existence of loan collateral in many cases, management conservatively evaluated the collectability of these delinquent consumer loans and leases when assessing the adequacy of the allowance for credit losses.

During 2000, net charge-offs of commercial loans and leases totaled $5.7 million, compared with $17.0 million in 1999 and $2.7 million in 1998. The higher level of charge-offs in 1999 compared with 2000 and 1998 was largely the result of two commercial loans with partial charge-offs aggregating $15.0 million. Nonperforming commercial loans and leases totaled $25.5 million, $21.1 million and $20.0 million at December 31, 2000, 1999 and 1998, respectively. Commercial loans acquired in the Keystone merger that were classified as nonperforming at December 31, 2000 were $12.7 million.

Net charge-offs of residential real estate loans were $4.7 million in 2000, compared with $3.9 million and $1.6 million in 1999 and 1998, respectively. Residential real estate loans classified as nonperforming at December 31, 2000 totaled $36.0 million, compared with $26.2 million and $30.1 million at December 31, 1999 and 1998, respectively. Residential real estate loans past due ninety days or more and accruing interest totaled $115.3 million, $13.9 million and $18.8 million at December 31, 2000, 1999 and 1998, respectively. The higher level of such loans in 2000 as compared with 1999 and 1998 resulted largely from the inclusion at December 31, 2000 of the previously discussed $87 million of loans repurchased from GNMA. The repurchased loans are fully guaranteed by government agencies. Residential real estate loans acquired in the Keystone merger that were classified at December 31, 2000 as nonperforming and accruing loans past due ninety days or more were $6.9 million and $8.0 million, respectively.

Commercial real estate loans secured by multi-family properties in the New York City metropolitan area represented 7% of loans outstanding at December 31, 2000. The Company had no concentrations of credit extended to any specific industry that exceeded 10% of total loans at December 31, 2000. Furthermore, the Company had no exposure to less developed countries and less than $1 million of outstanding foreign loans at December 31, 2000.

Assets acquired in settlement of defaulted loans totaled $13.6 million at December 31, 2000, compared with $10.0 million a year earlier and $11.1 million at the end of 1998.

Other Income

Other income grew 15% to $325 million in 2000 from $282 million in 1999. Increases in service charges on deposit accounts, income from leasing activities, and brokerage services income were partially offset by lower mortgage banking revenues and losses from sales of bank investment securities. Approximately 40% of the increase in other income from 1999 to 2000 was attributable to revenues related to operations and/or market areas associated with the Keystone acquisition. Other income was $248 million in 1998, after excluding $15.3 million of tax-exempt income resulting from the previously noted transfer of appreciated investment securities to an affiliated, tax-exempt charitable foundation. Growth in mortgage banking revenues, fees earned from deposit services, and a full year of revenues associated with operations obtained in the ONBANCorp acquisition contributed to the increase from 1998 to 1999.

Mortgage banking revenues, which consist of residential mortgage loan servicing fees, gains from sales of residential mortgage loans and loan servicing rights, and other residential mortgage loan-related fees, decreased 12% to $63.2 million in 2000 from $71.8 million in 1999. The Company maintains residential mortgage loan origination offices in New York State and Pennsylvania, as well as in Arizona, Colorado, Idaho, Massachusetts, Ohio, Oregon, Utah and Washington. Generally higher interest rates during the fourth quarter of 1999 and throughout most of 2000 negatively impacted mortgage origination volume. The lower volume and tighter pricing margins, due to competitive pressures, contributed to a decrease in gains from sales of residential mortgage loans and loan servicing rights to $24.8 million in 2000, compared with $39.7 million in 1999 and $32.4 million in 1998. Revenues from servicing residential mortgage loans for others were $32.3 million in 2000, compared with $26.8 million in 1999 and $29.3 million in 1998. Residential mortgage loans serviced for others totaled $9.7 billion (including approximately $1 billion of loans that had been serviced by Keystone), $7.2 billion and $7.3 billion at December 31, 2000, 1999 and 1998, respectively. Capitalized servicing assets were $101 million at December 31, 2000, $61 million at December 31, 1999, and $62 million at December 31, 1998. Capitalized servicing assets recorded during 2000 as a result of the Keystone transaction, other purchased servicing rights and the previously noted securitization of $1.0 billion of residential mortgage loans were approximately $15 million, $21 million and $14 million, respectively.

Service charges on deposit accounts rose 26% to $92.5 million in 2000 from $73.6 million in 1999, and 61% from $57.4 million in 1998. The full-year effect in 2000 of a third quarter 1999 increase in fees and the impact of acquisitions were significant factors contributing to the increases. Fees for services provided to customers in the areas formerly served by Keystone contributed approximately 30% of the increase from 1999 to 2000. Trust income increased 11% to $45.2 million in 2000 from $40.8 million in 1999 and 18% from $38.2 million in 1998. The increase in 2000 from 1999 was attributable to the acquisition of Keystone. Higher revenues from investment management services contributed to the increase in 1999 from 1998. Brokerage

services income, which is comprised of revenues from the sale of mutual funds and annuities and securities brokerage fees, totaled $32.8 million in 2000, up 21% from $27.1 million in 1999 and 67% higher than $19.6 million in 1998. Trading account and foreign exchange activity resulted in gains of $2.4 million in 2000, $315 thousand in 1999 and $4.0 million in 1998. The decline in 1999 income was largely the result of an approximate $3 million loss incurred as a result of a counterparty defaulting on the settlement of outstanding foreign exchange contracts. Losses from sales of bank investment securities in 2000 reflect $3.1 million of net losses incurred during the fourth quarter of 2000 from sales of investment securities following the acquisition of Keystone and the combination of the investment portfolios of Keystone and M&T. During 1999 and 1998, the Company sold bank investment securities resulting in gains of $1.6 million and $1.8 million, respectively. All sold securities had been previously classified as available for sale for financial reporting purposes.

Other revenues from operations increased to $91.7 million in 2000, compared with $67.2 million in 1999 and $61.1 million in 1998 (excluding the effect of the contribution of securities to the affiliated foundation). Approximately one-sixth of the increase from 1999 to 2000 resulted from operations related to Keystone. Other revenues from operations included $25.5 million, $22.5 million and $17.6 million in 2000, 1999 and 1998, respectively, of tax-exempt income earned from bank owned life insurance, which includes increases in cash surrender value of life insurance policies and benefits received. Also included were revenues from merchant discount and credit card fees of $9.3 million, $7.5 million and $12.4 million in 2000, 1999 and 1998, respectively. Other items that contributed to the increase in other revenues from operations in 2000 from 1999 include income from leasing activities and higher insurance-related revenues. Income from leasing activities reflects a net gain of $9 million realized during the fourth quarter of 2000 resulting from a $13.5 million gain from the sale of equipment previously leased to a commercial customer and an accrual of $4.5 million for losses associated with selling automobiles and other vehicles presently leased to retail customers. Insurance-related revenues totaled $6.6 million in 2000, compared with $879 thousand and $635 thousand in 1999 and 1998, respectively. The previously noted acquisition of MBD in March 2000 was the leading factor contributing to higher insurance-related revenues. A $7.0 million increase in revenues from letter of credit and other credit-related fees also contributed to the rise in other revenues from operations in 1999 from 1998.

Other Expense

Operating expenses, which exclude amortization of goodwill and core deposit intangible as well as merger-related and other nonrecurring expenses, were $599 million in 2000, 14% higher than $525 million in 1999 and 23% higher than $486 million in 1998. Expenses related to acquired operations significantly contributed to the higher expense levels in 2000 and 1999. However, since the operating systems and support operations related to Keystone, ONBANCorp, FNB and the former Chase branches have been combined with those of the Company, the Company's operating expenses cannot be precisely divided between or attributed directly to the acquired operations or to the Company as it existed prior to each transaction. Components of other expense considered to be non-operating in nature and therefore excluded from the operating expense totals noted above were amortization of goodwill and core deposit intangible of $69.6 million in 2000, $49.7 million in 1999 and $34.5 million in 1998; merger-related expenses of $26.0 million, $4.7 million and $21.3 million in 2000, 1999 and 1998, respectively; and $24.6 million of expense recognized in 1998 related to the previously discussed transfer of securities to an affiliated charitable foundation.

Salaries and employee benefits expense was $329 million in 2000, 16% higher than the $285 million in 1999 and 27% higher than the $259 million in 1998. Salaries and benefits related to acquired operations, merit salary increases, and higher expenses for incentive compensation arrangements were factors contributing to the increases in 2000 and 1999. Higher medical benefit costs in 1999 also contributed to the increase in 1999 from 1998. The number of full-time equivalent employees was 8,219 at December 31, 2000, compared with 6,171 at December 31, 1999 and 6,044 at December 31, 1998.

Excluding the non-operating expense items previously noted, nonpersonnel expense totaled $272 million in 2000, 13% higher than $240 million in 1999 and 19% higher than $228 million in 1998. Higher equipment and net occupancy expenses, largely attributable to the impact of acquisitions, higher amortization of capitalized servicing rights and increased foreclosure-related expenses were significant factors contributing to the rise in nonpersonnel expenses from 1999 to 2000. Higher equipment and net occupancy expenses, largely related to acquired operations, also contributed to the increase in expense from 1998 to 1999.

Income Taxes

The provision for income taxes was $160 million in 2000, up from $153 million in 1999 and $118 million in 1998. The effective tax rates were 35.9% in 2000, 36.5% in 1999 and 36.1% in 1998. A reconciliation of income tax expense to the amount computed by applying the statutory federal income tax rate to pre-tax income is provided in note 11 of Notes to Financial Statements.

International Activities

The Company's net investment in international assets was $7 million and $27 million at December 31, 2000 and 1999, respectively. Total offshore deposits were $245 million at December 31, 2000 and $243 million at December 31, 1999.

Liquidity, Market Risk, and Interest Rate Sensitivity

As a financial intermediary, the Company is exposed to various risks including liquidity and market risk. Liquidity refers to the Company's ability to ensure that sufficient cash flow and liquid assets are available to satisfy demands for loans and deposit withdrawals, to fund operating costs, and to be used for other corporate purposes. Liquidity risk arises whenever the maturities of financial instruments included in assets and liabilities differ.

Core deposits have historically been the most significant funding source for the Company. Core deposits are generated from a large base of consumer, corporate and institutional customers, which over the past several years has become more geographically diverse as a result of acquisitions and expansion of the Company's businesses. Nevertheless, in recent years the Company has faced increased competition in offering services and products from a large array of financial market participants, including banks, thrifts, mutual funds, securities dealers and others. Core deposits financed 65% of the Company's earning assets at December 31, 2000, compared with 63% and 62% at December 31, 1999 and 1998, respectively.

The Company supplements funding provided through core deposits with various short-term and long-term wholesale borrowings, including Federal funds purchased and securities sold under agreements to repurchase, brokered certificates of deposit, and borrowings from the FHLB and others. M&T Bank

had short-term and long-term credit facilities with the FHLB aggregating $3.3 billion at December 31, 2000. Outstanding borrowings under the FHLB credit facilities totaled $2.8 billion at December 31, 2000 and $1.8 billion at December 31, 1999. Such borrowings are secured by loans and investment securities. M&T Bank and M&T Bank, N.A. had available lines of credit with the Federal Reserve Bank of New York at December 31, 2000 totaling approximately $1.4 billion. The amounts of these lines are dependent upon the balance of loans and securities pledged as collateral. There were no borrowings outstanding under these lines at either December 31, 2000 or 1999. As previously noted, M&T Bank issued $500 million of 8% fixed rate subordinated capital notes in October 2000 that provided liquidity and facilitated the acquisitions of Keystone and Premier. Although informal and sometimes reciprocal, sources of funding are available to the Company through various arrangements for unsecured short-term borrowings from a wide group of banks and other financial institutions. In addition to deposits and borrowings, other sources of liquidity include maturities of money-market assets and investment securities, repayments of loans and investment securities, and cash generated from operations, such as fees collected for services.

M&T's primary source of funds to pay for operating expenses, stockholder dividends and treasury stock repurchases has historically been the receipt of dividends from its banking subsidiaries, which are subject to various regulatory limitations. These historic sources of cash flow were augmented in 1997 by the proceeds from issuance of $250 million of trust preferred securities, which provided a substantial portion of M&T's funding needs during 1998 and 1997. Additional information regarding the trust preferred securities is included in note 8 of Notes to Financial Statements. M&T also maintains a $30 million line of credit with an unaffiliated commercial bank, of which there were no borrowings outstanding at December 31, 2000. Outstanding borrowings under a similar $30 million line of credit that expired during 2000 totaled $29 million at December 31, 1999.

Management closely monitors the Company's liquidity position for compliance with internal policies and believes that available sources of liquidity are adequate to meet funding needs anticipated in the normal course of business. 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.

Market risk is the risk of loss from adverse changes in market prices and/or interest rates of the Company's financial instruments. The primary market risk the Company is exposed to is interest rate risk. The core banking activities of lending and deposit-taking expose the Company to interest rate risk, which occurs when assets and liabilities reprice at different times as interest rates change. As a result, 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 in future years under various interest rate scenarios using projected balances for earning assets, interest-bearing liabilities and off-balance sheet financial instruments. Management's philosophy toward interest rate risk management is to limit the variability of net interest income. 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 market values of the Company's financial instruments. The Company has entered into interest rate swap agreements to help manage exposure to interest rate risk. At December 31, 2000, the aggregate notional amount of interest rate swaps entered into for interest rate risk management purposes was approximately $534 million. Information about interest rate swaps entered into for

interest rate risk management purposes is included herein under "Net Interest Income/Lending and Funding Activities" and in note 16 of Notes to Financial Statements.

The Company's Asset-Liability Committee, which includes members of senior management, monitors interest rate sensitivity with the aid of a computer model that 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 action, 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 modifying or terminating existing interest rate swap agreements or entering into additional interest rate swap agreements.

The accompanying table 14 as of December 31, 2000 and 1999 displays the estimated impact on net interest income from non-trading financial instruments resulting from changes in interest rates during the first modeling year.

Many assumptions were utilized by the Company to calculate the impact that changes in interest rates may have on the Company's net interest income. The more significant assumptions related to the rate of 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 assumed gradual changes in 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 from those presented 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 such changes.

In accordance with industry practice, the accompanying table 15 presents cumulative totals of net assets (liabilities) repricing on a contractual basis within the specified time frames, as adjusted for the impact of interest rate swap agreements entered into for interest rate risk management purposes. Management believes this measure does not appropriately depict interest rate risk since changes in interest rates do not necessarily affect all categories of earning assets and interest-bearing liabilities equally nor, as assumed in the table, on the contractual maturity or repricing date. Furthermore, this static presentation of interest rate risk fails to consider the effect of ongoing lending and deposit gathering activities, projected changes in balance sheet composition or any subsequent interest rate risk management activities the Company is likely to implement.

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 currencies and mortgage-backed securities, U.S. Treasury and other government securities, mortgage-backed securities and interest rate contracts, such as swaps. The Company generally mitigates the foreign currency and interest rate risk associated with trading activities by entering into offsetting trading positions. The amounts of gross and net trading positions as well as the type of trading activities conducted by the Company are subject to a well-defined series of potential loss exposure limits established by the Asset-Liability Committee.

The notional amounts of interest rate and foreign currency and other option and futures contracts entered into for trading account purposes totaled $769 million and $293 million, respectively, at December 31, 2000 and $799 million and $573 million, respectively, at December 31, 1999. The notional amounts of these trading contracts are not recorded in the consolidated balance sheet. However, the fair values of all financial instruments used for trading activities are recorded in the consolidated balance sheet. The fair values of all trading account assets and liabilities were $37 million and $22 million, respectively, at December 31, 2000 and $641 million and $633 million, respectively, at December 31, 1999. Included in trading account assets at December 31, 1999 were mortgage-backed securities that served as collateral securing certain money market assets. The obligations to return such collateral were recorded as noninterest-bearing trading account liabilities and were included in accrued interest and other liabilities in the Company's consolidated balance sheet. The fair value of such collateral (and the related obligation to return collateral) was $600 million at December 31, 1999.

Given the Company's policies, limits and positions, management believes that the potential loss exposure to the Company resulting from market risk associated with trading activities was not material as of December 31, 2000 and 1999. Additional information related to trading derivative contracts is included in note 16 of Notes to Financial Statements.

Capital

Stockholders' equity at December 31, 2000 was $2.7 billion or 9.33% of total assets, compared with $1.8 billion or 8.02% at December 31, 1999 and $1.6 billion or 7.78% at December 31, 1998. On a per share basis, stockholders' equity increased 24% to $28.93 at December 31, 2000 from $23.24 at December 31, 1999, and was up 39% from $20.79 at December 31, 1998. Tangible equity per share, which excludes goodwill and core deposit intangible and applicable deferred tax balances, was $16.74 at December 31, 2000, compared with $15.14 at December 31, 1999 and $13.99 at December 31, 1998. The ratio of average total stockholders' equity to average total assets was 8.59%, 8.24% and 8.20% in 2000, 1999 and 1998, respectively.

M&T issued shares of common stock in 2000, 1999 and 1998 to complete the acquisitions of Keystone, FNB and ONBANCorp, respectively. To complete the acquisition of Keystone on October 6, 2000, M&T issued 15,900,292 shares of common stock to former holders of Keystone common stock and assumed employee stock options to purchase 1,259,493 shares of M&T common stock, resulting in an addition to stockholders' equity of $663.7 million. On June 1, 1999, M&T issued 1,225,160 shares (stated to give effect to the ten-for-one stock split in 2000) of common stock to former holders of FNB common stock resulting in an addition to stockholders' equity of $58.7 million. On April 1, 1998, M&T issued 14,299,980 shares (stated to give effect to the ten-for-one stock split in 2000) of common stock to former holders of ONBANCorp common stock and assumed employee stock options to purchase 617,720 shares (also stated to give effect to the stock split) of M&T common stock, resulting in an addition to stockholders' equity of $607.2 million.

Stockholders' equity at December 31, 2000 reflected a loss of $432 thousand, or less than $.01 per share, for the net after-tax impact of unrealized losses on investment securities classified as available for sale, compared with unrealized losses of $26.0 million, or $.34 per common share, at December 31, 1999 and unrealized gains of $2.9 million, or $.04 per common share, at December 31, 1998. Such unrealized gains or losses are generally due to changes in interest rates and 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.

Cash dividends on M&T's common stock of $52.0 million were paid in

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2000, compared with $35.1 million and $29.0 million in 1999 and 1998, respectively. As previously discussed, in conjunction with the Keystone acquisition, M&T increased its quarterly dividend on common stock in the fourth quarter of 2000 to $.25 per share from $.125 per share. In the third quarter of 1999 M&T's quarterly common stock dividend rate was increased to $.125 per share from $.10 per share. In total, dividends per common share increased to $.625 in 2000 from $.45 in 1999 and $.38 in 1998.

During 2000, 1999 and 1998, M&T repurchased an aggregate of 7,787,410 shares of its common stock at an aggregate cost of $366.5 million; 1,313,760 shares in 2000, 1,678,330 shares in 1999 and 4,795,320 shares in 1998, at a cost of $54.9 million, $79.8 million and $231.8 million, respectively. In November 1999, M&T announced its intention to repurchase and hold as treasury stock up to 1,904,650 shares of common stock for reissuance upon the possible future exercise of outstanding stock options. As of December 31, 2000, M&T had repurchased 1,632,860 shares of common stock pursuant to such plan at an average cost of $42.74 per share. Following the public announcement of the Keystone acquisition in May 2000, M&T has not been repurchasing its common stock, instead using the Company's internal generation of capital to support the Keystone and Premier acquisitions.

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. Core capital includes the $318 million carrying value of trust preferred securities. As of December 31, 2000, total capital further included $594 million of subordinated notes issued by M&T Bank. The capital ratios of the Company and its banking subsidiaries, M&T Bank and M&T Bank, N.A., as of December 31, 2000 and 1999 are presented in note 20 of Notes to Financial Statements.

The Company generates significant amounts of regulatory capital. The rate of regulatory core capital generation, or cash net income (reduced by the impact of nonrecurring merger-related expenses) less dividends paid expressed as a percentage of regulatory "core capital" at the beginning of each year, was 19.48% in 2000, 19.89% in 1999 and 16.71% in 1998.

Fourth Quarter Results

As previously noted, M&T completed its acquisition of Keystone on October 6, 2000. The acquisition has been accounted for using the purchase method of accounting and, accordingly, the results of operations obtained from Keystone have been included in M&T's financial results since the acquisition date. M&T reported net income in the fourth quarter of 2000 of $72.0 million, an increase of 9% from $66.1 million in the final quarter of 1999. Diluted and basic earnings per share in the recent quarter were $.76 and $.78, respectively, compared with $.82 and $.85, respectively, in the year-earlier quarter. Net income for the fourth quarter of 2000 expressed as an annualized rate of return on average assets was 1.01%, compared with 1.18% in the comparable 1999 quarter. The annualized rate of return on average common stockholders' equity in the recent quarter was 11.03%, compared with 14.58% in 1999's fourth quarter. Cash net income in the fourth quarter of 2000 rose to $108.1 million, up 38% from $78.4 million earned in the year-earlier quarter. Diluted cash earnings per share increased 18% to $1.14 in 2000's final quarter from $.97 in the comparable 1999 period. Cash return on average tangible assets was an annualized 1.57% in the recent quarter, compared with 1.45% in the corresponding 1999 quarter. Cash return on average tangible common equity rose to an annualized 28.93% in the fourth quarter of 2000 from 26.67% in the year-earlier quarter.

Taxable-equivalent net interest income rose to $262 million in the

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fourth quarter of 2000, an increase of $63 million or 32% from $199 million in the comparable 1999 quarter. A 30% increase in average earning assets, largely the result of the Keystone acquisition on October 6, 2000, was the most significant factor contributing to the improvement in net interest income. Average earning assets were $25.7 billion and $19.8 billion in the fourth quarter of 2000 and 1999, respectively. Average loans and leases for the fourth quarter of 2000 totaled $22.1 billion, up from $17.1 billion during the year-earlier quarter. Net interest margin was 4.05% in the fourth quarter of 2000, up from 3.99% in 1999's final quarter. The yield on earning assets was 8.47% in the recent quarter, up 62 basis points from 7.85% in the year-earlier period. The rate paid on interest-bearing liabilities was 5.12% in 2000's final quarter, compared with 4.43% in the fourth quarter of 1999. The resulting net interest spread was 3.35% in the recent quarter, compared with 3.42% in 1999's final quarter.

The provision for credit losses was $14.0 million in the fourth quarter of both 2000 and 1999. Net charge-offs totaled $12.1 million in 2000's fourth quarter, compared with $12.8 million in the year-earlier period. Net charge-offs as an annualized percentage of average loans and leases were .22% in the final 2000 quarter, compared with .30% in the corresponding 1999 quarter.

Other income increased 46% to $102.8 million in the fourth quarter of 2000 from $70.4 million in the fourth quarter of 1999. Approximately one-half of the increase was attributable to revenues related to operations and/or market areas associated with the Keystone acquisition. Income from leasing activities and increases in service charges on deposit accounts of $8.6 million and trust income of $5.7 million, largely attributable to acquired Keystone operations, were partially offset by $3.1 million of losses from sales of bank investment securities. Income from leasing activities reflects a net gain of $9 million during the fourth quarter of 2000

resulting from a $13.5 million gain from the sale of equipment previously leased to a commercial customer and an accrual of $4.5 million for losses associated with selling automobiles and other vehicles presently leased to retail customers.

Reflecting the impact of expenses resulting from the acquisition of Keystone, including expenses for salaries and benefits, equipment and net occupancy, and amortization of goodwill and core deposit intangible, other expense increased 57% to $234.2 million in 2000's final quarter from $149.0 million in the corresponding 1999 period. Nonrecurring merger-related expenses totaled $22.3 million in the fourth quarter of 2000. There were no similar expenses in the fourth quarter of 1999.

Segment information

In accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures About Segments of an Enterprise and Related Information," the Company's reportable segments have been determined based upon its internal profitability reporting system, which is organized by strategic business unit. Certain strategic business units have been combined for segment information reporting purposes where the nature of the products and services, the type of customer, and the distribution of those products and services are similar. The reportable segments are Commercial Banking, Commercial Real Estate, Discretionary Portfolio, Residential Mortgage Banking and Retail Banking.

The financial information of the Company's segments was compiled utilizing the accounting policies described in note 19 of Notes to Financial Statements. The management accounting policies and processes utilized in compiling segment financial information are highly subjective and, unlike financial accounting, are not based on authoritative guidance similar to

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generally accepted accounting principles. As a result, reported segments and the financial results of such segments are not necessarily comparable with similar information reported by other financial institutions. Furthermore, changes in management structure or allocation methodologies and procedures may result in changes in reported segment financial data. Financial information about the Company's segments is presented in note 19 of Notes to Financial Statements.

The Commercial Banking segment provides a wide range of credit products and banking services for middle-market and large commercial customers, largely within the markets the Company serves. Among the services provided by this segment are commercial lending and leasing, deposit products, and cash management services. The Commercial Banking segment's earnings increased 27% to $98.4 million in 2000 from $77.6 million in 1999. The higher net income in 2000 when compared with 1999 resulted largely from an increase of $34.9 million, or 22%, in net interest income. Net interest income from loans and leases increased $24.0 million, as a result of a 23% increase in average balances outstanding, while the contribution to net interest income from deposits increased $8.2 million, due to a higher net interest spread and a 9% increase in average balances outstanding. Growth in most markets already served by the Company, as well as the impact of balances obtained in acquisitions, contributed to the higher loan and deposit levels. Net income in 1998 was $67.4 million. Higher net interest income of $17.8 million, or 13%, the result of a 17% increase in average loans outstanding, and increases in letter of credit and other credit related fee income of $6.1 million were factors contributing to the rise in net income from 1998 to 1999. Growth in most markets served by the Company, as well as the full year impact in 1999 of loans acquired from ONBANCorp, contributed to the higher loan balances. Reflecting higher net charge-offs, including charge-offs of $11.2 million related to one commercial customer, the segment's provision for credit losses increased to $11.3 million in 1999 from $3.0 million in 1998. The segment's provision for credit losses was $7.3 million in 2000.

The Commercial Real Estate segment provides credit and deposit services to its customers. Loans are largely secured by properties in the New York City metropolitan area and in western New York, upstate New York, Pennsylvania and, to a lesser extent, in Maryland, West Virginia and the northwestern portion of the United States. Commercial real estate loans may be secured by apartment/ multifamily buildings, office space, retail space, industrial space or other types of collateral. Net income earned by the Commercial Real Estate segment in 2000 was $72.1 million, up 12% from $64.2 million realized in 1999. The major factor for the rise in net income was a 17% increase in average loan balances outstanding which contributed to a $12.3 million, or 10%, increase in net interest income. Loan growth in all markets served by the Company and the impact of commercial real estate loans obtained in the Keystone acquisition contributed to the increase in outstanding balances. Net income for the Commercial Real Estate segment was $57.3 million in 1998. Higher net interest income of $12.8 million, the result of a 15% increase in average loan balances outstanding, was the major factor for the higher 1999 net income. Higher loan balances were due to loan growth in substantially all markets served by the Company and the full-year impact in 1999 of commercial real estate loans obtained in the acquisition of ONBANCorp.

The Discretionary Portfolio segment includes securities, residential mortgage loans and other assets; short-term and long-term borrowed funds; brokered certificates of deposit and interest rate swaps related thereto; and offshore branch deposits. This segment also provides services to commercial customers and consumers that include foreign exchange, securities trading and municipal bond underwriting and sales. The Discretionary Portfolio segment earned net income of $33.9 million in 2000, compared with $38.2 million in 1999 and $31.7 million in 1998. Factors contributing to the decline in net

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income for 2000 include an $11.0 million, or 23%, decrease in net interest income and losses from sales of bank investment securities of $3.1 million, offset, in part, by a $3.0 million increase in tax-exempt income earned from bank owned life insurance. The decline in net interest income largely reflects a narrowing of the segment's net interest margin. The higher net income in 1999 as compared with 1998 was due, in part, to a $4.9 million increase in income from bank owned life insurance and higher net interest income from holdings of residential mortgage loans. Partially offsetting these increases was the previously mentioned $3 million settlement loss on foreign exchange contracts in 1999.

The Residential Mortgage Banking segment originates and services residential mortgage loans for consumers and sells substantially all of those loans in the secondary market to investors or to banking subsidiaries of M&T. The Company maintains mortgage loan origination offices in New York State and Pennsylvania, as well as in Arizona, Colorado, Idaho, Maryland, Massachusetts, Ohio, Oregon, Utah, Washington and West Virginia. The Company also periodically purchases the rights to service residential mortgage loans. Residential mortgage loans held for sale are included in this segment. This segment's net income was $6.5 million in 2000, compared with $20.8 million a year earlier and $19.5 million in 1998. The significant decrease from 1999 was largely due to lower gains from sales of residential mortgage loans and loan servicing rights, which decreased $14.9 million, and higher noninterest expenses of $5.8 million resulting from increases in foreclosure expenses and amortization of capitalized servicing rights. The decline in revenue resulted from the impact that generally higher interest rates in 2000 had on loan origination volume and from tighter pricing margins resulting from competitive pressures. A $6.2 million decrease in noninterest expenses associated with origination and servicing activities, partially offset by a $4.1 million decline in revenue, led to the improved net income in this segment in 1999 as compared with 1998. The lower 1999 expense level included a $1.7 million decrease in the valuation allowance for capitalized servicing assets, compared with a $1.0 million addition to such allowance in 1998. The decline in revenue was the result of a lower volume of loans originated for sale during 1999 as compared with 1998, including loans originated for transfer to M&T's bank subsidiaries.

The Retail Banking segment offers a variety of consumer and small business services through several delivery channels which include traditional and "in-store" banking offices, automated teller machines, telephone banking and internet banking. The Company has banking offices in New York State, Pennsylvania, Maryland and West Virginia. The Retail Banking segment also offers certain deposit and loan products on a nationwide basis through M&T Bank, N.A. Credit services offered by this segment include consumer installment loans, student loans, automobile loans and leases (both directly and indirectly through dealers), home equity loans and lines of credit, and loans and leases to small businesses. The segment also offers to its customers deposit products, including demand, savings and time accounts; investment products, including mutual funds and annuities; and other services. The Retail Banking segment contributed net income of $163.7 million in 2000, up 47% from $111.5 million in 1999. The increase was due, in part, to the impact of the 2000 and 1999 acquisitions of Keystone, FNB and the Chase branches that resulted in higher net interest income and service charges on deposit accounts, partially offset by increases in operating expenses. The full-year impact in 2000 of a third quarter 1999 increase in fees charged for deposit account services also contributed to the improvement. In 1998, Retail Banking had net income of $100.1 million. The impact of the acquisitions of FNB on June 1, 1999 and ONBANCorp on April 1, 1998 and increased service charges on deposit accounts, reflecting the third quarter 1999 rate increases, were the leading factors contributing to the increase from 1998 to 1999. The financial results of Retail Banking for 1998 also include a $3.2 million gain that resulted from the sale of the retail

credit card business in July 1998 and the results of providing retail credit card services to customers.

Recently Issued Accounting Standards Not Yet Adopted

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 established 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.

Pursuant to SFAS No. 133, 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 will be 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 was to be effective for all fiscal quarters of fiscal years beginning after June 15, 1999. In June 1999, the FASB amended SFAS No. 133, deferring the effective date by one year. In 1998, the FASB organized the Derivatives Implementation Group ("DIG") to assist with the interpretation of SFAS No. 133 and to address implementation issues. In June 2000, the FASB again amended SFAS No. 133 through the issuance of SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133." SFAS No. 138 was issued to address some of the implementation issues and to reflect certain decisions arising from the DIG process.

Initial application of SFAS No. 133, as amended, must 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. SFAS No. 133, as amended, may not be applied retroactively to financial statements of prior periods.

The Company adopted SFAS No. 133, as amended, as of January 1, 2001. The Company anticipates that adoption of SFAS No. 133 could increase the volatility of reported earnings and stockholders' equity in future periods. Nevertheless, the initial impact of adopting SFAS No. 133 as of January 1, 2001 was not considered material to the Company's consolidated financial statements.

In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." SFAS No. 140 replaces SFAS No. 125, which was issued in 1996 and had the same title. SFAS No. 140 revises standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures.

SFAS No. 140 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001.

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The statement is effective for recognition and reclassification of collateral and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. Disclosures about securitization and collateral accepted need not be reported for periods ending on or before December 15, 2000, for which financial statements are presented for comparative purposes. In general, SFAS No. 140 is to be applied prospectively. Earlier or retroactive application of its accounting provisions is generally not permitted. The adoption of SFAS No. 140 is not expected to have a material impact on the Company's consolidated financial statements.

Forward-Looking Statements

This Financial Review and other sections of this Annual 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; legislation affecting the financial services industry as a whole, and the Company individually; 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; the outcome of pending and future litigation and governmental proceedings; continued availability of financing; financial resources in the amounts, at the times and on the terms required to support the Company's future businesses; and material differences in the actual financial results of merger and acquisition activities compared to the Company's initial expectations, including the full realization of anticipated cost savings and revenue enhancements. 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.

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M&T BANK CORPORATION AND SUBSIDIARIES

Table 1

FINANCIAL HIGHLIGHTS

	2000	1999	Change
For the year			
Performance			
Net income (thousands)	$286,156	265,626	+8%
Return on			
Average assets	1.21%	1.26%	
Average common equity	14.07%	15.30%	

Net interest margin	4.02%	4.02%	
Net charge-offs/average loans	.16%	.25%	
Efficiency ratio (a)	56.06%	54.80%	
Per common share data			
Basic earnings	$ 3.55	3.41	+4%
Diluted earnings	3.44	3.28	+5%
Cash dividends	.625	.45	+39%
Cash (tangible) operating results (b)			
Net income (thousands) (c)	$358,639	311,001	+15%
Diluted earnings per common share (c)	4.31	3.84	+12%
Return on			
Average tangible assets	1.56%	1.52%	
Average tangible common equity	27.65%	26.71%	
Efficiency ratio (a)	50.22%	50.06%	
At December 31			
Balance sheet data (millions)			
Loans and leases, net of unearned discount	$ 22,743	17,407	+31%
Total assets	28,949	22,409	+29%
Deposits	20,233	15,374	+32%
Stockholders' equity	2,700	1,797	+50%
Loan quality			
Allowance for credit losses/net loans	1.65%	1.82%	
Nonperforming assets ratio	.55%	.47%	
Capital			
Tier 1 risk-based capital ratio	7.49%	8.27%	
Total risk-based capital ratio	11.19%	10.25%	
Leverage ratio	6.66%	6.92%	
Common equity/total assets	9.33%	8.02%	
Common equity (book value) per share	$ 28.93	23.24	+24%
Tangible common equity per share	16.74	15.14	+11%
Market price per share			
Closing	68.00	41.43	+64%
High	68.42	58.25	
Low	35.70	40.60	

(a) Excludes impact of nonrecurring merger-related expenses and net securities transactions.
(b) Excludes amortization and balances related to goodwill and core deposit intangible and nonrecurring merger-related expenses which, except in the calculation of the efficiency ratio, are net of applicable income tax effects.
(c) Cash net income excludes the after-tax impact of nonrecurring merger-related expenses of $16.4 million or $.20 per diluted share in 2000 and $3.0 million or $.03 per diluted share in 1999.

