

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

FORM 10-Q

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

For the quarterly period ended March 31, 2003

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
(State or other jurisdiction of
incorporation or organization)

16-0968385
(I.R.S. Employer
Identification No.)

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

14203
(Zip Code)

(716) 842-5445

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares of the registrant's Common Stock, \$0.50 par value, outstanding as of the close of business on April 30, 2003: 119,238,112 shares.

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M&T BANK CORPORATION

FORM 10-Q

For the Quarterly Period Ended March 31, 2003

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

M&T BANK CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET (Unaudited)

		March 31, 2003	December 31, 2002
<i>Dollars in thousands, except per share</i>			
Assets	Cash and due from banks	\$ 841,827	963,772
	Money-market assets		
	Interest-bearing deposits at banks	8,798	7,856
	Federal funds sold and agreements to resell securities	1,065	320,359
	Trading account	49,366	51,628
	Total money-market assets	59,229	379,843
	Investment securities		
	Available for sale (cost: \$3,694,081 at March 31, 2003; \$3,508,300 at December 31, 2002)	3,775,379	3,599,135
	Held to maturity (market value: \$91,981 at March 31, 2003; \$87,893 at December 31, 2002)	90,419	86,397
	Other (market value: \$280,505 at March 31, 2003; \$269,618 at December 31, 2002)	280,505	269,618
	Total investment securities	4,146,303	3,955,150
	Loans and leases	26,427,911	25,936,942
	Unearned discount	(203,798)	(209,158)
	Allowance for credit losses	(444,680)	(436,472)
	Loans and leases, net	25,779,433	25,291,312
	Premises and equipment	231,834	238,986
	Goodwill	1,097,553	1,097,553
	Core deposit and other intangible assets	107,342	118,790
	Accrued interest and other assets	1,180,270	1,155,775
	Total assets	\$33,443,791	33,201,181
Liabilities	Noninterest-bearing deposits	\$ 3,901,172	4,072,085
	NOW accounts	1,053,288	1,029,060
	Savings deposits	9,611,890	9,156,678
	Time deposits	5,446,613	6,246,384
	Deposits at foreign office	1,911,259	1,160,716
	Total deposits	21,924,222	21,664,923
	Federal funds purchased and agreements to repurchase securities	1,862,116	2,067,834
	Other short-term borrowings	524,927	1,361,580
	Accrued interest and other liabilities	424,887	400,991
	Long-term borrowings	5,394,920	4,497,374
	Total liabilities	30,131,072	29,992,702
Stockholders' equity	Preferred stock, \$1 par, 1,000,000 shares authorized, none outstanding	—	—
	Common stock, \$.50 par, 250,000,000 shares authorized, 97,139,347 shares issued	48,570	48,570
	Common stock issuable, 126,259 shares at March 31, 2003; 126,670 shares at December 31, 2002	6,385	6,190
	Additional paid-in capital	1,187,715	1,192,998
	Retained earnings	2,386,646	2,297,848
	Accumulated other comprehensive income, net	49,356	54,772
	Treasury stock - common, at cost - 4,762,616 shares at March 31, 2003; 5,110,736 shares at December 31, 2002	(365,953)	(391,899)

Total stockholders' equity	3,312,719	3,208,479
Total liabilities and stockholders' equity	\$33,443,791	33,201,181

M&T BANK CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME (Unaudited)

<i>In thousands, except per share</i>		Three months ended March 31	
		2003	2002
Interest income	Loans and leases, including fees	\$387,365	419,943
	Money-market assets		
	Deposits at banks	14	18
	Federal funds sold and agreements to resell securities	1,744	1,070
	Trading account	48	58
	Investment securities		
	Fully taxable	42,369	34,897
	Exempt from federal taxes	4,019	5,201
	Total interest income	435,559	461,187
Interest expense	NOW accounts	708	919
	Savings deposits	22,684	26,973
	Time deposits	38,111	72,898
	Deposits at foreign office	3,123	1,791
	Short-term borrowings	11,152	12,883
	Long-term borrowings	43,814	44,663
	Total interest expense	119,592	160,127
	<i>Net interest income</i>	<i>315,967</i>	<i>301,060</i>
	Provision for credit losses	33,000	24,000
	Net interest income after provision for credit losses	282,967	277,060
Other income	Mortgage banking revenues	34,464	27,912
	Service charges on deposit accounts	43,349	39,525
	Trust income	14,199	15,805
	Brokerage services income	10,048	10,919
	Trading account and foreign exchange gains	641	1,043
	Gain on sales of bank investment securities	233	171
	Other revenues from operations	29,913	28,853
	Total other income	132,847	124,228
Other expense	Salaries and employee benefits	124,074	123,454
	Equipment and net occupancy	27,151	27,204
	Printing, postage and supplies	7,013	6,033
	Amortization of core deposit and other intangible assets	11,598	13,543
	Other costs of operations	72,442	63,050
	Total other expense	242,278	233,284
	Income before taxes	173,536	168,004
	Income taxes	56,998	54,427
	Net income	\$116,538	113,577
	Net income per common share		
	Basic	\$ 1.26	1.22
	Diluted	1.23	1.18
	Cash dividends per common share	\$.30	.25
	Average common shares outstanding		
	Basic	92,399	93,265
	Diluted	95,062	96,300

M&T BANK CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

		Three months ended March 31	
<i>In thousands</i>		2003	2002
Cash flows from operating activities	Net income	\$ 116,538	113,577
	Adjustments to reconcile net income to net cash provided by operating activities		
	Provision for credit losses	33,000	24,000
	Depreciation and amortization of premises and equipment	9,646	10,172
	Amortization of capitalized servicing rights	11,449	8,275
	Amortization of core deposit and other intangible assets	11,598	13,543
	Provision for deferred income taxes	(12,476)	(12,901)
	Asset write-downs	144	114
	Net (gain) loss on sales of assets	228	(310)
	Net change in accrued interest receivable, payable	347	3,064
	Net change in other accrued income and expense	46,306	60,574
	Net change in loans held for sale	157,332	190,083
	Net change in trading account assets and liabilities	20	(991)
	Net cash provided by operating activities	374,132	409,200
Cash flows from investing activities	Proceeds from sales of investment securities		
	Available for sale	887	6,919
	Other	19,112	5,506
	Proceeds from maturities of investment securities		
	Available for sale	805,631	209,741
	Held to maturity	10,290	14,606
	Purchases of investment securities		
	Available for sale	(992,824)	(57,206)
	Held to maturity	(14,329)	(12,869)
	Other	(30,000)	(22,485)
	Additions to capitalized servicing rights	(14,500)	(22,599)
	Net increase in loans and leases	(684,294)	(162,104)
	Capital expenditures, net	(3,044)	(2,510)
	Other, net	4,217	(43,310)
	Net cash used by investing activities	(898,854)	(86,311)
Cash flows from financing activities	Net increase in deposits	259,552	44,190
	Net decrease in short-term borrowings	(1,042,370)	(902,870)
	Proceeds from long-term borrowings	999,568	700,000
	Payments on long-term borrowings	(101,760)	(51,786)
	Purchases of treasury stock	—	(99,317)
	Dividends paid - common	(27,701)	(23,231)
	Other, net	(3,806)	19,269
	Net cash provided (used) by financing activities	83,483	(313,745)
	Net increase (decrease) in cash and cash equivalents	(441,239)	9,144
	Cash and cash equivalents at beginning of period	1,284,131	1,006,750
	Cash and cash equivalents at end of period	\$ 842,892	1,015,894
Supplemental disclosure of cash flow information	Interest received during the period	\$ 431,148	459,624
	Interest paid during the period	115,746	154,498
	Income taxes paid during the period	981	307
Supplemental schedule of noncash investing and financing activities	Real estate acquired in settlement of loans	\$ 2,308	7,635

M&T BANK CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (Unaudited)

<i>In thousands, except per share</i>	Preferred stock	Common stock	Common stock issuable	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income, net	Treasury stock	Total
2002								
Balance — January 1, 2002, as previously reported	\$ —	48,570	6,162	1,096,340	2,017,700	22,819	(252,140)	\$ 2,939,451
Retroactive restatement adjustment for stock-based compensation (see note 2)	—	—	—	98,602	(79,613)	—	—	18,989
Balance — January 1, 2002, as restated	—	48,570	6,162	1,194,942	1,938,087	22,819	(252,140)	2,958,440
Comprehensive income:								
Net income	—	—	—	—	113,577	—	—	113,577
Other comprehensive income, net of tax:								
Unrealized losses on investment securities, net of reclassification adjustment	—	—	—	—	—	(10,835)	—	(10,835)
Unrealized gains on cash flow hedges, net of reclassification adjustment	—	—	—	—	—	594	—	594
								103,336
Purchases of treasury stock	—	—	—	—	—	—	(99,317)	(99,317)
Stock-based compensation plans:								
Stock option plans:								
Compensation expense	—	—	—	10,051	—	—	—	10,051
Exercises	—	—	—	(22,202)	—	—	40,639	18,437
Directors' stock plan	—	—	—	(19)	—	—	234	215
Deferred compensation plans, net, including dividend equivalents								
	—	—	144	(169)	(32)	—	394	337
Common stock cash dividends — \$.25 per share	—	—	—	—	(23,231)	—	—	(23,231)
Balance — March 31, 2002	\$ —	48,570	6,306	1,182,603	2,028,401	12,578	(310,190)	\$ 2,968,268
2003								
Balance — January 1, 2003, as previously reported	\$ —	48,570	6,190	1,058,389	2,405,801	54,772	(391,899)	\$ 3,181,823
Retroactive restatement adjustment for stock-based compensation (see note 2)	—	—	—	134,609	(107,953)	—	—	26,656
Balance — January 1, 2003, as restated	—	48,570	6,190	1,192,998	2,297,848	54,772	(391,899)	3,208,479
Comprehensive income:								
Net income	—	—	—	—	116,538	—	—	116,538
Other comprehensive income, net of tax:								
Unrealized losses on investment securities, net of reclassification adjustment	—	—	—	—	—	(5,617)	—	(5,617)
Unrealized gains on cash flow hedges, net of reclassification adjustment	—	—	—	—	—	201	—	201
								111,122
Repayment of management stock	—	—	—	22	—	—	—	22

ownership program receivable									
Stock-based compensation plans:									
Stock option and purchase plans:									
Compensation expense	—	—	—	9,968	—	—	—	9,968	
Exercises	—	—	—	(15,059)	—	—	25,288	10,229	
Directors' stock plan	—	—	—	6	—	—	175	181	
Deferred compensation plans, net, including dividend equivalents	—	—	195	(220)	(39)	—	483	419	
Common stock cash dividends — \$.30 per share	—	—	—	—	(27,701)	—	—	(27,701)	
Balance — March 31, 2003	\$	—	48,570	6,385	1,187,715	2,386,646	49,356	(365,953)	\$ 3,312,719

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

<i>In thousands</i>	Three months ended March 31	
	2003	2002
Beginning balance	\$ 436,472	425,008
Provision for credit losses	33,000	24,000
Net charge-offs		
Charge-offs	(29,684)	(20,226)
Recoveries	4,892	4,247
Total net charge-offs	(24,792)	(15,979)
Ending balance	\$ 444,680	433,029

NOTES TO FINANCIAL STATEMENTS

1. Significant accounting policies

The consolidated financial statements of M&T Bank Corporation (“M&T”) and subsidiaries (“the Company”) were compiled in accordance with the accounting policies set forth in note 1 of Notes to Financial Statements included in the Company’s 2002 Annual Report, except as described below. In the opinion of management, all adjustments necessary for a fair presentation have been made and were all of a normal recurring nature.

2. Stock-based compensation

Effective January 1, 2003, the Company began recognizing expense for stock-based compensation using the fair value based method of accounting described in Statement of Financial Accounting Standards (“SFAS”) No. 123, “Accounting for Stock-Based Compensation,” as amended. As a result, salaries and employee benefits expense for the first quarter of 2003 included \$10 million of stock-based compensation, resulting in a reduction of net income of \$7 million, or \$.08 per diluted share. The Company has chosen the retroactive restatement method described in SFAS No. 148, “Accounting for Stock-Based Compensation — Transition and Disclosure,” which amended SFAS No. 123. As a result, financial information for all prior periods presented have been restated to reflect the salaries and employee benefits expense that would have been recognized had the recognition provisions of SFAS No. 123 been applied to all awards granted to employees after January 1, 1995. The use of the retroactive restatement method resulted in the restatement of previously reported balances of additional paid-in capital, retained earnings and deferred tax assets. As of December 31, 2001, previously reported additional paid-in capital was increased by \$99 million, retained earnings was decreased by \$80 million, and deferred tax assets were increased by \$19 million. As of December 31, 2002, previously reported additional paid-in capital was increased by \$135 million, retained earnings was decreased by \$108 million, and deferred tax assets were increased by \$27 million.

As a result of using the retroactive restatement method, salaries and employee benefits expense in each of the quarters of 2002 increased from the amounts previously reported by \$10 million. The impact of the Company’s decision to recognize expense for stock-based compensation on previously reported net income, basic earnings per share and diluted earnings per share for 2002 is as follows:

	March 31 2002	June 30 2002	Three months ended September 30 2002	December 31 2002	Year ended December 31 2002
(in thousands, except per share)					
Net income:					
As previously reported	\$ 120,564	121,494	117,215	125,819	\$ 485,092
As restated	113,577	114,507	110,134	118,551	456,769
Basic earnings per share:					
As previously reported	\$ 1.29	1.31	1.27	1.37	\$ 5.25
As restated	1.22	1.23	1.20	1.29	4.94
Diluted earnings per share:					
As previously reported	\$ 1.25	1.26	1.23	1.33	\$ 5.07
As restated	1.18	1.19	1.16	1.25	4.78

3. Earnings per share

The computations of basic earnings per share follow:

	Three months ended March 31	
	2003	2002
	(in thousands, except per share)	
Income available to common stockholders		
Net income	\$116,538	113,577
Weighted-average shares outstanding (including common stock issuable)	92,399	93,265
Basic earnings per share	\$ 1.26	1.22

The computations of diluted earnings per share follow:

	Three months ended March 31	
	2003	2002
	(in thousands, except per share)	
Income available to common stockholders	\$116,538	113,577
Weighted-average shares outstanding	92,399	93,265
Plus: incremental shares from assumed conversion of stock options	2,663	3,035
Adjusted weighted-average shares outstanding	95,062	96,300
Diluted earnings per share	\$ 1.23	1.18

4. Comprehensive income

The following table displays the components of other comprehensive income:

	Three months ended March 31, 2003		
	Before-tax amount	Income taxes	Net
	(in thousands)		
Unrealized losses on investment securities:			
Unrealized holding losses during period	\$(9,304)	3,830	(5,474)
Less: reclassification adjustment for gains realized in net income	233	(90)	143
	(9,537)	3,920	(5,617)
Unrealized gains on cash flow hedges	328	(127)	201
Net unrealized losses	\$(9,209)	3,793	(5,416)

4. Comprehensive income, continued

	Three months ended March 31, 2002		
	Before-tax amount	Income taxes	Net
	(in thousands)		
Unrealized losses on investment securities:			
Unrealized holding losses during period	\$(16,550)	5,820	(10,730)
Less: reclassification adjustment for gains realized in net income	171	(66)	105
	(16,721)	5,886	(10,835)
Unrealized gains on cash flow hedges	916	(322)	594
Net unrealized losses	\$(15,805)	5,564	(10,241)

Accumulated other comprehensive income, net consisted of unrealized gains (losses) as follows:

	Investment securities	Cash flow hedges	Total
	(in thousands)		
Balance — January 1, 2003	\$ 55,394	(622)	54,772
Net gain(loss) during period	(5,617)	201	(5,416)
Balance – March 31, 2003	\$ 49,777	(421)	49,356
Balance — January 1, 2002	\$ 23,117	(298)	22,819
Net gain(loss) during period	(10,835)	594	(10,241)
Balance – March 31, 2002	\$ 12,282	296	12,578

5. Borrowings

In 1997, M&T Capital Trust I (“Trust I”), M&T Capital Trust II (“Trust II”), and M&T Capital Trust III (“Trust III” and, together with Trust I and Trust II, the “Trusts”) issued \$310 million of preferred capital securities. Including the unamortized portion of a purchase accounting adjustment to reflect estimated fair value at the April 1, 1998 acquisition of the common securities of Trust III, the preferred capital securities had a financial statement carrying value of approximately \$318 million at March 31, 2003 and December 31, 2002.

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 each Trust (“Common Securities”) are wholly owned by M&T and are the only class of each Trust’s securities possessing general voting

5. Borrowings, continued

powers. The Capital Securities represent preferred undivided interests in the assets of the corresponding Trust and are classified in the Company's consolidated balance sheet as long-term borrowings, with accumulated distributions on such securities included in interest expense. Under the Federal Reserve Board's current risk-based capital guidelines, the Capital Securities are includable in the Company's Tier 1 capital.

The proceeds from the issuances of the Capital Securities and Common Securities were used by the Trusts to purchase junior subordinated deferrable interest debentures ("Junior Subordinated Debentures") of M&T as follows:

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 exercises the right to extend the payment of interest on the Junior Subordinated Debentures for up to ten semi-annual periods, in which case payment of distributions on the respective Capital Securities will be deferred for a comparable period. During an extended interest period, M&T may not pay dividends or distributions on, or repurchase, redeem or acquire any shares of its capital stock. The agreements governing the Capital Securities, in the aggregate, provide a full, irrevocable and unconditional guarantee by M&T 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.

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 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 (i) on or after the stated optional redemption dates, in whole at any time or in part from time to time, or (ii) in whole, but not in part, at any time within 90 days following the occurrence and during the continuation of one or more of the Events, in each case subject to possible regulatory approval. The redemption price of the Capital Securities upon early redemption will be expressed as a percentage

5. Borrowings, continued

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.

6. Segment 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 was compiled utilizing the accounting policies described in note 20 to the Company's consolidated financial statements as of and for the year ended December 31, 2002. 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, the financial information of the reported segments is not necessarily comparable with similar information reported by other financial institutions. As also described in note 20 to the Company's 2002 consolidated financial statements, goodwill and core deposit and other intangible assets resulting from acquisitions of financial institutions, and the amortization charges associated with such assets, have not been allocated to the Company's reportable segments, but are included in the "All Other" category. The Company has, however, assigned such intangible assets to business units for purposes of testing for impairment. Information about the Company's segments is presented in the following table:

	Three months ended March 31					
	2003			2002		
	Total revenues(a)	Inter-segment revenues	Net income (loss)	Total revenues(a)	Inter-segment revenues	Net income (loss)
	(in thousands)					
Commercial Banking (b)	\$ 66,214	135	22,807	65,239	124	29,258
Commercial Real Estate (b)	46,600	334	23,164	43,618	266	22,400
Discretionary Portfolio (c)	23,788	378	13,962	25,846	1,116	15,852
Residential Mortgage Banking	72,380	15,081	16,754	61,497	11,448	13,543
Retail Banking	191,732	3,460	40,373	190,457	3,609	39,700
All Other (c)	48,100	(19,388)	(522)	38,631	(16,563)	(7,176)
Total	\$448,814	—	116,538	425,288	—	113,577

6. Segment information, continued

	Average total assets		
	Three months ended March 31		Year ended December 31 2002
	2003	2002	
	(in millions)		
Commercial Banking (b)	\$ 6,539	6,132	6,273
Commercial Real Estate (b)	6,306	6,131	6,234
Discretionary Portfolio	6,897	7,093	7,072
Residential Mortgage Banking	1,762	1,642	1,618
Retail Banking	9,835	8,584	9,059
All Other	1,722	1,708	1,679
Total	\$33,061	31,290	31,935

- (a) Total revenues are comprised of net interest income and other income. Net interest income is the difference between taxable-equivalent interest earned on assets owned and interest paid on liabilities owed 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 \$3,623,000 and \$3,599,000 for the three-month periods ended March 31, 2003 and 2002, respectively, and is eliminated in "All Other" total revenues. Intersegment revenues are included in total revenues of the reportable segments. The elimination of intersegment revenues is included in the determination of "All Other" total revenues.
- (b) During the second quarter of 2002, a strategic business unit which had previously been included in the Commercial Banking segment was moved to the Commercial Real Estate segment for internal profitability reporting purposes. As a result, approximately \$270 million of loans were transferred from the Commercial Banking segment to the Commercial Real Estate segment. Reflecting this change, total revenues and net income decreased in the Commercial Banking segment and increased in the Commercial Real Estate segment from the amounts previously reported by approximately \$2 million and \$1 million, respectively, in the quarter ended March 31, 2002.
- (c) During the fourth quarter of 2002, the Company changed the internal funding charge for a limited number of the investment securities types included in the Discretionary Portfolio segment. As a result, total revenues and net income increased in the Discretionary Portfolio segment and decreased in the "All Other" category by approximately \$2 million and \$1 million, respectively, in the quarter ended March 31, 2002.