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M&T BANK CORPORATION AND SUBSIDIARIES

Table 2

QUARTERLY TRENDS

	2000 Quarters			
	Fourth	**Third**	**Second**	**First**
Earnings and dividends				
Amounts in thousands, except per share				
Interest income (taxable-equivalent basis)	$548,345	424,212	409,710	401,064
Interest expense	286,538	219,622	208,706	203,731
Net interest income	261,807	204,590	201,004	197,333
Less: provision for credit losses	14,000	9,000	6,000	9,000
Other income	102,778	76,514	73,382	71,998
Less: other expense	234,187	153,959	155,710	150,597
Income before income taxes	116,398	118,145	112,676	109,734
Applicable income taxes	40,672	41,397	38,888	39,293
Taxable-equivalent adjustment	3,759	2,332	2,250	2,206
Net income	$ 71,967	74,416	71,538	68,235
Per common share data				
Basic earnings	$ .78	.97	.93	.89
Diluted earnings	.76	.94	.91	.86
Cash dividends	$ .25	.125	.125	.125
Average common shares outstanding				

Basic	91,987	76,748	76,631	77,112
Diluted	95,088	79,417	78,876	79,222
Performance ratios, annualized				
Return on				
Average assets	1.01%	1.36%	1.32%	1.22%
Average common stockholders' equity	11.03%	15.64%	15.75%	15.14%
Net interest margin on average earning assets (taxable-equivalent basis)	4.05%	4.05%	4.05%	3.94%
Nonperforming assets to total assets, at end of quarter	.43%	.32%	.33%	.33%
Efficiency ratio (a)	57.61%	53.49%	56.75%	55.92%
Cash (tangible) operating results (b)				
Net income (in thousands)	$108,100	87,758	82,937	79,844
Diluted net income per common share	1.14	1.11	1.05	1.00
Annualized return on				
Average tangible assets	1.57%	1.64%	1.57%	1.47%
Average tangible common stockholders' equity	28.93%	26.98%	27.46%	26.95%
Efficiency ratio (a)	50.20%	48.57%	51.61%	50.57%
Balance sheet data				
In millions, except per share				
Average balances				
Total assets	$ 28,487	21,823	21,851	22,438
Earning assets	25,746	20,098	19,976	20,147
Investment securities	3,559	2,904	2,582	1,977
Loans and leases, net of unearned discount	22,141	17,163	17,181	17,501
Deposits	19,900	14,980	15,206	15,257
Stockholders' equity	2,596	1,893	1,826	1,813
At end of quarter				
Total assets	$ 28,949	22,009	21,746	22,762
Earning assets	26,089	20,143	19,893	20,389
Investment securities	3,310	2,799	2,865	2,079
Loans and leases, net of unearned discount	22,743	17,324	16,949	17,703
Deposits	20,233	14,682	15,223	15,151
Stockholders' equity	2,700	1,940	1,852	1,832
Equity per common share	28.93	25.22	24.18	23.83
Tangible equity per common share	16.74	17.52	16.28	15.79
Market price per common share				
High	$ 68.42	52.29	47.50	45.81
Low	46.67	44.50	39.95	35.70
Closing	68.00	51.00	45.00	44.65

[Additional columns below]

[Continued from above table, first column(s) repeated]

QUARTERLY TRENDS

	1999 Quarters			
	Fourth	**Third**	**Second**	**First**
Earnings and dividends				
Amounts in thousands, except per share				
Interest income (taxable-equivalent basis)	391,792	375,021	361,158	358,370
Interest expense	192,766	179,961	171,269	175,238
Net interest income	199,026	195,060	189,889	183,132
Less: provision for credit losses	14,000	13,500	8,500	8,500
Other income	70,354	72,499	66,806	72,716
Less: other expense	149,047	144,898	145,547	139,466
Income before income taxes	106,333	109,161	102,648	107,882
Applicable income taxes	38,132	39,633	35,772	39,151
Taxable-equivalent adjustment	2,083	1,964	1,838	1,825
Net income	66,118	67,564	65,038	66,906
Per common share data				
Basic earnings	.85	.86	.83	.87
Diluted earnings	.82	.83	.80	.83
Cash dividends	.125	.125	.10	.10
Average common shares outstanding				

Basic	77,950	78,804	77,931	77,311
Diluted	80,584	81,473	81,321	80,226
Performance ratios, annualized				
Return on				
Average assets	1.18%	1.27%	1.27%	1.34%
Average common stockholders' equity	14.58%	14.97%	15.23%	16.56%
Net interest margin on average earning assets (taxable-equivalent basis)	3.99%	4.03%	4.09%	3.98%
Nonperforming assets to total assets, at end of quarter	.37%	.45%	.41%	.44%
Efficiency ratio (a)	55.33%	53.62%	55.72%	54.56%
Cash (tangible) operating results (b)				
Net income (in thousands)	78,443	79,714	76,511	76,333
Diluted net income per common share	.97	.98	.94	.95
Annualized return on				
Average tangible assets	1.45%	1.54%	1.53%	1.57%
Average tangible common stockholders' equity	26.67%	26.43%	26.13%	27.66%
Efficiency ratio (a)	49.71%	48.91%	51.36%	50.31%
Balance sheet data				
In millions, except per share				
Average balances				
Total assets	22,147	21,183	20,579	20,298
Earning assets	19,806	19,184	18,636	18,664
Investment securities	1,974	2,048	2,064	2,497
Loans and leases, net of unearned discount	17,147	16,678	16,056	15,761
Deposits	15,472	14,821	14,578	14,497
Stockholders' equity	1,800	1,791	1,713	1,638
At end of quarter				
Total assets	22,409	21,759	21,205	20,285
Earning assets	19,964	19,467	19,050	18,382
Investment securities	1,901	1,953	2,078	2,088
Loans and leases, net of unearned discount	17,407	16,984	16,513	15,813
Deposits	15,374	15,417	14,909	14,476
Stockholders' equity	1,797	1,817	1,773	1,667
Equity per common share	23.24	23.05	22.48	21.53
Tangible equity per common share	15.14	14.94	14.91	14.90
Market price per common share				
High	51.20	57.50	58.25	51.88
Low	40.60	41.25	46.25	46.40
Closing	41.43	45.90	55.00	47.90

(a) Excludes impact of nonrecurring merger-related expenses and net securities transactions.
(b) Excludes amortization and balances related to goodwill and core deposit intangible and nonrecurring merger-related expenses which, except in the calculation of the efficiency ratio, are net of applicable income tax effects.

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M&T BANK CORPORATION AND SUBSIDIARIES

Table 3

EARNINGS SUMMARY

Dollars in millions

Increase (decrease)* 1999 to 2000 Amount	%	1998 to 1999 Amount	%		2000	1999
$297.0	20	$119.7	9	Interest income**	$1,783.3	1,486.3
199.4	28	31.7	5	Interest expense	918.6	719.2
97.6	13	88.0	13	Net interest income**	864.7	767.1
(6.5)	(15)	1.3	3	Less: provision for credit losses	38.0	44.5

(4.7)	—	(.2)	—	Gain (loss) on sales of bank investment securities	(3.1)	1.6
47.0	17	19.6	8	Other income	327.8	280.8
				Less:		
44.4	16	25.3	10	Salaries and employee benefits	329.2	284.8
71.1	24	(12.5)	(4)	Other expense	365.2	294.1
30.9	7	93.3	28	Income before income taxes	457.0	426.1
				Less:		
2.7	35	.6	8	Taxable-equivalent adjustment**	10.5	7.8
7.6	5	35.1	30	Income taxes	160.3	152.7
$ 20.6	8	$ 57.6	28	Net income	$ 286.2	265.6

[Additional columns below]

[Continued from above table, first column(s) repeated]

	1998	1997	1996	Compound growth rate 5 years 1995 to 2000
Interest income**	1,366.6	1,073.3	1,004.4	14%
Interest expense	687.5	508.1	466.4	16
Net interest income**	679.1	565.2	538.0	12
Less: provision for credit losses	43.2	46.0	43.3	(1)
Gain (loss) on sales of bank investment securities	1.8	(.3)	—	—
Other income	261.2	190.8	167.8	18
Less:				
Salaries and employee benefits	259.5	220.0	208.3	12
Other expense	306.6	201.8	200.7	14
Income before income taxes	332.8	287.9	253.5	15
Less:				
Taxable-equivalent adjustment**	7.2	5.8	4.5	18
Income taxes	117.6	105.9	97.9	12
Net Income	208.0	176.2	151.1	17%

* *Changes were calculated from unrounded amounts.*

** *Interest income data are on a taxable-equivalent basis. The taxable-equivalent adjustment represents additional income taxes that would be due if all interest income were subject to income taxes. This adjustment, which is related to interest received on qualified municipal securities, industrial revenue financings and preferred equity securities of government-sponsored agencies, is based on a composite income tax rate of approximately 40% for 2000, 41% for 1999, 1998 and 1997, and 42% for 1996.*

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M&T BANK CORPORATION AND SUBSIDIARIES

Table 4

AVERAGE LOANS AND LEASES
(net of unearned discount)

Dollars in millions	2000	Percent increase (decrease) from 1999 to 2000	Percent increase (decrease) from 1998 to 1999
Commercial, financial, etc	$ 4,129	24%	18%
Real estate — commercial	7,188	22	18
Real estate — consumer	3,798	(9)	14

Consumer	1,436	(1)	11
Automobile			
Home equity	982	22	11
Other	970	30	—
Total consumer	3,388	13	8
Total	$18,503	13%	15%

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M&T BANK CORPORATION AND SUBSIDIARIES

Table 5

AVERAGE BALANCE SHEETS AND TAXABLE-EQUIVALENT RATES

Average balance in millions; interest in thousands	2000 Average balance	Interest	Average rate
Assets			
Earning assets			
Loans and leases, net of unearned discount*			
Commercial, financial, etc.	$ 4,129	$ 365,951	8.86%
Real estate — commercial	7,188	615,304	8.56
Real estate — consumer	3,798	296,915	7.82
Consumer	3,388	304,640	8.99
Total loans and leases, net	18,503	1,582,810	8.55
Money-market assets			
Interest-bearing deposits at banks	6	308	5.41
Federal funds sold and agreements to resell securities	212	12,891	6.08
Trading account	21	1,069	5.08
Total money-market assets	239	14,268	5.97
Investment securities**			
U.S. Treasury and federal agencies	1,603	105,104	6.56
Obligations of states and political subdivisions	122	8,890	7.27
Other	1,033	72,259	7.00
Total investment securities	2,758	186,253	6.75
Total earning assets	21,500	1,783,331	8.30
Allowance for credit losses	(333)		
Cash and due from banks	536		
Other assets	1,955		
Total assets	$23,658		
Liabilities and stockholders’ equity			
Interest-bearing liabilities			
Interest-bearing deposits			
NOW accounts	$ 486	7,487	1.54
Savings deposits	5,507	132,225	2.40
Time deposits	7,674	445,666	5.81
Deposits at foreign office	250	14,915	5.95
Total interest-bearing deposits	13,917	600,293	4.31
Short-term borrowings	2,715	172,466	6.35
Long-term borrowings	2,086	145,838	6.99
Total interest-bearing liabilities	18,718	918,597	4.91
Noninterest-bearing deposits	2,425		

Other liabilities	482		
Total liabilities	21,625		
Stockholders’ equity	2,033		
Total liabilities and stockholders’ equity	$23,658		
Net interest spread			3.39
Contribution of interest-free funds			.63
Net interest income/margin on earning assets		$ 864,734	4.02%

[Additional columns below]

[Continued from above table, first column(s) repeated]

Average balance in millions; interest in thousands	**1999** Average balance	**1999** Interest	**1999** Average rate
Assets			
Earning assets			
Loans and leases, net of unearned discount*			
Commercial, financial, etc.	3,331	268,279	8.05%
Real estate — commercial	5,908	497,247	8.42
Real estate — consumer	4,182	310,514	7.42
Consumer	2,994	249,670	8.34
Total loans and leases, net	16,415	1,325,710	8.08
Money-market assets			
Interest-bearing deposits at banks	2	87	3.78
Federal funds sold and agreements to resell securities	467	24,491	5.24
Trading account	48	3,221	6.71
Total money-market assets	517	27,799	5.37
Investment securities**			
U.S. Treasury and federal agencies	920	53,108	5.77
Obligations of states and political subdivisions	74	4,660	6.28
Other	1,150	75,064	6.53
Total investment securities	2,144	132,832	6.20
Total earning assets	19,076	1,486,341	7.79
Allowance for credit losses	(312)		
Cash and due from banks	464		
Other assets	1,829		
Total assets	21,057		
Liabilities and stockholders’ equity			
Interest-bearing liabilities			
Interest-bearing deposits			
NOW accounts	389	4,683	1.21
Savings deposits	5,163	121,888	2.36
Time deposits	7,074	367,889	5.20
Deposits at foreign office	254	12,016	4.73
Total interest-bearing deposits	12,880	506,476	3.93
Short-term borrowings	2,056	104,911	5.10
Long-term borrowings	1,748	107,847	6.17
Total interest-bearing liabilities	16,684	719,234	4.31
Noninterest-bearing deposits	1,965		
Other liabilities	672		
Total liabilities	19,321		

Stockholders' equity	1,736		
Total liabilities and stockholders' equity	21,057		
Net interest spread			3.48
Contribution of interest-free funds			.54
Net interest income/margin on earning assets		767,107	4.02%

[Additional columns below]

[Continued from above table, first column(s) repeated]

	1998		
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.	2,831	235,628	8.32%
Real estate — commercial	4,999	434,906	8.70
Real estate — consumer	3,683	280,760	7.62
Consumer	2,773	249,567	9.00
Total loans and leases, net	14,286	1,200,861	8.41
Money-market assets			
Interest-bearing deposits at banks	10	400	3.86
Federal funds sold and agreements to resell securities	153	8,293	5.43
Trading account	67	4,524	6.79
Total money-market assets	230	13,217	5.75
Investment securities**			
U.S. Treasury and federal agencies	1,448	88,030	6.08
Obligations of states and political subdivisions	73	4,566	6.29
Other	887	59,962	6.76
Total investment securities	2,408	152,558	6.33
Total earning assets	16,924	1,366,636	8.08
Allowance for credit losses	(302)		
Cash and due from banks	394		
Other assets	1,293		
Total assets	18,309		
Liabilities and stockholders' equity			
Interest-bearing liabilities			
Interest-bearing deposits			
NOW accounts	327	4,851	1.48
Savings deposits	4,430	115,345	2.60
Time deposits	7,022	388,185	5.53
Deposits at foreign office	288	14,973	5.20
Total interest-bearing deposits	12,067	523,354	4.34
Short-term borrowings	1,923	105,582	5.49
Long-term borrowings	835	58,567	7.02
Total interest-bearing liabilities	14,825	687,503	4.64
Noninterest-bearing deposits	1,666		
Other liabilities	317		
Total liabilities	16,808		
Stockholders' equity	1,501		
Total liabilities and stockholders' equity	18,309		

Net interest spread			3.44
Contribution of interest-free funds			.57
Net interest income/margin on earning assets		679,133	4.01%

* *Includes nonaccrual loans.*
** *Includes available for sale securities at amortized cost. (continued)*

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M&T BANK CORPORATION AND SUBSIDIARIES

Table 5 (continued)

AVERAGE BALANCE SHEETS AND TAXABLE-EQUIVALENT RATES

Average balance in millions; interest in thousands	1997 Average balance	Interest	Average rate
Assets			
Earning assets			
Loans and leases, net of unearned discount*			
Commercial, financial, etc	$ 2,257	$ 190,189	8.43%
Real estate — commercial	4,180	365,457	8.74
Real estate — consumer	2,228	187,336	8.41
Consumer	2,308	213,942	9.27
Total loans and leases, net	10,973	956,924	8.72
Money-market assets			
Interest-bearing deposits at banks	42	2,475	5.95
Federal funds sold and agreements to resell securities	55	2,989	5.42
Trading account	26	1,937	7.27
Total money-market assets	123	7,401	6.00
Investment securities**			
U.S. Treasury and federal agencies	1,122	70,968	6.33
Obligations of states and political subdivisions	43	2,832	6.61
Other	534	35,214	6.59
Total investment securities	1,699	109,014	6.42
Total earning assets	12,795	1,073,339	8.39
Allowance for credit losses	(273)		
Cash and due from banks	308		
Other assets	479		
Total assets	$13,309		
Liabilities and stockholders' equity			
Interest-bearing liabilities			
Interest-bearing deposits			
NOW accounts	$ 257	3,455	1.34
Savings deposits	3,420	90,907	2.66
Time deposits	5,818	327,611	5.63
Deposits at foreign office	230	12,160	5.29
Total interest-bearing deposits	9,725	434,133	4.46
Short-term borrowings	812	44,341	5.46
Long-term borrowings	373	29,619	7.94
Total interest-bearing liabilities	10,910	508,093	4.66
Noninterest-bearing deposits	1,228		

Other liabilities	218		
Total liabilities	12,356		
Stockholders' equity	953		
Total liabilities and stockholders' equity	$13,309		
Net interest spread			3.73
Contribution of interest-free funds			.69
Net interest income/margin on earning assets		$ 565,246	4.42%

[Additional columns below]

[Continued from above table, first column(s) repeated]

	1996		
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	2,031	166,170	8.18%
Real estate — commercial	3,770	340,448	9.03
Real estate — consumer	2,123	174,171	8.20
Consumer	2,190	204,831	9.35
Total loans and leases, net	10,114	885,620	8.76
Money-market assets			
Interest-bearing deposits at banks	38	2,413	6.30
Federal funds sold and agreements to resell securities	55	2,985	5.45
Trading account	17	1,100	6.53
Total money-market assets	110	6,498	5.91
Investment securities**			
U.S. Treasury and federal agencies	1,200	74,023	6.17
Obligations of states and political subdivisions	41	2,678	6.57
Other	565	35,598	6.30
Total investment securities	1,806	112,299	6.22
Total earning assets	12,030	1,004,417	8.35
Allowance for credit losses	(269)		
Cash and due from banks	334		
Other assets	384		
Total assets	12,479		
Liabilities and stockholders' equity			
Interest-bearing liabilities			
Interest-bearing deposits			
NOW accounts	659	9,430	1.43
Savings deposits	2,956	84,822	2.87
Time deposits	5,137	286,088	5.57
Deposits at foreign office	239	12,399	5.19
Total interest-bearing deposits	8,991	392,739	4.37
Short-term borrowings	1,121	59,442	5.30
Long-term borrowings	189	14,227	7.51
Total interest-bearing liabilities	10,301	466,408	4.53
Noninterest-bearing deposits	1,169		
Other liabilities	146		
Total liabilities	11,616		

Stockholders' equity	863		
Total liabilities and stockholders' equity	12,479		
Net interest spread			3.82
Contribution of interest-free funds			.65
Net interest income/margin on earning assets		538,009	4.47%

* *Includes nonaccrual loans.*
** *Includes available for sale securities at amortized cost.*

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M&T BANK CORPORATION AND SUBSIDIARIES

Table 6

COMMERCIAL REAL ESTATE LOANS
(net of unearned discount)
December 31, 2000

Dollars in millions	Out-standings	Percent of dollars outstanding by loan size $0-1	$1-5	$5-10	$10+
Metropolitan New York City					
Apartments/Multifamily	$1,648.9	7%	20%	7%	13%
Office	489.7	1	3	3	7
Retail	727.5	3	10	3	5
Construction	127.3	—	2	2	—
Industrial	50.0	1	—	—	—
Other	474.1	1	4	3	5
Total Metropolitan New York City	$3,517.5	13%	39%	18%	30%
Other New York State					
Apartments/Multifamily	$ 298.7	4%	6%	1%	—%
Office	859.2	9	14	5	3
Retail	320.6	4	5	1	2
Construction	234.4	1	4	2	2
Industrial	235.3	5	4	—	—
Other	776.6	10	10	5	3
Total other New York State	$2,724.8	33%	43%	14%	10%
Pennsylvania					
Apartments/Multifamily	$ 347.6	15%	5%	1%	1%
Office	137.4	4	4	1	—
Retail	114.6	3	3	—	1
Construction	99.9	3	2	—	1
Industrial	64.6	2	2	—	—
Other	830.5	27	16	5	4
Total Pennsylvania	$1,594.6	54%	32%	7%	7%
Other					
Apartments/Multifamily	$ 245.7	6%	13%	6%	3%
Office	56.6	1	1	2	2
Retail	172.4	1	6	5	8
Construction	72.0	—	4	3	1
Industrial	49.6	1	1	1	3
Other	282.9	8	13	7	4
Total other	$ 879.2	17%	38%	24%	21%
Total commercial real estate loans	$8,716.1	27%	39%	15%	19%

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M&T BANK CORPORATION AND SUBSIDIARIES

Table 7

AVERAGE CORE DEPOSITS

Dollars in millions	2000	Percentage increase from 1999 to 2000	Percentage increase from 1998 to 1999
NOW accounts	$ 486	25%	19%
Savings deposits	5,507	7	17
Time deposits under $100,000	5,137	18	1
Noninterest-bearing deposits	2,425	23	18
Total	$13,555	14%	11%

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M&T BANK CORPORATION AND SUBSIDIARIES

Table 8

INTEREST RATE SWAPS

Dollars in thousands	Year ended December 31, 2000 Amount	Rate*
Increase (decrease) in:		
Interest income	$ 793	—%
Interest expense	780	—
Net interest income/margin	$ 13	—%
Average notional amount**	$875,933	
Rate received***		6.43%
Rate paid***		6.43%

[Additional columns below]

[Continued from above table, first column(s) repeated]

Dollars in thousands	Year ended December 31, 1999 Amount	Rate*
Increase (decrease) in:		
Interest income	$ 12,750	.07%
Interest expense	(13,350)	(.08)
Net interest income/margin	$ 26,100	.14%
Average notional amount**	$1,944,813	
Rate received***		6.69%
Rate paid***		5.35%

[Additional columns below]

[Continued from above table, first column(s) repeated]

Dollars in thousands	Year ended December 31 1998 Amount	Rate*
Increase (decrease) in:		
Interest income	$ 3,378	.02%
Interest expense	(12,778)	(.09)
Net interest income/margin	$ 16,156	.10%
Average notional amount**	$2,521,426	
Rate received***		6.70%
Rate paid***		6.06%

* *Computed as a percentage of average earning assets or interest-bearing liabilities.*
** *Excludes forward-starting interest rate swaps.*
*** *Weighted-average rate paid or received on interest rate swaps in effect during year.*

M&T BANK CORPORATION AND SUBSIDIARIES

Table 9

LOAN CHARGE-OFFS, PROVISION AND ALLOWANCE FOR CREDIT LOSSES

Dollars in thousands	2000	1999	1998	1997	1996
Allowance for credit losses beginning balance	$316,165	306,347	274,656	270,466	262,344
Charge-offs during year					
Commercial, financial, agricultural, etc.	6,943	19,246	5,457	4,539	6,120
Real estate —construction	—	—	950	—	—
Real estate —mortgage	7,917	5,241	7,210	9,910	7,389
Consumer	28,071	35,168	42,684	44,880	36,037
Total charge-offs	42,931	59,655	56,301	59,329	49,546
Recoveries during year					
Commercial, financial, agricultural, etc.	1,199	2,244	2,783	2,609	3,671
Real estate —construction	—	406	—	—	50
Real estate —mortgage	3,573	3,201	2,894	5,869	3,049
Consumer	9,179	13,486	11,210	9,041	7,573
Total recoveries	13,951	19,337	16,887	17,519	14,343
Net charge-offs	28,980	40,318	39,414	41,810	35,203
Provision for credit losses	38,000	44,500	43,200	46,000	43,325
Allowance for credit losses acquired during the year	49,518	5,636	27,905	—	—
Allowance for credit losses ending balance	$374,703	316,165	306,347	274,656	270,466
Net charge-offs as a percent of:					
Provision for credit losses	76.26%	90.60%	91.24%	90.89%	81.25%
Average loans and leases, net of unearned discount	.16%	.25%	.28%	.38%	.35%
Allowance for credit losses as a percent of loans and leases, net of unearned discount, at year-end	1.65%	1.82%	1.94%	2.39%	2.52%

Table 10

ALLOCATION OF THE ALLOWANCE FOR CREDIT LOSSES TO LOAN CATEGORIES

	December 31				
Dollars in thousands	**2000**	**1999**	**1998**	**1997**	**1996**
Commercial, financial, agricultural, etc.	$125,568	78,019	57,744	42,816	39,556
Real estate —mortgage	124,453	92,982	91,692	70,354	73,879
Consumer	74,604	46,235	45,356	57,757	34,224
Unallocated	50,078	98,929	111,555	103,729	122,807
Total	$374,703	316,165	306,347	274,656	270,466
As a percentage of gross loans and leases outstanding					
Commercial, financial, agricultural, etc.	2.43%	2.11%	1.76%	1.78%	1.79%
Real estate —mortgage	.98	.92	.99	1.04	1.19
Consumer	1.76	1.45	1.53	2.47	1.30

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Table 11

NONPERFORMING ASSETS AND PAST DUE LOAN DATA

Dollars in thousands

	December 31				
	2000	**1999**	**1998**	**1997**	**1996**
Nonaccrual loans	$100,951	61,816	70,999	38,588	58,232
Renegotiated loans	9,688	10,353	8,262	11,660	—
Total nonperforming loans	110,639	72,169	79,261	50,248	58,232
Real estate and other assets owned	13,619	10,000	11,129	8,413	8,523
Total nonperforming assets	$124,258	82,169	90,390	58,661	66,755
Accruing loans past due 90 days or more *	$141,843	31,017	37,784	30,402	39,652
Government guaranteed loans included in totals above:					
Nonperforming loans	$ 8,625	5,239	4,033	3,024	4,163
Accruing loans past due 90 days or more	102,505	11,290	10,283	14,688	21,684
Nonperforming loans to total loans and leases, net of unearned discount	.49%	.41%	.50%	.44%	.54%
Nonperforming assets to total net loans and leases and real estate and other assets owned	.55%	.47%	.57%	.51%	.62%
Accruing loans past due 90 days or more to total loans and leases, net of unearned discount	.62%	.18%	.24%	.26%	.37%

* *Predominately residential mortgage loans and consumer loans.*

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Table 12

MATURITY OF DOMESTIC CERTIFICATES OF DEPOSIT AND TIME DEPOSITS WITH BALANCES OF $100,000 OR MORE

In thousands	**December 31, 2000**
Under 3 months	$1,392,159
3 to 6 months	445,738
6 to 12 months	530,528
Over 12 months	606,018
Total	$2,974,443

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M&T BANK CORPORATION AND SUBSIDIARIES

Table 13

MATURITY DISTRIBUTION OF LOANS*

In thousands

December 31, 2000	**Demand**	**2001**	**2002 - 2005**	**After 2005**
Commercial, financial, agricultural, etc.	$3,219,074	578,481	827,867	356,051
Real estate —construction	213,841	523,763	142,006	18,724
Total	$3,432,915	1,102,244	969,873	374,775
Floating or adjustable interest rates			$698,083	269,051
Fixed or predetermined interest rates			271,790	105,724
Total			$969,873	374,775

* The data do not include nonaccrual loans.

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M&T BANK CORPORATION AND SUBSIDIARIES

Table 14

SENSITIVITY OF NET INTEREST INCOME TO CHANGES IN INTEREST RATES

In thousands

	Calculated increase (decrease) in projected net interest income December 31	
Changes in interest rates	**2000**	**1999**
+200 basis points	$ 6,040	7,996
+100 basis points	(5,471)	4,476
-100 basis points	(12,494)	4,198
-200 basis points	(14,878)	2,462

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Table 15

CONTRACTUAL REPRICING DATA

Dollars in thousands by repricing date

December 31, 2000	Three months or less	Four to twelve months	One to five years	After five years	Total
Loans and leases, net	$ 9,175,819	2,171,772	6,055,310	5,339,913	22,742,814
Money-market assets	36,249	400	100	50	36,799
Investment securities	332,897	384,108	625,427	1,967,421	3,309,853
Total earning assets	9,544,965	2,556,280	6,680,837	7,307,384	26,089,466
NOW accounts	873,472	—	—	—	873,472
Savings deposits	6,105,689	—	—	—	6,105,689
Time deposits	2,859,697	4,238,326	2,511,007	55,058	9,664,088
Deposits at foreign office	244,511	—	—	—	244,511
Total interest-bearing deposits	10,083,369	4,238,326	2,511,007	55,058	16,887,760
Short-term borrowings	2,072,824	—	—	—	2,072,824
Long-term borrowings	60,156	369,612	1,418,106	1,566,642	3,414,516
Total interest-bearing liabilities	12,216,349	4,607,938	3,929,113	1,621,700	22,375,100
Interest rate swaps	(510,500)	190,000	310,500	10,000	
Periodic gap	$ (3,181,884)	(1,861,658)	3,062,224	5,695,684	
Cumulative gap	(3,181,884)	(5,043,542)	(1,981,318)	3,714,366	
Cumulative gap as a % of total earning assets	(12.2)%	(19.3)%	(7.6)%	14.2%	

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Table 16

MATURITY AND TAXABLE-EQUIVALENT YIELD OF INVESTMENT SECURITIES

Dollars in thousands

December 31, 2000	One year or less	One to five years	Five to ten years	Over ten years	Total
*Investment securities available for sale**					
U.S. Treasury and federal agencies					
Carrying value	$ 159,161	175,444	25,960	3,912	364,477
Yield	7.04%	5.49%	6.92%	7.19%	6.31%
Obligations of states and political subdivisions					
Carrying value	52,053	78,929	52,449	1,703	185,134
Yield	8.33%	8.51%	8.51%	8.15%	8.45%
Mortgage-backed securities**					
Government issued or guaranteed					
Carrying value	62,891	250,846	339,312	966,821	1,619,870
Yield	6.66%	6.89%	6.94%	6.96%	6.93%
Privately issued					
Carrying value	34,084	181,300	132,579	84,738	432,701
Yield	5.98%	6.06%	6.33%	7.78%	6.47%
Other debt securities					
Carrying value	5,623	34,482	182,536	4,503	227,144
Yield	6.78%	7.58%	7.84%	8.88%	7.80%
Equity securities					
Carrying value	—	—	—	—	204,978
Yield	—	—	—	—	8.28%

Total investment securities available for sale					
Carrying value	$313,812	721,001	732,836	1,061,677	3,034,304
Yield	7.11%	6.54%	7.18%	7.04%	7.04%
Investment securities held to maturity					
Obligations of states and political subdivisions					
Carrying value	$ 51,824	7,671	4,488	308	64,291
Yield	6.95%	6.82%	7.52%	8.80%	6.98%
Other debt securities					
Carrying value	13,356	—	—	3,378	16,734
Yield	9.64%	—	—	7.32%	9.17%
Total investment securities held to maturity					
Carrying value	$ 65,180	7,671	4,488	3,686	81,025
Yield	7.50%	6.82%	7.52%	7.44%	7.43%
Other investment securities	—	—	—	—	194,524
Total investment securities					
Carrying value	$378,992	728,672	737,324	1,065,363	3,309,853
Yield	7.17%	6.54%	7.18%	7.04%	6.64%

* *Investment securities available for sale are presented at estimated fair value. Yields on such securities are based on amortized cost.*

** *Maturities are reflected based upon contractual payments due. Actual maturities are expected to be significantly shorter as a result of loan repayments in the underlying mortgage pools.*

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk. Incorporated by reference to the discussion contained under the captions "Liquidity, Market Risk, and Interest Rate Sensitivity" and "Capital," and Table 14.

Item 8. Financial Statements and Supplementary Data. Financial Statements and Supplementary Data consist of the financial statements as indexed and presented below and table 2 "Quarterly Trends" presented in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Index to Financial Statements and Financial Statement Schedules

Report of Independent Accountants

Consolidated Balance Sheet - December 31, 2000 and 1999

Consolidated Statement of Income - Years ended December 31, 2000, 1999 and 1998

Consolidated Statement of Cash Flows - Years ended December 31, 2000, 1999 and 1998

Consolidated Statement of Changes in Stockholders' Equity —Years ended December 31, 2000, 1999 and 1998

Notes to Financial Statements

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of
M&T Bank Corporation:

We have audited the accompanying consolidated balance sheet of M&T Bank Corporation and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, cash flows and changes in stockholders' equity for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of M&T Bank Corporation and subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers, LLP
Buffalo, New York
January 10, 2001, except as to Note 22 which is as of February 9, 2001

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M&T BANK CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	December 31	
Dollars in thousands, except per share	**2000**	**1999**
Assets		
Cash and due from banks	$ 750,259	592,755
Money-market assets		
Interest-bearing deposits at banks	3,102	1,092
Federal funds sold and agreements to resell securities	17,261	643,555
Trading account	37,431	641,114
Total money-market assets	57,794	1,285,761
Investment securities		
Available for sale (cost: $3,035,031 in 2000; $1,724,713 in 1999)	3,034,304	1,680,760
Held to maturity (market value: $77,959 in 2000; $92,909 in 1999)	81,025	94,571
Other (market value: $194,524 in 2000; $125,191 in 1999)	194,524	125,191
Total investment securities	3,309,853	1,900,522
Loans and leases	22,970,314	17,572,861
Unearned discount	(227,500)	(166,090)
Allowance for credit losses	(374,703)	(316,165)
Loans and leases, net	22,368,111	17,090,606
Premises and equipment	257,975	173,815
Goodwill and core deposit intangible	1,199,407	648,040
Accrued interest and other assets	1,006,057	717,616
Total assets	$ 28,949,456	22,409,115
Liabilities		
Noninterest-bearing deposits	$ 3,344,913	2,260,432
NOW accounts	873,472	583,471
Savings deposits	6,105,689	5,198,681
Time deposits	9,664,088	7,088,345
Deposits at foreign office	244,511	242,691
Total deposits	20,232,673	15,373,620
Federal funds purchased and agreements to repurchase securities	1,440,887	1,788,858
Other short-term borrowings	631,937	765,301
Accrued interest and other liabilities	528,958	909,157
Long-term borrowings	3,414,516	1,775,133
Total liabilities	26,248,971	20,612,069
Stockholders’ equity		

Preferred stock, $1 par, 1,000,000 shares authorized, none outstanding	—	—
Common stock, $.50 par, 150,000,000 shares authorized, 93,244,101 shares issued in 2000; 81,015,390 shares issued in 1999	46,622	40,508
Common stock issuable, 88,543 shares in 2000; 83,970 shares in 1999	4,077	3,937
Additional paid-in capital	914,575	458,729
Retained earnings	1,735,643	1,501,530
Accumulated other comprehensive income, net	(432)	(26,047)
Treasury stock —common, at cost — none in 2000; 3,777,380 shares in 1999	—	(181,611)
Total stockholders' equity	2,700,485	1,797,046
Total liabilities and stockholders' equity	$ 28,949,456	22,409,115

See accompanying notes to financial statements.