7. Commitments and contingencies

In the normal course of business, various commitments and contingent liabilities are outstanding. The following table presents the Company's significant commitments. Certain of these commitments are not included in the Company's consolidated balance sheet.

	March 31 2003	December 31 2002
(in thousands)		
Commitments to extend credit		
Home equity lines of credit	\$2,164,410	2,056,259
Commercial real estate and construction	1,017,677	1,128,823
Residential real estate	1,237,210	922,257
Commercial and other	2,153,368	2,250,516
Standby letters of credit	897,777	833,715
Commercial letters of credit	27,681	25,556
Financial guarantees and indemnification contracts	195,704	121,312
Commitments to sell residential real estate loans	1,426,048	1,453,966

Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee. Standby and commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. Standby letters of credit generally are contingent upon the failure of the customer to perform according to the terms of the underlying contract with the third party, whereas commercial letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party. The credit risk associated with commitments to extend credit and standby and commercial letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management's assessment of the customer's creditworthiness.

Financial guarantees and indemnification contracts are oftentimes similar to standby letters of credit and include mandatory purchase agreements issued to ensure that customer obligations are fulfilled, recourse obligations associated with sold loans, and other guarantees of customer performance or compliance with designated rules and regulations. Management currently estimates that no material losses will occur as a result of these agreements.

Since many loan commitments, standby letters of credit, and guarantees and indemnification contracts expire without being funded in whole or in part, the contract amounts are not necessarily indicative of future cash flows.

The Company utilizes commitments to sell residential real estate loans to hedge exposure to changes in the fair value of residential real estate loans held for sale. Such commitments are considered derivatives in accordance with SFAS No. 133 and along with commitments to originate residential real estate loans to be held for sale and hedged residential real estate loans held for sale are now generally recorded in the consolidated balance sheet at estimated fair market value.

The Company also has commitments under long-term operating leases.

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

7. Commitments and contingencies, continued

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.

8. Acquisitions

On April 1, 2003, M&T completed the acquisition of Allfirst Financial Inc. ("Allfirst"), a bank holding company headquartered in Baltimore, Maryland, from Allied Irish Banks, p.l.c. ("AIB"), Dublin, Ireland. Allfirst Bank, Allfirst's primary banking subsidiary, was merged into Manufacturers and Traders Trust Company ("M&T Bank"), a wholly owned subsidiary of M&T, on that date. Allfirst Bank operated 269 banking offices in Maryland, Pennsylvania, Virginia and the District of Columbia. At March 31, 2003, Allfirst reported \$16 billion of assets, including \$10 billion of loans and leases, \$14 billion of liabilities, including \$11 billion of deposits, and \$2 billion of stockholder's equity. AIB received 26,700,000 shares of M&T common stock and \$886 million in cash in exchange for all outstanding Allfirst common shares. Merger-related expenses associated with the Allfirst acquisition incurred during the quarter ended March 31, 2003 for professional services, travel and other expenses associated with planning for the acquisition and the related integration of data processing and other operating systems and functions were \$5 million (\$4 million after tax effect).

In a separate transaction, M&T Bank signed a letter of intent with AIB on March 26, 2003 to acquire AIB's branch office in New York City. As of December 31, 2002, the branch had approximately \$248 million in deposits and \$48 million in loans. The transaction is subject to a number of conditions, including the execution of a definitive branch acquisition agreement and the receipt of various regulatory approvals.

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

Overview

M&T Bank Corporation ("M&T") reported net income in the first quarter of 2003 of \$117 million or \$1.23 of diluted earnings per share, increases of 3% and 4%, respectively, from the first quarter of 2002 when net income was \$114 million or \$1.18 of diluted earnings per common share. Net income during the fourth quarter of 2002 was \$119 million or \$1.25 of diluted earnings per common share. Basic earnings per common share rose 3% to \$1.26 in the recently completed quarter from \$1.22 in the first quarter of 2002, but was 2% lower than \$1.29 in the final 2002 quarter. The after-tax impact of merger-related expenses associated with M&T's acquisition activity was \$4 million or \$.04 of diluted and basic earnings per share in 2003's initial quarter. There were no significant merger-related expenses in the first and fourth quarters of 2002.

Net income expressed as an annualized rate of return on average total assets for M&T and its consolidated subsidiaries ("the Company") in the first quarter of 2003 was 1.43%, compared with 1.47% in the year-earlier quarter and 1.42% in 2002's fourth quarter. The annualized rate of return on average common stockholders' equity was 14.46% in the recent quarter, compared with 15.56% and 15.00% in the first and fourth quarters of 2002, respectively. Excluding the impact of merger-related expenses, the annualized returns on average assets and average common equity were 1.47% and 14.91%, respectively, for 2003's first quarter.

Effective January 1, 2003, the Company began recognizing expense for stock-based compensation using the fair value based method of accounting described in Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," as amended. As a result, salaries and employee benefits expense in the initial 2003 quarter included \$10 million of stock-based compensation, resulting in a reduction of net income of \$7 million, or \$.08 per diluted share. Using the retroactive restatement method described in SFAS No. 148, which amended SFAS No. 123, financial information for all prior periods presented in this quarterly report on Form 10-Q have been restated to reflect the impact of recognizing expense for stock-based compensation. As a result, salaries and employee benefits expense in both the first and fourth quarters of 2002 have been restated to include \$10 million of stock-based compensation, resulting in a reduction of each quarter's previously reported net income of \$7 million. Diluted earnings per share noted above for the first and fourth quarters of 2002 have been reduced by \$.07 and \$.08, respectively, from the amounts previously reported. For the full-year 2002, the impact of adopting SFAS No. 123 using the retroactive restatement method was to increase salaries and employee benefits expense by approximately \$41 million, resulting in a reduction of previously reported net income of \$28 million, or \$.29 of diluted earnings per share.

On April 1, 2003, M&T completed the acquisition of Allfirst Financial Inc. ("Allfirst"), a bank holding company headquartered in Baltimore, Maryland, from Allied Irish Banks, p.l.c. ("AIB"), Dublin, Ireland. Allfirst Bank, Allfirst's primary banking subsidiary, was merged into Manufacturers and Traders Trust Company ("M&T Bank"), a wholly owned bank subsidiary of M&T, on that date. Allfirst Bank operated 269 banking offices in Maryland, Pennsylvania, Virginia and the District of Columbia. At March 31, 2003, Allfirst reported \$16 billion of assets, including \$10 billion of loans and leases, \$14 billion of liabilities, including \$11 billion of deposits, and \$2 billion of stockholder's equity. AIB received 26,700,000 shares of M&T common stock and \$886 million in cash in exchange for all outstanding Allfirst common shares. Merger-related expenses associated with the Allfirst acquisition incurred during the quarter ended March 31, 2003 for professional services, travel and other expenses associated with planning for the acquisition and the related integration of data processing and other operating systems and functions were \$5 million (\$4 million after tax effect).

In anticipation of the Allfirst acquisition, M&T Bank issued \$400 million of 3.85% subordinated notes on March 31, 2003 to fund a portion of the cash consideration paid to AIB and to maintain appropriate regulatory capital ratios. The subordinated notes are included in regulatory capital of M&T and M&T Bank. The notes pay interest semi-annually on April 1 and October 1. The interest rate is fixed through March 31, 2008, while such rate payable from April 1, 2008 through the maturity date will be floating, based on the then applicable U.S. dollar three-month LIBOR rate plus 1.50%. The notes will mature on April 1, 2013. Beginning on April 1, 2008, M&T Bank may, at its option and subject to prior regulatory approval, redeem some or all of the subordinated notes on any interest payment date at a redemption price equal to 100% of the redeemed principal, plus any accrued but unpaid interest.

In a separate transaction, M&T Bank signed a letter of intent with AIB on March 26, 2003 to acquire AIB's branch office in New York City. As of December 31, 2002, the office had approximately \$248 million in deposits and \$48 million in loans. The transaction is subject to a number of conditions, including the execution of a definitive branch acquisition agreement and the receipt of various regulatory approvals.

Cash Operating Results

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 of goodwill and core deposit and other intangible assets totaling \$1.2 billion at March 31, 2003 and December 31, 2002, and \$1.3 billion at March 31, 2002. Included in intangible assets as of each of the dates noted was goodwill of \$1.1 billion. Amortization of core deposit and other intangible assets, after tax effect, was \$7 million (\$.07 per diluted share) during each of the first quarter of 2003 and fourth quarter of 2002, compared with \$9 million (\$.09 per diluted share) in the first quarter of 2002.

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 core deposit and other intangible assets and the related goodwill and core deposit and other intangible asset balances) represents a relevant measure of financial performance and provides meaningful comparative financial information. The supplemental cash basis operating data presented herein do not exclude the effect of other non-cash operating expenses such as the estimated value of stock-based compensation, depreciation, provision for credit losses, charges for amortization and impairment of capitalized servicing rights, or deferred income taxes associated with the results of operations. Unless noted otherwise, cash basis operating data do, however, exclude the after-tax impact of the previously described merger-related expenses.

Net operating income, or cash net income, rose 4% to \$127 million in the first quarter of 2003 from \$122 million in the year-earlier quarter. Diluted cash earnings per share for the recent quarter were \$1.34, an increase of 6% from \$1.27 in the first quarter of 2002. Cash net income and diluted cash earnings per share were \$126 million and \$1.32, respectively, in the fourth quarter of 2002.

Cash net income in 2003's first quarter represented an annualized rate of return on average tangible assets of 1.62%, compared with 1.65% and 1.56% in the first and fourth quarters of 2002, respectively. Cash return on average tangible common equity was an annualized 24.68% in the first quarter of 2003, compared with 28.41% in the year-earlier quarter and 25.54% in the fourth quarter of 2002. Including the effect of merger-related expenses, the annualized cash returns on average tangible assets and average tangible common stockholders' equity for the first quarter of 2003 were 1.57% and 23.99%, respectively.

A reconciliation of net income and diluted earnings per share with cash net income and diluted cash earnings per share follows:

	Three months ended		December 31 2002
	2003	March 31 2002	
	(in thousands except per share)		
Net income	\$ 116,538	113,577	118,551
Amortization of core deposit and other intangible assets (1)	7,094	8,793	7,209
Merger-related expenses (1)	3,599	—	—
Cash net income	\$ 127,231	122,370	125,760
Diluted earnings per share	\$ 1.23	1.18	1.25
Amortization of core deposit and other intangible assets (1)	.07	.09	.07
Merger-related expenses (1)	.04	—	—
Diluted cash earnings per share	\$ 1.34	1.27	1.32

(1) After any related tax effect

Taxable-equivalent Net Interest Income

Taxable-equivalent net interest income rose 5% to \$320 million in the first quarter of 2003 from \$305 million in the year-earlier quarter. The improvement reflects a \$1.7 billion, or 6%, increase in average earning assets, partially offset by a decline in the Company's net interest margin, or taxable-equivalent net interest income expressed as an annualized percentage of average earning assets. Average loans and leases increased \$681 million, or 3%, to \$25.8 billion in the initial 2003 quarter from \$25.1 billion in the corresponding quarter of 2002. Average balances of consumer loans and leases grew 22%, or \$1.3 billion, from 2002's first quarter to the recent quarter, with the growth coming predominantly from automobile loans and home equity lines of credit. Offsetting this growth was a \$1.3 billion, decrease in average residential real estate loans, due largely to the securitization of \$1.1 billion of such loans in November 2002. Approximately 88% of the resulting securities were retained by the Company in the investment securities portfolio. Taxable-equivalent net interest income was \$325 million in the fourth quarter of 2002, when average loans and leases totaled \$25.9 billion. While average consumer loans increased 4% in the recent quarter compared with the immediately preceding quarter, average balances of residential real estate loans declined 13%, due largely to the impact of the November securitization. The accompanying table summarizes quarterly changes in the major components of the loan and lease portfolio.

AVERAGE LOANS AND LEASES (net of unearned discount)

Dollars in millions

	Percent increase (decrease) from		
	1st Qtr. 2003	1st Qtr. 2002	4th Qtr. 2002
Commercial, financial, etc.	\$ 5,340	6%	1%
Real estate – commercial	9,687	3	—
Real estate – consumer	3,181	(28)	(13)
Consumer			
Automobile	3,436	36	7
Home equity lines	2,129	35	5
Home equity loans	624	(22)	(8)
Other	1,392	4	—
Total consumer	7,581	22	4
Total	\$25,789	3%	—%

Investment securities averaged \$3.6 billion during the first quarter of 2003, compared with \$2.9 billion in the first quarter of 2002 and \$3.7 billion in the final 2002 quarter. The higher levels of investment securities in the fourth quarter of 2002 and first quarter of 2003 were largely the result of the November 2002 securitization mentioned above. Offsetting that impact were maturities and repayments on mortgage-backed securities and collateralized mortgage obligations. 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, debt and preferred equity securities issued by government-sponsored agencies and certain financial institutions, and short-term commercial paper. When purchasing investment securities, the Company considers its overall interest-rate risk profile as well as the adequacy of expected returns relative to risks assumed, including prepayments. In managing its investment securities portfolio, the Company occasionally sells investment securities as a result of changes in interest rates and spreads, actual or anticipated prepayments, credit risk associated with a particular security, or in connection with a business combination.

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 \$577 million in the recently completed quarter, compared with \$262 million and \$510 million in the first and fourth quarters of 2002, respectively. The size of the investment securities and money-market assets portfolios are influenced by such factors as demand for loans, which generally yield more than investment securities and money-market assets, ongoing repayments, the levels of deposits, collateral requirements and management of balance sheet size and resulting capital ratios.

As a result of the changes described herein, average earning assets increased 6% to \$30.0 billion in the first quarter of 2003 from \$28.3 billion in the year-earlier quarter, but were little changed from \$30.1 billion in the fourth quarter of 2002.

The most significant source of funding for the Company is core deposits, which are comprised of noninterest-bearing deposits, interest-bearing transaction accounts, nonbrokered savings deposits and nonbrokered domestic time deposits under \$100,000. The Company's branch network is its principal source of core deposits, which generally carry lower interest rates than wholesale funds of comparable maturities. Certificates of deposit under \$100,000 generated on a nationwide basis by M&T Bank, National Association ("M&T Bank, N.A."), a wholly owned bank subsidiary of M&T, are also included in core deposits. Average core deposits were \$17.8 billion in the first quarter of 2003, compared with \$17.4 billion in the first quarter of 2002 and \$17.7 billion in 2002's fourth quarter. The Company experienced a shift in the composition of core deposits throughout 2002 and 2003, largely as a result of the low interest rate environment. Reflecting a change in customer savings trends that began during 2001, average core savings deposits rose to \$9.6 billion in the first quarter of 2003 from \$8.4 billion in the corresponding 2002 quarter and \$9.3 billion in 2002's fourth quarter. In contrast, average core time deposits under \$100,000 decreased to \$3.7 billion in the initial 2003 quarter from \$4.8 billion a year earlier and \$3.9 billion in the fourth quarter of 2002. The accompanying table provides an analysis of quarterly changes in the components of average core deposits.

AVERAGE CORE DEPOSITS

Dollars in millions

	1st Qtr. 2003	Percent increase (decrease) from	
		1st Qtr. 2002	4th Qtr. 2002
NOW accounts	\$ 789	7%	(1)%
Savings deposits	9,564	14	3
Time deposits less than \$100,000	3,666	(24)	(5)
Noninterest-bearing deposits	3,737	8	—
Total	\$17,756	2%	—%

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 deposits. Domestic time deposits over \$100,000, excluding brokered certificates of deposit, averaged \$1.0 billion in the initial 2003 quarter and fourth quarter of 2002, compared with \$1.3 billion during the first quarter of 2002. Offshore branch deposits and brokered deposits have been used by the Company as an alternative to short-term borrowings. Offshore branch deposits, primarily comprised of accounts with balances of \$100,000 or more, averaged \$1.1 billion, \$479 million and \$934 million for the three-month periods ended March 31, 2003, March 31, 2002 and December 31, 2002, respectively. Brokered time deposits averaged \$1.2 billion during the first quarter of 2003, compared with \$1.9 billion and \$1.8 billion in the first and fourth quarters of 2002, respectively. At March 31, 2003, brokered time deposits totaled \$896 million and had a weighted average remaining term to maturity of .8 years. Certain of the brokered time deposits have provisions that allow early redemption. In connection with the Company's management of interest rate risk, interest rate swap agreements 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 substantially similar to the amounts and terms of \$130 million of brokered time deposits. The Company also had brokered money-market deposit accounts which averaged \$59 million during the first quarter of 2003 and fourth quarter of 2002, and \$60 million in the first quarter of 2002. Additional amounts of brokered deposits may be solicited in the future depending on market conditions and the cost of funds available from alternative sources at the time.

The Company uses borrowings from banks, securities dealers, the Federal Home Loan Bank of New York and the Federal Home Loan Bank of Pittsburgh (together, the "FHLB"), and others as additional sources of funding. Short-term borrowings averaged \$3.5 billion in the recent quarter, compared with \$3.0 billion and \$3.7 billion in the first and fourth quarters of 2002, respectively. Amounts borrowed from the FHLB and included in short-term borrowings averaged \$572 million in the first quarter of 2003, \$949 million in the first quarter of 2002 and \$663 million in the fourth quarter of 2002. Also included in short-term borrowings is a \$500 million revolving asset-backed structured borrowing secured by automobile loans that were transferred to M&T Auto Receivables I, LLC, a special purpose subsidiary of M&T Bank, in November 2002. The subsidiary, the loans and the borrowings are included in the consolidated financial statements of the Company. The remaining short-term borrowings were predominantly comprised of unsecured federal funds borrowings which generally mature daily. Federal funds borrowings averaged \$2.4 billion in the recent quarter, compared with \$1.9 billion and \$2.7 billion in the first and fourth quarter of 2002, respectively. Long-term borrowings averaged \$4.8 billion in the first quarter of 2003, compared with \$3.7 billion a year earlier and \$4.5 billion in the fourth quarter of 2002. Included in average long-term borrowings were amounts borrowed from the FHLB of \$3.8 billion in the initial quarter of 2003, \$2.6 billion in the first quarter of 2002 and \$3.4 billion in the fourth quarter of 2002. Also included in average long-term borrowings were subordinated capital notes of \$604 million in the first quarter of 2003, \$674 million in the year-earlier quarter and \$649 million in the fourth quarter of 2002, and trust preferred securities with a carrying value of \$318 million in each quarter. As previously noted, M&T Bank issued \$400 million of 3.85% subordinated capital notes on March 31, 2003 in anticipation of the Allfirst acquisition. Information regarding trust preferred securities is provided in note 5 of Notes to Financial Statements. As described later, certain interest rate swap agreements have been entered into by the Company as part of its management of interest rate risk relating to long-term borrowings and other financial instruments.

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 taxable-equivalent yield on earning assets and the rate paid on interest-bearing liabilities, was 4.05% in the first quarter of 2003 and 4.02% in the year-earlier quarter. When compared with the similar 2002 quarter, the yield on earning assets during the first quarter of 2003 decreased 73

basis points (hundredths of one percent) to 5.94% from 6.67%, while the rate paid on interest-bearing liabilities decreased 76 basis points to 1.89% from 2.65%. The decreases in interest rates earned and paid include the impact of a reduction of 50 basis points by the Federal Reserve of its benchmark overnight federal funds target rate in November 2002. In the final quarter of 2002, the net interest spread was 3.99%, the yield on earning assets was 6.08% and the rate paid on interest-bearing liabilities was 2.09%.