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M&T BANK CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

	Year ended December 31		
In thousands, except per share	**2000**	**1999**	**1998**
Interest income			
Loans and leases, including fees	$ 1,579,701	1,323,262	1,198,639
Money-market assets			
Deposits at banks	308	87	400
Federal funds sold and agreements to resell securities	12,891	24,491	8,293
Trading account	1,009	3,153	4,403
Investment securities			
Fully taxable	165,811	118,741	139,731
Exempt from federal taxes	13,064	8,897	7,984
Total interest income	1,772,784	1,478,631	1,359,450
Interest expense			
NOW accounts	7,487	4,683	4,851
Savings deposits	132,225	121,888	115,345
Time deposits	445,666	367,889	388,185
Deposits at foreign office	14,915	12,016	14,973
Short-term borrowings	172,466	104,911	105,582
Long-term borrowings	145,838	107,847	58,567
Total interest expense	918,597	719,234	687,503
Net interest income	854,187	759,397	671,947
Provision for credit losses	38,000	44,500	43,200
Net interest income after provision for credit losses	816,187	714,897	628,747
Other income			
Mortgage banking revenues	63,168	71,819	65,646
Service charges on deposit accounts	92,544	73,612	57,357
Trust income	45,165	40,751	38,211
Brokerage services income	32,795	27,140	19,587
Trading account and foreign exchange gains	2,351	315	3,963
Gain (loss) on sales of bank investment securities	(3,078)	1,575	1,761
Other revenues from operations	91,727	67,163	76,414
Total other income	324,672	282,375	262,939
Other expense			
Salaries and employee benefits	329,209	284,822	259,487
Equipment and net occupancy	80,960	73,131	66,553
Printing, postage and supplies	20,138	17,510	17,603
Amortization of goodwill and core deposit intangible	69,576	49,715	34,487
Other costs of operations	194,570	153,780	187,993

Total other expense	694,453	578,958	566,123
Income before income taxes	446,406	418,314	325,563
Income taxes	160,250	152,688	117,589
Net income	$ 286,156	265,626	207,974
Net income per common share			
Basic	$ 3.55	3.41	2.73
Diluted	3.44	3.28	2.62

See accompanying notes to financial statements.

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M&T BANK CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended December 31		
In thousands	**2000**	**1999**	**1998**
Cash flows from operating activities			
Net income	$ 286,156	265,626	207,974
Adjustments to reconcile net income to net cash provided by operating activities			
Provision for credit losses	38,000	44,500	43,200
Depreciation and amortization of premises and equipment	30,164	27,488	25,432
Amortization of capitalized servicing rights	24,392	19,773	19,650
Amortization of goodwill and core deposit intangible	69,576	49,715	34,487
Provision for deferred income taxes	(5,911)	1,816	(2,965)
Asset write-downs	1,674	1,771	3,905
Net gain on sales of assets	(6,631)	(279)	(4,607)
Net change in accrued interest receivable, payable	25,540	473	13,991
Net change in other accrued income and expense	(27,901)	(124,772)	71,914
Net change in loans held for sale	(81,549)	206,448	(255,791)
Net change in trading account assets and liabilities	(6,868)	114,062	(120,542)
Net cash provided by operating activities	346,642	606,621	36,648
Cash flows from investing activities			
Proceeds from sales of investment securities			
Available for sale	706,262	89,509	223,929
Other	65,553	7,224	11,906
Proceeds from maturities of investment securities			
Available for sale	429,304	1,061,118	1,071,889
Held to maturity	68,821	55,096	91,060
Purchases of investment securities			
Available for sale	(313,760)	(165,852)	(846,020)
Held to maturity	(55,507)	(52,793)	(42,930)
Other	(89,154)	(15,204)	(21,872)
Additions to capitalized servicing rights	(33,694)	(17,257)	(16,741)
Net increase in loans and leases	(1,467,187)	(1,429,849)	(1,299,195)
Proceeds from sale of retail credit card business	—	—	189,818
Capital expenditures, net	(18,784)	(22,933)	(16,785)
Acquisitions, net of cash acquired:			
Banks and bank holding companies	174,215	(51,423)	20,790
Deposits and banking offices	—	529,754	—
Other companies	(4,303)	—	—
Purchases of bank owned life insurance	(35,000)	—	(150,000)
Other, net	13,183	19,390	(2,143)
Net cash provided (used) by investing activities	(560,051)	6,780	(786,294)
Cash flows from financing activities			
Net decrease in deposits	(321,735)	(508,240)	(190,445)
Net increase (decrease) in short-term borrowings	(830,214)	324,370	648,784
Proceeds from long-term borrowings	1,000,896	353,991	875,000
Payments on long-term borrowings	(32,224)	(165,593)	(3,136)

Purchases of treasury stock	(54,947)	(79,784)	(231,779)
Dividends paid —common	(51,987)	(35,128)	(28,977)
Other, net	34,830	10,435	16,165
Net cash provided (used) by financing activities	(255,381)	(99,949)	1,085,612
Net increase (decrease) in cash and cash equivalents	$ (468,790)	513,452	335,966
Cash and cash equivalents at beginning of year	1,236,310	722,858	386,892
Cash and cash equivalents at end of year	$ 767,520	1,236,310	722,858
Supplemental disclosure of cash flow information			
Interest received during the year	$ 1,751,074	1,484,098	1,365,239
Interest paid during the year	870,482	723,106	683,467
Income taxes paid during the year	147,009	252,484	47,188
Supplemental schedule of noncash investing and financing activities			
Real estate acquired in settlement of loans	$ 11,880	11,631	8,503
Acquisition of banks and bank holding companies			
Common stock issued	659,862	58,746	587,819
Fair value of			
Assets acquired (noncash)	6,904,954	650,841	5,206,168
Liabilities assumed	6,376,489	540,672	4,619,715
Stock options	8,586	—	19,424
Securitization of residential mortgage loans allocated to:			
Available for sale investment securities	1,018,216	—	—
Capitalized servicing rights	14,282	—	—

See accompanying notes to financial statements.

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M&T BANK CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

In thousands, except per share	Preferred stock	Common stock	Common stock issuable	Additional paid-in capital
1998				
Balance —January 1, 1998	$ —	40,487	—	103,233
Comprehensive income:				
Net income	—	—	—	—
Other comprehensive income, net of tax:				
Unrealized losses on investment securities, net of reclassification adjustment	—	—	—	—
Purchases of treasury stock	—	—	—	—
Acquisition of ONBANCorp, Inc.:				
Common stock issued	—	10	—	364,427
Fair value of stock options	—	—	—	19,424
Stock-based compensation plans:				
Exercise of stock options	—	11	—	(7,114)
Directors' stock plan	—	—	—	49
Deferred bonus plan, net, including dividend equivalents	—	—	3,752	(5)
Common stock cash dividends - $.38 per share	—	—	—	—
Balance —December 31, 1998	$ —	40,508	3,752	480,014
1999				
Comprehensive income:				
Net income	—	—	—	—
Other comprehensive income, net of tax:				
Unrealized losses on investment securities, net of reclassification adjustment	—	—	—	—
Purchases of treasury stock	—	—	—	—
Acquisition of FNB Rochester Corp:	—	—	—	(718)
Common stock issued				
Stock-based compensation plans:				
Exercise of stock options	—	—	—	(20,558)
Directors' stock plan	—	—	—	8

Deferred bonus plan, net, including dividend equivalents	—	—	185	(17)
Common stock cash dividends - $.45 per share	—	—	—	—
Balance —December 31, 1999	$ —	40,508	3,937	458,729
2000				
Comprehensive income:				
Net income	—	—	—	—
Other comprehensive income, net of tax:				
Unrealized gains on investment securities, net of reclassification adjustment	—	—	—	—
Purchases of treasury stock	—	—	—	—
Acquisition of Keystone Financial, Inc.:				
Common stock issued	—	5,875	—	461,579
Fair value of stock options	—	—	—	8,586
Management stock ownership program receivable	—	—	—	(4,713)
Stock-based compensation plans:				
Exercise of stock options	—	238	—	(9,679)
Directors' stock plan	—	—	—	(9)
Deferred bonus plan, net, including dividend equivalents	—	1	140	82
Common stock cash dividends - $.625 per share	—	—	—	—
Balance —December 31, 2000	$ —	46,622	4,077	914,575

[Additional columns below]

[Continued from above table, first column(s) repeated]

In thousands, except per share	Retained earnings	Accumulated other comprehensive income, net	Treasury stock	Total
1998				
Balance —January 1, 1998	1,092,106	12,016	(217,576)	1,030,266
Comprehensive income:				
Net income	207,974	—	—	207,974
Other comprehensive income, net of tax:				
Unrealized losses on investment securities, net of reclassification adjustment	—	(9,147)	—	(9,147)
				198,827
Purchases of treasury stock	—	—	(231,779)	(231,779)
Acquisition of ONBANCorp, Inc.:				
Common stock issued	—	—	223,382	587,819
Fair value of stock options	—	—	—	19,424
Stock-based compensation plans:				
Exercise of stock options	—	—	29,788	22,685
Directors' stock plan	—	—	177	226
Deferred bonus plan, net, including dividend equivalents	(32)	—	160	3,875
Common stock cash dividends - $.38 per share	(28,977)	—	—	(28,977)
Balance —December 31, 1998	1,271,071	2,869	(195,848)	1,602,366
1999				
Comprehensive income:				
Net income	265,626	—	—	265,626
Other comprehensive income, net of tax:				
Unrealized losses on investment securities, net of reclassification adjustment	—	(28,916)	—	(28,916)
				236,710
Purchases of treasury stock	—	—	(79,784)	(79,784)
Acquisition of FNB Rochester Corp:	—	—	59,464	58,746
Common stock issued				
Stock-based compensation plans:				
Exercise of stock options	—	—	33,791	13,233
Directors' stock plan	—	—	300	308
Deferred bonus plan, net, including dividend equivalents	(39)	—	466	595
Common stock cash dividends - $.45 per share	(35,128)	—	—	(35,128)

Balance —December 31, 1999	1,501,530	(26,047)	(181,611)	1,797,046
2000				
Comprehensive income:				
Net income	286,156	—	—	286,156
Other comprehensive income, net of tax:				
Unrealized gains on investment securities, net of reclassification adjustment	—	25,615	—	25,615
				311,771
Purchases of treasury stock	—	—	(54,947)	(54,947)
Acquisition of Keystone Financial, Inc.:				
Common stock issued	—	—	192,408	659,862
Fair value of stock options	—	—	—	8,586
Management stock ownership program receivable	—	—	—	(4,713)
Stock-based compensation plans:				
Exercise of stock options	—	—	43,431	33,990
Directors' stock plan	—	—	342	333
Deferred bonus plan, net, including dividend equivalents	(56)	—	377	544
Common stock cash dividends - $.625 per share	(51,987)	—	—	(51,987)
Balance —December 31, 2000	1,735,643	(432)	—	2,700,485

See accompanying notes to financial statements.

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M&T BANK CORPORATION AND SUBSIDIARIES
Notes to Financial Statements

1. Significant accounting policies

M&T Bank Corporation ("M&T") is a bank holding company headquartered in Buffalo, New York. Through subsidiaries, M&T provides individuals, corporations and other businesses, and institutions with commercial and retail banking services, including loans and deposits, trust, mortgage banking, asset management and other financial services. Banking activities are largely focused on consumers residing in New York State and Pennsylvania, and on small and medium-size businesses based in those areas. Banking services are also provided in Maryland and West Virginia, while certain subsidiaries also conduct activities in other states.

On September 19, 2000, M&T's Board of Directors authorized a ten-for-one split of M&T's common stock. The additional shares were payable to stockholders of record on September 29 and were distributed on October 5, 2000. In connection with the stock split, the par value of each share of M&T's common stock was reduced from $5.00 to $.50. All per share data presented in the consolidated financial statements, including the number of common shares authorized, issued, issuable or held in treasury, have been stated to give effect to the ten-for-one stock split.

The accounting and reporting policies of M&T and subsidiaries ("the Company") conform to generally accepted accounting principles and to general practices within the banking industry. Certain reclassifications have been made to prior period financial statements to conform with 2000 financial statement presentation. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The more significant accounting policies are as follows:

Consolidation

The consolidated financial statements include M&T and all of its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The financial statements of M&T included in note 21 report investments in subsidiaries under the equity method.

Consolidated Statement of Cash Flows

For purposes of this statement, cash and due from banks, Federal funds sold and agreements to resell securities are considered cash and cash equivalents.

Securities purchased under agreements to resell and securities sold under agreements to repurchase

Securities purchased under agreements to resell and securities sold under agreements to repurchase are treated as collateralized financing transactions and are recorded at amounts equal to the cash or other consideration exchanged. It is generally the Company's

policy to take possession of collateral pledged to secure agreements to resell.

Trading account

Financial instruments used for trading purposes are stated at fair value. Realized gains and losses and unrealized changes in fair value of financial instruments utilized in trading activities are included in trading account and foreign exchange gains in the consolidated statement of income.

M&T BANK CORPORATION AND SUBSIDIARIES
Notes to Financial Statements, continued

1. Significant accounting policies, continued

Investment securities

Investments in debt securities are classified as held to maturity and stated at amortized cost when management has the positive intent and ability to hold such securities to maturity. Investments in other debt securities and equity securities having readily determinable fair values are classified as available for sale and stated at estimated fair value. Unrealized gains or losses related to investment securities available for sale are reflected in accumulated other comprehensive income, net of applicable income taxes.

Other securities are stated at cost and include stock of the Federal Reserve Bank of New York and the Federal Home Loan Bank of New York.

Amortization of premiums and accretion of discounts for investment securities available for sale and held to maturity are included in interest income. The cost basis of individual securities is written down to estimated fair value through a charge to earnings when declines in value below amortized cost are considered to be other than temporary. Realized gains and losses on the sales of investment securities are determined using the specific identification method.

Loans

Interest income on loans is accrued on a level yield method. Loans are placed on nonaccrual status and previously accrued interest thereon is charged against income when principal or interest is delinquent 90 days, unless management determines that the loan status clearly warrants other treatment. Loan balances are charged off when it becomes evident that such balances are not fully collectible. Loan fees and certain direct loan origination costs are deferred and recognized as an interest yield adjustment over the life of the loan. Net deferred fees have been included in unearned discount as a reduction of loans outstanding. Loans held for sale are carried at the lower of aggregate cost or fair market value. Valuation adjustments made on these loans are included in mortgage banking revenues.

Except for consumer and residential mortgage loans that are considered smaller balance homogenous loans and are evaluated collectively, the Company considers a loan to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts according to the contractual terms of the loan agreement or the loan is delinquent 90 days. Impaired loans are classified as either nonaccrual or as loans renegotiated at below market rates. Loans less than 90 days delinquent are deemed to have a minimum delay in payment and are generally not considered impaired. Impairment of a loan is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of collateral if the loan is collateral dependent. Interest received on impaired loans placed on nonaccrual status is applied to reduce the carrying value of the loan or, if principal is considered fully collectible, recognized as interest income.

Allowance for credit losses

The allowance for credit losses represents the amount which, in management's judgment, will be adequate to absorb credit losses inherent in the loan and lease portfolio as of the balance sheet date. The adequacy of the allowance is determined by management's evaluation of the loan and lease portfolio based on such factors as the differing economic risks associated with each loan category, the current financial condition of specific borrowers, the

M&T BANK CORPORATION AND SUBSIDIARIES
Notes to Financial Statements, continued

1. Significant accounting policies, continued

Allowance for credit losses, continued

economic environment in which borrowers operate, any delinquency in payments, and the value of any collateral.

Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation expense is computed principally using the straight-line method over the estimated useful lives of the assets.

Capitalized servicing rights

Servicing rights retained in a sale or securitization of financial assets are measured at the date of transfer by allocating the previous carrying amount between the assets transferred and the servicing rights based on their relative fair values. Servicing assets purchased or servicing liabilities assumed are initially measured at fair value. Capitalized servicing assets are included in other assets and amortized in proportion to and over the period of estimated net servicing income.

To estimate the fair value of servicing rights, the Company considers market prices for similar assets and the present value of expected future cash flows associated with the servicing rights calculated using assumptions that market participants would use in estimating future servicing income and expense. Such assumptions include estimates of the cost of servicing loans, loan default rates, an appropriate discount rate, and prepayment speeds. For purposes of evaluating and measuring impairment of capitalized servicing rights, the Company stratifies such assets based on predominant risk characteristics of underlying financial instruments that are expected to have the most impact on projected prepayments, cost of servicing and other factors affecting future cash flows associated with the servicing rights. Such factors may include financial asset or loan type, note rate and term. The amount of impairment recognized is the amount by which the carrying value of the capitalized servicing rights for a stratum exceeds estimated fair value. Impairment is recognized through a valuation allowance.

Goodwill and core deposit intangible

The excess of the cost of acquired entities or operations over the fair value of identifiable assets acquired less liabilities assumed is recorded as goodwill. Substantially all of the Company's goodwill is being amortized using the straight-line method over twenty years. Core deposit intangibles are amortized using an accelerated method over estimated useful lives of seven to ten years. The Company periodically assesses whether events or changes in circumstances indicate that the carrying amounts of goodwill and core deposit intangible may be impaired. Impairment is measured using estimates of future cash flows or earnings potential of the operations acquired.

Stock-based compensation

Compensation expense is not recognized for stock option awards to employees under the Company's stock option plan since the exercise price of options is equal to the market price of the underlying stock at the date of grant. Compensation expense for stock appreciation rights issued separately from stock options is recognized based upon changes in the quoted market value of M&T's common stock. The pro forma effects of stock-based compensation arrangements are based on the estimated grant date fair value of

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M&T BANK CORPORATION AND SUBSIDIARIES
Notes to Financial Statements, continued

1. Significant accounting policies, continued

Stock-based compensation, continued

stock options that are expected to vest calculated pursuant to the provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation." Pro forma compensation expense, net of applicable income tax effect, is recognized over the vesting period.

Income taxes

Deferred tax assets and liabilities are recognized for the future tax effects attributable to differences between the financial statement value of existing assets and liabilities and their respective tax bases and carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates and laws. Investment tax credits related to leveraged leasing property are amortized into income tax expense over the life of the lease agreement.

Financial futures

Outstanding financial futures contracts represent future commitments and are not included in the consolidated balance sheet. Futures contracts used in trading activities are marked to market and the resulting gains or losses are recognized in trading account and foreign exchange gains.

Interest rate swap agreements

For interest rate swap agreements used to manage interest rate risk arising from financial assets and liabilities, amounts receivable or payable are recognized as accrued under the terms of the agreement and the net differential, including any amortization of premiums paid or accretion of discounts received, is recorded as an adjustment to interest income or expense of the related asset or liability. To qualify for such accounting treatment, an interest rate swap must (i) be designated as having been entered into for interest rate risk management purposes and linked to a specific financial instrument or pool of similar financial instruments in the Company's consolidated balance sheet and (ii) have interest rate and repricing characteristics that have a sufficient degree of correlation with the corresponding characteristics of the designated on-balance sheet financial instrument. Gains or losses resulting from early termination of interest rate swap agreements used to manage interest rate risk are amortized over the shorter of the remaining term or estimated life of the agreement or the on-balance sheet financial instrument to which the swap had been linked. Agreements that do not satisfy the requirements noted above, including those entered into for trading purposes, are marked to market with resulting gains or losses recorded in trading account and foreign exchange gains.

Earnings per common share

Basic earnings per share excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding and common shares issuable under deferred compensation arrangements during the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in earnings. Proceeds assumed to have been received on such exercise or conversion are assumed to be used to purchase shares of M&T common stock at the average

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1. Significant accounting policies, continued

Earnings per common share, continued

market price during the period, as required by the "treasury stock method" of accounting.

Treasury stock

Repurchases of shares of M&T common stock are recorded at cost as a reduction of stockholders' equity. Reissuances of shares of treasury stock are recorded at average cost.

2. Acquisitions

On October 6, 2000, M&T completed the merger of Keystone Financial, Inc. ("Keystone"), a bank holding company headquartered in Harrisburg, Pennsylvania, with and into Olympia Financial Corp. ("Olympia"), a wholly owned subsidiary of M&T. Following the merger, Keystone Financial Bank, N.A., Keystone's bank subsidiary, was merged into Manufacturers and Traders Trust Company ("M&T Bank"), M&T's principal banking subsidiary. Keystone Financial Bank, N.A. operated banking offices in Pennsylvania, Maryland and West Virginia. After application of the election, allocation and proration procedures contained in the merger agreement with Keystone, M&T paid $375 million in cash and issued 15,900,292 shares of M&T common stock in exchange for the Keystone shares outstanding at the time of acquisition. In addition, based on the merger agreement and the exchange ratio provided therein, M&T converted outstanding and unexercised stock options granted by Keystone into options to purchase 1,259,493 shares of M&T common stock. The purchase price of the transaction was approximately $1.0 billion based on the cash paid to Keystone shareholders, the market price of M&T common shares on May 16, 2000 before the terms of the merger were agreed to and announced by M&T and Keystone, and the estimated fair value of Keystone stock options converted into M&T stock options.

Acquired assets, loans and deposits of Keystone on October 6, 2000 totaled approximately $7.4 billion, $4.8 billion and $5.2 billion, respectively. The transaction was accounted for using the purchase method of accounting and, accordingly, operations acquired from Keystone have been included in the Company's financial results since the acquisition date. In connection with the acquisition, the Company recorded approximately $494 million of goodwill and $121 million of core deposit intangible. The goodwill is being amortized over twenty years using the straight-line method and the core deposit intangible is being amortized over seven years using an accelerated method.

On March 1, 2000, M&T Bank completed the acquisition of Matthews, Bartlett & Dedecker, Inc. ("MBD"), an insurance agency located in Buffalo, New York for $4.5 million in cash. MBD provides insurance services principally to the commercial market and operates as a subsidiary of M&T Bank. The acquisition has not had a material impact on the Company's financial position or its results of operations.

On March 31, 2000, The Chase Manhattan Bank ("Chase") transferred trust and fiduciary accounts with assets of approximately $147 million to M&T Bank, completing a transaction that began in September 1999 with M&T Bank's acquisition from Chase of 29 branch offices in upstate New York and the investment management and custody accounts associated with those offices. At the time of closing in September 1999, the branches had approximately $634 million of deposits and approximately $44 million of retail

installment and commercial loans, and the investment management and custody accounts had assets of approximately $286 million. In connection with the transaction,

2. Acquisitions, continued

the Company recorded approximately $55 million of intangible assets that are being amortized over periods ranging from five to seven years.

On June 1, 1999, M&T completed the merger of FNB Rochester Corp. (“FNB”), a bank holding company headquartered in Rochester, New York, with and into Olympia. Following the merger with FNB, First National Bank of Rochester, a wholly owned subsidiary of FNB, was merged into M&T Bank. In accordance with the terms of the merger agreements with FNB, M&T paid $76 million in cash and issued 1,225,160 shares of M&T common stock in exchange for FNB shares outstanding at the time of the acquisition. The purchase price of the transaction was approximately $135 million based on the cash paid to FNB stockholders and the market price of M&T common shares on December 8, 1998 before the terms of the merger were agreed to and announced by M&T and FNB. Acquired assets, loans and deposits of FNB on June 1, 1999 totaled approximately $676 million, $393 million and $511 million, respectively. The transaction was accounted for using the purchase method of accounting and, accordingly, operations acquired from FNB have been included in the Company’s financial results since the acquisition date. In connection with the acquisition, the Company recorded approximately $86 million of goodwill and $12 million of core deposit intangible. The goodwill is being amortized over twenty years using the straight-line method and the core deposit intangible is being amortized over eight years using an accelerated method.

On April 1, 1998, M&T completed the merger of ONBANCorp, Inc. (“ONBANCorp”) with and into Olympia. 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 into M&T Bank. After application of the election, allocation and proration procedures contained in the merger agreement with ONBANCorp, M&T paid $266 million in cash and issued 14,299,980 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 617,720 shares of M&T common stock. The purchase price of the transaction was approximately $873 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 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 was accounted for using the purchase method of accounting 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 over twenty years using the straight-line method and the core deposit intangible is being amortized over ten years using an accelerated method.

In connection with the transactions described herein and in note 22, 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 $26.0 million ($16.4 million net of applicable income taxes) during 2000, approximately $4.7 million ($3.0 million net of applicable income taxes) during 1999, and approximately $21.3 million ($14.0 million net of applicable income taxes) during 1998. Expenses related to

2. Acquisitions, continued

systems conversions and other costs of integration are included in the consolidated statement of income for the years ended December 31, 2000, 1999 and 1998 as follows:

	2000	1999	1998
		(in thousands)	
Salaries and employee benefits	$ 2,117	188	2,141

Equipment and net occupancy	820	149	875
Printing, postage and supplies	2,062	685	1,079
Other costs of operations	20,953	3,654	17,250
	$25,952	4,676	21,345

The expenses noted above consisted largely of professional services and other temporary help fees associated with the conversion of systems and/or integration of operations; recruiting and other incentive compensation; initial marketing and promotion expenses to introduce the Company to customers of the acquired operations; travel; and printing, supplies and other costs. Although the systems conversions and integration of operations of Keystone are largely complete, the Company expects that it will incur some additional Keystone integration costs. However, the amount of additional costs is not expected to be significant. Furthermore, the Company also expects to incur costs of a nature similar to those described above in connection with the February 2001 merger with Premier National Bancorp, Inc. described in note 22.

Presented herein is certain unaudited pro forma information for 2000 as if Keystone had been acquired on January 1, 2000 and for 1999 as if Keystone and FNB had been acquired on January 1, 1999. These results combine the historical results of Keystone and FNB 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 acquisitions taken place at that time. In particular, expenses related to systems conversions and other costs of integration associated with the acquisition of Keystone are included in the 2000 periods in which such costs were incurred and, additionally, the Company expects to achieve further operating cost savings as a result of the mergers which are not reflected in the pro forma amounts presented. Proforma information related to the acquisition of MBD is not presented since MBD's financial position and results of operations were not material to the Company's consolidated financial statements.

	Pro forma Year ended December 31	
	2000	**1999**
	(in thousands, except per share)	
Interest income	$2,177,380	1,993,802
Other income	396,920	390,701
Net income	296,753	255,647
Diluted earnings per common share	3.11	2.62

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3. Investment securities

The amortized cost and estimated fair value of investment securities were as follows:

	Amortized cost	**Gross unrealized gains**	**Gross unrealized losses**	**Estimated fair value**
	(in thousands)			
December 31, 2000				
Investment securities available for sale:				
U.S. Treasury and federal agencies	$ 363,099	3,545	2,167	364,477
Obligations of states and political subdivisions	181,990	3,149	5	185,134
Mortgage-backed securities				
Government issued or guaranteed	1,614,222	10,088	4,440	1,619,870
Privately issued	435,623	1,037	3,959	432,701
Other debt securities	237,234	863	10,953	227,144
Equity securities	202,863	4,577	2,462	204,978
	3,035,031	23,259	23,986	3,034,304
Investment securities held to maturity:				
Obligations of states and political subdivisions	64,291	282	—	64,573
Other debt securities	16,734	—	3,348	13,386

	81,025	282	3,348	77,959
Other securities	194,524	—	—	194,524
Total	$3,310,580	23,541	27,334	3,306,787
December 31, 1999				
Investment securities available for sale:				
U.S. Treasury and federal agencies	$ 202,283	—	9,669	192,614
Mortgage-backed securities				
Government issued or guaranteed	557,058	860	12,946	544,972
Privately issued	640,368	6,123	18,475	628,016
Other debt securities	155,805	606	3,446	152,965
Equity securities	169,199	464	7,470	162,193
	1,724,713	8,053	52,006	1,680,760
Investment securities held to maturity:				
Obligations of states and political subdivisions	79,189	—	361	78,828
Other debt securities	15,382	—	1,301	14,081
	94,571	—	1,662	92,909
Other securities	125,191	—	—	125,191
Total	$1,944,475	8,053	53,668	1,898,860

No investment in securities of a single non-U.S. Government or government agency issuer exceeded ten percent of stockholders' equity at December 31, 2000.

As of December 31, 2000, the latest available investment ratings of all privately issued mortgage-backed securities were A or better.

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3. Investment securities, continued

The amortized cost and estimated fair value of collateralized mortgage obligations included in mortgage-backed securities were as follows:

	December 31	
	2000	1999
	(in thousands)	
Amortized cost	$725,372	792,331
Estimated fair value	724,429	772,819

Gross realized gains on the sale of investment securities were $6,281,000 in 2000, $1,626,000 in 1999 and $1,808,000 in 1998. Gross realized losses on the sale of investment securities were $9,359,000 in 2000, $51,000 in 1999 and $47,000 in 1998.

At December 31, 2000, the amortized cost and estimated fair value of debt securities by contractual maturity were as follows:

	Amortized cost	Estimated fair value
	(in thousands)	
Debt securities available for sale:		
Due in one year or less	$ 214,172	216,837
Due after one year through five years	288,457	288,855
Due after five years through ten years	269,667	260,945

Due after ten years	10,027	10,118
	782,323	776,755
Mortgage-backed securities available for sale	2,049,845	2,052,571
	$2,832,168	2,829,326
Debt securities held to maturity:		
Due in one year or less	$ 65,180	61,983
Due after one year through five years	7,671	7,725
Due after five years through ten years	4,488	4,546
Due after ten years	3,686	3,705
	$ 81,025	77,959

At December 31, 2000, investment securities with a carrying value of $2,104,356,000, including $2,045,333,000 of investment securities available for sale, were pledged to secure demand notes issued to the U.S. Treasury, borrowings from the Federal Home Loan Bank of New York and the Federal Home Loan Bank of Pittsburgh (together, the “Federal Home Loan Banks”), repurchase agreements, governmental deposits and interest rate swap agreements. Investment securities pledged by the Company to secure obligations whereby the secured party is permitted by contract or custom to sell or repledge such collateral totaled $188,291,000 at December 31, 2000.

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4. Loans and leases

Total gross loans and leases outstanding were comprised of the following:

	December 31	
	2000	**1999**
	(in thousands)	
Loans		
Commercial, financial, agricultural, etc.	$ 5,007,053	3,564,470
Real estate:		
Residential	4,427,285	4,011,436
Commercial	8,226,951	6,141,469
Construction	900,170	525,241
Consumer	3,579,515	2,797,537
Total loans	22,140,974	17,040,153
Leases		
Commercial	164,906	132,588
Consumer	664,434	400,120
Total leases	829,340	532,708
Total loans and leases	$22,970,314	17,572,861

One-to-four family residential mortgage loans held for sale were $525.1 million at December 31, 2000 and $238.7 million at December 31, 1999. One-to-four family residential mortgage loans serviced for others totaled approximately $9.7 billion and $7.2 billion at December 31, 2000 and 1999, respectively. As of December 31, 2000, approximately $19 million of one-to-four family residential mortgage loans serviced for others have been sold with recourse. The total credit loss exposure resulting from residential mortgage loans sold with recourse was considered negligible. Commercial mortgage loans serviced for others totaled approximately $458 million and $289 million at December 31, 2000 and 1999, respectively.

Included in the preceding table are nonperforming loans (loans on which interest was not being accrued or had been renegotiated at below-market interest rates) of $110,639,000 at December 31, 2000 and $72,169,000 at December 31, 1999. If nonaccrual and renegotiated loans had been accruing interest at their originally contracted terms, interest income on these loans would have amounted to $9,289,000 in 2000 and $8,998,000 in 1999. The actual amount included in interest income during 2000 and 1999 on these loans was $2,108,000 and $1,589,000, respectively.

The recorded investment in loans considered impaired was $80,773,000 and $45,124,000 at December 31, 2000 and 1999, respectively. The recorded investment in loans for which there was a related valuation allowance for impairment included in the allowance for credit losses and the amount of such impairment allowance were $36,602,000 and $11,542,000, respectively, at December 31, 2000 and $24,536,000 and $6,005,000, respectively, at December 31, 1999. The recorded investment in loans considered impaired for which there was no related valuation allowance for impairment was $44,171,000 and $20,588,000 at December 31, 2000 and 1999, respectively. The average recorded investment in impaired loans during 2000, 1999 and 1998 was $47,475,000, $43,858,000 and $42,485,000, respectively. Interest income recognized on impaired loans totaled $2,947,000, $3,324,000 and $2,351,000 for the years ended December 31, 2000, 1999 and 1998, respectively.

Borrowings by directors and certain officers of M&T and its banking subsidiaries, and by associates of such persons, exclusive of loans aggregating less than $60,000, amounted to $132,356,000 and $124,185,000 at December 31, 2000 and 1999, respectively. During 2000, new borrowings by

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4. Loans and leases, continued

such persons amounted to $51,718,000 (including borrowings of new directors or officers that were outstanding at the time of their election) and repayments and other reductions were $43,547,000.

At December 31, 2000, approximately $3.1 billion of commercial mortgage loans and one-to-four family residential mortgage loans were pledged to secure outstanding borrowings.

5. Allowance for credit losses

Changes in the allowance for credit losses were as follows:

	Year ended December 31		
	2000	**1999**	**1998**
		(in thousands)	
Beginning balance	$316,165	306,347	274,656
Provision for credit losses	38,000	44,500	43,200
Allowance obtained through acquisitions	49,518	5,636	27,905
Net charge-offs			
Charge-offs	(42,931)	(59,655)	(56,301)
Recoveries	13,951	19,337	16,887
Net charge-offs	(28,980)	(40,318)	(39,414)
Ending balance	$374,703	316,165	306,347

6. Premises and equipment

The detail of premises and equipment was as follows:

	December 31	
	2000	**1999**
	(in thousands)	
Land	$ 31,586	16,649
Buildings-owned	165,638	126,670
Buildings-capital leases	2,881	1,773
Leasehold improvements	60,571	44,639
Furniture and equipment-owned	205,277	171,158
Furniture and equipment-capital leases	978	1,156
	466,931	362,045
Less: accumulated depreciation and amortization		
Owned assets	206,745	186,137
Capital leases	2,211	2,093

	208,956	188,230
Premises and equipment, net	$257,975	173,815

Net lease expense for all operating leases totaled $27,849,000 in 2000, $24,168,000 in 1999 and $20,607,000 in 1998. The Company occupies certain banking offices and uses certain equipment under noncancellable operating lease agreements expiring at various dates over the next 20 years. Minimum

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6. Premises and equipment, continued

lease payments under noncancellable operating leases are summarized as follows:

Year ending December 31:	(in thousands)
2001	$ 19,987
2002	18,347
2003	16,393
2004	14,628
2005	12,450
Later years	66,239
Total minimum lease payments	$148,044

Payments required under capital leases are not material.