Net interest-free funds consist largely of noninterest-bearing demand deposits and stockholders' equity, partially offset by bank owned life insurance and non-earning assets that include goodwill and core deposit and other intangible assets. Average net interest-free funds totaled \$4.3 billion in the first quarter of 2003, compared with \$3.8 billion and \$4.2 billion in the first and fourth quarters of 2002, respectively. The increases in average net interest-free funds in the first 2003 quarter and the fourth quarter of 2002 as compared with the initial 2002 quarter were largely the result of higher levels of noninterest-bearing deposits and stockholders' equity. The contribution of net interest-free funds to net interest margin was .27% in the recent quarter, compared with .35% in the year-earlier quarter and .29% in 2002's fourth quarter. The decline in the contribution to net interest margin ascribed to net interest-free funds in the two most recent quarters as compared with the first quarter of 2002 resulted largely from the impact of lower interest rates on interest-bearing liabilities used to value such contribution. Goodwill and core deposit and other intangible assets averaged \$1.2 billion during the first quarter of 2003 and the fourth quarter of 2002, and \$1.3 billion in the initial 2002 quarter. The cash surrender value of bank owned life insurance averaged \$624 million and \$592 million in the first quarter of 2003 and 2002, respectively, and \$616 million in the fourth quarter of 2002. Tax-exempt income earned from increases in the cash surrender value of bank owned life insurance is not included in interest income, but rather is recorded in "other revenues from operations."

Reflecting the changes described herein, the Company's net interest margin was 4.32% in 2003's initial quarter, down from 4.37% in the comparable quarter of 2002, but up from 4.28% in the fourth quarter of 2002.

In managing 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. Periodic settlement amounts arising from these agreements are generally reflected in either the yields earned on assets or, as appropriate, the rates paid on interest-bearing liabilities. Excluding forward-starting swap agreements, the notional amount of interest rate swap agreements entered into for interest rate risk management purposes as of March 31, 2003 and 2002 was \$355 million and \$516 million, respectively, and \$495 million as of December 31, 2002. In general, under the terms of these swap agreements, the Company receives payments based on the outstanding notional amount of the swaps at fixed rates of interest and makes payments at variable rates. However, under the terms of \$100 million of the swap agreements, the Company pays a fixed rate of interest and receives a variable rate. The Company had also entered into forward-starting swap agreements with an aggregate notional amount as of March 31, 2003 of \$335 million in which the Company will pay a variable rate of interest and receive a fixed rate.

As of March 31, 2003, \$255 million of the Company's interest rate swap agreements entered into for risk management purposes had been designated as fair value hedges and \$100 million had been designated as cash flow hedges. In a fair value hedge, the fair value of the derivative (the interest rate swap agreement) and changes in the fair value of the hedged item are recorded in the Company's consolidated balance sheet with the corresponding gain or loss recognized in current earnings. The difference between changes in the fair value of the interest rate swap agreements and the hedged items represents hedge ineffectiveness and is recorded in "other revenues from operations" in the Company's consolidated statement of income. In a cash flow hedge, the effective portion of the derivative's gain or loss is initially reported as a component of other comprehensive income and subsequently

reclassified into earnings when the forecasted transaction affects earnings. The ineffective portion of the gain or loss is reported in “other revenues from operations” immediately. The amounts of hedge ineffectiveness of both fair value and cash flow hedges used for interest rate risk management purposes recognized during the quarters ended March 31, 2003 and 2002 and the quarter ended December 31, 2002 were not material to the Company’s results of operations. The estimated fair value of interest rate swap agreements designated as fair value hedges was a gain of approximately \$7 million at March 31, 2003, compared with gains of \$2 million at March 31, 2002 and \$8 million at December 31, 2002. The fair values of such swap agreements were substantially offset by unrealized losses on the fair values of the hedged items. The estimated fair value of the interest rate swap agreements designated as cash flow hedges were losses of approximately \$690 thousand and \$1 million at March 31, 2003 and December 31, 2002, respectively, and a gain of approximately \$455 thousand at March 31, 2002. Net of applicable income taxes, such losses at March 31, 2003 and December 31, 2002 were approximately \$421 thousand and \$622 thousand, respectively, and such gain at March 31, 2002 was approximately \$296 thousand. The net amounts have been included in “accumulated other comprehensive income, net” in the Company’s consolidated balance sheet. The changes in the fair values of the interest rate swap agreements and the hedged items resulted from the effects of changing interest rates.

The weighted average rates to be received and paid under interest rate swap agreements currently in effect were 3.63% and 1.75%, respectively, at March 31, 2003. The average notional amounts of interest rate swaps and the related effect on net interest income and margin are presented in the accompanying table.

INTEREST RATE SWAP AGREEMENTS

Dollars in thousands

	Three months ended March 31			
	2003		2002	
	Amount	Rate*	Amount	Rate*
Increase (decrease) in:				
Interest income	\$ —	—%	\$ (190)	—%
Interest expense	(1,979)	(.03)	(2,840)	(.05)
Net interest income/margin	\$ 1,979	.03%	\$ 2,650	.04
Average notional amount **	\$457,222		\$542,167	

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

** Excludes forward-starting interest rate swap agreements.

As a financial intermediary, the Company is exposed to various risks, including liquidity and market risk. Liquidity risk 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. Deposits and borrowings, 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, provide the Company with sources of liquidity. M&T’s banking subsidiaries have access to additional funding sources through FHLB borrowings, lines of credit with the Federal Reserve Bank of New York, and other available borrowing facilities. M&T Bank has also obtained funding through issuances of subordinated capital notes and through the \$500 million revolving asset-backed borrowing previously noted. Informal and sometimes reciprocal sources of funding are also available to M&T Bank through various arrangements for unsecured short-term borrowings from a wide group of banks and other financial institutions. Short-term federal funds borrowings aggregated \$1.9 billion, \$2.1 billion and \$1.1 billion at March 31, 2003, December 31, 2002 and March 31, 2002, respectively. In general, these borrowings were unsecured and matured on the following business day. Should the Company experience a substantial

deterioration in its financial condition or its debt rating, or should the availability of short-term funding become restricted, the Company's ability to obtain funding from these or other sources could be negatively impacted.

M&T's primary source of funds to pay for operating expenses, shareholder dividends and treasury stock repurchases is the receipt of dividends from its banking subsidiaries, which are subject to various 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 two preceding years. For purposes of the test, at March 31, 2003 approximately \$283 million was available for payment of dividends to M&T from banking subsidiaries without prior regulatory approval. These historic sources of cash flow have been augmented in the past by the issuance of trust preferred securities. Information regarding trust preferred securities is included in note 5 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 March 31, 2003.

As already discussed, in connection with M&T's acquisition of Allfirst on April 1, 2003, M&T Bank issued \$400 million of subordinated capital notes on March 31, 2003 to fund a portion of the cash consideration and to supplement regulatory capital. The Company had sufficient liquid assets to fund the remaining cash portion of the acquisition. On an ongoing basis, 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 currently anticipate engaging in any activities, either currently or in the long-term, for which adequate funding would not be available and 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 and by different amounts as interest rates change. Therefore, 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 periods under various interest rate scenarios using projected balances for earning assets, interest-bearing liabilities and derivatives used to hedge interest rate risk. Management's philosophy toward interest rate risk management is to limit the variability of net interest income. The balances of 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'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 interrelationships in the magnitude and timing of the repricing of financial instruments, including the effect of changing interest rates on expected prepayments and maturities. When deemed prudent, management has taken actions, and intends to do so in the future, to mitigate exposure to interest rate risk through the use of on- or off-balance sheet financial instruments. Possible actions include, but are not limited to, changes in the pricing of loan and deposit products, modifying the composition of earning assets and interest-bearing liabilities, and modifying or terminating existing interest rate swap agreements or entering into additional interest rate swap agreements or other financial instruments used for interest rate risk management purposes.

The accompanying table as of March 31, 2003 and December 31, 2002 displays the estimated impact on net interest income from non-trading financial instruments resulting from parallel changes in interest rates across

repricing categories during the first modeling year. The information presented as of March 31, 2003 includes the projected impact of financial instruments obtained in connection with or in anticipation of the April 1, 2003 acquisition of Allfirst.

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

Changes in interest rates	Calculated increase in projected net interest income	
	March 31, 2003	December 31, 2002
+200 basis points	\$12,141	12,223
+100 basis points	7,539	5,311
-100 basis points	5,778	12,507
-200 basis points	3,758	13,055

Many assumptions were utilized by the Company to calculate the impact that changes in interest rates may have on 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 the timing, magnitude and frequency of interest rate changes and changes in market conditions and interest rate differentials (spreads) between maturity/repricing categories, as well as any actions, such as those previously described, which management may take to counter such changes. In light of the uncertainties and assumptions associated with the process, the amounts presented in the table and changes in such amounts are not considered significant to the Company's past or projected net interest income.

The Company has historically engaged in limited trading activities to meet the financial needs of customers and to profit from perceived market opportunities. Financial instruments utilized in trading activities have included 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 swap agreements. 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, however as with any non-government guaranteed financial instrument, the Company is exposed to credit risk associated with counterparties to the Company's trading activities.

The notional amounts of interest rate contracts entered into for trading purposes totaled \$1.4 billion at March 31, 2003 and 2002, and \$1.3 billion at December 31, 2002. The notional amounts of foreign currency and other option and futures contracts entered into for trading purposes were \$216 million, \$203 million and \$290 million at March 31, 2003, March 31, 2002 and December 31, 2002, respectively. 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 \$49 million and \$34 million, respectively, at March 31, 2003, \$31 million and \$18 million, respectively, at March 31, 2002, and \$52 million and \$36 million, respectively, at December 31, 2002. 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.

Provision for Credit Losses

The Company maintains an allowance for credit losses that in management's judgment is adequate to absorb losses inherent in the loan and lease portfolio. A provision for credit losses is recorded to adjust the level of the allowance as deemed necessary by management. The provision for credit losses in the first quarter of 2003 was \$33 million, up from \$24 million in the year-earlier quarter but equal to 2002's fourth quarter. Net loan charge-offs were \$25 million and \$16 million during the quarters ended March 31, 2003 and 2002, respectively, and \$31 million during the fourth quarter of 2002. Net charge-offs as an annualized percentage of average loans and leases were .39% in the recent quarter, compared with .26% and .48% in the first and fourth quarters of 2002, respectively. A summary of net charge-offs by loan type is presented below.