7. Capitalized servicing assets

Changes in capitalized servicing assets were as follows:

	Year ended December 31		
	2000	**1999**	**1998**
		(in thousands)	
Beginning balance	$ 60,902	63,995	61,877
Originations	28,244	17,240	12,276
Purchases	36,235	1,089	16,014
Amortization	(24,392)	(19,773)	(19,650)
Sales	(62)	(1,649)	(6,522)
	100,927	60,902	63,995
Valuation allowance	(50)	(50)	(1,798)
Ending balance, net	$100,877	60,852	62,197

During 2000 the Company securitized approximately $1.0 billion of one-to-four family residential mortgage loans previously held in the Company’s loan portfolio. In connection with the securitization transaction, the Company allocated $14.3 million of the carrying value of the loans to capitalized servicing assets. Such amount is included above in capitalized servicing assets from originations.

As a result of impairment of certain strata of capitalized servicing assets additions to the valuation allowance totaling $1,000,000 were recorded during 1998. During 1999, the valuation allowance was reduced by $1,748,000 since for most strata the estimated fair value of capitalized servicing assets exceeded carrying value. The estimated fair value of capitalized servicing assets was approximately $147 million at December 31, 2000 and $107 million at December 31, 1999. Such amounts were estimated using discounted cash flows that reflect current prepayment and discount rate assumptions as of each year-end.

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8. Borrowings

The amounts and interest rates of short-term borrowings were as follows:

	Federal funds purchased and repurchase agreements	Other short-term borrowings	Total
	(dollars in thousands)		
At December 31, 2000			
Amount outstanding	$1,440,887	631,937	2,072,824
Weighted-average interest rate	6.35%	6.31%	6.34%
For the year ended December 31, 2000			
Highest amount at a month-end	$2,659,812	993,764	
Daily-average amount outstanding	2,047,381	667,347	2,714,728
Weighted-average interest rate	6.38%	6.28%	6.36%
At December 31, 1999			
Amount outstanding	$1,788,858	765,301	2,554,159
Weighted-average interest rate	5.29%	5.36%	5.31%
For the year ended December 31, 1999			
Highest amount at a month-end	$1,809,403	765,301	
Daily-average amount outstanding	1,609,964	446,623	2,056,587
Weighted-average interest rate	5.09%	5.15%	5.10%
At December 31, 1998			
Amount outstanding	$1,746,078	483,898	2,229,976
Weighted-average interest rate	5.41%	5.55%	5.44%
For the year ended December 31, 1998			
Highest amount at a month-end	$2,177,388	509,457	
Daily-average amount outstanding	1,616,431	307,016	1,923,447
Weighted-average interest rate	5.48%	5.56%	5.49%

In general, Federal funds purchased and short-term repurchase agreements outstanding at December 31, 2000 mature within two days following year-end. Other short-term borrowings included borrowings from the Federal Home Loan Banks, the U.S. Treasury and others having original maturities of one year or less.

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8. Borrowings, continued

At December 31, 2000, the Company had lines of credit under formal agreements as follows:

	M&T	M&T Bank	M&T Bank, N.A.

		(in thousands)	
Outstanding borrowings	$ —	2,801,418	—
Unused	30,000	1,565,299	350,892

M&T has a revolving credit agreement with an unaffiliated commercial bank whereby M&T may borrow up to $30,000,000 at its discretion through December 14, 2001. At December 31, 2000, M&T Bank had borrowing facilities available with the Federal Home Loan Banks whereby M&T Bank could borrow up to $3,327,048,000. Additionally, M&T Bank and M&T Bank, National Association ("M&T Bank, N.A."), a wholly owned subsidiary of M&T, had available lines of credit with the Federal Reserve Bank of New York totaling approximately $1.4 billion, under which there were no borrowings outstanding at December 31, 2000 or 1999. M&T Bank and M&T Bank, N.A. are required to pledge loans or investment securities as collateral for these borrowing facilities.

Long-term borrowings were as follows:

	December 31	
	2000	1999
	(in thousands)	
Subordinated notes of M&T Bank:		
8.125% due 2002	$ 75,000	75,000
7% due 2005	100,000	100,000
8% due 2010	499,415	—
Senior medium term notes:		
7.3% due 2004	99,269	—
6.5% due 2008	26,689	—
Advances from Federal Home Loan Banks:		
Variable rates	1,270,000	1,175,000
Fixed rates	985,627	90,549
Preferred capital securities:		
M&T Capital Trust I - 8.234%	150,000	150,000
M&T Capital Trust II - 8.277%	100,000	100,000
M&T Capital Trust III - 9.25%	68,478	68,803
Other	40,038	15,781
	$3,414,516	1,775,133

The subordinated notes of M&T Bank are unsecured and are subordinate to the claims of depositors and other creditors of M&T Bank. The senior medium term notes were issued in 1997 and 1998 by Keystone Financial Mid-Atlantic Funding Corp., previously a wholly owned subsidiary of Keystone, but now a wholly owned subsidiary of Olympia. The notes provide for semi-annual interest payments at fixed rates of interest and are guaranteed by Olympia.

Long-term variable rate advances from the Federal Home Loan Banks had contractual interest rates that ranged from 6.56% to 6.83% at December 31, 2000 and from 6.00% to 6.25% at December 31, 1999. The weighted-average contractual interest rates were 6.74% and 6.13% at December 31, 2000 and 1999, respectively. Long-term fixed-rate advances from the Federal Home Loan Banks had contractual interest rates ranging from 4.05% to 8.29% at December 31, 2000 and from 4.05% to 8.45% at December 31,1999. The weighted-average

8. Borrowings, continued

contractual interest rates payable were 5.67% and 5.93% at December 31, 2000 and 1999, respectively. Advances from the Federal Home Loan Banks mature at various dates through 2029 and are secured by residential and commercial real estate loans.

In January 1997, M&T Capital Trust I ("Trust I") issued $150 million of 8.234% preferred capital securities. In June 1997, M&T Capital Trust II ("Trust II") issued $100 million of 8.277% preferred capital securities. In February 1997, M&T Capital Trust III ("Trust III" and, together with Trust I and Trust II, the "Trusts"), a business trust organized by ONBANCorp prior to its acquisition by M&T, issued $60 million of 9.25% preferred capital securities. The financial statement carrying value of the preferred capital securities of Trust III include the unamortized portion of a purchase accounting adjustment to reflect estimated fair value at the April 1, 1998 acquisition of ONBANCorp.

Other than the following payment terms (and the redemption terms described below), the preferred capital securities issued by the Trusts ("Capital Securities") are identical 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
Trust III	9.25%	February 1 and August 1

The common securities of Trust I and II are wholly owned by M&T and the common securities of Trust III 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 M&T'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

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8. Borrowings, continued

Debentures") of M&T in the case of Trust I and Trust II and Olympia in the case of Trust III:

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.
Trust III	$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 or Trust II, or Olympia, in the case of Trust III, 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 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 or Trust II, or Olympia, in the case of Trust III, 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 Trust III, 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 and Olympia's option in the case of Trust III (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

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8. Borrowings, continued

regulatory approval. The redemption price of the Capital Securities upon 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 Trust III, 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.

Long-term borrowings at December 31, 2000 mature as follows:

Year ending December 31:	(in thousands)
2001	$ 429,768
2002	367,526
2003	623,002
2004	200,901
2005	226,669
Later years	1,566,650
	$3,414,516

9. Stock-based compensation plans

Stock option plan

The stock option plan allows the grant of stock options and stock appreciation rights (either in tandem with options or independently) at prices which may not be less than the fair market value of the common stock on the date of grant. Except as described below, awards granted under the stock option plan generally vest over four years and are exercisable over terms not exceeding ten years and one day from the date of grant. When exercisable, the stock appreciation rights issued in tandem with stock options entitle grantees to receive cash, stock or a combination equal to the amount of stock appreciation between the dates of grant and exercise. Stock appreciation rights that had been issued independently of stock options contained similar terms as the stock options, although upon exercise the holder was only entitled to receive cash instead of purchasing shares of M&T's common stock.

In 1999, the Company granted options to substantially all employees who had not previously received awards under the stock option plan. The options granted under this award vest three years after the grant date and are exercisable for a period of seven years thereafter.

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9. Stock-based compensation plans, continued

Stock option plan, continued

A summary of stock option and stock appreciation rights activity follows:

	Stock options outstanding	Cash-only appreciation rights outstanding	Weighted-average exercise price	
			Stock options	Cash-only appreciation rights
1998				
Beginning balance	7,771,940	464,500	$17.01	$6.10
Granted	1,444,590	—	44.53	—
Acquired (note 2)	617,720	—	18.56	—
Exercised	(1,484,670)	(110,500)	10.56	5.95
Cancelled	(250,450)	—	25.09	—

At year-end	8,099,130	354,000	22.97	6.14
1999				
Granted	2,131,400	—	49.78	—
Exercised	(796,230)	(165,000)	16.30	6.40
Cancelled	(293,540)	—	37.60	—
At year-end	9,140,760	189,000	29.33	5.91
2000				
Granted	2,108,840	—	42.72	—
Acquired (note 2)	1,259,493	—	53.90	—
Exercised	(1,562,135)	(189,000)	22.99	5.91
Cancelled	(337,850)	—	45.33	—
At year-end	10,609,108	—	$35.34	$ —
Exercisable at:				
December 31, 2000	5,648,499	—	$27.72	$ —
December 31, 1999	4,462,230	189,000	17.00	5.91
December 31, 1998	3,844,940	354,000	14.50	6.14

At December 31, 2000 and 1999, respectively, there were 1,901,700 and 3,672,690 shares available for future grant.

A summary of stock options at December 31, 2000 follows:

	Outstanding			Exercisable	
		Weighted-average			
Range of exercise price	Number of stock options	Exercise price	Life (in years)	Number of stock options	Weighted-average exercise price
$5.30 to $19.88	2,434,650	$12.57	2.5	2,434,650	$12.57
21.10 to 39.83	2,247,618	26.69	5.5	1,729,738	25.69
40.19 to 55.41	5,477,279	45.58	7.9	1,035,153	45.30
59.74 to 82.13	449,561	77.13	7.8	448,958	77.13
	10,609,108	$35.34	6.1	5,648,499	$27.72

The Company used a binomial option pricing model to estimate the grant date present value of stock options granted in 2000, 1999 and 1998. The weighted-average estimated value per option was $13.37 in 2000, $11.58 in 1999 and $11.46 in 1998. The values were calculated using the following weighted-average assumptions: an option term of 6.5 years (representing the estimated period between grant date and exercise date based on historical data since inception of the plan); a risk-free interest rate of 6.80% in

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9. Stock-based compensation plans, continued

Stock option plan, continued

2000, 4.97% in 1999 and 5.53% in 1998 (representing the yield on a U.S. Treasury security with a remaining term equal to the expected option term); expected volatility of 22% in 2000, 19% in 1999 and 14% in 1998; and estimated dividend yields of 1.19% in 2000, .85% in 1999 and .72% in 1998 (representing the approximate annualized cash dividend rate paid with respect to a share of common stock at or near the grant date). The Company reduced the estimated value per option to reflect an estimate of the probability of forfeiture prior to vesting. Based on historical data since inception of the plan and projected employee turnover rates, the weighted-average estimated forfeiture rate was 10% in 2000 and 1998, and 21% in 1999.

The Company applies Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees,” and related interpretations in accounting for the stock option plan. Accordingly, no compensation expense was recognized in 2000, 1999 and 1998 for stock option awards since the exercise price of stock options granted under the stock option plan was not less than the fair market value of the common stock at date of grant. Compensation expense (benefit) recognized for cash-only stock appreciation rights was

$976,000 in 2000, $(2,199,000) in 1999, and $2,238,000 in 1998. Had compensation expense for stock option awards been determined consistent with SFAS No. 123, net income and earnings per share would be reduced to the pro forma amounts indicated as follows:

	Year ended December 31		
	2000	1999	1998
		(in thousands, except per share)	
Net income:			
As reported	$286,156	265,626	207,974
Pro forma	268,194	252,401	198,323
Basic earnings per share:			
As reported	$ 3.55	3.41	2.73
Pro forma	3.33	3.24	2.60
Diluted earnings per share:			
As reported	$ 3.44	3.28	2.62
Pro forma	3.24	3.13	2.50

The pro forma effects are presented in accordance with the requirements of SFAS No. 123, however, such effects are not representative of the effects to be reported in future years due to the fact that options vest over several years and additional awards generally are made each year.

Deferred bonus plan

The Company provides a deferred bonus plan to eligible employees pursuant to which employees may elect to defer all or a portion of their current annual incentive compensation awards and allocate such awards to several investment options, including M&T common stock. Participants may elect the timing of distributions from the plan. Such distributions are payable in cash with the exception of balances allocated to M&T common stock which are distributable in the form of M&T common stock. Shares of M&T common stock distributable pursuant to the terms of the deferred bonus plan were 88,543 and 83,970 at December 31, 2000 and 1999, respectively. In connection with the deferred bonus plan, 150,000 shares of M&T common stock were authorized for issuance, of which 23,399 shares have been issued.

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9. Stock-based compensation plans, continued

Directors’ stock plan

Effective January 1, 1998, the Company initiated a compensation plan for non-employee directors that provides for annual compensation payable to such directors to be paid fifty percent in cash and fifty percent in shares of M&T common stock. During 2000, the plan was amended to also allow the directors to elect, at their option, to receive all of their compensation in shares of M&T common stock. In connection with the directors’ stock plan, 50,000 shares of M&T common stock were authorized for issuance, of which 18,000 shares have been issued.

Management stock ownership program

Keystone had a management stock ownership program which established stock ownership goals for senior management of Keystone. In order to assist senior management in attaining their goals, a related plan provided for nonrecourse, noninterest-bearing loans to be used to purchase Keystone common stock at fair market value. The Company acquired these loans as a result of the Keystone transaction. The loans are secured by collateral having an initial value of 120% of the loan amount and consisting of M&T common stock (Keystone stock purchased with the loan) plus additional shares of stock or other acceptable collateral owned by the executive. At December 31, 2000, the amount owed M&T for the financed stock purchased totaled $4,713,000 and is classified as a reduction of additional paid-in capital in the consolidated balance sheet. The amounts are due to M&T no later than October 5, 2010.

10. Pension plans and other postretirement benefits

The Company provides defined benefit pension plan and other postretirement benefits (including health care and life insurance benefits) to qualified retired employees.

Net periodic pension expense consisted of the following:

	Year ended December 31

	2000	1999	1998
		(in thousands)	
Service cost	$ 8,213	8,202	7,021
Interest cost on projected benefit obligation	11,801	9,225	8,135
Expected return on plan assets	(17,712)	(14,308)	(12,396)
Amortization of prior service cost	1,615	84	(24)
Amortization of initial net asset	—	—	(344)
Recognized net actuarial gain	(1,431)	—	(38)
Settlements and curtailments	—	349	218
Net periodic pension expense	$ 2,486	3,552	2,572

Net postretirement benefits expense consisted of the following:

	Year ended December 31		
	2000	1999	1998
		(in thousands)	
Service cost	$ 307	325	288
Interest cost on projected benefit obligation	1,379	1,150	1,141
Expected return on plan assets	(111)	(180)	(226)
Amortization of prior service cost	83	14	(18)
Recognized net actuarial (gain) loss	28	39	25
Net postretirement benefits expense	$1,686	1,348	1,210

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10. Pension plans and other postretirement benefits, continued

Data relating to the funding position of the plans were as follows:

	Pension benefits		Postretirement benefits	
	2000	1999	2000	1999
		(in thousands)		
Change in benefit obligation:				
Benefit obligation at beginning of year	$127,038	136,931	16,762	18,023
Service cost	8,213	8,202	307	325
Interest cost	11,801	9,225	1,379	1,150
Plan participants' contributions	—	—	230	202
Amendments	2,689	395	2,979	—
Actuarial (gain) loss	(6,109)	(22,031)	2,009	(1,108)
Business combinations	112,771	3,223	—	—
Benefits paid	(7,266)	(9,256)	(2,229)	(1,830)
Settlements and curtailments	—	349	—	—
Benefit obligation at end of year	$249,137	127,038	21,437	16,762
Change in plan assets:				
Fair value of plan assets at beginning of year	$159,356	167,469	3,359	4,276
Actual return on plan assets	5,418	(1,547)	457	525
Employer contributions	64	—	—	—
Plan participants' contributions	—	—	535	388
Business combinations	122,487	2,430	—	—
Benefits and other payments	(7,107)	(6,480)	(2,229)	(1,830)
Settlements	—	(2,516)	—	—
Fair value of plan assets at end of year	$280,218	159,356	2,122	3,359
Funded status	$ 31,081	32,318	(19,315)	(13,403)

Unrecognized net actuarial (gain) loss	(16,808)	(24,493)	2,371	736
Unrecognized prior service cost	(212)	(237)	3,217	321
Prepaid (accrued) benefit cost	$ 14,061	7,588	(13,727)	(12,346)
Amounts recognized in the consolidated balance sheet were:				
Prepaid benefit cost (asset)	$ 32,640	10,551	—	—
Accrued benefit cost (liability)	(18,579)	(2,963)	(13,727)	(12,346)
	$ 14,061	7,588	(13,727)	(12,346)

The Company has an unfunded supplemental pension plan for certain key executives. The projected benefit obligation and accumulated benefit obligation included in the preceding data related to such plans were $15,062,000 and $14,769,000, respectively, as of December 31, 2000 and $2,479,000 and $2,091,000, respectively, as of December 31, 1999.

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10. Pension plans and other postretirement benefits, continued

The assumed rates used in the actuarial computations were:

	Pension benefits		Postretirement benefits	
	2000	**1999**	**2000**	**1999**
Discount rate	7.50%	7.75%	7.50%	7.75%
Long-term rate of return on plan assets	9.00%	9.00%	4.25%	4.25%
Rate of increase in future compensation levels	5.00%	5.01%	—	—

For measurement purposes, a 7.5% annual rate of increase in the cost of covered health care benefits was assumed for 2001. The rate was assumed to decrease gradually to 6.0% in 2004 and remain constant thereafter. A one-percentage point change in assumed health care cost trend rates would have the following effects:

	+1%	**-1%**
	(in thousands)	
Increase (decrease) in:		
Service and interest cost	$ 57	(51)
Accumulated postretirement benefit obligation	890	(811)

Pension plan assets included common stock of M&T with a fair value of $22,299,000 and $11,645,000 at December 31, 2000 and 1999, respectively.

The Company has a retirement savings plan ("Savings Plan") that is a defined contribution plan in which eligible employees of the Company may defer up to 15% of qualified compensation via contributions to the plan. The Company makes an employer matching contribution in an amount equal to 75% of an employee's contribution, up to 4.5% of the employee's qualified compensation. Employees' accounts, including employee contributions, employer matching contributions and accumulated earnings thereon, are at all times fully vested and nonforfeitable. The Company's contributions to the Savings Plan totaled $7,699,000, $6,935,000 and $6,085,000 in 2000, 1999 and 1998, respectively.

11. Income taxes

The components of income tax expense (benefit) were as follows:

	Year ended December 31		
	2000	**1999**	**1998**
	(in thousands)		
Current			
Federal	$156,941	139,946	105,751

State and city	9,220	10,926	14,803
Total current	166,161	150,872	120,554
Deferred			
Federal	(4,947)	1,508	(2,309)
State and city	(964)	308	(656)
Total deferred	(5,911)	1,816	(2,965)
Total income taxes applicable to pre-tax income	$160,250	152,688	117,589

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11. Income taxes, continued

The Company files a consolidated federal income tax return reflecting taxable income earned by all subsidiaries. In prior years, applicable federal tax law allowed certain financial institutions the option of deducting as bad debt expense for tax purposes amounts in excess of actual losses. In accordance with generally accepted accounting principles, such financial institutions were not required to provide deferred income taxes on such excess. Recapture of the excess tax bad debt reserve established under the previously allowed method will result in taxable income if M&T Bank fails to maintain bank status as defined in the Internal Revenue Code or charges are made to the reserve for other than bad debt losses. At December 31, 2000 M&T Bank's tax bad debt reserve for which no federal income taxes have been provided was $74,021,000. No actions are planned that would cause this reserve to become wholly or partially taxable.

The portion of income taxes attributable to gains or losses on sales of bank investment securities was a benefit of $1,216,000 in 2000, and an expense of $639,000 and $718,000 in 1999 and 1998, respectively. No alternative minimum tax expense was recognized in 2000, 1999 or 1998.

Total income taxes differed from the amount computed by applying the statutory federal income tax rate to pre-tax income as follows:

	Year ended December 31		
	2000	**1999**	**1998**
		(in thousands)	
Income taxes at statutory rate	$156,242	146,410	113,947
Increase (decrease) in taxes:			
Tax-exempt income	(14,792)	(12,137)	(15,266)
State and city income taxes, net of federal income tax effect	5,366	7,302	9,196
Amortization of goodwill	12,575	11,117	8,158
Other	859	(4)	1,554
	$160,250	152,688	117,589

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11. Income taxes, continued

Deferred tax assets (liabilities) were comprised of the following at December 31:

	2000	**1999**	**1998**

		(in thousands)	
Losses on loans and other assets	$ 144,099	127,667	120,422
Postretirement and other supplemental employee benefits	14,416	9,276	5,316
Incentive compensation plans	14,168	14,041	20,395
Depreciation and amortization	—	11,090	10,489
Interest on loans	10,897	—	—
Unrealized investment losses	295	17,906	—
Other	11,547	7,217	3,140
Gross deferred tax assets	195,422	187,197	159,762
Leasing transactions	(163,581)	(115,586)	(107,187)
Capitalized servicing rights	(14,838)	(10,150)	(6,868)
Retirement benefits	(9,776)	(4,077)	(1,969)
Depreciation and amortization	(7,454)	—	—
Interest on loans	—	(5,495)	(5,025)
Unrealized investment gains	—	—	(1,931)
Other	—	(54)	(685)
Gross deferred tax liabilities	(195,649)	(135,362)	(123,665)
Net deferred tax asset (liability)	$ (227)	51,835	36,097

The Company believes that it is more likely than not that the deferred tax assets will be realized through taxable earnings or alternative tax strategies.

The income tax credits shown in the statement of income of M&T in note 21 arise principally from operating losses before dividends from subsidiaries.

12. Earnings per share

The computations of basic earnings per share follow:

	Year ended December 31		
	2000	1999	1998
	(in thousands, except per share)		
Income available to common stockholders:			
Net income	$286,156	265,626	207,974
Weighted-average shares outstanding (including common stock issuable)	80,640	78,003	76,194
Basic earnings per share	$ 3.55	3.41	2.73

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12. Earnings per share, continued

The computations of diluted earnings per share follow:

	Year ended December 31		
	2000	1999	1998
	(in thousands, except per share)		
Income available to common stockholders	$286,156	265,626	207,974
Weighted-average shares outstanding	80,640	78,003	76,194
Plus: incremental shares from assumed conversion of stock options	2,531	2,902	3,303
Adjusted weighted-average shares outstanding	83,171	80,905	79,497
Diluted earnings per share	$ 3.44	3.28	2.62

13. Comprehensive income

The following table displays the components of other comprehensive income:

	Before-tax amount	Income taxes	Net
		(in thousands)	
For the year ended December 31, 2000			
Unrealized gains on investment securities:			
Unrealized holding gains	$ 40,148	16,395	23,753
Reclassification adjustment for losses realized in net income	(3,078)	(1,216)	(1,862)
Net unrealized gains	$ 43,226	17,611	25,615
For the year ended December 31, 1999			
Unrealized losses on investment securities:			
Unrealized holding losses	$(47,178)	(19,198)	(27,980)
Reclassification adjustment for gains realized in net income	1,575	639	936
Net unrealized losses	$(48,753)	(19,837)	(28,916)

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13. Comprehensive income, continued

	Before-tax amount	Income taxes	Net
		(in thousands)	
For the year ended December 31, 1998			
Unrealized losses on investment securities:			
Unrealized holding losses(a)	$(13,657)	(5,553)	(8,104)
Reclassification adjustment for gains realized in net income	1,761	718	1,043
Net unrealized losses	$(15,418)	(6,271)	(9,147)

(a) Including the effect of the contribution of appreciated investment securities described in note 14.

14. Other income and other expense

The following items, which exceeded 1% of total interest income and other income in the respective period, were included in either other revenues from operations or other costs of operations in the consolidated statement of income:

	Year ended December 31		
	2000	1999	1998
		(in thousands)	
Other income:			
Bank owned life insurance	$25,533	22,487	17,629
Other expense:			
Professional services	35,363	31,527	30,537
Non-cash charitable contribution(a)			24,585

(a) 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 $.7 million.

15. International activities

The Company engages in certain international activities consisting largely of collecting Eurodollar deposits, engaging in foreign currency trading and providing credit to support the international activities of domestic companies. Net assets identified with international activities amounted to $7,209,000 and $27,203,000 at December 31, 2000 and 1999, respectively. Deposits at M&T Bank's offshore branch office were $244,511,000 and $242,691,000 at December 31, 2000 and 1999, respectively.

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16. Derivative financial instruments

As part of managing interest rate risk, the Company has entered into several interest rate swap agreements. The swaps modify the repricing characteristics of certain portions of the Company's portfolios of earning assets and interest-bearing liabilities. Interest rate swap agreements are generally entered into with counterparties that meet established credit standards and most contain collateral provisions protecting the at-risk party. The Company considers the credit risk inherent in these contracts to be negligible.

Information about interest rate swaps entered into for interest rate risk management purposes summarized by type of financial instrument the swaps were intended to modify follows:

	Notional amount	Average maturity	Weighted-average rate		Estimated fair value-gain(loss)
			Fixed	Variable	
	(in thousands)	(in years)			(in thousands)
December 31, 2000					
Fixed rate available for sale investment securities:					
Non-amortizing(a)	$ 16,500	1.9	6.57%	6.75%	$ (214)
Fixed rate time deposits:					
Non-amortizing	467,000	1.4	6.45%	6.68%	1,049
Fixed rate borrowings:					
Non-amortizing	50,000	2.6	5.85%	6.76%	(15)
	$533,500	1.5	6.40%	6.69%	$ 820

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16. Derivative financial instruments, continued

	Notional amount	Average maturity	Weighted-average rate		Estimated fair value-gain(loss)
			Fixed	Variable	
	(in thousands)	(in years)			(in thousands)
December 31, 1999					
Fixed rate available for sale investment securities:					
Non-amortizing(a)	$ 50,000	8.1	5.26%	6.46%	$ 5,646
Variable rate loans:					
Non-amortizing	660,000	.3	6.29%	6.14%	540
Fixed rate loans:					
Amortizing(a)	49,279	8.5	6.81%	6.24%	1,244
Amortizing-forward-starting(b)	372,800	7.5	5.94%	5.64%	23,863

Fixed rate time deposits:					
Non-amortizing	847,000	1.5	6.46%	6.09%	(5,014)
Fixed rate borrowings:					
Non-amortizing	50,000	3.6	5.85%	6.07%	(1,770)
	$2,029,079	2.6	6.27%	6.04%	$24,509

Under all swap agreements, the Company receives settlement amounts at a fixed rate and pays at a variable rate, except for:

(a) Under the terms of these swaps, the Company receives settlement amounts at a variable rate and pays at a fixed rate.

(b) Under the terms of these swaps, the Company was to have received settlement amounts at a variable rate and pay at a fixed rate.

The notional amounts of amortizing swaps may vary over the term of a swap agreement. The notional amount of a non-amortizing swap does not change during the term of an agreement. The estimated fair value of interest rate swap agreements represents the amount the Company would have expected to receive (pay) to terminate such contracts. The estimated fair value of interest rate swaps entered into for interest rate risk management purposes have not been recognized in the consolidated financial statements, except for swaps that modify the repricing characteristics of investment securities classified as available for sale. Changes in the fair value of such swaps and investment securities are included in other comprehensive income, net of applicable income taxes.

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16. Derivative financial instruments, continued

At December 31, 2000 the notional amount of interest rate swaps outstanding mature as follows:

Year ending December 31:	(in thousands)
2001	$213,000
2002	175,500
2003	80,000
2004	35,000
2005	20,000
Later years	10,000
	$533,500

The net effect of interest rate swaps was to increase net interest income by $13,000 in 2000, $26,100,000 in 1999 and $16,156,000 in 1998. Excluding forward-starting swaps, the average notional amount of interest rate swaps impacting net interest income which were entered into for interest rate risk management purposes were $875,933,000 in 2000, $1,944,813,000 in 1999 and $2,521,426,000 in 1998.

The Company adopted SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” as amended, as of January 1, 2001. SFAS No. 133 requires that the fair value of all derivative financial instruments be recognized in an entity’s balance sheet. If specific conditions are met, a derivative may be designated as a hedge of certain transactions. The Company anticipates that adoption of SFAS No. 133 could increase the volatility of reported earnings and stockholders’ equity in future periods. Nevertheless, the initial impact of adopting SFAS No. 133 as of January 1, 2001 was not considered material to the Company’s consolidated financial statements.

In anticipation of M&T Bank’s issuance of $500 million of fixed rate subordinated capital notes in October 2000, the Company terminated certain interest rate swap agreements, including forward-starting swaps, with an aggregate notional amount of $421 million. Under the terms of the terminated swaps, the Company was required to make fixed-rate payments and receive variable-rate payments. The termination of the swaps, which had been entered into to hedge interest rate risk associated with fixed-rate commercial real estate loans, resulted in a net deferred gain of $15,460,000 which will be recognized in income over the designated hedge period of the swaps. Income recognized in 2000 related to the swap terminations totaled $311,000. The net increase in interest income in future years from amortization of the deferred gain relating to the interest rate swap terminations is as follows:

Year ending December 31:	(in thousands)
2001	$ 1,834
2002	2,163
2003	2,163
2004	2,163
2005	2,068

Later years	4,758
	$15,149

Derivative financial instruments used for trading purposes included foreign exchange and other option contracts, foreign exchange forward and spot contracts, interest rate swap contracts and financial futures. The

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16. Derivative financial instruments, continued

following table includes information about the estimated fair value of derivative financial instruments used for trading purposes:

	2000	1999
December 31:	(in thousands)	
Gross unrealized gains	$20,996	29,088
Gross unrealized losses	21,358	32,303
Year ended December 31:		
Average gross unrealized gains	$30,445	33,588
Average gross unrealized losses	30,694	32,622

Net gains realized from derivative financial instruments used for trading purposes were $1,597,000 and $2,648,000 in 2000 and 1998, respectively. Net losses of $1,699,000 were incurred in 1999.

17. Disclosures about fair value of financial instruments

SFAS No. 107, “Disclosures about Fair Value of Financial Instruments,” requires disclosure of the estimated “fair value” of financial instruments. “Fair value” is generally defined as the price a willing buyer and a willing seller would exchange for a financial instrument in other than a distressed sale situation. Disclosures related to fair value presented herein are as of December 31, 2000 and 1999.

With the exception of marketable securities, certain off-balance sheet financial instruments and one-to-four family residential mortgage loans originated for sale, the Company’s financial instruments are not readily marketable and market prices do not exist. The Company, in attempting to comply with the provisions of SFAS No. 107, has not attempted to market its financial instruments to potential buyers, if any exist. Since negotiated prices in illiquid markets depend greatly upon the then present motivations of the buyer and seller, it is reasonable to assume that actual sales prices could vary widely from any estimate of fair value made without the benefit of negotiations. Additionally, changes in market interest rates can dramatically impact the value of financial instruments in a short period of time.

The estimated fair values of investments in readily marketable debt and equity securities were based on quoted market prices at the respective year-end. In arriving at estimated fair value of other financial instruments, the Company generally used calculations based upon discounted cash flows of the related financial instruments. In general, discount rates used for loan products were based on the Company’s pricing at the respective year-end. A higher discount rate was assumed with respect to estimated cash flows associated with nonaccrual loans.

As more fully described in note 3, the carrying value and estimated fair value of investment securities were as follows:

	Carrying value	Estimated fair value
	(in thousands)	
December 31		
2000	$3,309,853	3,306,787
1999	1,900,522	1,898,860

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17. Disclosures about fair value of financial instruments, continued

The following table presents the carrying value and calculated estimates of fair value of loans and commitments related to loans originated for sale:

	Carrying value	Calculated estimate
	(in thousands)	
December 31, 2000		
Commercial loans and leases	$ 5,116,085	5,119,700
Commercial real estate loans	8,716,114	8,758,551
Residential real estate loans	4,782,060	4,780,730
Consumer loans and leases	4,128,555	4,104,518
	$22,742,814	22,763,499
December 31, 1999		
Commercial loans and leases	$ 3,650,023	3,642,157
Commercial real estate loans	6,509,185	6,473,654
Residential real estate loans	4,128,831	4,051,351
Consumer loans and leases	3,118,732	3,134,102
	$17,406,771	17,301,264

The allowance for credit losses represented the Company's assessment of the overall level of credit risk inherent in the portfolio and totaled $374,703,000 and $316,165,000 at December 31, 2000 and 1999, respectively.

As described in note 18, in the normal course of business, various commitments and contingent liabilities are outstanding, such as loan commitments, credit guarantees and letters of credit. The Company's pricing of such financial instruments is based largely on credit quality and relationship, probability of funding and other requirements. Commitments generally have fixed expiration dates and contain termination and other clauses which provide for relief from funding in the event of significant deterioration in the credit quality of the customer. The rates and terms of the Company's loan commitments, credit guarantees and letters of credit are competitive with other financial institutions operating in markets served by the Company. The Company believes that the carrying amounts are reasonable estimates of the fair value of these financial instruments. Such carrying amounts, comprised principally of unamortized fee income, are included in other liabilities and totaled $8,624,000 and $5,434,000 at December 31, 2000 and 1999, respectively.

SFAS No. 107 requires that the estimated fair value ascribed to noninterest-bearing deposits, savings deposits and NOW accounts be established at carrying value because of the customers' ability to withdraw funds immediately. Additionally, time deposit accounts are required to be

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17. Disclosures about fair value of financial instruments, continued

revalued based upon prevailing market interest rates for similar maturity instruments.

The following summarizes the results of these calculations:

	Carrying value	Calculated estimate
	(in thousands)	
December 31, 2000		
Noninterest-bearing deposits	$3,344,913	3,344,913
Savings deposits and NOW accounts	6,979,161	6,979,161
Time deposits	9,664,088	9,713,668
Deposits at foreign office	244,511	244,511
December 31, 1999		

Noninterest-bearing deposits	$2,260,432	2,260,432
Savings deposits and NOW accounts	5,782,152	5,782,152
Time deposits	7,088,345	7,085,462
Deposits at foreign office	242,691	242,691

The Company believes that deposit accounts have a value greater than that prescribed by SFAS No. 107. The Company feels, however, that the value associated with these deposits is greatly influenced by characteristics of the buyer, such as the ability to reduce the costs of servicing the deposits and deposit attrition which often occurs following an acquisition. Accordingly, estimating the fair value of deposits with any degree of certainty is not practical.