NET CHARGE-OFFS BY LOAN/LEASE TYPE In thousands

	First Quarter 2003	First Quarter 2002	Fourth Quarter 2002
Commercial, financial, etc.	\$12,237	3,422	15,008
Real estate:			
Commercial	1,358	591	3,116
Residential	530	1,189	1,280
Consumer	10,667	10,777	11,678
	<u>\$24,792</u>	<u>15,979</u>	<u>31,082</u>

Nonperforming loans, consisting of nonaccrual and restructured loans, totaled \$230 million or .88% of total loans and leases outstanding at March 31, 2003, compared with \$182 million or .73% a year earlier and \$215 million or .84% at December 31, 2002. The higher level of nonperforming loans at March 31, 2003 and December 31, 2002 compared with the March 31, 2002 total reflects prolonged weakness in the economy and its impact on the Company's customers, and included four commercial loans having an aggregate outstanding balance of \$55 million at March 31, 2003, of which three of those loans having an aggregate outstanding balance of \$49 million were also nonperforming at December 31, 2002. None of these loans were classified as nonperforming at March 31, 2002. Accruing loans past due 90 days or more totaled \$146 million or .56% of total loans and leases at March 31, 2003, compared with \$148 million or .59% at March 31, 2002 and \$154 million or .60% at December 31, 2002. Such loans include one-to-four family residential mortgage loans serviced by the Company and repurchased from the Government National Mortgage Association ("GNMA"). The repurchased loans totaled \$120 million and \$109 million as of March 31, 2003 and 2002, respectively, and \$123 million at December 31, 2002. The outstanding principal balances of the repurchased loans are fully guaranteed by government agencies. The loans were repurchased to reduce servicing costs associated with them, including a requirement to advance principal and interest payments that had not been received from individual mortgagors. In general, the remaining portion of accruing loans past due 90 days or more were either also guaranteed by government agencies or well-secured by collateral.

Reflecting the weakened economy and the previously noted loans totaling \$55 million and \$49 million at March 31, 2003 and December 31, 2002, respectively, nonperforming commercial loans and leases aggregated \$110 million at March 31, 2003, \$102 million at December 31, 2002 and \$80 million at March 31, 2002. Nonperforming commercial real estate loans totaled \$53 million at March 31, 2003, \$39 million at March 31, 2002 and \$49 million at December 31, 2002. Residential real estate loans classified as nonperforming were \$39 million at March 31, 2003, compared with \$37 million at March 31 and December 31, 2002. Residential real estate loans past due 90 days or more and accruing interest totaled \$139 million at March 31, 2003, compared with \$130 million a year earlier and \$142 million at December 31, 2002. As already discussed, a substantial portion of such amounts relate to loans repurchased from GNMA which are fully guaranteed by government agencies. Nonperforming consumer loans and leases totaled \$28 million at March 31, 2003, compared with \$26 million at March 31, 2002 and \$27 million at December 31, 2002. As a percentage of consumer loan balances outstanding, nonperforming consumer loans

and leases were .36% at March 31, 2003, compared with .41% and .37% at March 31 and December 31, 2002, respectively. Accruing consumer loans and leases past due 90 days or more were \$4 million, \$7 million and \$3 million at March 31, 2003, March 31, 2002 and December 31, 2002, respectively.

Assets acquired in settlement of defaulted loans were \$17 million at March 31, 2003 and December 31, 2002, compared with \$22 million at March 31, 2002.

A comparative summary of nonperforming assets and certain past due loan data and credit quality ratios as of the end of the periods indicated is presented in the accompanying table.

NONPERFORMING ASSET AND PAST DUE LOAN DATA

Dollars in thousands

	2003		2002 Quarters		
	First Quarter	Fourth	Third	Second	First
Nonaccrual loans	\$222,334	207,038	218,617	159,468	173,197
Renegotiated loans	7,630	8,252	8,402	8,463	9,057
Total nonperforming loans	229,964	215,290	227,019	167,931	182,254
Real estate and other assets owned	16,976	17,380	20,458	22,198	21,594
Total nonperforming assets	\$246,940	232,670	247,477	190,129	203,848
Accruing loans past due 90 days or more*	\$146,355	153,803	147,867	128,127	148,038
Government guaranteed loans included in totals above					
Nonperforming loans	\$ 12,513	11,885	10,373	10,693	10,351
Accruing loans past due 90 days or more	123,697	129,114	114,432	109,189	115,097
Nonperforming loans to total loans and leases, net of unearned discount	.88%	.84%	.86%	.66%	.73%
Nonperforming assets to total net loans and leases and real estate and other assets owned	.94%	.90%	.94%	.74%	.81%
Accruing loans past due 90 days or more to total loans and leases, net of unearned discount	.56%	.60%	.56%	.50%	.59%

* Predominately residential mortgage loans and consumer loans.

Management regularly assesses the adequacy of the allowance for credit losses by performing ongoing evaluations 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 evaluated the impact of changes in interest rates and overall economic conditions on the ability of borrowers to meet repayment obligations when quantifying the Company's exposure to credit losses and assessing the adequacy of the Company's allowance for such losses at March 31, 2003. Factors considered by management when performing its assessment, in addition to general economic conditions and other general and borrower-specific factors described above, 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 and in central Pennsylvania that have historically experienced less economic growth and vitality than the vast majority of other regions of the country; and (iii) significant growth in loans to individual consumers, which historically have experienced higher net charge-offs as a percentage of loans outstanding than other loan types. The level of the allowance is adjusted based on the results of management's analysis. Management believes that the allowance for credit losses at March 31, 2003 was adequate to absorb credit losses inherent in the portfolio as of that date. The allowance for credit losses was \$445 million, or 1.70% of total loans and leases at March 31, 2003, compared with \$433 million or 1.72% a year earlier and \$436 million or 1.70% at December 31, 2002. The ratio of the allowance for credit losses to nonperforming loans was 193% at the most recent quarter-end, compared with 238% a year earlier and 203% at December 31, 2002.

Other Income

Other income was \$133 million in the first quarter of 2003, compared with \$124 million in the year-earlier quarter and \$138 million in the fourth quarter of 2002.

Mortgage banking revenues totaled \$34 million in 2003's initial quarter, compared with \$28 million in the first quarter of 2002 and \$35 million in the final quarter of 2002. The low interest rate environment continued to produce a favorable environment for loan origination and refinancing activities. Residential mortgage loans originated for sale to other investors remained at historically high levels, totaling approximately \$1.5 billion during the first quarter of 2003, compared with \$1.3 billion in 2002's first quarter and \$1.9 billion in the fourth quarter of 2002. Realized gains from sales of residential mortgage loans and loan servicing rights and unrealized gains from recording residential mortgage loans held for sale, commitments to originate loans for sale and commitments to sell loans at fair market value aggregated \$18 million in the first quarter of 2003 and the final 2002 quarter, compared with \$14 million in the first quarter of 2002. Revenues from servicing residential mortgage loans for others were \$14 million in the recent quarter and 2002's fourth quarter, compared with \$12 million in the first quarter of 2002. Residential mortgage loans serviced for others totaled \$12.6 billion at March 31 and December 31, 2002, and \$12.0 billion at March 31, 2002. Capitalized servicing assets, net of a valuation allowance for impairment, were \$106 million at March 31, 2003, compared with \$125 million at March 31, 2002 and \$103 million at December 31, 2002. Residential mortgage loans held for sale totaled \$897 million and \$832 million at March 31, 2003 and 2002, respectively, and \$1.1 billion at December 31, 2002. Commitments to sell loans and commitments to originate loans for sale at pre-determined rates were \$1.4 billion and \$984 million, respectively, at March 31, 2003, \$1.0 billion and \$622 million, respectively, at March 31, 2002, and \$1.5 billion and \$825 million, respectively, at December 31, 2002. Net unrealized gains on loans held for sale, commitments to sell loans, and commitments to originate loans for sale were \$14 million and \$8 million at March 31, 2003 and 2002, respectively, and \$15 million at December 31, 2002.

Service charges on deposit accounts were \$43 million in the initial quarter of 2003, up from \$40 million in the corresponding quarter of the previous year, but down slightly from \$44 million in the fourth quarter of 2002. Higher transactional deposit account balances, which generate higher levels of service charges than non-transactional accounts, were a factor in the higher service charge income in the two most recent quarters compared with 2002's first quarter. Trust income totaled \$14 million in both the recent quarter and last year's final quarter, down from \$16 million in the first quarter of 2002, due in part to general declines in market values of equity securities in customer accounts upon which fees for certain trust services are determined. Brokerage services income, which includes revenues from the sale of mutual funds and annuities and securities brokerage fees, totaled \$10 million in the first quarter of 2003, compared with \$11 million and \$9 million in the first and fourth quarters of 2002, respectively. Trading account and foreign

exchange activity resulted in gains of \$641 thousand during the quarter ended March 31, 2003, compared with gains of \$1 million in each of 2002's first and fourth quarters. Other revenues from operations totaled \$30 million in the recent quarter, compared with \$29 million in the corresponding quarter of 2002 and \$34 million in the fourth quarter of 2002. Included in other revenues from operations is tax-exempt income from bank owned life insurance, which includes increases in the cash surrender value of life insurance policies and benefits received. Such income totaled \$8 million during each of the quarters noted above. Also included in other revenues from operations in 2002's fourth quarter was a \$5 million gain realized from the sale of a 12% portion of the \$1.1 billion residential real estate loan securitization already discussed.

Other Expense

Other expense totaled \$242 million in the initial quarter of 2003, 4% higher than \$233 million in the year-earlier period, but down 4% from \$251 million in 2002's final quarter. Operating expenses, which exclude amortization of core deposit and other intangible assets and merger-related expenses, totaled \$225 million in the first quarter of 2003, compared with \$220 million in the year-earlier quarter and \$239 million in the fourth quarter of 2002. Components of other expense considered to be nonoperating in nature and therefore excluded from the operating expense totals noted above were amortization of core deposit and other intangible assets of \$12 million in the first quarter of 2003 and in the fourth quarter of 2002, and \$14 million in the first quarter of 2002; and merger-related expenses of \$5 million in the initial quarter of 2003. There were no merger-related expenses in the first or fourth quarters of 2002.

Salaries and employee benefits expense totaled \$124 million in the two most recent quarters, compared with \$123 million in the first quarter of 2002. As already discussed, the Company began recognizing expense for stock-based compensation effective January 1, 2003. As a result, salaries and employee benefits expense in 2003's first quarter included \$10 million of stock-based compensation. Using the retroactive restatement method prescribed by SFAS No. 148, salaries and employee benefits expense for the first and fourth quarters of 2002 were each restated to also include \$10 million of stock-based compensation.