As more fully described in note 16, the Company had entered into interest rate swap agreements for purposes of managing the Company's exposure to changing interest rates. The estimated fair value of interest rate swap agreements represents the amount the Company would have expected to receive or pay to terminate such swaps. The following table includes information about the estimated fair value of interest rate swaps entered into for interest rate risk management purposes:

	Notional amount	Gross unrealized gains	Gross unrealized losses	Estimated fair value - gain
		(in thousands)		
December 31				
2000	$ 533,500	2,021	(1,201)	820
1999	2,029,079	32,415	(7,906)	24,509

As described in note 16, the Company also uses certain derivative financial instruments as part of its trading activities. Interest rate contracts entered into for trading purposes had notional values and estimated fair value losses of $769 million and $81,000, respectively, at December 31, 2000 and notional values and estimated fair value losses of $799 million and $515,000, respectively, at December 31, 1999. The Company also entered into foreign exchange and other option and futures contracts totaling approximately $293 million and $573 million at December 31, 2000 and 1999, respectively. Such contracts were valued at losses of $444,000 and $2,700,000 at December 31, 2000 and 1999, respectively. All trading account assets and liabilities are recorded in the consolidated balance sheet at estimated fair value. The fair values of all trading account assets and liabilities were $37 million and $22 million, respectively, at December 31, 2000 and $641 million and $633 million, respectively, at December 31, 1999. Included in trading account assets at December 31, 1999 were mortgage-backed

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17. Disclosures about fair value of financial instruments, continued

securities which M&T held as collateral securing certain agreements to resell securities. The obligations to return such collateral were recorded as noninterest-bearing trading account liabilities and were included in accrued interest and other liabilities in the Company's consolidated balance sheet. The fair value of such collateral (and the related obligation to return collateral) was $600 million at December 31, 1999.

Due to the near maturity of other money-market assets and short-term borrowings, the Company estimates that the carrying value of such instruments approximates estimated fair value. The carrying value and estimated fair value of long-term borrowings were $3,414,516,000 and $3,392,049,000, respectively, at December 31, 2000 and $1,775,133,000 and $1,753,612,000, respectively, at December 31, 1999.

The Company does not believe that the estimated fair value information presented herein is representative of the earnings power or value of the Company. The preceding analysis, which is inherently limited in depicting fair value, also does not consider any value associated with existing customer relationships nor the ability of the Company to create value through loan origination, deposit gathering or fee generating activities.

Many of the fair value estimates presented herein are based upon the use of highly subjective information and assumptions and, accordingly, the results may not be precise. Management believes that fair value estimates may not be comparable between financial institutions due to the wide range of permitted valuation techniques and numerous estimates which must be made.

Furthermore, since the disclosed fair value amounts were estimated as of the balance sheet date, the amounts actually realized or paid upon maturity or settlement of the various financial instruments could be significantly different.

18. Commitments and contingencies

In the normal course of business, various commitments and contingent liabilities are outstanding, such as commitments to extend credit guarantees and "standby" letters of credit (approximately $894,170,000 and $522,356,000 at December 31, 2000 and 1999, respectively) which are not reflected in the consolidated financial statements. No material losses are expected as a result of these transactions. Additionally, the Company had outstanding commitments to originate loans of approximately $5.0 billion and $4.1 billion at December 31, 2000 and 1999, respectively. Since many loan commitments, credit guarantees and "standby" letters of credit expire without being funded in whole or part, the contract amounts are not necessarily indicative of future cash flows. Commitments to sell one-to-four family residential mortgage loans totaled $555,411,000 at December 31, 2000 and $376,874,000 at December 31, 1999.

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 the Company'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 the Company's consolidated results of operations in any future reporting period.

19. Segment information

In accordance with the provisions of SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," reportable segments have been determined based upon the Company's internal profitability reporting system, which is organized by strategic business units. Certain strategic business units have been combined for segment information reporting purposes where the nature of the products and services, the type of customer and the distribution of those products and services are similar. The reportable segments are Commercial Banking, Commercial Real Estate, Discretionary Portfolio, Residential Mortgage Banking and Retail Banking.

The financial information of the Company's segments has been compiled utilizing the accounting policies described in note 1 with certain exceptions. The more significant of these exceptions are described herein. The Company allocates interest income or interest expense using a methodology that charges users of funds (assets) interest expense and credits providers of funds (liabilities) with income based on the maturity, prepayment and/or repricing characteristics of the assets and liabilities. The net effect of this allocation is recorded in the "All Other" category. A provision for credit losses is allocated to segments in an amount based largely on actual net charge-offs incurred by the segment during the period plus or minus an amount necessary to adjust the segment's allowance for credit losses due to changes in loan balances. In contrast, the level of the consolidated provision for credit losses is determined using the methodologies described in note 1 to assess the overall adequacy of the allowance for credit losses. Indirect fixed and variable expenses incurred by certain centralized support areas are allocated to segments based on actual usage (for example, volume measurements) and other criteria. Certain types of administrative expenses and bankwide expense accruals (including amortization of goodwill and core deposit intangible) are generally not allocated to segments. Income taxes are allocated to segments based on the Company's marginal statutory tax rate adjusted for any tax-exempt income or non-deductible expenses. Equity is allocated to the segments based on regulatory capital requirements and in proportion to an assessment of the inherent risks associated with the business of the segment (including interest, credit and operating risk).

The management accounting policies and processes utilized in compiling segment financial information are highly subjective and, unlike financial accounting, are not based on authoritative guidance similar to generally accepted accounting principles. As a result, reported segment results are not necessarily comparable with similar information reported by other financial institutions. Furthermore, changes in management structure or allocation methodologies and procedures may result in changes in reported segment financial data. Information about the Company's segments is presented in the accompanying table.

The Commercial Banking segment provides a wide range of credit products and banking services for middle-market and large commercial customers, largely within the markets the Company serves. Among the services provided by this segment are commercial lending and leasing, deposit products and cash management services. The Commercial Real Estate segment provides credit services which are secured by various types of multifamily residential and commercial real estate and deposit services to its customers. The Discretionary Portfolio segment includes securities, residential mortgage loans and other assets; short-term and long-term borrowed funds; brokered certificates of deposit and interest rate swaps related thereto; and offshore branch deposits. This segment also provides services to commercial customers and consumers which include foreign exchange, securities trading and municipal bond underwriting and sales. The Residential Mortgage Banking

19. Segment information, continued

segment originates and services residential mortgage loans for consumers and sells substantially all of those loans in the secondary market to investors or to banking subsidiaries of M&T. Residential mortgage loans held for sale are included in the Residential Mortgage Banking segment. The Retail Banking segment offers a variety of consumer and small business services through several delivery channels which include traditional and "in-store" banking offices, automated teller machines, telephone banking and internet banking. The "All Other" category includes other operating activities of the Company that are not directly attributable to the reported segments as determined in accordance with SFAS No. 131, the difference between the provision for credit losses and the calculated provision allocated to the reportable segments, goodwill and core deposit intangible resulting from acquisitions of financial institutions, the net impact of the Company's internal funds transfer pricing methodology, eliminations of transactions between reportable segments, certain nonrecurring transactions, the residual effects of unallocated support systems and general and administrative expenses, and the impact of interest rate risk management strategies. The amount of intersegment activity eliminated in arriving at consolidated totals was included in the "All Other" category as follows:

	Year ended December 31		
	2000	1999	1998
		(in thousands)	
Revenues	$(34,997)	(41,829)	(52,137)
Expenses	(18,584)	(29,353)	(19,916)
Income taxes (benefit)	(6,678)	(5,076)	(13,111)
Net income (loss)	(9,735)	(7,400)	(19,110)

The Company conducts substantially all of its operations in the United States. There are no transactions with a single customer that in the aggregate result in revenues that exceed ten percent of consolidated total revenues.

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19. Segment information, continued

In thousands, except asset data	Commercial Banking	Commercial Real Estate	Discretionary Portfolio	Residential Mortgage Banking
For the year ended December 31, 2000				
Net interest income (a)	$192,343	133,970	36,576	25,666
Noninterest income	34,311	5,127	23,016	86,687
	226,654	139,097	59,592	112,353
Provision for credit losses	7,309	(1,774)	1,941	69
Amortization of goodwill and core deposit intangible	—	—	—	150
Depreciation and other amortization	392	307	2,277	23,183
Other noninterest expense (b)	51,633	15,492	15,639	82,717
Income (loss) before taxes	167,320	125,072	39,735	6,234
Income tax expense (benefit)	68,956	52,953	5,801	(263)
Net income (loss)	$ 98,364	72,119	33,934	6,497
Average total assets (in millions)	$ 5,274	4,839	6,431	662
Capital expenditures (in millions)	$ —	—	—	1
For the year ended December 31, 1999				
Net interest income (a)	$157,818	121,675	47,530	26,854
Noninterest income	30,177	4,351	22,766	104,164
	187,995	126,026	70,296	131,018
Provision for credit losses	11,316	(143)	3,833	22
Amortization of goodwill and core deposit intangible	—	—	—	810
Depreciation and other amortization	442	333	153	20,587
Other noninterest expense (b)	44,145	14,402	17,183	78,836
Income (loss) before taxes	132,092	111,434	49,127	30,763
Income tax expense (benefit)	54,457	47,190	10,898	9,984

Net income (loss)	$ 77,635	64,244	38,229	20,779
Average total assets (in millions)	$ 4,277	4,118	6,827	635
Capital expenditures (in millions)	$ —	—	—	—

[Additional columns below]

[Continued from above table, first column(s) repeated]

In thousands, except asset data	Retail Banking	All Other	Total
For the year ended December 31, 2000			
Net interest income (a)	485,136	(19,504)	854,187
Noninterest income	106,859	68,672	324,672
	591,995	49,168	1,178,859
Provision for credit losses	26,798	3,657	38,000
Amortization of goodwill and core deposit intangible	—	69,426	69,576
Depreciation and other amortization	14,712	13,685	54,556
Other noninterest expense (b)	273,612	131,228	570,321
Income (loss) before taxes	276,873	(168,828)	446,406
Income tax expense (benefit)	113,189	(80,386)	160,250
Net income (loss)	163,684	(88,442)	286,156
Average total assets (in millions)	5,186	1,266	23,658
Capital expenditures (in millions)	12	6	19
For the year ended December 31, 1999			
Net interest income (a)	375,803	29,717	759,397
Noninterest income	86,493	34,424	282,375
	462,296	64,141	1,041,772
Provision for credit losses	25,480	3,992	44,500
Amortization of goodwill and core deposit intangible	—	48,905	49,715
Depreciation and other amortization	12,462	13,284	47,261
Other noninterest expense (b)	235,767	91,649	481,982
Income (loss) before taxes	188,587	(93,689)	418,314
Income tax expense (benefit)	77,046	(46,887)	152,688
Net income (loss)	111,541	(46,802)	265,626
Average total assets (in millions)	4,244	956	21,057
Capital expenditures (in millions)	12	11	23

M&T BANK CORPORATION AND SUBSIDIARIES
Notes to Financial Statements, continued

19. Segment information, continued

In thousands, except asset data	Commercial Banking	Commercial Real Estate	Discretionary Portfolio	Residential Mortgage Banking
For the year ended December 31, 1998				
Net interest income (a)	$140,033	108,863	40,611	23,797
Noninterest income (b)	20,215	4,624	20,726	111,283
	160,248	113,487	61,337	135,080
Provision for credit losses	2,964	1,243	2,330	(3)

Amortization of goodwill and core deposit intangible	—	—	—	810
Depreciation and other amortization	467	352	97	21,400
Other noninterest expense (b)	42,100	12,336	17,477	84,237
Income (loss) before taxes	114,717	99,556	41,433	28,636
Income tax expense (benefit) (b)	47,276	42,240	9,749	9,089
Net income (loss)	$ 67,441	57,316	31,684	19,547
Average total assets (in millions)	$ 3,653	3,527	6,025	581
Capital expenditures (in millions)	$ —	—	—	1

[Additional columns below]

[Continued from above table, first column(s) repeated]

In thousands, except asset data	Retail Banking	All Other	Total
For the year ended December 31, 1998			
Net interest income (a)	339,510	19,133	671,947
Noninterest income (b)	79,391	26,700	262,939
	418,901	45,833	934,886
Provision for credit losses	19,557	17,109	43,200
Amortization of goodwill and core deposit intangible	—	33,677	34,487
Depreciation and other amortization	11,007	11,759	45,082
Other noninterest expense (b)	219,050	111,354	486,554
Income (loss) before taxes	169,287	(128,066)	325,563
Income tax expense (benefit) (b)	69,142	(59,907)	117,589
Net income (loss)	100,145	(68,159)	207,974
Average total assets (in millions)	3,781	742	18,309
Capital expenditures (in millions)	7	9	17

(a) Net interest income is the difference between actual taxable-equivalent interest earned on assets and interest paid on liabilities owned by a segment and a funding charge (credit) based on the Company’s internal funds transfer pricing methodology. Segments are charged a cost to fund any assets (e.g. loans) and are paid a funding credit for any funds provided (e.g. deposits). The taxable-equivalent adjustment aggregated $10,547,000 in 2000, $7,710,000 in 1999 and $7,186,000 in 1998 and is eliminated in “All Other” net interest income and income tax expense (benefit).

(b) Including the impact in the “All Other” category of the nonrecurring merger-related expenses described in note 2 and, in 1998, the contribution of appreciated investment securities described in note 14.

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20. Regulatory matters

Payment of dividends by M&T’s banking subsidiaries is restricted by various legal and regulatory limitations. Dividends from any banking subsidiary to M&T are limited by the amount of earnings of the banking subsidiary in the current year and the preceding two years. For purposes of this test, at December 31, 2000, approximately $496,319,000 was available for payment of dividends to M&T from banking subsidiaries without prior regulatory approval.

Banking regulations prohibit extensions of credit by the subsidiary banks to M&T unless appropriately secured by assets. Securities of affiliates are not eligible as collateral for this purpose.

The banking subsidiaries are required to maintain noninterest-earning reserves against certain deposit liabilities. During the maintenance periods that included December 31, 2000 and 1999, cash and due from banks included a daily average of $242,028,000 and $180,666,000, respectively, for such purpose.

Federal regulators have adopted capital adequacy guidelines for bank holding companies and banks. Failure to meet minimum capital requirements can result in certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a material effect on the Company's financial statements. Under the capital adequacy guidelines, the so-called "Tier 1 capital" and "Total capital" as a percentage of risk-weighted assets and certain off-balance sheet financial instruments must be at least 4% and 8%, respectively. In addition to these risk-based measures, regulators also require banking institutions that meet certain qualitative criteria to maintain a minimum "leverage" ratio of "Tier 1 capital" to average total assets, adjusted for goodwill and certain other items, of at least 3% to be considered adequately capitalized. As of December 31, 2000, M&T and each of its banking subsidiaries exceeded all applicable capital adequacy requirements.

As of December 31, 2000 and 1999, the most recent notifications from federal regulators categorized each of M&T's banking subsidiaries as well capitalized under the regulatory framework for prompt corrective action. To be considered well capitalized, a banking institution must maintain Tier 1 risk-based capital, total risk-based capital and leverage ratios of at least 6%, 10% and 5%, respectively. Management is unaware of any conditions or events since the latest notifications from federal regulators that have changed the capital adequacy category of M&T's banking subsidiaries.

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20. Regulatory matters, continued

The capital ratios and amounts of the Company and its banking subsidiaries as of December 31, 2000 and 1999 are presented below:

	M&T (Consolidated)	M&T Bank	M&T Bank, N.A.
	(dollars in thousands)		
December 31, 2000:			
Tier 1 capital			
Amount	$1,819,987	1,772,024	59,095
Ratio(a)	7.49%	7.47%	10.71%
Minimum required amount(b)	972,521	949,253	22,076
Total capital			
Amount	2,720,141	2,664,679	63,636
Ratio(a)	11.19%	11.23%	11.53%
Minimum required amount(b)	1,945,042	1,898,505	44,152
Leverage			
Amount	1,819,987	1,772,024	59,095
Ratio(c)	6.66%	6.72%	6.47%
Minimum required amount(b)	819,209	791,037	27,384
December 31, 1999:			
Tier 1 capital			
Amount	$1,489,676	1,436,204	50,334
Ratio(a)	8.27%	8.19%	10.74%
Minimum required amount(b)	720,343	701,351	18,740
Total capital			
Amount	1,845,907	1,786,515	55,089
Ratio(a)	10.25%	10.19%	11.76%
Minimum required amount(b)	1,440,686	1,402,702	37,479
Leverage			
Amount	1,489,676	1,436,204	50,334
Ratio(c)	6.92%	6.92%	6.18%
Minimum required amount(b)	645,631	622,845	24,419

(a) The ratio of capital to risk-weighted assets, as defined by regulation.
(b) Minimum amount of capital to be considered adequately capitalized, as defined by regulation.
(c) The ratio of capital to average assets, as defined by regulation.

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21. Parent company financial statements

CONDENSED BALANCE SHEET

In thousands	December 31 2000	1999
Assets		
Cash		
In subsidiary bank	$ 983	728
Other	21	20
Total cash	1,004	748
Due from subsidiaries		
Money-market assets	14,962	1,387
Current income tax receivable	7,686	2,451
Total due from subsidiaries	22,648	3,838
Investments in subsidiaries		
Banks and bank holding company	2,919,577	2,062,694
Other	7,734	7,734
Other assets	13,546	15,215
Total assets	$2,964,509	2,090,229
Liabilities		
Accrued expenses and other liabilities	$ 6,291	6,450
Short-term borrowings	—	29,000
Long-term borrowings	257,733	257,733
Total liabilities	264,024	293,183
Stockholders' equity	2,700,485	1,797,046
Total liabilities and stockholders' equity	$2,964,509	2,090,229

CONDENSED STATEMENT OF INCOME

In thousands, except per share	Year ended December 31 2000	1999	1998
Income			
Dividends from bank and bank holding company subsidiaries	$ 130,000	76,000	121,500
Other income	3,484	2,618	20,222
Total income	133,484	78,618	141,722
Expense			
Interest on short-term borrowings	705	103	—
Interest on long-term borrowings	21,516	21,516	21,516
Other expense	2,987	2,635	27,168
Total expense	25,208	24,254	48,684
Income before income taxes and equity in undistributed income of subsidiaries	108,276	54,364	93,038
Income tax credits	8,066	8,621	17,541
Income before equity in undistributed income of subsidiaries	116,342	62,985	110,579
Equity in undistributed income of subsidiaries			
Net income of subsidiaries	299,814	278,641	218,895
Less: dividends received	(130,000)	(76,000)	(121,500)
Equity in undistributed income of subsidiaries	169,814	202,641	97,395
Net income	$ 286,156	265,626	207,974
Net income per common share			
Basic	$ 3.55	3.41	2.73

Diluted	3.44	3.28	2.62

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21. Parent company financial statements, continued

CONDENSED STATEMENT OF CASH FLOWS

	Year ended December 31		
In thousands	**2000**	**1999**	**1998**
Cash flows from operating activities			
Net income	$ 286,156	265,626	207,974
Adjustments to reconcile net income to net cash provided by operating activities			
Equity in undistributed income of subsidiaries	(169,814)	(202,641)	(97,395)
Provision for deferred income taxes	707	(209)	793
Net change in accrued income and expense	3,404	7,533	25,862
Transfer of noncash assets to charitable foundation	—	—	9,272
Net cash provided by operating activities	120,453	70,309	146,506
Cash flows from investing activities			
Investment in subsidiary	—	—	(60,000)
Other, net	(2)	(34)	(808)
Net cash used by investing activities	(2)	(34)	(60,808)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	(29,000)	29,000	—
Purchases of treasury stock	(54,947)	(79,784)	(231,779)
Dividends paid —common	(51,987)	(35,128)	(28,977)
Other, net	29,314	8,834	10,725
Net cash used by financing activities	(106,620)	(77,078)	(250,031)
Net increase (decrease) in cash and cash equivalents	$ 13,831	(6,803)	(164,333)
Cash and cash equivalents at beginning of year	2,135	8,938	173,271
Cash and cash equivalents at end of year	$ 15,966	2,135	8,938
Supplemental disclosure of cash flow information			
Interest received during the year	$ 476	459	2,496
Interest paid during the year	22,323	21,266	21,516
Income taxes received during the year	13,828	16,965	40,208

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22. Subsequent event

On February 9, 2001, M&T completed the merger of Premier National Bancorp, Inc. (“Premier”), a bank holding company headquartered in Lagrangeville, New York, with and into Olympia. Following the merger, Premier National Bank, Premier’s bank subsidiary, was merged into M&T Bank. Premier National Bank operated 34 banking offices in the mid-Hudson Valley region of New York State. At December 31, 2000, Premier had approximately $1.6 billion of assets, including $1.0 billion of loans, and approximately $1.4 billion of liabilities, including $1.3 billion of deposits. The transaction was accounted for using the purchase method of accounting and, accordingly, the operations acquired from Premier will be included in M&T’s financial results subsequent to the acquisition date. Premier’s stockholders received approximately $171 million in cash and 2,441,000 shares of M&T common stock in exchange for the Premier shares outstanding at the time of the acquisition. In addition, M&T converted outstanding and unexercised stock options granted by Premier into options to purchase 225,000 shares of M&T common stock.

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Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure. None.

PART III

Item 10. Directors and Executive Officers of the Registrant. The identification of the Registrant's directors is incorporated by reference to the caption "NOMINEES FOR DIRECTOR" contained in the Registrant's definitive Proxy Statement for its 2001 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission on or about March 6, 2001. The identification of the Registrant's executive officers is presented under the caption "Executive Officers of the Registrant" contained in Part I of this Annual Report on Form 10-K.

Disclosure of compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended, by the Registrant's directors and executive officers, and persons who are the beneficial owners of more than 10% of the Registrant's common stock, is incorporated by reference to the caption "Section 16(a) Beneficial Ownership Reporting Compliance" contained in the Registrant's definitive Proxy Statement for its 2001 Annual Meeting of Stockholders which will be filed with the Securities and Exchange Commission on or about March 6, 2001.

Item 11. Executive Compensation. Incorporated by reference to the Registrant's definitive Proxy Statement for its 2001 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission on or about March 6, 2001.

Item 12. Security Ownership of Certain Beneficial Owners and Management. Incorporated by reference to the Registrant's definitive Proxy Statement for its 2001 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission on or about March 6, 2001.

Item 13. Certain Relationships and Related Transactions. Incorporated by reference to the Registrant's definitive Proxy Statement for its 2001 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission on or about March 6, 2001.

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PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a) Financial statements and financial statement schedules filed as part of this Annual Report on Form 10-K. See Part II, Item 8. "Financial Statements and Supplementary Data."

Financial statement schedules are not required or are inapplicable, and therefore have been omitted.

(b) Reports on Form 8-K.

M&T filed a Current Report on Form 8-K dated October 6, 2000, disclosing under Item 2 that it had consummated the merger of Keystone Financial, Inc. with and into Olympia Financial Corp., a wholly owned subsidiary of M&T, on October 6, 2000. Certain financial statements and other exhibits were filed with, or incorporated by reference into, such Current Report in Item 7 thereof. Such Current Report on Form 8-K was filed on October 20, 2000, and an amendment of Item 7 thereto on Form 8-K/A was filed on December 15, 2000 in order to disclose the pro forma financial information required to be filed by Item 7(b) of Form 8-K.

(c) Exhibits required by Item 601 of Regulation S-K.

The exhibits listed on the Exhibit Index on pages 119 through 123 of this Annual Report on Form 10-K have been previously filed, are filed herewith or are incorporated herein by reference to other filings.

(d) Additional financial statement schedules.

None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on the 27th day of February, 2001.

M&T BANK CORPORATION

By: /s/ Robert G. Wilmers

Robert G. Wilmers
Chairman of the Board, President and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
Principal Executive Officer:		
/s/ Robert G. Wilmers Robert G. Wilmers	Chairman of the Board, President and Chief Executive Officer	February 27, 2001
Principal Financial Officer:		
/s/ Michael P. Pinto Michael P. Pinto	Executive Vice President and Chief Financial Officer	February 27, 2001
Principal Accounting Officer:		
/s/ Michael R. Spychala Michael R. Spychala	Senior Vice President and Controller	February 27, 2001

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A majority of the board of directors:

Signature	Date
William F. Allyn	
/s/ Brent D. Baird Brent D. Baird	February 27, 2001
/s/ John H. Benisch John H. Benisch	February 27, 2001
/s/ Robert J. Bennett Robert J. Bennett	February 27, 2001
/s/ C. Angela Bontempo C. Angela Bontempo	February 27, 2001
Robert T. Brady	
/s/ Patrick J. Callan	February 27, 2001

Patrick J. Callan	
Carl L. Campbell	
/s/ R. Carlos Carballada	February 27, 2001
R. Carlos Carballada	
/s/ T. Jefferson Cunningham III	February 27, 2001
T. Jefferson Cunningham III	
/s/ Donald Devorris	February 27, 2001
Donald Devorris	
Richard E. Garman	
/s/ James V. Glynn	February 27, 2001
James V. Glynn	
/s/ Daniel R. Hawbaker	February 27, 2001
Daniel R. Hawbaker	
/s/ Patrick W.E. Hodgson	February 27, 2001
Patrick W.E. Hodgson	

/s/ Samuel T. Hubbard, Jr.	February 27, 2001
Samuel T. Hubbard, Jr.	
/s/ Richard G. King	February 27, 2001
Richard G. King	
/s/ Reginald B. Newman, II	February 27, 2001
Reginald B. Newman, II	
/s/ Peter J. O'Donnell, Jr.	February 27, 2001
Peter J. O'Donnell, Jr.	
/s/ Jorge G. Pereira	February 27, 2001
Jorge G. Pereira	
/s/ Robert E. Sadler, Jr.	February 27, 2001
Robert E. Sadler, Jr.	
Stephen G. Sheetz	
/s/ John L. Vensel	February 27, 2001
John L. Vensel	
/s/ Herbert L. Washington	February 27, 2001
Herbert L. Washington	
/s/ Robert G. Wilmers	February 27, 2001

Robert G. Wilmers

EXHIBIT INDEX

2.1	Agreement and Plan of Reorganization dated as of May 16, 2000, by and among M&T Bank Corporation, Olympia Financial Corp. and Keystone Financial, Inc. Incorporated by reference to Exhibit No. 2 to the Form 8-K dated May 16, 2000 (File No. 1-9861).
2.2	Stock Option Agreement dated as of May 16, 2000, by and between M&T Bank Corporation and Keystone Financial, Inc. Incorporated by reference to Exhibit No. 99.1 to the Form 8-K dated May 16, 2000 (File No. 1-9861).
2.3	Agreement and Plan of Reorganization dated as of July 9, 2000, by and among M&T Bank Corporation, Olympia Financial Corp. and Premier National Bancorp, Inc. Incorporated by reference to Exhibit No. 99.1 to the Form 8-K dated July 9, 2000 (File No. 1-9861).
2.4	Stock Option Agreement dated as of July 9, 2000, by and between M&T Bank Corporation and Premier National Bancorp, Inc. Incorporated by reference to Exhibit No. 99.2 to the Form 8-K dated July 9, 2000 (File No. 1-9861).
3.1	Restated Certificate of Incorporation of M&T Bank Corporation dated May 29, 1998. Incorporated by reference to Exhibit No. 3.1 to the Form 10-Q for the quarter ended June 30, 1998 (File No. 1-9861).
3.2	Certificate of Amendment of the Certificate of Incorporation of M&T Bank Corporation dated October 2, 2000. Filed herewith.
3.3	Bylaws of M&T Bank Corporation as last amended on February 16, 1999. Incorporated by reference to Exhibit No. 3.2 to the Form 10-K for the year ended December 31, 1998 (File No. 1-9861).
4.1	Instruments defining the rights of security holders, including indentures. Incorporated by reference to Exhibit Nos. 3.1 through 3.3, 10.1 through 10.3, 10.10 through 10.13, and 10.16 through 10.28 hereof.
4.2	Amended and Restated Trust Agreement dated as of January 31, 1997 by and among M&T Bank Corporation, Bankers Trust Company, Bankers Trust (Delaware), and the Administrators named therein. Incorporated by reference to Exhibit No. 4.1 to the Form 8-K dated January 31, 1997 (File No. 1-9861).
4.3	Amendment to Amended and Restated Trust Agreement dated as of January 31, 1997 by and among M&T Bank Corporation, Bankers Trust Company, Bankers Trust (Delaware), and the Administrators named therein. Incorporated by reference to Exhibit 4.3 to the Form 10-K for the year ended December 31, 1999 (File No. 1-9861).
4.4	Junior Subordinated Indenture dated as of January 31, 1997 by and between M&T Bank Corporation and Bankers Trust Company. Incorporated by reference to Exhibit No. 4.2 to the Form 8-K dated January 31, 1997 (File No. 1-9861).
4.5	Supplemental Indenture dated December 23, 1999 by and between M&T Bank Corporation and Bankers Trust Company. Incorporated by reference to Exhibit 4.5 to the Form 10-K for the year ended December 31, 1999 (File No. 1-9861).

4.6	Guarantee Agreement dated as of January 31, 1997 by and between M&T Bank Corporation and Bankers Trust Company. Incorporated by reference to Exhibit No. 4.3 to the Form 8-K dated January 31, 1997 (File No. 1-9861).
4.7	Amendment to Guarantee Agreement dated as of January 31, 1997 by and between M&T Bank Corporation and Bankers Trust Company. Incorporated by reference to Exhibit 4.7 to the Form 10-K for the year ended December 31, 1999 (File No. 1-9861).
4.8	Amended and Restated Trust Agreement dated as of June 6, 1997 by and among M&T Bank Corporation, Bankers Trust Company, Bankers Trust (Delaware), and the Administrators named therein. Incorporated by reference to Exhibit No. 4.1 to the Form 8-K dated June 6, 1997 (File No. 1-9861).
4.9	Amendment to Amended and Restated Trust Agreement dated as of June 6, 1997 by and among M&T Bank Corporation, Bankers Trust Company, Bankers Trust (Delaware), and the Administrators named therein. Incorporated by reference to Exhibit 4.9 to the Form 10-K for the year ended December 31, 1999 (File No. 1-9861).
4.10	Junior Subordinated Indenture dated as of June 6, 1997 by and between M&T Bank Corporation and Bankers Trust Company. Incorporated by reference to Exhibit No. 4.2 to the Form 8-K dated June 6, 1997 (File No. 1-9861).
4.11	Supplemental Indenture dated December 23, 1999 by and between M&T Bank Corporation and Bankers Trust Company. Incorporated by reference to Exhibit 4.11 to the Form 10-K for the year ended December 31, 1999 (File No. 1-9861).
4.12	Guarantee Agreement dated as of June 6, 1997 by and between M&T Bank Corporation and Bankers Trust Company. Incorporated by reference to Exhibit No. 4.3 to the Form 8-K dated June 6, 1997 (File No. 1-9861).
4.13	Amendment to Guarantee Agreement dated as of June 6, 1997 by and between M&T Bank Corporation and Bankers Trust Company. Incorporated by reference to Exhibit 4.13 to the Form 10-K for the year ended December 31, 1999 (File No. 1-9861).
4.14	Amended and Restated Declaration of Trust dated as of February 4, 1997 by and among Olympia Financial Corp., The Bank of New York, The Bank of New York (Delaware), and the administrative trustees named therein. Incorporated by reference to Exhibit 4.14 to the Form 10-K for the year ended December 31, 1999 (File No. 1-9861).
4.15	Amendment to Amended and Restated Declaration of Trust dated as of February 4, 1997 by and among Olympia Financial Corp., The Bank of New York, The Bank of New York (Delaware), and the administrative trustees named therein. Incorporated by reference to Exhibit 4.15 to the Form 10-K for the year ended December 31, 1999 (File No. 1-9861).
4.16	Indenture dated as of February 4, 1997 by and between Olympia Financial Corp. and The Bank of New York. Incorporated by reference to Exhibit 4.16 to the Form 10-K for the year ended December 31, 1999 (File No. 1-9861).

4.17	Supplemental Indenture dated as of December 17, 1999 by and between Olympia Financial Corp. and The Bank of New York. Incorporated by reference to Exhibit 4.17 to the Form 10-K for the year ended December 31, 1999 (File No. 1-9861).
4.18	Common Securities Guarantee Agreement dated as of February 4, 1997 by and between Olympia Financial Corp. and The Bank of New York. Incorporated by reference to Exhibit 4.18 to the Form 10-K for the year ended December 31, 1999 (File No. 1-9861).
4.19	Amendment to Common Securities Guarantee Agreement as of December 17, 1999 by and between Olympia Financial Corp. and The Bank of New York. Incorporated by reference to Exhibit 4.19 to the Form 10-K for the year ended December 31, 1999 (File No. 1-9861).
4.20	Series A Capital Securities Guarantee Agreement dated as of February 4, 1997 by and between Olympia Financial Corp. and The Bank of New York. Incorporated by reference to Exhibit 4.20 to the Form 10-K for the year ended December 31, 1999 (File No. 1-9861).
4.21	Amendment to Series A Capital Securities Guarantee Agreement dated as of December 17, 1999 by and between Olympia Financial Corp. and The Bank of New York. Incorporated by reference to Exhibit 4.21 to the Form 10-K for the year ended December 31, 1999 (File No. 1-9861).
10.1	Credit Agreement, dated as of December 15, 2000, between M&T Bank Corporation and CitiBank, N.A. Filed herewith.
10.2	M&T Bank Corporation 1983 Stock Option Plan as last amended on April 20, 1999. Incorporated by reference to Exhibit 10.3 to the Form 10-Q for the quarter ended March 31, 1999 (File No. 1-9861).
10.3	M&T Bank Corporation 2001 Stock Option Plan. Incorporated by reference to Appendix A to the Proxy Statement of M&T Bank Corporation dated March 6, 2001 (File No. 1-9861).
10.4	M&T Bank Corporation Annual Executive Incentive Plan. Incorporated by reference to Exhibit No. 10.3 to the Form 10-Q for the quarter ended June 30, 1998 (File No. 1-9861).
10.5	Supplemental Deferred Compensation Agreement between Manufacturers and Traders Trust Company and Robert E. Sadler, Jr. dated as of March 7, 1985. Incorporated by reference to Exhibit No. (10)(d)(A) to the Form 10-K for the year ended December 31, 1984 (File No. 0-4561).
10.6	Supplemental Deferred Compensation Agreement between Manufacturers and Traders Trust Company and Brian E. Hickey dated as of July 21, 1994. Incorporated by reference to Exhibit No. 10.8 to the Form 10-K for the year ended December 31, 1995 (File No. 1-9861).
10.7	Supplemental Deferred Compensation Agreement, dated July 17, 1989, between The East New York Savings Bank and Atwood Collins, III. Incorporated by reference to Exhibit No. 10.11 to the Form 10-K for the year ended December 31, 1991 (File No. 1-9861).

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10.8	M&T Bank Corporation Supplemental Pension Plan, as amended and restated. Incorporated by reference to Exhibit No. 10.7 to the Form 10-Q for the quarter ended June 30, 1998 (File No. 1-9861).
10.9	M&T Bank Corporation Supplemental Retirement Savings Plan. Incorporated by reference to Exhibit No. 10.8 to the Form 10-Q for the quarter ended June 30, 1998 (File No. 1-9861).
10.10	M&T Bank Corporation Deferred Bonus Plan, as amended and restated. Incorporated by reference to Exhibit No. 10.9 to the Form 10-Q for the quarter ended June 30, 1998 (File No. 1-9861).
10.11	M&T Bank Corporation Directors' Stock Plan, as amended and restated. Filed herewith.
10.12	Restated 1987 Stock Option and Appreciation Rights Plan of ONBANCorp, Inc. Incorporated by reference to Exhibit 10.11 to the Form 10-Q for the quarter ended June 30, 1998 (File No. 1-9861).
10.13	1992 ONBANCorp Directors' Stock Option Plan. Incorporated by reference to Exhibit 10.12 to the Form 10-Q for the quarter ended June 30, 1998 (File No. 1-9861).
10.14	Employment Agreement, dated May 16, 2000, between M&T Bank Corporation and Carl L. Campbell. Filed herewith.
10.15	Consulting agreement, dated July 9, 2000, between M&T Bank Corporation and T. Jefferson Cunningham III. Filed herewith.
10.16	Keystone Financial, Inc. 1997 Stock Incentive Plan, as amended November 19, 1998. Incorporated by reference to Exhibit 10.16 to the Form 10-K of Keystone Financial, Inc. for the year ended December 31, 1998 (File No. 000-11460).
10.17	Keystone Financial, Inc. 1992 Stock Incentive Plan. Incorporated by reference to Exhibit 10.10 to the Form 10-K of Keystone Financial, Inc. for the year ended December 31, 1997 (File No. 000-11460).
10.18	Keystone Financial, Inc. 1988 Stock Incentive Plan. Incorporated by reference to Exhibit 10.2 to the Form 10-K of Keystone Financial, Inc. for the year ended December 31, 1998 (File No. 000-11460).
10.19	Keystone Financial, Inc. 1995 Non-Employee Directors' Stock Option Plan. Incorporated by reference to Exhibit B to the Proxy Statement of Keystone Financial, Inc. dated April 7, 1995 (File No. 000-11460).
10.20	Keystone Financial, Inc. 1990 Non-Employee Directors' Stock Option Plan, as amended. Incorporated by reference to Exhibit 10.9 to the Form 10-K of Keystone Financial, Inc. for the year ended December 31, 1998 (File No. 000-11460).
10.21	Financial Trust Corp Stock Option Plan of 1992. Incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-8 of Financial Trust Corp, dated January 25, 1993 (File No. 33-57494).

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10.22	Financial Trust Corp Non-Employee Director Stock Option Plan of 1994. Incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-8 of Financial Trust Corp, dated March 26, 1996.
10.23	Amended and Restated Nonqualified Stock Option Agreement with Donald E. Stone. Incorporated by reference to Exhibit 28 to the Form 8-K of WM Bancorp, dated December 12, 1991 (File No. 33-0889).
10.24	Elmwood Bancorp, Inc. Key Employee Stock Compensation Program. Incorporated by reference to Exhibit 10.1 to the Registration Statement on Form S-4 of Elmwood Bancorp, Inc., dated February 24, 1992 (File No. 33-45761).
10.25	Progressive Bank, Inc. 1993 Non-Qualified Stock Option Plan for Directors. Incorporated by reference to Exhibit 10.9 to the Progressive Bank, Inc. Form 10-K for the year ended December 31, 1993 (File No. 0-15025).
10.26	Premier National Bancorp, Inc. 1995 Incentive Stock Plan (as amended and restated effective May 13, 1999). Incorporated by reference to Exhibit 10.4 to the Premier National Bancorp, Inc. Form 10-K for the year ended December 31, 1999 (File No. 1-13213).
10.27	Progressive Bank, Inc. Incentive Stock Option Plan Amended and Restated. Incorporated by reference to Exhibit 10.2 to the Progressive Bank, Inc. Form 10-K for the year ended December 31, 1987 (File No. 0-15025).
10.28	Progressive Bank, Inc. 1997 Employee Stock Option Plan. Incorporated by reference to Exhibit 99.1 to the Registration Statement on Form S-8

	of Progressive Bank, Inc., dated April 25, 1997 (File No. 0-15025).
11.1	Statement re: Computation of Earnings Per Common Share. Incorporated by reference to note 12 of Notes to Financial Statements filed herewith in Part II, Item 8, “Financial Statements and Supplementary Data.”
21.1	Subsidiaries of the Registrant. Incorporated by reference to the caption “Subsidiaries” contained in Part I, Item 1 hereof.
23.1	Consent of PricewaterhouseCoopers LLP re: Registration Statement Nos. 33-32044 and 333-16077. Filed herewith.
23.2	Consent of PricewaterhouseCoopers LLP re: Registration Statement Nos. 33-12207, 33-58500, 33-63917, 333-43171, 333-43175 and 333-63985. Filed herewith.

Exhibit 3.2

CERTIFICATE OF AMENDMENT

OF THE

CERTIFICATE OF INCORPORATION

OF

M&T BANK CORPORATION

UNDER SECTION 805 OF THE BUSINESS CORPORATION LAW

The undersigned, being the President and the Corporate Secretary of M&T Bank Corporation, do hereby certify and set forth:

(1) The name of the corporation is M&T Bank Corporation. The name under which the corporation was formed is First Empire State Corporation.

(2) The certificate of incorporation of M&T Bank Corporation was filed by the Department of State on the 6th day of November, 1969. A first restated certificate of incorporation was filed by the Department of State on the 19th day of December, 1969; a second restated certificate of incorporation was filed by the Department of State on the 28th day of April, 1986; a third restated certificate of incorporation was filed by the Department of State on the 20th day of April, 1989; an amendment to the certificate of incorporation was filed by the Department of State on the 14th day of March, 1991; a fourth restated certificate of incorporation was filed by the Department of State on the 8th day of May, 1997; an amendment to the certificate of incorporation was filed by the Department of State on the 29th day of May, 1998; and a fifth restated certificate of incorporation was filed by the Department of State on the 3rd day of June, 1998.

(3) Article FOURTH, Section 1, of the certificate of incorporation of M&T Bank Corporation, which sets forth the aggregate number of shares which the corporation shall have authority to issue, the division of such shares into classes, and the number and par value of shares in

each class, is hereby amended to read as follows:

FOURTH: 1. The aggregate number of shares of stock which the Corporation shall have authority to issue is one hundred fifty-one million (151,000,000) shares, divided into two classes, namely, preferred shares and common shares. The number of preferred shares authorized is one million (1,000,000) shares of the par value of one dollar ($1.00) per share. The number of common shares authorized is one hundred fifty million (150,000,000) shares of the par value of fifty cents ($0.50) per share.

This amendment to the certificate of incorporation of M&T Bank Corporation provides for a change of shares as follows:

Issued Shares: This amendment provides for a change of 8,101,539 issued common shares of the par value of $5.00 per share. Resulting from the change are 81,015,390 issued common shares of the par value of $0.50 per share. The terms of the change are as follows: Each issued common share existing immediately prior to the effective time of this amendment (whether outstanding or held in treasury) shall be changed by this amendment into 10 issued common shares.

Unissued shares: This amendment provides for a change of 6,898,461 unissued common shares of the par value of $5.00 per share. Resulting from the change are 68,984,610 unissued common shares of the par value of $0.50 per share. The terms of the change are as follows: Each unissued common share existing immediately prior to the effective time of this amendment shall be changed by this amendment into 10 unissued common shares.

(4) This amendment to the certificate of incorporation of M&T Bank Corporation was authorized, pursuant to section 803(a) of the Business Corporation Law, by the vote of the board of directors of the corporation followed by the vote of the holders of a majority of all outstanding shares entitled to vote thereon at a meeting of the shareholders.

IN WITNESS WHEREOF, the undersigned have executed, signed and verified this certificate this 2nd day of October, 2000.

M&T BANK CORPORATION

By: /s/ Robert G. Wilmers

Robert G. Wilmers
President

By: /s/ Marie King

Marie King
Corporate Secretary

STATE OF NEW YORK)
)   SS.:
COUNTY OF ERIE   )

Robert G. Wilmers and Marie King, being first duly sworn, depose and say that they are respectively, the President and the Corporate Secretary of M&T Bank Corporation, that they have read the foregoing certificate and know the contents thereof and that the statements therein contained are true.

/s/ Robert G. Wilmers

/s/ Maire King

Sworn to before me
this 2nd day of
October, 2000.

/S/ Timothy G. Mcevoy
- ----------------------------
Notary Public

CERTIFICATE OF AMENDMENT

OF THE CERTIFICATE OF INCORPORATION OF

M&T BANK CORPORATION

UNDER SECTION 805 OF THE BUSINESS CORPORATION LAW

Dated: October 2, 2000

Filer: Richard A. Lammert, Esq.
Senior Vice President and General Counsel
M&T Bank Corporation
One M & T Plaza
Buffalo, New York 14203

Exhibit 10.1

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U.S. $30,000,000

CREDIT AGREEMENT

Dated as of December 15, 2000

between

M & T BANK CORPORATION
as Borrower

and

CITIBANK, N.A.
as Lender

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CREDIT AGREEMENT

CREDIT AGREEMENT dated as of December 15, 2000, between M & T BANK CORPORATION, a New York corporation (the "BORROWER"), and CITIBANK, N.A. (the "LENDER"), a national bank.

The Borrower has requested that the Lender make Advances to it in an aggregate principal amount up to but not exceeding $30,000,000 at any one time outstanding, and the Lender is prepared to make such Advances on and subject to the terms and conditions hereof. Accordingly, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. CERTAIN DEFINED TERMS. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"ADVANCE" means each advance by the Lender to the Borrower pursuant to Section 2.01.

"AFFILIATE" means any Person that, directly or indirectly, controls, is controlled by or is under common control with the Borrower. For purposes of this definition, the term "CONTROL" (including the terms "CONTROLLING", "CONTROLLED BY" and "UNDER COMMON CONTROL WITH") of a Person shall mean the possession, direct or indirect, of the power to vote 10% or more of the Voting Stock of such Person or to direct or cause the direction of the management and policies of such Person, whether through the ownership of such Voting Stock, by contract or otherwise. Notwithstanding the foregoing, no individual shall be deemed to be an Affiliate solely by reason of his or her being an officer or director of the Borrower and the Borrower and the Subsidiaries shall not be deemed to be Affiliates of each other.

"APPLICABLE FACILITY FEE RATE" means 0.125% per annum.

"APPLICABLE LENDING OFFICE" means the office of the Lender specified on the signature page hereof, or such other office of the Lender as the Lender may from time to time specify to the Borrower.

"APPLICABLE MARGIN" means (a) with respect to Base Rate Advances, 0% per annum and (b) with respect to LIBO Rate Advances, 0.375% per annum.

"APPLICABLE UTILIZATION FEE RATE" means 0.10% per annum.

"BANK SUBSIDIARY" means a Subsidiary of the Borrower that is a bank or banking institution and shall include any Insured Subsidiary.

"BASE RATE" means a fluctuating interest rate per annum in effect from time to time which shall at all times be equal to the highest of:

(a) the rate of interest announced publicly by the Lender in New York, New York, from time to time, as the Lender's Base Rate;

(b) 0.50% per annum above the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money center banks, such three-week moving average (adjusted to the basis of a year of 365 days) being determined weekly on each Monday (or, if such day is not a Business Day, on the next succeeding Business Day) for the three-week period ending on the previous Friday by the Lender on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by the Lender from three New York certificate of deposit dealers of recognized standing selected by the Lender, in either case adjusted to the nearest 1/4 of one percent or, if there is no nearest 1/4 of one percent, to the next higher 1/4 of one percent; and

(c) 0.50% per annum above the Federal Funds Rate.

Each change in any interest rate provided for herein based upon the Base Rate resulting from a change in the Base Rate shall take effect at the time of such change in the Base Rate.

"BASE RATE ADVANCE" means, at any time, an Advance which bears interest at the Base Rate.

"BORROWER" means M&T Bank Corporation and its successors and assigns.

"BUSINESS DAY" means (a) a day on which banks are not required or authorized to close in New York, New York and (b) if the applicable Business Day relates to any LIBO Rate Advance, on which dealings in deposits are carried on in the London interbank market.

"CHANGE IN CONTROL" means any of the following events:

(a) the Borrower is merged, consolidated or reorganized into or with another corporation or other Person, and as a result of such merger, consolidation or reorganization less than a majority of the combined voting power of the then outstanding Voting Stock of the corporation or other Person that is the survivor of such merger, consolidation or reorganization immediately after such transaction is held in the aggregate by the holders of Voting Stock of the Borrower immediately prior to such transaction; or

(b) the Borrower sells all or substantially all of its assets to any other corporation or other Person, and less than a majority of the combined voting power of the then outstanding

Voting Stock of such corporation or other Person immediately after such transaction is held in the aggregate by the holders of Voting Stock of the Borrower immediately prior to such sale; or

(c) any "person" or "group" as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, whether or not applicable (except that for purposes of this paragraph (c) such person or group shall not include the Wilmers Group or its members) is or becomes the "beneficial owner" (as such term is used in Rule 13d-3 promulgated pursuant to the Exchange Act), directly or indirectly, of more than 50% of the aggregate voting power of all Voting Stock of the Borrower, or Mr. Robert G. Wilmers shall, as a result of a sale or other disposition (other than a share exchange in connection with a merger otherwise permitted hereby) of shares, cease to own, beneficially and of record, at least 5% of the aggregate voting power of all Voting Stock of the Borrower; or

(d) during any period of 13 consecutive calendar months, a majority of the Board of Directors of the Borrower shall no longer be composed of individuals (i) who were members of said Board on the first day of such period, (ii) whose election or nomination to said Board was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of said Board or (iii) whose election or nomination to said Board was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of said Board.

"CLOSING DATE" means the date on which the Lender notifies the Borrower that the conditions precedent set forth in Section 3.01 have been satisfied.

"CODE" means the Internal Revenue Code of 1986, as amended from time to time.

"COMMITMENT" has the meaning specified in Section 2.01.

"COMMITMENT TERMINATION DATE" means the day 364 days after the Closing Date or, in the event that the Commitment is extended pursuant to Section 2.04(d), the date to which the Commitment is extended; PROVIDED, that if such day is not a Business Day, the Commitment Termination Date shall be the immediately preceding Business Day.

"CONSOLIDATED NET WORTH" means the aggregate of the capital stock, surplus and retained earnings of the Borrower and its Consolidated Subsidiaries, but excluding treasury stock and capital stock subscribed and unissued, all determined on a consolidated basis.

"CONSOLIDATED NON-PERFORMING ASSETS" means, on any date, the aggregate amount of loans and leases that are not accruing interest or that are 90 days or more past due in the payment of principal and interest, renegotiated or restructured loans and leases, in substance foreclosures and foreclosed real estate and other foreclosed property of the Borrower and its Consolidated Subsidiaries on such date.

"CONSOLIDATED RESERVE FOR CREDIT LOSSES" means, on any date, the consolidated allowance for loan and lease losses for the Borrower and its Consolidated Subsidiaries on such date.

"CONSOLIDATED SUBSIDIARY" means, at any date, any Subsidiary of the Borrower the accounts of which would be consolidated with those of the Borrower in its consolidated financial statements if such statements were prepared in accordance with GAAP as of such date.

"CONSOLIDATED TANGIBLE NET WORTH" means the Consolidated Net Worth less the book value of goodwill, patents, trademarks, service marks, trade names, copyrights, charters, franchises, certificates, permits and licenses and any other intangible assets of the Borrower and its Consolidated Subsidiaries on a consolidated basis.

"CONSOLIDATED TOTAL TANGIBLE ASSETS" means, at any time, the aggregate amount of assets of the Borrower and its Consolidated Subsidiaries determined in accordance with GAAP less the book value of goodwill, patents, trademarks, service marks, trade names, copyrights, charters, franchises, certificates, permits and licenses and any other intangible assets of the Borrower and its Consolidated Subsidiaries on a consolidated basis.

"DEBT" of any Person means (a) indebtedness of such Person for borrowed money, (b) obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (c) obligations of such Person to pay the deferred purchase price of property or services (excluding, however, trade accounts payable arising in the ordinary course of business and not overdue), (d) capital lease obligations of such Person, (e) Debt of others Guaranteed by such Person, (f) Debt of others secured by a Lien on the property of such Person, (g) all obligations of such Person to redeem, retire, defease or otherwise make any payment in respect of shares of capital stock of such Person, (h) all obligations, contingent or otherwise, of such Person in respect of letters of credit or acceptances (other than commercial letters of credit in respect of trade accounts payable and not overdue) and (i) the net liability of such Person under Hedge Agreements, EXCLUDING, from this definition, other than for purposes of Section 6.01(d), the Junior Subordinated Debentures issued by the Borrower in connection with preferred capital securities issued by M & T Capital Trust I, a Delaware business trust, M & T Capital Trust II, a Delaware business trust, or M & T Capital Trust III, a Delaware business trust.

"DEFAULT" means an Event of Default or an event that, with notice or lapse of time or both, would become an Event of Default.

"DOLLARS" and "$" means lawful money of the United States of America.

"DOUBLE LEVERAGE RATIO" means the ratio of (i) the aggregate investment of the Borrower in capital stock of its Subsidiaries, including its interest in undistributed earnings and intangibles (determined in accordance with GAAP) of its Subsidiaries, to (ii) Consolidated Net Worth of the Borrower.

"ENVIRONMENTAL LAWS" means any and all present and future Federal, state and local laws, rules or regulations, and any orders or decrees, in each case as now or hereafter in effect, relating to the regulation or protection of human health, safety or the environment or to emissions, discharges, releases or threatened releases of Hazardous Materials into the indoor or outdoor environment, including, without limitation, ambient air, soil, surface water, ground

water, wetlands, land or subsurface strata, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"ERISA AFFILIATE" means any trade or business (whether or not incorporated) that, together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Code, or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 4143 of the Code.

"EUROCURRENCY LIABILITIES" has the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"EVENTS OF DEFAULT" has the meaning specified in Section 6.01.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"EXCLUDED TAXES" means, with respect to the Lender or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income or franchise Taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of the Lender, in which its Applicable Lending Office is located and (b) any branch profits Taxes imposed by the United States of America or any similar Tax imposed by any other jurisdiction in which the Borrower is located.

"FEDERAL FUNDS RATE" means, for any day, a fluctuating interest rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Lender from three Federal funds brokers of recognized standing selected by it.

"GAAP" means generally accepted United States accounting principles.

"GUARANTEE" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise, other than agreements to purchase goods at an arm's length price in the ordinary course of business) or (ii) entered into for the purpose of assuring in any other manner the holder of such Debt of the payment thereof or to protect such holder against loss in respect thereof (in whole or in part); PROVIDED, that the term Guarantee shall not

include endorsements for collection or deposit in the ordinary course of business. The term "GUARANTEE" used as a verb has a corresponding meaning.

"HAZARDOUS MATERIALS" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"HEDGE AGREEMENT" means any rate, basis, commodity, currency, debt or equity swap, any cap, collar or floor agreement, or any similar agreement entered into for the purpose of hedging risk.

"INDEMNIFIED TAXES" means Taxes other than Excluded Taxes.

"INSURED SUBSIDIARY" means any insured depositary institution (as defined in 12 U.S.C. ss.1813(c)(2) or any successor provision, as amended, reenacted or redesignated from time to time) that is controlled (within the meaning of 12 U.S.C. ss.1841(a)(2) or any successor provision as amended, reenacted or redesignated from time to time) by the Borrower.

"INTEREST PAYMENT DATE" means (a) with respect to any Base Rate Advance, each Quarterly Date and (b) with respect to any LIBO Rate Advance, the last day of each Interest Period therefor and, in the case of any Interest Period that has a duration of more than three months, each day prior to the last day of such Interest Period that occurs at intervals of three months after the first day of such Interest Period.

"INTEREST PERIOD" means, with respect to any LIBO Rate Advance, the period beginning on the date such LIBO Rate Advance is made, or converted from a Base Rate Advance, or on the last day of the immediately preceding Interest Period, and ending on the last day of the period selected by the Borrower pursuant to the provisions below. The duration of each Interest Period in respect of any LIBO Rate Advance shall be 1, 2, 3 or 6 months as the Borrower may select as provided in Section 2.03; PROVIDED, HOWEVER, that (i) each Interest Period that begins on the last Business Day of a calendar month (or on any day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last Business Day of the appropriate subsequent calendar month, (ii) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, except that, if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day, and (iii) any Interest Period that would otherwise extend beyond the Commitment Termination Date shall end on the Commitment Termination Date.

"LENDER" means Citibank, N.A. and its successors and assigns.

"LIBO RATE" means, with respect to any LIBO Rate Advance, for any Interest Period:

(a) the offered rate for deposits in Dollars with a maturity comparable to such Interest Period appearing on Page 3750 of the Telerate Service of Bridge Information Service (or on any successor or substitute page of such Service, or any successor to such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Lender from time to time, for purposes of providing quotations of interest rates applicable to Dollar deposits in the London interbank market) as of approximately 11:00 a.m. (London time) on the date two Business Days prior to the commencement of such Interest Period;

(b) if such date does not appear on said Page 3750 (or such successor), the offered rate for deposits in Dollars with a maturity comparable to such Interest Period appearing on the display designated on page "LIBO" on the Reuter Monitor Money Rates Service (or on any successor or substitute page of such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Lender from time to time, for purposes of providing quotations of interest rates applicable to Dollar deposits in the London interbank market) as of approximately 11:00 a.m. (London time) on the date two Business Days prior to the commencement of such Interest Period; and

(c) in the event that neither rate referred to in clauses (a) or (b) is available at such time for any reason, an interest rate per annum equal to the rate per annum at which deposits in Dollars are offered by the principal office of the Lender in London, England to prime banks in the London interbank market at approximately 11:00 a.m. (London time) on the date two Business Days before the first day of such Interest Period in the amount of the Advance if such Advance were to be outstanding for such Interest Period.

"LIBO RATE ADVANCE" means, at any time, an Advance which bears interest at a rate based upon the LIBO Rate.

"LIBO RATE RESERVE PERCENTAGE" for any Interest Period for any LIBO Rate Advance means the effective rate (expressed as a percentage) at which reserve requirements (including, without limitation, emergency, supplemental and other marginal reserve requirements) are imposed on the Lender during such Interest Period (or if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Interest Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) with respect to liabilities or assets consisting of or including Eurocurrency Liabilities having a term equal to such Interest Period.

"LIEN" means any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, including, without limitation, the lien or retained security title of a conditional vendor.

"MATERIAL ADVERSE EFFECT" means a material adverse effect on (i) the business, condition (financial or otherwise), operations or prospects of the Borrower or of the Borrower and its Consolidated Subsidiaries taken as a whole, (ii) the legality, validity or enforceability of this Agreement or the Note or (iii) the ability of the Borrower to perform its obligations under this Agreement or the Note in any material respect.

"MULTIEMPLOYER PLAN" means a multiemployer plan defined as such in Section 4001(a)(3) of ERISA to which contributions have been made by the Borrower or any ERISA Affiliate and that is covered by Title IV of ERISA.

"NON-PERFORMING ASSET COVERAGE RATIO" means, on any date, the ratio of (a) Consolidated Net Worth PLUS Consolidated Reserve for Credit Losses on such date to (b) Consolidated Non-Performing Assets on such date.

"NOTE" has the meaning specified in Section 2.05(b).

"OTHER TAXES" means any and all present or future stamp or documentary Taxes or any other excise or property Taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"PERSON" means an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"PLAN" means an employee benefit or other plan established or maintained by the Borrower or any ERISA Affiliate and that is covered by Title IV of ERISA, other than a Multiemployer Plan.

"QUARTERLY DATE" means the last Business Day of each March, June, September and December.

"SIGNIFICANT SUBSIDIARY" means (i) any Subsidiary of the Borrower that would be a "significant subsidiary" within the meaning of Regulation S-X of the SEC and (ii) any Bank Subsidiary.

"SOLVENT" means, with respect to any Person on a particular date, that (i) the fair value of the property of such Person is greater than the total amount of the liabilities, including, without limitation, contingent liabilities, of such Person, (ii) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (iii) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay such debts and liabilities as they mature, and (iv) such Person is not engaged in business,

and is not about to engage in business, for which such Person's property would constitute unreasonably small capital.

"SUBSIDIARY" means any Person of which at least a majority of the Voting Stock is at the time directly or indirectly owned or controlled by the Borrower or one or more Subsidiaries or by the Borrower and one or more Subsidiaries.

"TAXES" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any governmental authority.

"VOTING STOCK" means, at any time, the outstanding securities of any Person the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person.

"WILMERS GROUP" means Robert G. Wilmers and the other members of the group of related Persons described under the caption "PRINCIPAL BENEFICIAL OWNERS OF SHARES" in the proxy statement of the Borrower relating to its 2000 Annual Meeting of Stockholders.

SECTION 1.02. TYPES OF ADVANCES. The "Type" of an Advance refers to whether it is at the time a Base Rate Advance or a LIBO Rate Advance.

SECTION 1.03 ACCOUNTING TERMS AND DETERMINATIONS. Except as otherwise expressly provided herein, all accounting terms used herein shall be interpreted, and all financial statements and certificates and reports as to financial matters required to be delivered to the Lender hereunder shall (unless otherwise disclosed to the Lender in writing at the time of delivery thereof in the manner described in subsection (b) below) be prepared, in accordance with GAAP applied on a basis consistent with those used in the preparation of the latest financial statements furnished to the Lender hereunder after the date hereof. All calculations made for the purposes of determining compliance with the terms of Section 5.02 shall (except as otherwise expressly provided herein) be made by application of GAAP applied on a basis consistent with those used in the preparation of the annual or quarterly financial statements furnished to the Lender pursuant to Section 5.01(g) hereof.

ARTICLE II

AMOUNTS AND TERMS OF THE ADVANCES

SECTION 2.01. THE COMMITMENT. The Lender agrees, on the terms and conditions hereinafter set forth, to make Advances to the Borrower in Dollars from time to time on any Business Day during the period from the date hereof until the Commitment Termination Date in an aggregate principal amount not to exceed at any one time outstanding $30,000,000 (the "COMMITMENT"). Within the foregoing limits and subject to the terms and conditions of this Agreement the Borrower may borrow, prepay and reborrow the amount of the Commitment. Each Advance shall be in a minimum amount of $1,000,000 or any whole multiple of $1,000,000 in excess thereof.

SECTION 2.02. ADVANCES. To request an Advance, the Borrower shall give the Lender irrevocable, written notice of such Advance (i) in the case of a LIBO Rate Advance, not later than 11:00 a.m. (New York City time) on the third Business Day prior to the date of such Advance or (ii) in the case of a Base Rate Advance, not later than 11:00 a.m. (New York City time) on the day of such Advance. Each such notice shall be by telecopier, telex or cable and shall specify the requested (i) date of such Advance, which shall be a Business Day, (ii) Type of Advance, (iii) amount of such Advance and (iv) in the case of an Advance consisting of a LIBO Rate Advance, initial Interest Period for such Advance. The Lender will make the proceeds of each Advance available to the Borrower by crediting the amount thereof, in immediately available funds, to an account of the Borrower maintained with the Lender in New York City (or such other account as the Lender and the Borrower may agree) (i) by 12:00 noon (New York City time) in the case of a LIBO Rate Advance and (ii) by the end of the same Business Day, if possible, in the case of a Base Rate Advance.

SECTION 2.03. INTEREST ELECTIONS. Each Advance initially shall be of the Type specified in the notice of such Advance and, in the case of a LIBO Rate Advance, shall have an initial Interest Period as specified in such notice. Thereafter, the Borrower may elect to convert such Advance to a different Type or to continue such Advance as the same Type and, in the case of a LIBO Rate Advance, may elect Interest Periods therefor, all as provided in this Section 2.03. The Borrower may elect different options with respect to different portions of the affected Advance, in which case each such portion shall be considered a separate Advance (PROVIDED, that each such portion, in the case of a LIBO Rate Advance, shall be in a minimum amount of $1,000,000 or any whole multiple of $1,000,000 in excess thereof). To make an election pursuant to this Section 2.03, the Borrower shall notify the Lender of such election by telephone by the time that a notice of Advance would be required under Section 2.02 if the Borrower were requesting an Advance of the Type resulting from such election to be made on the effective date of such election. Each such telephonic election shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Lender of a written interest election request in a form approved by the Lender and signed by the Borrower. Each telephonic and written interest election request shall specify the following information:

(i) the Advance to which such interest election request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Advance (in which case the information to be specified pursuant to clauses (iii) and (iv) of this paragraph shall be specified for each resulting Advance);

(ii) the effective date of the election made pursuant to such interest election request, which shall be a Business Day;

(iii) whether the resulting Advance is to be a Base Rate Advance or a LIBO Rate Advance, or a specified combination thereof; and

(iv) if the resulting Advance is a LIBO Rate Advance, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such interest election request requests a LIBO Rate Advance but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. If the Borrower fails to deliver a timely and complete interest election request with respect to a LIBO Rate Advance prior to the end of the Interest Period applicable thereto, then, unless such Advance is repaid as provided herein, at the end of such Interest Period such Advance shall be converted to a Base Rate Advance. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Lender so notifies the Borrower, then, so long as an Event of Default is continuing (i) no outstanding Advance may be converted to or continued as a LIBO Rate Advance and (ii) unless repaid, each LIBO Rate Advance shall be converted to a Base Rate Advance at the end of the Interest Period applicable thereto.

SECTION 2.04. TERMINATION, REDUCTION AND EXTENSION OF THE COMMITMENT.

(a) Unless previously terminated, the Commitment shall automatically terminate on the Commitment Termination Date.

(b) The Borrower shall have the right to terminate or reduce the Commitment at any time or from time to time; PROVIDED, that (i) the Borrower shall give irrevocable, written notice of each such termination or reduction to the Lender at least three Business Days before such termination or reduction, (ii) each partial reduction shall be in a minimum amount of $5,000,000 or any whole multiple of $1,000,000 in excess thereof and (iii) the Borrower shall not terminate or reduce the Commitment if, after giving effect to any concurrent prepayment of the Advances pursuant to Section 2.06, at any time, the aggregate outstanding principal amount of the Advances at such time would exceed the Commitment.

(c) The Commitment once terminated or reduced pursuant to this Section 2.04 may not be reinstated.

(d) The Borrower may, by written notice to the Lender not less than 30 days and not more than 45 days prior to the Commitment Termination Date then in effect (the "EXISTING COMMITMENT TERMINATION DATE"), request that the Lender extend the Commitment Termination Date to the date falling 364 days after the Existing Commitment Termination Date. The Existing Commitment Termination Date shall be extended (effective as of the Existing Commitment Termination Date) to the date falling 364 days after the Existing Commitment Termination Date if the Lender so agrees, in its sole discretion; PROVIDED, that no such extension shall be effective unless (i) no Event of Default or Default shall have occurred and be continuing on the date of such request or on the Existing Commitment Termination Date and (ii) the representations and warranties made by the Borrower in Article IV hereof shall be true on and as of the date of such request and the Existing Commitment Termination Date with the same force and effect as if made on and as of such dates (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date). Each request for extension hereunder by the Borrower shall constitute a certification by the Borrower to the effect set forth in clauses (i) and (ii) above (both as of the date of such request and, unless the Borrower otherwise notifies the Lender prior to the Existing Commitment Termination Date, as of the Existing Commitment Termination Date). The Lender will notify the Borrower in writing of its decision not less than 20 days and not more than 30 days prior to the Existing Commitment Termination Date; PROVIDED that in no event may the Borrower request more than two such extensions. If any such extension of the Existing Commitment Termination Date shall not become effective, then the Commitment shall reduce to zero on the Existing Commitment

Termination Date and the Commitment Termination Date shall remain the Existing Commitment Termination Date.

SECTION 2.05. REPAYMENT OF ADVANCES; NOTE.

(a) The Borrower hereby unconditionally promises to pay to the Lender the outstanding principal amount of the Advances on the Commitment Termination Date.

(b) The Advances shall be evidenced by a single promissory note of the Borrower (the "NOTE") in substantially the form of Exhibit A hereto, dated the date hereof, payable to the Lender in a principal amount equal to the amount of the Commitment and otherwise duly completed. The Lender is hereby authorized by the Borrower to endorse on the schedule (or a continuation thereof) attached to the Note the date, amount and Type of and the Interest Period (if any) for each Advance made by the Lender to the Borrower hereunder and the date and the amount of each payment or prepayment of principal of such Advance received by the Lender; PROVIDED, that any failure by the Lender to make any such endorsement shall not affect the obligations of the Borrower under the Note or hereunder.

SECTION 2.06. PREPAYMENT OF ADVANCES.

(a) The Borrower shall have the right at any time and from time to time to prepay any Advance in whole or in part, subject to the requirements of this Section 2.06.

(b) The Borrower shall notify the Lender by telephone (confirmed by telecopy) of any optional prepayment hereunder (i) in the case of prepayment of a LIBO Rate Advance, not later than 11:00 a.m. (New York City time) two Business Days before the date of prepayment or (ii) in the case of prepayment of an Base Rate Advance, not later than 11:00 a.m. (New York City time) on the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Advance or portion thereof to be prepaid. Each partial prepayment of any Advance shall be in a minimum amount of $1,000,000 or any whole multiple of $1,000,000 in excess thereof and shall be applied to prepay any outstanding Base Rate Advances before any LIBO Rate Advances. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.08 and all amounts payable in connection therewith pursuant to Section 2.11.

(c) If either (i) there shall occur a Change in Control, or (ii) the Borrower shall, with respect to any Significant Subsidiary, cease to own, beneficially and of record, a majority of the issued and outstanding Voting Stock of such Significant Subsidiary, the Borrower shall, within 5 Business Days of the making of written demand by the Lender, prepay in full the outstanding Loans together with accrued and unpaid interest thereon and all other amounts payable hereunder, and upon the giving of such demand the Commitment shall forthwith terminate. Nothing herein shall require a prepayment by reason of the transfer of assets of a Significant Subsidiary to the Borrower or another Significant Subsidiary.