Excluding the nonoperating expense items previously noted, nonpersonnel expense totaled \$101 million in the recent quarter, compared with \$96 million in the first quarter of 2002 and \$115 million in 2002's fourth quarter. The most significant factor in the increase from the year-earlier period was higher expenses for amortization of capitalized residential mortgage loan servicing rights. The higher level of nonpersonnel expenses incurred in 2002's fourth quarter was largely due to a \$13 million provision for impairment of capitalized residential mortgage servicing rights. Reflecting the impact on customer refinancings of outstanding mortgage loans that the low interest rate environment was expected to have on residential mortgage prepayment speeds, the Company recognized impairment of certain strata of residential mortgage loan servicing rights in the fourth quarter of 2002. There was no provision for impairment of capitalized residential mortgage servicing rights in the first quarter of 2003 or 2002.

The efficiency ratio, or noninterest operating expenses divided by the sum of taxable-equivalent net interest income and other income (exclusive of securities transactions) measures how much of the Company's revenue is consumed by operating expenses. Excluding gains from sales of bank investment securities from other income, the efficiency ratio improved to 49.8% during the first quarter of 2003, down from 51.3% in the year-earlier period and 51.7% in the fourth quarter of 2002. Operating expenses do not include the merger-related expenses and amortization of core deposit and other intangible assets noted above. If amortization of core deposit and other intangible assets were included in operating expenses, the efficiency ratio for the three month periods ended March 31, 2003, March 31, 2002 and December 31, 2002 would have been 52.4%, 54.4% and 54.2%, respectively.

Capital

Stockholders' equity at March 31, 2003 was \$3.3 billion and represented 9.91% of total assets, compared with \$3.0 billion or 9.48% a year earlier and \$3.2 billion or 9.66% at December 31, 2002. Stockholders' equity per share was \$35.81 at March 31, 2003, up from \$31.89 and \$34.82 at March 31 and December 31, 2002, respectively. Tangible equity per share, which excludes goodwill and core deposit and other intangible assets and applicable deferred tax balances, was \$23.13 at March 31, 2003, compared with \$18.90 a year earlier and \$22.04 at December 31, 2002.

In November 2001, M&T announced that it had been authorized by its Board of Directors to purchase up to 5,000,000 shares of its common stock. However, M&T discontinued purchases of its common stock during the third quarter of 2002, determining instead that it would use the Company's internal generation of capital to support the acquisition of Allfirst. Prior thereto, a total of 3,632,098 shares of common stock had been repurchased pursuant to the authorization at an average cost per share of \$78.49.

Included in stockholders' equity at March 31, 2003 was accumulated other comprehensive income, which reflected a gain of \$50 million, or \$.54 per common share, representing the net after-tax impact of unrealized gains on investment securities classified as available for sale, compared with unrealized gains of \$12 million, or \$.13 per share, at March 31, 2002 and \$55 million, or \$.60 per share, at December 31, 2002. Such unrealized gains 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. Accumulated other comprehensive income also reflects an unrealized loss of \$421 thousand at March 31, 2003, compared with an unrealized gain of \$296 thousand a year earlier and an unrealized loss of \$622 thousand at December 31, 2002, representing the after-tax estimated fair values of interest rate swap agreements designated as cash flow hedges.

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 described in note 5 of Notes to Financial Statements. As of March 31, 2003, total capital further included \$939 million of subordinated notes issued by M&T Bank. The April 1, 2003 acquisition of Allfirst reduced the capital ratios of the Company and M&T Bank. However, following the acquisition, such capital ratios still exceed the regulatory guidelines for a well-capitalized institution.

The Company generates significant amounts of regulatory capital. The rate of regulatory core capital generation, or cash net income (reduced by the impact of merger-related expenses) less dividends paid expressed as an annualized percentage of regulatory "core capital" at the beginning of each period, was 18.15% during the first quarter of 2003, compared with 20.47% and 18.52% in the first and fourth quarters of 2002, respectively.

The regulatory capital ratios of the Company, M&T Bank and M&T Bank, N.A. as of March 31, 2003 are presented in the accompanying table.

REGULATORY CAPITAL RATIOS

March 31, 2003

	M&T (Consolidated)	M&T Bank	M&T Bank, N.A.
Core capital	8.34%	8.14%	21.53%
Total capital	12.90%	12.74%	22.45%
Leverage	7.45%	7.28%	13.42%

Segment Information

In accordance with 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. Financial information about the Company's segments is presented in note 6 of Notes to Financial Statements.

The Commercial Banking segment contributed \$23 million to the Company's net income in the first quarter of 2003, down 22% from \$29 million in the first quarter of 2002, but slightly higher than the \$22 million earned in the fourth quarter of 2002. An increase in net loan charge-offs was the primary factor contributing to the year-over-year decline in this segment's net income.

Net income for the Commercial Real Estate segment was \$23 million in the first quarter of 2003, compared with \$22 million and \$24 million in the first and fourth quarters of 2002, respectively. The increase from the initial quarter of 2002 was due largely to a \$3 million increase in net interest income, the result of a 14 basis point widening of the net interest margin on loans and a 4% increase in loan balances outstanding, offset, in part, by a \$1 million increase in net charge-offs. The decrease from the immediately preceding quarter was primarily due to a \$1 million decrease in net interest income, the result of a lower net interest margin on escrow deposit balances.

Net income earned by the Discretionary Portfolio segment totaled \$14 million in the first quarter of 2003, compared with \$16 million and \$18 million in the first and fourth quarters of 2002, respectively. The unfavorable variance from the fourth quarter of 2002 was predominately the result of the \$5 million gain recognized in November 2002 from the sale of a 12% portion of the \$1.1 billion residential mortgage loan securitization transaction previously discussed. The decrease from the initial quarter of 2002 was due to a \$2 million decrease in net interest income, resulting from a 5% decrease in earning asset balances outstanding, and higher amortization of capitalized residential mortgage loan servicing rights attributable to securitized residential mortgage loans held by this segment.

The Residential Mortgage Banking segment's net income for the first quarter of 2003 was \$17 million, up 24% from \$14 million in the year-earlier quarter and 65% higher than \$10 million in the final quarter of 2002. The increase from the previous year's first quarter was attributable to a \$9 million increase in revenues from loan origination and sales activities, including gains from sales of loans to the Company's Discretionary Portfolio segment, and increased loan servicing revenues of \$1 million. Partially offsetting these higher revenues were an increase in amortization of capitalized mortgage servicing rights and higher other operating costs of \$6 million. The improvement from 2002's fourth quarter was largely the result of a \$12 million provision for impairment of capitalized residential mortgage loan servicing rights recognized in the fourth quarter of 2002. There was no similar provision in the first quarter of 2003 or 2002.

The Retail Banking segment contributed net income of \$40 million in the first quarter of 2003, slightly higher than the first quarter of 2002, but up 12% from \$36 million in the fourth quarter of 2002. The increase in net income contribution from the fourth quarter of 2002 was due to a \$13 million, or 11%, decrease in advertising, professional services and other operating expenses, partially offset by a \$7 million, or 5%, decrease in net interest income, largely due to a 15 basis point decrease in the interest margin attributable to deposits.

The "All Other" category consists largely of other activities of the Company that are not directly attributable to the reported segments as determined in accordance with SFAS No. 131. Included in this category are the amortization of core deposit and other intangible assets, merger-related expenses resulting from acquisitions, and the net impact of the Company's allocation methodologies for internal funds transfer pricing and the provision

for credit losses. The various components comprising the “All Other” category resulted in net losses of \$1 million and \$7 million in the first quarter of 2003 and 2002, respectively, and net income of \$8 million in the fourth quarter of 2002. The recent quarter’s variances from the earlier quarters were largely the result of merger-related expenses resulting from acquisitions and the Company’s allocation methodologies for internal funds transfer pricing and the provision for credit losses.

Recent Accounting Developments

In June 2001, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 143, “Accounting for Asset Retirement Obligations.” SFAS No. 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002, with earlier application encouraged. The Company adopted SFAS No. 143 effective January 1, 2003. The adoption of SFAS No. 143 had no effect on the Company’s consolidated financial statements for the quarter ended March 31, 2003.

In June 2002, the FASB issued SFAS No. 145, “Recission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections.” SFAS No. 145 addresses a number of different issues and was or is effective at various dates in 2002 and 2003, with earlier application encouraged. None of the provisions of SFAS No. 145 had or are expected to have a material impact on the Company’s consolidated financial statements.

In July 2002, the FASB issued SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities.” SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, “Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring).” SFAS No. 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. The provisions of SFAS No. 146 are effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. SFAS No. 146 does not apply to costs associated with an exit activity that involves an entity newly acquired in a business combination. The Company adopted SFAS No. 146 effective January 1, 2003, and does not believe that such adoption will have a material impact on the Company’s consolidated financial position, but that adoption could affect the timing of when certain costs associated with exit or disposal activities are recognized in future periods. The adoption had no effect on the Company’s results of operations during the first quarter of 2003.

FASB Interpretation No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others,” was issued in November 2002. FASB Interpretation No. 45 elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of FASB Interpretation No. 45 are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002. The Company has complied with the required disclosure requirements. The recognition and measurement provisions of FASB Interpretation No. 45 were adopted effective January 1,

2003. Such adoption did not have a material impact on the Company's consolidated financial statements for the quarter ended March 31, 2003.

FASB Interpretation No. 46, "Consolidation of Variable Interest Entities," was issued in January 2003. FASB Interpretation No. 46 clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FASB Interpretation No. 46 requires an enterprise to consolidate a variable interest entity if that enterprise has a variable interest (or combination of variable interests) that will absorb a majority of the entity's expected losses if they occur, receive a majority of the entity's expected returns if they occur, or both. It also requires that both the primary beneficiary and all other enterprises with a significant variable interest in a variable interest entity make certain disclosures. FASB Interpretation No. 46 applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. The Company does not expect to change its accounting for its existing interests in variable interest entities upon adoption of the consolidation provisions of FASB Interpretation No. 46.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. SFAS No. 149 is generally effective for contracts entered into or modified after June 30, 2003 and is effective for hedging relationships designated after June 30, 2003. Provisions of SFAS No. 149 that relate to SFAS No. 133 implementation issues that have been effective for fiscal quarters that began prior to June 15, 2003 should continue to be applied in accordance with their respective dates. All provisions of SFAS No. 149 should be applied prospectively, except for paragraphs 7(a) and 23(a), which relate to forward purchases or sales of "when-issued" securities or other securities that do not yet exist, which should be applied to both existing contracts and new contracts entered into after June 30, 2003. The provisions of SFAS No. 149 are not expected to have a material impact on the Company's consolidated financial statements.