SECTION 2.07 FACILITY FEES; UTILIZATION FEES.

(a) The Borrower shall pay to the Lender a facility fee on the amount of the Commitment (whether or not utilized) for the period from and including the date of this Agreement to but not including the earlier of the date such Commitment is terminated or the Commitment Termination Date, at a rate per annum equal to the Applicable Facility Fee Rate. Accrued facility fee shall be payable in arrears on each Quarterly Date and on the earlier of the date the Commitment terminates and the Commitment Termination Date. All facility fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) The Borrower shall pay to the Lender a utilization fee on the aggregate outstanding principal amount of the Advances during any period that the aggregate outstanding principal amount of the Advances exceeds an amount equal to 50% of the aggregate amount of the Commitment, at a rate per annum equal to the Applicable Utilization Fee Rate. Accrued utilization fee shall be payable on each day on which a payment of interest is due under Section 2.08. All utilization fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

SECTION 2.08. INTEREST.

(a) Each Base Rate Advance shall bear interest at a rate per annum equal to the Base Rate plus the Applicable Margin.

(b) Each LIBO Rate Advance shall bear interest during each Interest Period therefor at a rate per annum equal to the LIBO Rate for such Interest Period plus the Applicable Margin.

(c) Notwithstanding clauses (a) and (b) above, during any period that an Event of Default has occurred and is continuing, the Borrower agrees to pay to the Lender interest at a rate per annum equal to (i) in the case of any principal of any Advance, 2% per annum PLUS the rate otherwise applicable to such Advance as provided above or (ii) in the case of any other amount, 2% per annum above the Base Rate.

(d) Accrued interest on each Advance shall be payable in arrears on each Interest Payment Date for such Advance and upon termination of the Commitment; PROVIDED, that (i) interest accrued pursuant to paragraph (c) of this Section 2.08 shall be payable on demand, (ii) in the event of any repayment or prepayment of any Advance, accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any LIBO Rate Advance prior to the end of the then current Interest Period therefor, accrued interest on such Advance shall be payable on the effective date of such conversion.

(e) The Borrower agrees to pay to the Lender, so long as the Lender shall be required under regulations of the Board of Governors of the Federal Reserve System to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities (or the equivalent), additional interest on the unpaid principal amount of each LIBO Rate Advance,

from the date of such LIBO Rate Advance until such principal amount is paid in full, at an interest rate per annum equal at all times to the remainder obtained by subtracting (i) the LIBO Rate for the then current Interest Period for such LIBO Rate Advance from (ii) the rate obtained by dividing such LIBO Rate by a percentage equal to 100% MINUS the LIBO Rate Reserve Percentage for such Interest Period, payable on each date on which interest is payable on such LIBO Rate Advance. A certificate of the Lender setting forth the amount to which the Lender is then entitled under this Section 2.08(e) shall be conclusive and binding on the Borrower in the absence of manifest error.

(f) All computations of interest based on the Base Rate shall be made on the basis of a year of 365 or 366 days, as the case may be, and all computations of interest based on the LIBO Rate and computations of interest pursuant to Section 2.08(e) shall be made on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest is payable.

SECTION 2.09. ALTERNATE RATE OF INTEREST. If prior to the commencement of any Interest Period for a LIBO Rate Advance the Lender determines (which determination shall be conclusive absent manifest error) that:

(a) adequate and reasonable means do not exist for ascertaining the LIBO Rate for such Interest Period; or

(b) the LIBO Rate for such Interest Period will not adequately and fairly reflect the cost to the Lender of making or maintaining such Advance for such Interest Period;

then the Lender shall give notice thereof to the Borrower by telephone or telecopy as promptly as practicable thereafter certifying the reasons for its determination and, until the Lender notifies the Borrower that the circumstances giving rise to such notice no longer exist, (i) any interest election request that requests the conversion of any Advance to, or continuation of any Advance as, a LIBO Rate Advance shall be ineffective and (ii) if any notice of Advance requests a LIBO Rate Advance, such Advance shall be made as a Base Rate Advance.

SECTION 2.10. INCREASED COSTS.

(a) If, due to either (i) the introduction of or any change (other than any change by way of imposition or increase of reserve requirements included in the LIBO Rate Reserve Percentage) in or in the interpretation of (to the extent any such introduction or change occurs after the date hereof) any law or regulation or (ii) the compliance with any guideline or request of any central bank or other governmental authority adopted or made after the date hereof (whether or not having the force of law), there shall be any increase in the cost to the Lender of agreeing to make or making, funding or maintaining LIBO Rate Advances, the Borrower shall from time to time, within 30 days after delivery by the Lender to the Borrower of a certificate as to such change or required compliance and the amount of such increased cost, pay to the Lender the amount of the increased costs set forth in such certificate (which certificate shall be conclusive and binding on the Borrower in the absence of manifest error).

(b) If the Lender determines that compliance with any law or regulation enacted or introduced after the date hereof or any guideline or request of any central bank or other governmental authority adopted or made after the date hereof (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by the Lender or any corporation controlling the Lender and that the amount of such capital is increased by or based upon the existence of the Lender's Commitment and other commitments of this type, or the Advances, then, the Borrower shall, within 30 days after delivery by the Lender to the Borrower of a certificate as to such required compliance, pay to the Lender the amount required to compensate the Lender therefor (a certificate of the Lender as to such amount to be conclusive and binding on the Borrower in the absence of manifest error).

SECTION 2.11. BREAK FUNDING PAYMENTS. In the event of (a) the payment of any principal of any LIBO Rate Advance other than on the last day of an Interest Period therefor (including without limitation as a result of an Event of Default), (b) the conversion of any LIBO Rate Advance other than on the last day of an Interest Period therefor or (c) the failure to borrow, convert, continue or prepay any Advance on the date specified in any notice delivered pursuant hereto, then, in any such event, the Borrower shall compensate the Lender for the loss, cost and expense attributable to such event, which shall be the amount, as reasonably determined by the Lender, equal to the excess, if any, of (i) the LIBO Rate for the balance of such Interest Period (or for the Interest Period that would have commenced on such borrowing, conversion, continuation or prepayment), over (ii) the amount of interest that the Lender would earn on such principal amount for the balance of such Interest Period (or for such Interest Period) if the Lender were to invest such principal amount for such period at the interest rate that would be bid by the Lender (or an Affiliate of the Lender) for Dollar deposits from other banks in the Eurodollar market at the commencement of such period. A certificate of the Lender setting forth any amount or amounts that the Lender is entitled to receive pursuant to this Section 2.11 shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay the Lender the amount shown as due on any such certificate within 15 days after receipt thereof.

SECTION 2.12. TAXES.

(a) Any and all payments by or on account of any obligation of the Borrower hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; PROVIDED, that if the Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.12) the Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant governmental authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant governmental authority in accordance with applicable law.

(c) The Borrower shall indemnify the Lender, within 15 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including

Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section 2.12) paid by the Lender and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant governmental authority. A certificate as to the amount of such payment or liability delivered to the Borrower by the Lender shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a governmental authority, the Borrower shall deliver to the Lender the original or a certified copy of a receipt issued by such governmental authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Lender.

(e) The Lender agrees to use reasonable efforts, consistent in its opinion with applicable law and with its policies, to minimize to the extent reasonably possible any applicable Taxes.

SECTION 2.13. PAYMENTS GENERALLY.

(a) The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest or fees, or under Section 2.10, 2.11 or 2.12, or otherwise) prior to 12:00 noon (New York City time) on the date when due, in Dollars and immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Lender, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Lender at its office at 399 Park Avenue, New York, New York 10043. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension.

(b) If at any time insufficient funds are received by and available to the Lender to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied first, to pay interest then due hereunder, then to pay fees and other amounts (other than principal) hereunder, then to pay principal due hereunder.

(c) Without limiting any of the obligations of the Borrower or the rights of the Lender hereunder, if the Borrower shall fail to pay when due (whether at stated maturity, by acceleration or otherwise) any amount payable by it hereunder or under the Note, the Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, without prior notice to the Borrower (which notice is expressly waived by the Borrower to the fullest extent permitted by applicable law), to set off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final, in any currency, matured or unmatured) with, and any other obligations at any time held or owing by, the Lender or any branch or agency thereof to or for the credit or account of the Borrower. The Lender shall promptly provide notice to the Borrower of such set-off; PROVIDED, that failure by the Lender to provide such notice to the Borrower shall not give the Borrower any cause of action or right to damages or affect the validity of such set-off and application. The rights of the

Lender under this Section are in addition to any other rights and remedies (including, without limitation, any other rights of set-off) that the Lender may have.

ARTICLE III

CONDITIONS OF LENDING

SECTION 3.01. CONDITION PRECEDENT TO INITIAL ADVANCE. The obligation of the Lender to make its initial Advance is subject to the condition precedent that the Lender shall have received, on or before December 15, 2000, the following documents, each (unless otherwise specified below) dated the Closing Date and in form and substance satisfactory to the Lender:

(a) The Note, duly executed by the Borrower, payable to the order of the Lender in the principal amount of the Commitment.

(b) Certified copies of (x) the charter and by-laws of the Borrower (or equivalent documents) of the Borrower, (y) the resolutions of the Board of Directors of the Borrower authorizing and approving this Agreement and the Note and (z) all documents evidencing other necessary corporate action, if any, with respect to this Agreement and the Note.

(c) A certificate of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign this Agreement, the Note and any other documents to be delivered hereunder.

(d) A certificate of the Secretary of the State of New York dated a date reasonably close to the date hereof as to the good standing of and charter documents filed by the Borrower.

(e) A favorable written opinion of Richard A. Lammert, Esq., Senior Vice President and General Counsel of the Borrower, covering such matters relating to this Agreement and the Note as the Lender may require.

(f) A favorable written opinion of Milbank, Tweed, Hadley & McCloy LLP, special New York counsel for the Lender, covering such matters relating to the transactions contemplated hereby as the Lender may require.

(g) Evidence that the commitments of the Lender under the Credit Agreement dated as of November 19, 1999, between the Borrower and the Lender, as heretofore amended or modified (the "Existing Credit Agreement"), have been terminated and that all amounts owing under the Existing Credit Agreement have been paid in full.

SECTION 3.02. CONDITIONS PRECEDENT TO EACH ADVANCE. The obligation of the Lender to make each Advance (including, without limitation, the initial Advance) shall be subject to the further conditions precedent that on the date of

such Advance (a) the representations and warranties set forth in Article IV are true and correct on and as of the date of such Advance, before and after giving effect to such Advance and to the application of the proceeds thereof, as though made on and as of such date and (b) no Default has occurred and is continuing, or would result from such Advance or from the application of the proceeds thereof.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Lender that:

SECTION 4.01. ORGANIZATION; POWERS. Each of the Borrower and each Significant Subsidiary is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

SECTION 4.02. AUTHORIZATION; ENFORCEABILITY. The execution, delivery and performance of this Agreement and the Note by the Borrower are within the Borrower's corporate powers and have been duly authorized by all necessary corporate action. This Agreement has been duly executed and delivered by the Borrower and constitutes, and the Note when duly executed and delivered for value will constitute, a legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganization, moratorium or similar laws of general applicability affecting the enforcement of creditors' rights and (b) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

SECTION 4.03. GOVERNMENT APPROVALS; NO CONFLICTS. The execution, delivery and performance of this Agreement and the Note by the Borrower (a) do not require any consent or approval of, registration or filing with, or any other action by, any governmental authority, (b) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of the Borrower or any Subsidiary, (c) will not violate or result in a default under any indenture, agreement or other instrument binding upon the Borrower or any Subsidiary and (d) will not result in the creation or imposition of any Lien on any asset of the Borrower or any Subsidiary.

SECTION 4.04. FINANCIAL CONDITION; NO MATERIAL ADVERSE CHANGE. The Borrower has heretofore furnished to the Lender its audited consolidated balance sheet and statements of income, stockholders' equity and cash flows as of and for the fiscal year ended December 31, 1999, with the opinion thereon of Pricewaterhouse Coopers LLP. Such financial statements present fairly the consolidated financial position and consolidated results of operations and cash flows of the Borrower and its Consolidated Subsidiaries as of such date and for such period in accordance with GAAP. Since December 31, 1999, no event or circumstance has occurred that has had or could reasonably be expected to have a Material Adverse Effect.

SECTION 4.05. LITIGATION. There are no actions, suits or proceedings by or before any arbitrator or governmental authority now pending against or, to the knowledge of the Borrower, threatened against or affecting the Borrower or any Subsidiary (i) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect or (ii) that involve this Agreement or the Note or the transactions contemplated hereby or thereby.

SECTION 4.06. COMPLIANCE WITH LAWS AND AGREEMENTS. The Borrower and each Significant Subsidiary are in compliance with all applicable laws (including without limitation Environmental Laws, Tax laws and ERISA), regulations and orders of any governmental authority and all indentures, agreements and other instruments to which any of them is a party, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 4.07. INVESTMENT AND HOLDING COMPANY STATUS. Neither the Borrower nor any Significant Subsidiary is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

SECTION 4.08. MARGIN REGULATIONS. On the date hereof and immediately after applying the proceeds of each Advance, not more than 25% of the value of the assets subject to Section 5.01(j) or Section 5.01(l) hereof is represented by margin stock as defined in Regulation U or X of the Board of Governors of the Federal Reserve System.

SECTION 4.09. TAXES. The Borrower and each Significant Subsidiary have filed (or have obtained extensions of the time by which they are required to file) all United States Federal income Tax returns and all other material Tax returns required to be filed by them and have paid all Taxes shown due on the returns so filed as well as all other material Taxes, assessments and governmental charges which have become due, except such Taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided.

SECTION 4.10. ENVIRONMENTAL MATTERS. Each of the Borrower and each Significant Subsidiary has obtained all environmental, health and safety permits, licenses and other authorizations required under all Environmental Laws to carry on its business as now being or as proposed to be conducted, except to the extent failure to have any such permit, license or authorization could not reasonably be expected to have a Material Adverse Effect. Each of such permits, licenses and authorizations is in full force and effect and each of the Borrower and each Significant Subsidiary is in compliance with the terms and conditions thereof, and is also in compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any applicable Environmental Law or in any regulation, code, plan, order, decree, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder, except to the extent failure to comply therewith could not (either individually or in the aggregate) reasonably be expected to have a Material Adverse Effect.

SECTION 4.11. EXISTING AGREEMENT. Schedule I hereto is a complete and correct list of each credit agreement, loan agreement, indenture or other similar arrangement providing

for or otherwise relating to any Debt or any extension of credit (or commitment for any extension of credit) to the Borrower or any Significant Subsidiary outstanding on the date hereof.

SECTION 4.12. SOLVENCY. The Borrower is and, after giving effect to each Advance and the use of proceeds thereof, will be Solvent.

ARTICLE V

COVENANTS OF THE BORROWER

SECTION 5.01. GENERAL COVENANTS. So long as any principal of or interest on any Advance or any other amount payable hereunder or under the Note remains outstanding or the Commitment remains in effect, the Borrower covenants and agrees that:

(a) The Borrower will, and will cause each Significant Subsidiary to, do or cause to be done all things necessary (i) to preserve its legal existence and (ii) to preserve, renew and keep in full force and effect in all material respects the rights, licenses, permits, privileges and franchises material to the conduct of its business; PROVIDED, that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 5.01(j).

(b) The Borrower will, and will cause each Significant Subsidiary to, pay its obligations, including Tax liabilities, that, if not paid, could result in a Material Adverse Effect before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) the Borrower or such Significant Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP and (c) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect.

(c) The Borrower will, and will cause each Significant Subsidiary to, comply with all applicable laws, statutes, rules, regulations and orders of, including without limitation all applicable Environmental Laws, Tax laws and ERISA, except for any non-compliance which could not (either individually or in the aggregate) reasonably be expected to have a Material Adverse Effect.

(d) The Borrower will, and will cause each Significant Subsidiary to, keep adequate records and books of account, in which complete entries will be made in accordance with GAAP, and permit representatives of the Lender, upon reasonable prior notice, to examine, copy and make extracts from its books and records, to inspect any of its property, and to discuss its business and affairs with its officers, all at such reasonable times and as often as reasonably requested by the Lender.

(e) The Borrower will, and will cause each Significant Subsidiary to, preserve and maintain its property in good repair, working order and condition and from time to time make all needful and proper repairs, renewals, replacements, additions, betterments and improvements thereto, except in each case where the failure to do so could not (either individually or in the aggregate) reasonably be expected to have a Material Adverse Effect.

(f) The Borrower will, and will cause each Significant Subsidiary to, maintain insurance with financially sound and reputable insurance companies, and with respect to property and risks of a character usually maintained by corporations engaged in the same or similar business similarly situated, against loss, damage and liability of the kinds and in the amounts customarily maintained by such corporations.

(g) The Borrower will furnish to the Lender:

(i) as soon as available and in any event within 100 days after the end of each fiscal year of the Borrower, the consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as at the end of such year and the consolidated statements of income and cash flows of the Borrower and its Consolidated Subsidiaries for such year, with the unqualified opinion thereon of an independent public accountant of recognized national standing;

(ii) as soon as available and in any event within 55 days after the end of each of the first three fiscal quarters of the Borrower, consolidated statements of income, retained earnings and cash flow of the Borrower and its Consolidated Subsidiaries for such fiscal quarter and for the portion of the fiscal year ended at the end of such fiscal quarter, and the related consolidated balance sheet as at the end of such fiscal quarter, setting forth in each case in comparative form the corresponding figures for the previous fiscal year and accompanied, in each case, by a certificate of the chief financial officer of the Borrower which certificate shall state that said consolidated financial statements fairly present the consolidated financial condition and results of operations of the Borrower and its Consolidated Subsidiaries in accordance with GAAP (except for the absence of footnotes) consistently applied as at the end of, and for, such fiscal quarter (subject to normal year-end audit adjustments);

(iii) as soon as possible and in any event within five days after the occurrence of any Default, a statement of the chief financial officer of the Borrower setting forth details of such Default and the action which the Borrower has taken and proposes to take with respect thereto;

(iv) promptly upon their becoming available, the "Consolidated Reports of Condition and Income" of the Bank Subsidiaries, the "Parent Company Only Financial Statements for Bank Holding Companies" (report no. FR Y-9LP or any successor form of the Federal Reserve System) of the Borrower and the "Consolidated Financial Statements for Bank Holding Companies" (report no. FR Y-9C) of the Borrower;

(v) promptly upon the mailing thereof to the shareholders of the Borrower generally, copies of all financial statements, reports and proxy statements so mailed;

(vi) as soon as possible, and in any event within ten days after the Borrower knows or has reason to know that any of the events or conditions specified below with respect to any Plan or Multiemployer Plan have occurred or exist, a statement signed by a

senior financial officer of the Borrower setting forth details respecting such event or condition and the action, if any, which the Borrower or its ERISA Affiliate proposes to take with respect thereto (and a copy of any report or notice required to be filed with or given to PBGC by the Borrower or an ERISA Affiliate with respect to such event or condition):

(i) any reportable event, as defined in Section 4043(c) of ERISA and the regulations issued thereunder, with respect to a Plan, as to which PBGC has not by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event (PROVIDED, that a failure to meet the minimum funding standard of Section 412 of the Code or Section 302 of ERISA shall be a reportable event regardless of the issuance of any waivers in accordance with Section 412(d) of the Code);

(ii) the distribution under Section 4041 of ERISA of a notice of intent to terminate any Plan or the termination of any Plan, other than a Plan separately maintained by an entity that becomes an ERISA Affiliate after the date hereof and which has been an ERISA Affiliate for less than one year at the time such notice of intent is filed; PROVIDED, that such notice does not relate to a "distress termination" described in Section 4041(c) of ERISA;

(iii) the institution by PBGC of proceedings under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Borrower or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by PBGC with respect to such Multiemployer Plan;

(iv) the complete or partial withdrawal by the Borrower or any ERISA Affiliate under Section 4201 or 4204 of ERISA from a Multiemployer Plan, or the receipt by the Borrower or any ERISA Affiliate of notice from a Multiemployer Plan that is in reorganization or insolvency pursuant to Section 4241 or 4245 of ERISA or that it intends to terminate or has terminated under Section 4041A of ERISA; and

(v) the institution of a proceeding by a fiduciary of any Multiemployer Plan against the Borrower or any ERISA Affiliate to enforce Section 515 of ERISA, which proceeding is not dismissed within 30 days;

(vii) promptly after the sending or filing thereof, copies of all reports and registration statements which the Borrower files with the Securities and Exchange Commission or any national securities exchange;

(viii) promptly upon the Borrower determining that there has been the occurrence of any Change in Control or upon the Borrower's ceasing to own, beneficially and of record, at least a majority of the issued and outstanding shares of Voting Stock of any Significant Subsidiary, notice of such event together a reasonably detailed description of such transaction; and

(ix) such other information respecting the condition or operations, financial or otherwise, of the Borrower as the Lender may from time to time reasonably request.

(h) The Borrower shall promptly give to the Lender notice of all legal or arbitral proceedings, and of all proceedings by or before any governmental or regulatory authority or agency, affecting the Borrower or any Significant Subsidiary, except proceedings which would not be likely to have a Material Adverse Effect.

(i) The Borrower will use the proceeds of the Advances for its general corporate purposes, including as commercial paper backstop, and/or to finance the repurchase or redemption of outstanding shares of capital stock of the Borrower, in compliance with all applicable laws; PROVIDED, that the Lender shall have no responsibility as to the use of any of such proceeds.

(j) The Borrower shall not sell or otherwise dispose of all or any substantial portion of the shares of the capital stock of any of its Significant Subsidiaries, and neither the Borrower nor any of its Significant Subsidiaries shall sell, lease or otherwise dispose of all or any substantial portion of their assets other than in the ordinary course of business, or liquidate, merge or consolidate with or into any other Person; PROVIDED, that the Borrower may merge or consolidate with or into another Person if no Default or Change in Control has occurred and is continuing or would result from such merger or consolidation and if the Borrower is the surviving company; and PROVIDED, further, that any Subsidiary may merge or consolidate with or into another Person if no Default or Change in Control has occurred and is continuing or would result from such merger or consolidation and if the Subsidiary is the surviving company; and PROVIDED, further, that any Subsidiary may be liquidated if the net assets of such Subsidiary are distributed to the Borrower or another Subsidiary. The Borrower will not, and will not permit any Significant Subsidiary to, engage to any material extent in any business other than businesses of the types conducted by the Borrower and its Significant Subsidiaries on the date hereof and businesses which are otherwise permitted to them under the applicable provisions of the Bank Holding Company Act of 1956, as amended, the New York Banking Law, the National Bank Act, the Federal Reserve Act or other applicable laws.

(k) The Borrower will not, and will not permit any Significant Subsidiary to, at any time create, assume or suffer to exist any Lien upon or with respect to any of the capital stock of any Significant Subsidiary.

(l) The Borrower will not, nor will it permit any Significant Subsidiary to, create, incur, assume or suffer to exist any Lien upon any of its property, whether now owned or hereafter acquired, except the following (each, a "PERMITTED LIEN"):

(i) Liens in existence on the date hereof and listed in Schedule I hereto;

(ii) Liens imposed by any governmental authority for Taxes, assessments or charges not yet due or that are being contested in good faith and by appropriate proceedings if, unless the amount thereof is not material with respect to it or its financial

condition, adequate reserves with respect thereto are maintained on the books of the Borrower or its Significant Subsidiary, as the case may be, in accordance with GAAP;

(iii) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business that are not overdue for a period of more than 30 days or that are being contested in good faith and by appropriate proceedings and Liens securing judgments but only to the extent for an amount and for a period not resulting in an Event of Default under Section 6.01(f) hereof;

(iv) pledges or deposits under worker's compensation, unemployment insurance and other social security legislation;

(v) deposits to secure the performance of bids, trade contracts (other than for Debt) leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(vi) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business and encumbrances consisting of zoning restrictions, easements, licenses, restrictions on the use of property or minor imperfections in title thereto that, in the aggregate, are not material in amount, and that do not in any case materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the business of the Borrower or any Significant Subsidiary;

(vii) Liens arising under escrows, trusts, custodianships, separate accounts, funds withheld procedures, and similar deposits, arrangements, or agreements established with respect to insurance policies, annuities, guaranteed investment contracts and similar products underwritten by, or reinsurance agreements entered into by, any Insurance Subsidiary in the ordinary course of business;

(viii) Liens on property of any corporation that becomes a Significant Subsidiary of the Borrower after the date hereof; PROVIDED, that such Liens are in existence at the time such corporation becomes a Significant Subsidiary of the Borrower and were not created in anticipation thereof;

(ix) Liens upon real and/or tangible personal property acquired after the date hereof (by purchase, construction or otherwise) by the Borrower or any Significant Subsidiary, each of which Liens either (A) existed on such property before the time of its acquisition and was not created in anticipation thereof or (B) was created solely for the purpose of securing Debt representing, or incurred to finance, refinance or refund, the cost (including the cost of construction) of such property; PROVIDED, that (i) no such Lien shall extend to or cover any property of the Borrower or such Significant Subsidiary other than the property so acquired and improvements thereon and (ii) the principal amount of Debt secured by any such Lien shall at no time exceed 80% of the fair market value (as determined in good faith by a senior financial officer of the Borrower) of such property at the time it was acquired (by purchase, construction or otherwise);

(x) judgment and other similar Liens arising in connection with court proceedings, PROVIDED, that the execution or other enforcement of such judgment or other similar Lien is effectively stayed and the claims secured thereby are being actively contested in good faith and by appropriate proceedings (without prejudice to Section 6.01(f));

(xi) rights of lessors under capitalized leases;

(xii) Liens on its assets created in connection with the refinancing of indebtedness secured by Permitted Liens on such assets, PROVIDED, that the amount of indebtedness secured by any such Lien shall not be increased as a result of such refinancing and no such Liens shall extend to property and assets of the Borrower or any Significant Subsidiary not encumbered prior to any such refinancing;

(xiii) Liens incurred in connection with repurchase agreements; Liens incurred in connection with asset securitizations; Liens granted to a Federal Reserve Bank or a Federal Home Loan Bank to secure advances or other transactions incidental to the banking business of the Borrower or any Significant Subsidiary, including loans to meet liquidity requirements; and

(xiv) Liens securing obligations of a Significant Subsidiary to the Borrower or another Significant Subsidiary.

(m) The Borrower will not, and will not permit any Significant Subsidiary to, enter into, incur or permit to exist any indenture, agreement, instrument or other contractual arrangement that, directly or indirectly, prohibits or restricts, or has the effect of prohibiting or restricting, or imposes any condition upon the ability of such Significant Subsidiary to declare or pay any dividend or other distribution on any class of its stock to the Borrower.

(n) The Borrower will not, and will not permit any Significant Subsidiary to, directly or indirectly, (a) make any capital contribution or extension of credit to an Affiliate, (b) transfer, sell, lease, assign or otherwise dispose of any assets to an Affiliate, (c) merge into or consolidate with an Affiliate except as explicitly permitted by Section 5.01(j), or purchase or acquire assets from an Affiliate or (d) enter into any other transaction, directly or indirectly, with or for the benefit of an Affiliate (including, without limitations, guarantees and assumptions of obligations of an Affiliate), other than transactions (excluding credit extended by the Borrower or any Significant Subsidiary to an Affiliate) entered into on an arm's-length basis, on terms no more favorable to such Affiliate than would be available to unrelated Persons; PROVIDED, that this Section 5.01(n) shall not prevent the Borrower or any Significant Subsidiary from entering into transactions with (i) any Affiliate the shares of which have been acquired by the Borrower or such Subsidiary in satisfaction of a debt previously contracted in good faith if such transactions are reasonably determined by the Borrower or such Subsidiary to be necessary or appropriate in connection with the ownership or disposition of such shares or (ii) any Affiliate that is a venture capital investment in which the Borrower may invest under applicable banking regulations if such transactions are reasonably determined by the Borrower or such Subsidiary to be necessary

or appropriate in furtherance of such investment, PROVIDED that in any such case the relevant transactions under this proviso, individually or in the aggregate, would not have a Material Adverse Effect.

SECTION 5.02. FINANCIAL COVENANTS.

(a) The Borrower shall not permit its Double Leverage Ratio at any time to be greater than 1.25 to 1.0.

(b) The Borrower shall not permit its Consolidated Tangible Net Worth to be at any time less than the higher of (i) $1,000,000,000 and (ii) 4.75% of Consolidated Total Tangible Assets at such time.

(c) The Borrower shall not permit its Non-Performing Asset Coverage Ratio on any date to be less than 2.5 to 1.0.

(d) The Borrower will, and will cause each Bank Subsidiary to, maintain at all times such amount of capital as may be prescribed by the Board of Governors of the Federal Reserve System (in the case of the Borrower and any state member bank Subsidiary) or the Comptroller of the Currency (in the case of any national bank Subsidiary), as the case may be, from time to time, whether by regulation, agreement or order. The Borrower shall at all times ensure that each Insured Subsidiary shall be "adequately capitalized" within the meaning of 12 U.S.C. ss.1831o, as amended, reenacted or redesignated from time to time.

ARTICLE VI

EVENTS OF DEFAULT

SECTION 6.01. EVENTS OF DEFAULT. If any of the following events ("EVENTS OF DEFAULT") shall occur and be continuing:

(a) The Borrower shall fail to pay any principal of any Advance when the same becomes due and payable; or the Borrower shall fail to pay any interest on any Advance or any fee or other amount whatsoever payable hereunder or under the Note when due and such failure remains unremedied for three Business Days; or

(b) Any representation or warranty made by the Borrower herein or in any certificate or other document delivered in connection with this Agreement shall prove to have been incorrect in any material respect when made or deemed made; or

(c) (i) The Borrower shall fail to perform or observe any term, covenant or agreement contained in (i) Sections 5.01(a), 5.01(g), 5.01(h), 5.01(i), 5.01(j), 5.01(k), 5.01(l), 5.01(n), 5.02, or (ii) the Borrower shall fail to perform or observe any other term or covenant in this Agreement on its part to be performed or observed and such failure remains unremedied for thirty Business Days after notice thereof shall have been given to the Borrower by the Lender; or

(d) The Borrower or any Significant Subsidiary shall fail to pay any principal of or premium or interest on any other Debt of the Borrower or any Debt of such Significant Subsidiary having an aggregate outstanding principal amount of $10,000,000 or more ("MATERIAL DEBT") when the same becomes due and payable, and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Material Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Material Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Material Debt; or any such Material Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), redeemed, purchased or defeased, or an offer to prepay, redeem, purchase or defease such Material Debt shall be required to be made, in each case prior to the stated maturity thereof; or

(e) The Borrower or any Significant Subsidiary shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Borrower or such Significant Subsidiary seeking to adjudicate it as bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency, moratorium or reorganization or relief of debtors, or liquidation or winding up, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and such proceeding shall remain undismissed or unstayed for a period of 60 days; or the Borrower or any Significant Subsidiary shall take any corporate action to authorize any of the actions set forth above in this subsection (e); or

(f) Any judgment or order for the payment of money in excess of $10,000,000 shall be rendered against the Borrower or any Significant Subsidiary and shall remain unsatisfied, and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order and such proceedings shall not have been stayed or (ii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(g) The Borrower shall incur liability to a Plan, a Multiemployer Plan or the PBGC (or any combination of the foregoing) that, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect; or

(h) Any Bank Subsidiary shall cease accepting deposits on the instruction of any Federal, state or other regulatory body with authority to give such instruction other than pursuant to an instruction applicable to national banks generally or a substantial portion thereof or banks located in a particular state or substantial portion thereof; or any Federal or state regulatory authority having jurisdiction to regulate any Bank Subsidiary shall, pursuant to any Federal or state statute, notify such Bank Subsidiary, that such Bank Subsidiary's capital stock has become impaired; or any Bank Subsidiary shall cease to be an insured bank under the Federal Deposit

Insurance Act, as amended, and the rules and regulations promulgated thereunder; or any Insured Subsidiary as of the date hereof shall be required (whether or not the time allowed by the appropriate Federal banking agency for the submission of such plan has been established or elapsed) to submit a capital restoration plan of the type referred to in 12 U.S.C. ss.1831o(b)(2)(C), as amended, reenacted or redesignated from time to time; or the Borrower shall guarantee in writing (voluntarily or otherwise) the capital of any Insured Subsidiary as part of or in connection with any agreement or arrangement with any Federal banking agency other than in connection with obtaining regulatory approval for the acquisition of such Insured Subsidiary;

then, and in any such event, the Lender may, by notice to the Borrower, (i) declare the obligation of the Lender to make Advances to be terminated, whereupon the same shall forthwith terminate, and/or (ii) declare the Advances and the Note, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Advances and the Note, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; PROVIDED, HOWEVER, that in the event of an entry of an order for relief with respect to the Borrower described in clause (e) of this Section, (A) the obligation of the Lender to make Advances shall automatically be terminated and (B) the Advances and the Note, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

ARTICLE VII

MISCELLANEOUS

SECTION 7.01. AMENDMENTS, ETC. No amendment or waiver of any provision of this Agreement or the Note, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Lender, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. This Agreement and the Note and the documents referred to herein and therein constitute the entire agreement of the parties with respect to the subject matter hereof and thereof.

SECTION 7.02. NOTICES, ETC. All notices and other communications provided for hereunder shall be in writing (including telecopier communication) and mailed, telecopied or delivered, to the respective addresses set forth on the signature pages hereof or at such other address as shall be designated by any party in a written notice to the other party. All such notices and communications shall, when mailed or telecopied, be effective when deposited in the mails or telecopied, respectively, except that notices and communications to the Lender pursuant to Article II or VII shall not be effective until received by the Lender.

SECTION 7.03. NO WAIVER; REMEDIES. No failure on the part of the Lender to exercise, and no delay in exercising, any right hereunder or under the Note shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 7.04. COSTS, EXPENSES AND INDEMNIFICATION.

(a) The Borrower agrees to pay and reimburse to the Lender on demand for reasonable costs and expenses incurred by the Lender in connection with the preparation, negotiation, execution and delivery and administration of this Agreement, the Note and the other documents to be delivered hereunder and (subject to such limitation as has heretofore been agreed) and the modification, amendment or enforcement thereof, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Lender with respect thereto and with respect to advising the Lender as to its rights and responsibilities under or in connection with this Agreement.

(b) The Borrower hereby indemnifies the Lender and each of its Affiliates and their respective officers, directors, employees, agents, advisors and representatives (each, an "INDEMNIFIED PARTY") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, fees and disbursements of counsel), joint or several, that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or relating to any investigation, litigation or proceeding or the preparation of any defense with respect thereto arising out of or in connection with or relating to this Agreement or the transactions contemplated hereby or any use made or proposed to be made with the proceeds of the Advances, whether or not such investigation, litigation or proceeding is brought by the Borrower, any of its shareholders or creditors, an Indemnified Party or any other Person, or an Indemnified Party is otherwise a party thereto, and whether or not any of the conditions precedent set forth in Article III are satisfied or the other transactions contemplated by this Agreement are consummated, except to the extent such claim, damage, loss, liability or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct.

SECTION 7.05. ASSIGNMENTS AND PARTICIPATIONS.

(a) The Lender may, with the consent of the Borrower (which shall not be unreasonably withheld), assign to one or more Persons all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of the Commitment, the Advances and the Note); PROVIDED, however, that no such consent by the Borrower shall be required in the case of any assignment to an Affiliate of the Lender; and PROVIDED, FURTHER, that any such partial assignment shall be in an amount at least equal to $5,000,000 or in an integral multiple of $1,000,000 in excess thereof.

(b) The Lender may sell participations to one or more banks or other entities in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances and the Note); PROVIDED, HOWEVER, that the Lender's obligations under this Agreement (including, without limitation, its Commitment hereunder) shall remain unchanged.

(c) The Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 7.05, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Borrower or any of its Subsidiaries furnished to the Lender by or on behalf of the Borrower.

(d) Notwithstanding any other provision set forth in this Agreement, the Lender may at any time create a security interest in all or any portion of its rights under this Agreement (including, without limitation, the Advances and the Note) in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System.

(e) All amounts payable by the Borrower to the Lender under Sections 2.08(e), 2.10, 2.11, 2.12 and 7.04(b) shall be determined as if the Lender had not sold or agreed to sell any participations in the Advances or the Note or its Commitment and as if the Lender were funding each of such Advances and Commitment in the same way that it is funding the portion of such Advances and Commitment in which no participations have been sold.

SECTION 7.06. GOVERNING LAW; SUBMISSION TO JURISDICTION. This Agreement and the Note shall be governed by, and construed in accordance with, the law of the State of New York. The Borrower hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York state court sitting in New York County for the purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby. The Borrower irrevocably waives, to the fullest extent permitted by applicable law, any objection that it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

SECTION 7.07. SEVERABILITY. In case any provision in this Agreement or in the Note shall be held to be invalid, illegal or unenforceable, such provision shall be severable from the rest of this Agreement or the Note, as the case may be, and the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 7.08. EXECUTION IN COUNTERPARTS. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

SECTION 7.09. SURVIVAL. The obligations of the Borrower under Sections 2.08(e), 2.10, 2.11, 2.12 and 7.04 shall survive the repayment of the Advances and the termination of the Commitment. Each representation and warranty made or deemed to be made herein or pursuant hereto shall survive the making of such representation and warranty, and the Lender shall not be deemed to have waived, by reason of making any Advance, any Default or Event of Default that may arise by reason of such representation or warranty proving to have been false or misleading.

SECTION 7.10. WAIVER OF JURY TRIAL. EACH OF THE BORROWER AND THE LENDER HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE NOTE OR THE TRANSACTIONS CONTEMPLATED HEREBY.

SECTION 7.11 NO FIDUCIARY RELATIONSHIP. The Borrower acknowledges that the Lender has no fiduciary relationship with, or fiduciary duty to, the Borrower arising out of or in connection with this Agreement or the Note, and the relationship between the Lender and the Borrower is solely that of creditor and debtor. This Agreement does not create a joint venture among the parties.

SECTION 7.12 NO RELIANCE. The Lender represents and warrants that it in good faith has not relied and will not rely upon any margin stock as collateral in entering into this Agreement or making or maintaining the Advances.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

M & T BANK CORPORATION

By /s/ Michael S. Piemonte

Name: Michael S. Piemonte
Title: Assistant Secretary

Address for Notices:

M&T Bank Corporation
One M&T Plaza
Buffalo, NY 14240
Attention: Chief Financial Officer
Telephone: (716) 842-5844
Fax: (716) 842-5220

CITIBANK, N.A.

By /s/ Ted Pitt

Name: Ted Pitt
Title: Vice President

Applicable Lending Office:

399 Park Avenue
New York, NY 10043
Attention: Bernard Cuda
Telephone: (212) 559-6347
Facsimile: (212) 793-5904

SCHEDULE I

EXISTING CREDIT AGREEMENTS; EXISTING LIENS

M&T Bank Corporation (1) SCHEDULE I
Existing Agreements

(in thousands)		BALANCE 9/30/99
SHORT-TERM BORROWINGS		
Federal Funds Purchased and repurchase agreements		$2,659,812
Short-term Federal Home Loan Banks advances		$500,000
Other		$113,530
	Total Short-Term Borrowings	$3,273,342
LONG-TERM BORROWINGS		
Subordinated notes of Manufacturers and Traders Trust Company:		
8 1/8 % due 2002		$75,000
7 % due 2005		$100,000
Preferred capital securities:		
M & T Capital Trust I - 8.234%		$150,000
M & T Capital Trust II - 8.277%		$100,000
M & T Capital Trust III - 9.25%		$60,000
Advances from Federal Home Loan Banks:		
Variable rates		$1,195,000
Fixed rates		$89,877
Other		$24,084
	Total Long-Term Borrowings	$1,793,961
$30 Million Revolving Credit Agreement between M&T Bank Corporation and Citibank, N.A.3 (2)		$0

1 Schedule does not include intercompany borrowings
2 Does not reflect $500 million 8% subordinated debt issued 10/5/00 due 2010
3 Agreement matured 11/17/00

EXHIBIT A

[FORM OF NOTE]

U.S.$30,000,000 Dated: _______ __, 2000

FOR VALUE RECEIVED, the undersigned, M & T BANK CORPORATION, a _________ corporation (the "BORROWER"), HEREBY PROMISES TO PAY to the order of CITIBANK, N.A. (the "LENDER") for the account of its Applicable Lending Office (as defined in the Credit Agreement referred to below) on the Commitment Termination Date (as so defined) the principal sum of U.S.$30,000,000 (THIRTY MILLION UNITED STATES DOLLARS) or, if less, the aggregate outstanding principal amount of the Advances (as defined below) pursuant to the Credit Agreement.

The Borrower promises to pay interest on the unpaid principal amount of each Advance from the date of such Advance until such principal amount is paid in full, at such interest rates, and payable at such times, as are specified in the Credit Agreement.

Both principal and interest are payable in lawful money of the United States of America at the office of the Lender at 399 Park Avenue, New York, New York 10043, in same day funds. Each Advance made by the Lender to the Borrower pursuant to the Credit Agreement, and all payments made on account of principal thereof, shall be recorded by the Lender and, prior to any transfer hereof, endorsed on the grid attached hereto which is part of this Note; PROVIDED, that the failure of the Lender to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Credit Agreement.

This Note is the Note referred to in, and is entitled to the benefits of, the Credit Agreement dated as of December 15, 2000 (the "CREDIT AGREEMENT", the terms defined therein being used herein as therein defined) between the Borrower and the Lender. The Credit Agreement contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

The Borrower hereby waives presentment, demand, protest and notice of any kind. No failure to exercise, and no delay in exercising, any rights hereunder on the part of the holder hereof shall operate as a waiver of such rights.

This Note shall be governed by, and construed in accordance with, the law of the State of New York, United States.

M & T BANK CORPORATION

By___________________________
Name:
Title:

[Form of Note]

ADVANCES AND PAYMENTS OF PRINCIPAL

Date	Amount and Type of Advance	Amount of Principal Paid or Prepaid	Unpaid of Principal Balance	Notation Made By

Exhibit 10.11

M&T BANK CORPORATION DIRECTORS' STOCK PLAN
(AS AMENDED AND RESTATED FEBRUARY 20, 2001)

1. NAME:

This plan shall be known as the M&T Bank Corporation Directors' Stock Plan (the "Plan").

2. PURPOSE AND INTENT:

The purpose of the Plan is to enable M&T Bank Corporation, a New York corporation (the "Corporation"), to attract and retain persons of exceptional ability to serve as directors of the Corporation and its subsidiaries and as members of M&T Bank's Directors Advisory Councils and to further align the interests of directors and stockholders in enhancing the value of the Corporation's common stock (the "Common Stock"). The Plan provides for the payment in Common Stock of all or a portion of the Annual Compensation paid to each Non-employee Director and provides for the election of payment in Common Stock of all or a portion of the Annual Compensation paid to each Advisory Director. The Plan, as amended and restated, is effective as of January 1, 2001 (the "Effective Date"), and shall continue in effect unless and until terminated by the Board in accordance with Section 10 below.

3. DEFINITIONS:

For purposes of the Plan, the following terms shall have the following meanings:

(a) "Advisory Director" means any individual who is a current or future member of one or more of the Directors Advisory Councils of M&T Bank, but who is not a Non-employee Director or a salaried officer of the Corporation or any of its subsidiaries.

(b) "Annual Compensation" means the total annual compensation payable to a Non-employee Director or an Advisory Director under the Corporation's or M&T Bank's compensation policies for directors in effect from time to time.

(c) "Board" means the Board of Directors of the Corporation or any subsidiary thereof.

(d) "Compensation Committee" means the Compensation Committee of the Board of Directors of the Corporation.

(e) "Directors Advisory Councils" means current or future regional Directors Advisory Councils of M&T Bank with members appointed by the Board of Directors of M&T Bank.

(f) "Fair Market Value" of a share of Common Stock means the closing price on the date immediately preceding the Payment Date of a share of Common Stock on the New York

Stock Exchange (or such other principal securities exchange on which the shares of the Common Stock are traded if such shares are no longer traded on the New York Stock Exchange).

(g) "M&T Bank" means Manufacturers and Traders Trust Company.

(h) "Non-employee Director" means an individual who is a member of the Board, but who is not a salaried officer of the Corporation or any of its subsidiaries.

(i) "Payment Date" of Annual Compensation in any calendar year means the first business day following the last business day of a calendar quarter on which the Fair Market Value of shares of the Common Stock are quoted on the New York Stock Exchange (or such other principal securities exchange on which the shares of the Common Stock are traded if such shares are no longer traded on the New York Stock Exchange).

4. ADMINISTRATION:

The Compensation Committee shall be responsible for administering the Plan. The Compensation Committee shall have all of the powers necessary to enable it to properly carry out its duties under the Plan. Not in limitation of the foregoing, the Compensation Committee shall have the power to construe and interpret the Plan and to determine all questions that shall arise thereunder. The Compensation Committee shall have such other and further specified duties, powers, authority and discretion as are elsewhere in the Plan either expressly or by necessary implication conferred upon it. The Compensation Committee may authorize such agents as it may deem necessary for the effective performance of its duties, and may delegate to such agents such powers and duties as the Compensation Committee may deem expedient or appropriate that are not inconsistent with the intent of the Plan. The decision of the Compensation Committee upon all matters within its scope of authority shall be final and conclusive on all persons, except to the extent otherwise provided by law.

5. SHARES AVAILABLE:

Shares issued under the Plan shall be issued out of the authorized but unissued shares of Common Stock or treasury shares, as the Compensation Committee shall determine.

6. SHARES FOR ANNUAL COMPENSATION:

(a) The Annual Compensation payable to a Non-employee Director on or after the Effective Date shall be paid in accordance with this Section 6(a). Each Non-employee Director shall file with the Corporation a form under which such Non-employee Director shall elect to have Annual Compensation paid either (i) fifty percent (50%) in shares of Common Stock and fifty percent (50%) in cash, or (ii) one hundred percent (100%) in shares of Common Stock. Such election may be changed by the Non-employee Director at least fifteen days prior to the end of any calendar quarter, effective as of the first day of the following calendar quarter. The total number of shares of Common Stock to be paid under this Section to a Non-employee Director with respect to Annual Compensation

shall be determined by dividing the amount of such Annual Compensation payable in shares of Common Stock by the Fair Market Value of the Common Stock on the applicable Payment Date. In no event shall the Corporation be obligated to issue fractional shares under this Section, but instead shall pay the amount that would constitute a fractional share in cash based on the Fair Market Value of the Common Stock on the Payment Date.

(b) Each Advisory Director may file with the Corporation a form under which such Advisory Director may elect, in lieu of cash compensation, to have Annual Compensation paid either (i) fifty percent (50%) in shares of Common Stock and fifty percent (50%) in cash, or (ii) one hundred percent (100%) in shares of Common Stock. Such election may be changed by the Advisory Director at least fifteen days prior to the end of any calendar quarter, effective as of the first day of the following calendar quarter. The total number of shares of Common Stock to be paid under this Section to an Advisory Director with respect to Annual Compensation shall be determined by dividing the amount of such Annual Compensation payable in shares of Common Stock by the Fair Market Value of the Common Stock on the applicable Payment Date. In no event shall the Corporation be obligated to issue fractional shares under this Section, but instead shall pay the amount that would constitute a fractional share in cash based on the Fair Market Value of the Common Stock on the Payment Date.

7. ADJUSTMENTS IN AUTHORIZED SHARES:

In the event of any change in corporate capitalization, such as a stock split, or a corporate transaction, such as any merger, consolidation, separation, including a spin-off, or other distribution of stock or property of the Corporation, any reorganization (whether or not such reorganization comes within the definition of such term in Internal Revenue Code Section 368) or any partial or complete liquidation of the Corporation, such adjustment shall be made in the number and class of shares which may be paid under the Plan, as may be determined to be appropriate and equitable by the Compensation Committee in its sole discretion.

8. RESALES OF SHARES:

The Corporation may impose such restrictions on the sale or other disposition of shares paid under this Plan as the Compensation Committee deems necessary to comply with applicable securities laws. Certificates for shares paid under this Plan may bear such legends as the Corporation deems necessary to give notice of such restrictions.

9. COMPLIANCE WITH LAW AND OTHER CONDITIONS:

No shares shall be paid under this Plan prior to compliance by the Corporation, to the satisfaction of its counsel, with any applicable laws. The Corporation shall not be obligated to (but may in its discretion) take any action under applicable federal or state securities laws (including registration or qualification of the Plan or the Common Stock) necessary for compliance therewith in order to permit the payment of shares hereunder, except for actions (other than registration or qualification) that may be taken by the

Corporation without unreasonable effort or expense and without the incurrence of any material exposure to liability.

10. AMENDMENT, MODIFICATION AND TERMINATION OF THE PLAN:

The Board of Directors of the Corporation shall have the right and power at any time and from time to time to amend the Plan in whole or in part and at any time to terminate the Plan; provided, however, that the provisions of Section 6 of the Plan cannot be amended more than once every six (6) months to the extent such restriction is necessary to insure that awards of Common Stock paid under the Plan are exempt from the short-swing profit recovery rules of Section 16(b) of the Securities Exchange Act of 1934.

11. MISCELLANEOUS:

The Plan shall be construed, administered, regulated and governed in all respects under and by the laws of the United States to the extent applicable, and to the extent such laws are not applicable, by the laws of the state of New York. The Plan shall be binding on the Corporation and any successor in interest of the Corporation.

Exhibit 10.14

EMPLOYMENT AGREEMENT

THIS AGREEMENT by and between M&T Bank Corporation, a New York corporation (the "Company") and Carl L. Campbell (the "Executive") dated as of the 16th day of May, 2000.

WHEREAS, the Executive serves as Chief Executive Officer of Keystone Financial, Inc., a Pennsylvania corporation ("Keystone") and possesses intimate knowledge of the business and affaires of Keystone; and

WHEREAS, pursuant to an Agreement and Plan of Reorganization, dated as of May 16, 2000, among the Company, Keystone, and a subsidiary of the Company ("Merger Sub"), Merger Sub will merger with and into Keystone (the "Merger") and Keystone will become a subsidiary of the Company; and

WHEREAS, the Company has determined that it is critical to the success of the Merger that the services of the Executive continue to be retained through the date of the Merger and that the Company be assured of the Executive's continued attention and dedication during the period pending the Merger; and

WHEREAS, the Company has further determined that it is critical to the Company that the Company be assured of the Executive's continued services following the Merger to assist in the integration of Keystone's operations and in the implementation of the Company's plans with respect to the business and operations of Keystone; and

WHEREAS, the Company has further determined that it is critical that it secure restrictions on the ability of the Executive to engage in competitive activity after the Executive ceases to be employed by the Company;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements contained herein, it is hereby agreed as follows:

1. EFFECTIVE DATE. The "Effective Date" shall mean the effective date of the Merger.

2. EMPLOYMENT PERIOD. The Company hereby agrees to employ the Executive, and the Executive hereby agrees to enter into the employ of the Company subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on the third anniversary of the Effective Date (the "Employment Period").

3. TERMS OF EMPLOYMENT. (a) POSITION AND DUTIES. (i) (A) During the Employment Period, the Executive shall serve as Chairman of the Pennsylvania Division of the Company and as Vice Chairman of the Company reporting to the Chief Executive Officer of the Company with such authority, duties and responsibilities as are commensurate with such position and as may be consistent with such position and (B) the Executive's services shall be performed in Harrisburg, Pennsylvania. The Executive shall serve on the Company's Board of Directors

during the Employment Period. Unless the Executive's employment has been terminated prior thereto, from the third anniversary of the Effective Date until the Executive's 65th birthday, the Executive shall continue employment on a part-time basis on terms reasonably agreeable to the Company and the Executive (the "Part-Time Period").

(ii) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote substantially all of his attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, provided that such service shall not result in a conflict of interest or violate applicable law (B) deliver lectures, fulfill speaking engagements or teach at educational institutions and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that to the extent that any such activities have been conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

(b) COMPENSATION. (i) INITIAL PAYMENT. On the Effective Date, the Company shall make a lump sum payment to the Executive in an amount equal to $1,250,000, provided that the Executive is employed by the Company on such date.

(ii) BASE SALARY. During the Employment Period, the Executive shall receive an annual base salary ("Annual Base Salary") of no less than $460,000.

(iii) ANNUAL BONUS. During the Employment Period, the Executive shall receive an annual cash bonus ("Annual Bonus") in an amount no less than $168,505, which is the highest annual bonus paid to the Executive by Keystone in respect of any of the three calendar years prior to the Effective Date (the "Minimum Bonus").

(iv) INCENTIVE AWARDS. On the Effective Date, the Company shall grant the Executive an option to acquire 50,000 shares of the Company's common stock (the "Options") pursuant to the terms of the Company's stock incentive plan. Except as otherwise provided herein, the Options shall vest in three equal installments on the first, second and third anniversaries of the Effective Date or, if earlier, upon a change of control of the Company (as defined in the Company's stock incentive plan). Notwithstanding anything to the contrary, the Options shall remain exercisable for a term of 10 years, whether or not the Executive is employed by the Company.

(v) RETIREMENT BENEFITS. Notwithstanding any other provision of this Agreement, except upon a termination of the Executive's employment hereunder for Cause, commencing at age 65, the Executive shall be paid an annual retirement benefit of $350,000 for his life less any benefit payable pursuant to Keystone's and the Company's qualified or non-

qualified defined benefit retirement plans (the "Retirement Plans"), provided that, in determining the amount of benefits payable to the Executive under the Retirement Plans, the Executive shall be deemed to receive benefit payments under each of the Retirement Plans in the form of a single life annuity for the life of the Executive (whether or not the Executive elected to receive a life annuity and whether or not a life annuity is available under the applicable Retirement Plan) with the amount of the life annuity payments being calculated using the actuarial assumptions used under the applicable plan or if such plan does not specify the required actuarial assumptions, the actuarial assumptions used under the M&T Bank Corporation Pension Plan (the "Retirement Benefit"). Upon the Executive's death, whether before or after attaining age 65, his current spouse, should she survive the Executive, shall be paid an annual benefit of 50% of the Retirement Benefit for her life.

(vi) OTHER EMPLOYEE BENEFIT PLANS. During the Employment Period, except as otherwise expressly provided herein, the Executive shall be entitled to participate in all employee benefit, welfare and other plans, practices, policies and programs generally applicable to senior executives of the Company on a basis no less favorable than that provided to such senior executives, provided that upon the Executive's termination of employment for any reason (other than upon a termination of the Executive's employment hereunder for Cause), the Company shall continue to provide him and his current spouse with medical and dental benefits for the remainder of their lives on a basis no less favorable than those benefits were provided to them immediately prior to such termination. The Company shall continue in effect the Split Dollar Agreement referred to in Section 6(a)(ii) of the Executive Employment Agreement between Keystone and the Executive dated as of June 29, 1998 (the "Prior Agreement") and upon a termination of the Executive's employment shall release its collateral assignment thereunder without reimbursement from the Executive of premiums paid. The Company shall also extend the Management Stock Ownership Plan loan for ten years under its existing terms and conditions.

(vii) EXPENSES. During the Employment Period and the Part-Time Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the Company's expense reimbursement policies.

(viii) OFFICE AND SUPPORT STAFF. During the Employment Period and the Part-Time Period, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments as provided generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies and shall be provided with secretarial assistance commensurate with the Executive's position.

(ix) VACATION. During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the plans, policies, programs and practices of the Company and its affiliated companies as in effect with respect to the senior executives of the Company.

(x) PAYMENT DURING PART-TIME PERIOD. During the Part-Time Period, Executive shall receive an Annual Base Salary of $400,000. In the event that the Executive should die during the Part-Time Period, his spouse, should she survive him, shall receive a payment of $200,000 annually for the remainder of the Part-Time Period.

4. TERMINATION OF EMPLOYMENT. (a) DEATH OR DISABILITY. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Executive written notice in accordance with Section 11(b) of this Agreement of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and reasonably acceptable to the Executive or the Executive's legal representative.

(b) CAUSE. The Company may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" shall mean:

(i) the continued failure of the Executive to perform substantially the Executive's duties with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Board or the Chief Executive Officer of the Company which specifically identifies the manner in which the Board or Chief Executive Officer believes that the Executive has not substantially performed the Executive's duties, or

(ii) the willful engaging by the Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company, or

(iii) conviction of a felony or guilty or nolo contendere plea by the Executive with respect thereto.

For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the Chief Executive Officer or a senior officer of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than two-thirds of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive is guilty of the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail.

(c) GOOD REASON. The Executive's employment may be terminated by the Executive for Good Reason. For purposes of this Agreement, "Good Reason" shall mean in the absence of a written consent of the Executive:

(i) the assignment to the Executive of any duties inconsistent in any material respect with the Executive's position (including offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 3(a) of this Agreement, or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(ii) any failure by the Company to comply with any of the provisions of Section 3(b) of this Agreement, other than an insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(iii) the Company's requiring the Executive to be based at any office or location more than 35 miles from that provided in Section 3(a)(i)(B) hereof;

(iv) any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement; or

(v) any failure by the Company to comply with and satisfy Section 10(c) of this Agreement.

For purposes of this Section 4(c), any good faith determination of "Good Reason" made by the Executive shall be conclusive.

(d) NOTICE OF TERMINATION. Any termination by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 11(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(e) DATE OF TERMINATION. "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, the date of mailing of the Notice of Termination or any later date specified therein within 30 days of such notice, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or Disability,

the Date of Termination shall be the date on which the Company notifies the Executive of such termination, (iii) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be, (iv) if the Executive's employment is terminated by the Executive, the date specified in the Notice of Termination, which date shall not be less than fifteen days after the date of mailing of such Notice of Termination and (v) if the Executive's employment has not been previously terminated, the expiration of the Employment Period.

5. OBLIGATIONS OF THE COMPANY UPON TERMINATION. (a) GOOD REASON; OTHER THAN FOR CAUSE, DEATH OR DISABILITY. If, during the Employment Period, the Company shall terminate the Executive's employment other than for Cause or Disability or the Executive shall terminate employment for Good Reason:

(i) the Company shall pay to the Executive in a lump sum in cash within 30 days after the Date of Termination the aggregate of the following amounts:

A. the sum of (1) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid, and (2) the product of (x) the Minimum Bonus and (y) a fraction, the numerator of which is the number of days in the fiscal year in which the Date of Termination occurs through the Date of Termination, and the denominator of which is 365, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (1) and (2), shall be hereinafter referred to as the "Accrued Obligations"); and

B. the amount equal to the product of (1) the number of months and portions thereof from the Date of Termination until the end of the Employment Period, divided by twelve and (2) the sum of (x) the Executive's Annual Base Salary and (y) the Minimum Bonus; and

C. a lump sum in the amount of $2,000,000; and

(ii) the Options shall vest immediately; and

(iii) the Retirement Benefit shall be payable in accordance with Section 3(b)(v); and

(iv) to the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive under any plan, program, policy or practice or contract or agreement of the Company and its affiliated companies through the Date of Termination (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

(b) DEATH. If the Executive's employment is terminated by reason of the Executive's death during the Employment Period, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. In addition, the Options shall vest immediately and the Retirement Benefit shall be payable in accordance with Section 3(b)(v). Accrued Obligations shall be paid to the Executive's estate or beneficiary, as

applicable, in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 5(b) shall include death benefits as in effect on the date of the Executive's death with respect to senior executives of the Company and their beneficiaries and that pursuant to Section 3(b)(vi) hereof cover the Executive.

(c) DISABILITY. If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Period, this Agreement shall terminate without further obligations to the Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. In addition, the Options shall vest immediately and the Retirement Benefit shall be payable in accordance with Section 3(b)(v). Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 5(c) shall include, and the Executive shall be entitled after the Disability Effective Date to receive, disability and other benefits in effect generally with respect to senior executives of the Company and that pursuant to Section 3(b)(vi) hereof cover the Executive.

(d) CAUSE; OTHER THAN FOR GOOD REASON. If the Executive's employment shall be terminated for Cause or the Executive terminates his employment without Good Reason during the Employment Period, this Agreement shall terminate without further obligations to the Executive other than the obligation to pay to the Executive (w) his Annual Base Salary through the Date of Termination, (x) payment of the Retirement Benefit, and (y) Other Benefits, in each case to the extent theretofore unpaid; provided that, notwithstanding clause (x) hereof, the Retirement Benefit shall not be payable upon a termination of the Executive's employment hereunder for Cause.

6. NON-EXCLUSIVITY OF RIGHTS. Except as specifically provided, nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliated companies and for which the Executive may qualify, nor, subject to Section 11(f), shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

7. FULL SETTLEMENT. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and, such amounts shall not be reduced whether or not the Executive obtains other employment. The Company agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof provided that the Executive has acted in good faith and that the Company is provided with such evidence of fees

and expenses as it may reasonably require) by the Company, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus in each case interest on any payment required by this Section 7 that is not paid by the Company within fifteen days after receipt of written notice from the Executive requesting such payment at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Internal Revenue Code of 1986, as amended (the "Code").

8. CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY.

(a) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 8) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. Notwithstanding the foregoing provisions of this Section 8(a), if it shall be determined that the Executive is entitled to a Gross-Up Payment, but that the Payments do not exceed 110% of the greatest amount (the "Reduced Amount") that could be paid to the Executive such that the receipt of Payments would not give rise to any Excise Tax, then no Gross-Up Payment shall be made to the Executive and the Payments, in the aggregate, shall be reduced to the Reduced Amount.

(b) Subject to the provisions of Section 8(c), all determinations required to be made under this Section 8, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the Company's independent certified public accounting firm (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 8, shall be paid by the Company to the Executive within five days of the later of (i) the due date for the payment of any Excise Tax, and (ii) the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 8(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be

promptly paid by the Company to or for the benefit of the Executive. The Executive shall report Payments on the Executive's tax returns in a manner consistent with the Company's treatment of such payments for tax purposes.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 8(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such con-

tested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 8(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 8(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 8(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

9. CONFIDENTIAL INFORMATION/NONSOLICITATION/NONCOMPETITION. (a) The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it.

(b) During the Part-Time Period and for five years after the Date of Termination, the Executive will not directly or indirectly, own, manage, operate, control or participate in the ownership, management, operation or control of, or be connected as an officer, employee, partner, director or otherwise with, or have any financial interest in, any business principally engaged in the banking business and/or banking related or trust related business anywhere within the Commonwealth of Pennsylvania. Ownership for personal investment purposes only of less than 5% of the voting stock of any publicly held corporation shall not constitute a violation hereof.

(c) During the Part-Time Period and for five years after the Date of Termination, the Executive will not, directly or indirectly, on behalf of the Executive or any other person, solicit for employment any person employed by the Company or its affiliates as of the date hereof or known by the Executive at the time to be employed by the Company or its affiliates or solicit any customer of the Company or any of its affiliates.

(d) In the event of a breach or threatened breach of this Section 9, the Executive agrees that the Company shall be entitled to injunctive relief in a court of appropriate juris-

diction to remedy any such breach or threatened breach, the Executive acknowledges that damages would be inadequate and insufficient.

(e) It is expressly understood and agreed that although the Company and the Executive consider the restrictions contained in Section 9 hereof to be reasonable for the purpose of preserving the goodwill, proprietary rights and going concern value of the Company, if a final judicial determination is made by a court having jurisdiction that the time or territory or any other restriction contained in such Section 9 is an unenforceable restriction on the Executive's activities, the provisions of such Section 9 shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such other extent as such court may judicially determine or indicate to be reasonable. Alternatively, if the court referred to above finds that any restriction contained in Section 9 or any remedy provided herein is unenforceable, and such restriction or remedy cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained therein or the availability of any other remedy. The provisions of Section 9 shall in no respect limit or otherwise affect the Executive's obligations under other agreements with the Company.

(f) Any termination of the Executive's employment or of this Agreement shall have no effect on the continuing operation of this Section 9. In no event shall an asserted violation of the provisions of this Section 9 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement. The existence of any claim or cause of action of the Executive against the Company or any of its affiliates, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of the terms of this Section 9. The Executive acknowledges and agrees that this Section 9 will not prevent the Executive from earning a living.

10. SUCCESSORS. (a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

11. MISCELLANEOUS. (a) This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than

by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

IF TO THE EXECUTIVE:

Carl L. Campbell
c/o Keystone Financial, Inc.
P.O. Box 3660
One Keystone Plaza
Front and Market Streets
Harrisburg, Pennsylvania 17105-3660

IF TO THE COMPANY:

Ray E. Logan, Executive Vice President - Human Resources
Manufacturers and Traders Trust Company
One M&T Plaza
Buffalo, New York 14203
Facsimile: (716) 842-5020

with a copy to:

General Counsel
Facsimile: (716) 842-5376

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 4(c)(i)-(v) of this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) From and after the Effective Date this Agreement shall supersede any other employment, severance or change of control agreement between the parties, including, without limitation, Keystone and its affiliates, with respect to the subject matter hereof including the Prior Agreement, except as expressly provided herein and with respect to the Executive's rights to exercise existing Keystone stock options.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

/S/ Carl L. Campbell

Carl L. Campbell

M&T BANK CORPORATION

By /S/ GARY S. PAUL

Name: Gary S. Paul
Title: Senior Vice President

Exhibit 10.15

Re: CONSULTING

Mr. T. Jefferson Cunningham III
Premier National Bancorp, Inc.
P O Box 310
Route 55
Lagrangeville, New York 12540

Dear Mr. Cunningham:

Set forth below are the terms of the agreement between you and M&T Bank Corporation (the "Company"), with respect to the consulting services you will provide following your retirement from the Company, as an independent consultant. You will provide such services for the five year period (the "Consulting Period") commencing on the Effective Date (as defined in the Agreement and Plan of Reorganization, dated as of July 9, 2000, by and among Premier National Bancorp, Inc. (the "Seller"), the Company and Olympia Financial Corp.).

You agree that during the term of this agreement you will provide advice and counsel to the Company on effecting the integration of Seller into the Company and achieving the proposed benefits of the merger, as well as, on the Company group's strategic plans, both for the group as a whole and with respect to southeastern New York. You will report only to the chief executive officer of the Company and you will render such services as requested at such time or times as may be reasonably acceptable to you; provided, however, that nothing in this agreement shall require you to perform more than 30 hours of consulting service (including any travel time) during any 30 day period.

The Company will pay you for your commitment to perform the services provided under this agreement at the annual rate of $125,000, payable in equal monthly installments. If you should die during such period, then such payments will be made to your spouse or your designated beneficiaries. In the case of disability, payments will continue to be made to you throughout such period. You will also be reimbursed for any expenses you incur performing your duties hereunder. During the Consulting Period, the Company will provide you with both an office (within 15 miles of Fishkill, New York) and a car commensurate with your status as a former chairman of Seller. In addition, throughout the Consulting Period, the Company will provide you with the services of an administrative assistant acceptable to you and, such administrative assistant would assist you in providing services hereunder. Generally, as a consultant, you will not be entitled to participate in, or receive benefits under, any Company employee benefit plans, except for (i) those benefits you are otherwise entitled to receive either pursuant to an agreement with the Seller, the Company or any of their affiliates or as a former employee of the Company (in accordance with the terms of such plans), and (ii) life insurance coverage

that the Company will provide at the Company's cost that is substantially equivalent to that provided to senior executive officers of the Company.

In addition, the Company will establish for you a nonqualified supplemental retirement plan (the "SERP") that will provide you with a retirement benefit determined using the retirement benefit formula under the M&T Bank Corporation Retirement Plan (the "Retirement Plan"), but excluding the limits on compensation or benefits needed to meet the qualification requirements of the Internal Revenue Code of 1986, as amended (the "Code") (e.g., 401(a)(17), 415), You will receive past service credit under the SERP for your service as a director and executive of the Seller and its predecessors. Your "final average compensation," for purposes of calculating the SERP benefits will be $360,000 per annum. Your SERP benefits will be payable upon the expiration of this agreement without any actuarial reduction for commencing benefits prior to age 65. You shall be entitled to elect (at least 12 months prior to the date you would commence receiving benefits) to receive benefits payments in any form of payment provided under the Retirement Plan (subject to actuarial adjustment), using Retirement Plan assumptions or an actuarially equivalent lump sum.

You agree that for a period of one year from the Effective Date, you will not knowingly engage in the direct solicitation of loans or deposits of commercial customers of Seller at the Effective Date.

If the terms set forth above are acceptable to you, please evidence your agreement to the terms hereof by signing and dating the attached copy of this letter and returning it to the Company to my attention.

Sincerely,

M&T BANK CORPORATION

By: /s/ Michael P. Pinto

Michael P. Pinto

Accepted and agreed.

/s/ T. Jefferson Cunningham III

T. Jefferson Cunningham III

July 9, 2000

Date

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-32044 and 333-16077) of M&T Bank Corporation of our report dated January 10, 2001, relating to the Financial Statements, which appear in this Form 10-K. We also consent to the reference to us under the heading "Experts" in such Registration Statements.

/s/ PRICEWATERHOUSECOOPERS LLP

Buffalo, New York
March 9, 2001

Exhibit 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-12207, 33-58500, 33-63917, 333-43171, 333- 43175 and 333-63985) of M&T Bank Corporation of our report dated January 10, 2001 relating to the Financial Statements, which appear in this Form 10-K. We also consent to the reference to us under the heading "Experts" in Registration Statements (Nos. 33-12207, 33-58500, 333-43171, 333-43175 and 333-63985).

/s/ PRICEWATERHOUSECOOPERS LLP

Buffalo, New York
March 9, 2001