Forward-Looking Statements

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

Future Factors include changes in interest rates, spreads on earning assets and interest-bearing liabilities, and interest rate sensitivity; credit losses; sources of liquidity; common shares outstanding; common stock price volatility; fair value and number of stock options to be issued in future periods; legislation affecting the financial services industry as a whole, and M&T and its subsidiaries individually or collectively; 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 with 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.

M&T BANK CORPORATION AND SUBSIDIARIES

AVERAGE BALANCE SHEETS AND ANNUALIZED TAXABLE-EQUIVALENT RATES

Average balance in millions; interest in thousands	2003 First Quarter			2002 Fourth Quarter			2002 Third Quarter		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate
Assets									
Earning assets									
Loans and leases, net of unearned discount*									
Commercial, financial, etc.	\$ 5,340	\$ 60,441	4.59%	5,273	64,190	4.83%	5,181	66,239	5.07%
Real estate — commercial	9,687	159,101	6.57	9,650	163,064	6.76	9,536	164,406	6.90
Real estate — consumer	3,181	51,476	6.47	3,638	60,952	6.70	4,147	72,318	6.98
Consumer	7,581	117,839	6.30	7,303	122,029	6.63	6,964	119,805	6.83
Total loans and leases, net	25,789	388,857	6.11	25,864	410,235	6.29	25,828	422,768	6.49
Money-market assets									
Interest-bearing deposits at banks	8	14	.72	7	15	.83	6	21	1.43
Federal funds sold and agreements to resell securities	554	1,744	1.28	487	1,808	1.47	103	458	1.77
Trading account	15	62	1.62	15	67	1.71	12	51	1.68
Total money-market assets	577	1,820	1.28	509	1,890	1.47	121	530	1.74
Investment securities**									
U.S. Treasury and federal agencies	1,147	16,213	5.73	1,163	17,893	6.10	1,327	21,461	6.42
Obligations of states and political subdivisions	242	3,775	6.25	252	4,025	6.39	278	4,332	6.24
Other	2,249	28,517	5.14	2,330	27,472	4.68	1,337	15,710	4.66
Total investment securities	3,638	48,505	5.41	3,745	49,390	5.23	2,942	41,503	5.60
Total earning assets	30,004	439,182	5.94	30,118	461,515	6.08	28,891	464,801	6.38
Allowance for credit losses	(445)			(442)			(440)		
Cash and due from banks	729			757			738		
Other assets	2,773			2,741			2,719		
Total assets	\$33,061			33,174			31,908		
Liabilities and stockholders' equity									
Interest-bearing liabilities									
Interest-bearing deposits									
NOW accounts	\$ 789	708	.36	794	902	.45	753	1,024	.54
Savings deposits	9,623	22,684	.96	9,355	25,538	1.08	8,950	27,797	1.23
Time deposits	5,877	38,111	2.63	6,673	46,213	2.75	7,154	54,168	3.00
Deposits at foreign office	1,052	3,123	1.20	934	3,360	1.43	458	1,793	1.55
Total interest-bearing deposits	17,341	64,626	1.51	17,756	76,013	1.70	17,315	84,782	1.94
Short-term borrowings	3,490	11,152	1.30	3,651	13,818	1.50	3,199	14,197	1.76
Long-term borrowings	4,838	43,814	3.67	4,486	46,527	4.11	4,306	47,101	4.34
Total interest-bearing liabilities	25,669	119,592	1.89	25,893	136,358	2.09	24,820	146,080	2.34
Noninterest-bearing deposits	3,737			3,752			3,676		
Other liabilities	388			394			382		
Total liabilities	29,794			30,039			28,878		
Stockholders' equity	3,267			3,135			3,030		
Total liabilities and stockholders' equity	\$33,061			33,174			31,908		
Net interest spread			4.05			3.99			4.04
Contribution of interest-free funds			.27			.29			.34
Net interest income/margin on earning assets		\$319,590	4.32%		325,157	4.28%		318,721	4.38%

* Includes nonaccrual loans.

**Includes available for sale securities at amortized cost.

(continued)

M&T BANK CORPORATION AND SUBSIDIARIES

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

<i>Average balance in millions; interest in thousands</i>	2002 Second Quarter		Average	2002 First Quarter		Average
	Average balance	Interest	rate	Average balance	Interest	rate
Assets						
Earning assets						
Loans and leases, net of unearned discount*						
Commercial, financial, etc.	\$ 5,070	\$ 66,255	5.24%	5,059	65,183	5.23%
Real estate — commercial	9,432	167,227	7.09	9,371	166,685	7.11
Real estate — consumer	4,129	73,025	7.07	4,441	78,760	7.09
Consumer	6,583	114,871	7.00	6,238	110,462	7.18
Total loans and leases, net	25,214	421,378	6.70	25,109	421,090	6.80
Money-market assets						
Interest-bearing deposits at banks	5	22	1.63	5	18	1.61
Federal funds sold and agreements to resell securities	255	1,119	1.76	245	1,070	1.77
Trading account	13	57	1.79	12	72	2.30
Total money-market assets	273	1,198	1.76	262	1,160	1.80
Investment securities**						
U.S. Treasury and federal agencies	1,319	20,933	6.36	1,360	21,125	6.30
Obligations of states and political subdivisions	289	4,754	6.58	296	4,717	6.37
Other	1,280	16,783	5.26	1,254	16,694	5.40
Total investment securities	2,888	42,470	5.90	2,910	42,536	5.93
Total earning assets	28,375	465,046	6.57	28,281	464,786	6.67
Allowance for credit losses	(439)			(433)		
Cash and due from banks	709			724		
Other assets	2,704			2,718		
Total assets	\$31,349			31,290		
Liabilities and stockholders' equity						
Interest-bearing liabilities						
Interest-bearing deposits						
NOW accounts	\$ 757	1,055	.56	738	919	.51
Savings deposits	8,822	26,973	1.23	8,459	26,973	1.29
Time deposits	7,642	63,722	3.34	8,141	72,898	3.63
Deposits at foreign office	404	1,516	1.51	479	1,791	1.52
Total interest-bearing deposits	17,625	93,266	2.12	17,817	102,581	2.33
Short-term borrowings	2,677	11,825	1.77	2,963	12,883	1.76
Long-term borrowings	4,121	46,858	4.56	3,725	44,663	4.86
Total interest-bearing liabilities	24,423	151,949	2.50	24,505	160,127	2.65
Noninterest-bearing deposits	3,585			3,455		
Other liabilities	363			370		
Total liabilities	28,371			28,330		
Stockholders' equity	2,978			2,960		
Total liabilities and stockholders' equity	\$31,349			31,290		
Net interest spread			4.07			4.02
Contribution of interest-free funds			.36			.35
Net interest income/margin on earning assets		\$313,097	4.43%		304,659	4.37%

* Includes nonaccrual loans.

**Includes available for sale securities at amortized cost.

M&T BANK CORPORATION AND SUBSIDIARIES

QUARTERLY TRENDS

	2003 First Quarter	Fourth	Third	2002 Quarters Second	First
Earnings and dividends					
<i>Amounts in thousands, except per share</i>					
Interest income (taxable-equivalent basis)	\$ 439,182	461,515	464,801	465,046	464,786
Interest expense	119,592	136,358	146,080	151,949	160,127
Net interest income	319,590	325,157	318,721	313,097	304,659
Less: provision for credit losses	33,000	33,000	37,000	28,000	24,000
Other income	132,847	138,178	128,346	121,179	124,228
Less: other expense	242,278	251,089	243,971	233,267	233,284
Income before income taxes	177,159	179,246	166,096	173,009	171,603
Applicable income taxes	56,998	57,396	52,432	54,881	54,427
Taxable-equivalent adjustment	3,623	3,299	3,530	3,621	3,599
Net income	\$ 116,538	118,551	110,134	114,507	113,577
Per common share data					
Basic earnings	\$ 1.26	1.29	1.20	1.23	1.22
Diluted earnings	1.23	1.25	1.16	1.19	1.18
Cash dividends	\$.30	.30	.25	.25	.25
Average common shares outstanding					
Basic	92,399	92,060	92,017	92,608	93,265
Diluted	95,062	94,950	94,942	95,917	96,300
Performance ratios, annualized					
Return on					
Average assets	1.43%	1.42%	1.37%	1.47%	1.47%
Average common stockholders' equity	14.46%	15.00%	14.42%	15.43%	15.56%
Net interest margin on average earning assets (taxable-equivalent basis)					
	4.32%	4.28%	4.38%	4.43%	4.37%
Nonperforming loans to total loans and leases, net of unearned discount					
	.88%	.84%	.86%	.66%	.73%
Efficiency ratio (a)	52.37%	54.20%	54.49%	53.69%	54.41%
Cash (tangible) operating results (b)					
Net income (in thousands)	\$ 127,231	125,760	118,090	123,040	122,370
Diluted net income per common share	1.34	1.32	1.24	1.28	1.27
Annualized return on					
Average tangible assets	1.62%	1.56%	1.53%	1.64%	1.65%
Average tangible common stockholders' equity	24.68%	25.54%	25.46%	27.75%	28.41%
Efficiency ratio (a)	49.81%	51.65%	51.59%	50.67%	51.26%
Balance sheet data					
<i>In millions, except per share</i>					
Average balances					
Total assets	\$ 33,061	33,174	31,908	31,349	31,290
Earning assets	30,004	30,118	28,891	28,375	28,281
Investment securities	3,638	3,745	2,942	2,888	2,910
Loans and leases, net of unearned discount	25,789	25,864	25,828	25,214	25,109
Deposits	21,078	21,508	20,991	21,210	21,272
Stockholders' equity	3,267	3,135	3,030	2,978	2,960
At end of quarter					
Total assets	\$ 33,444	33,201	34,173	31,708	31,317
Earning assets	30,396	30,027	30,749	28,627	28,337
Investment securities	4,146	3,955	4,181	2,961	2,861
Loans and leases, net of unearned discount	26,224	25,728	26,309	25,604	25,138
Deposits	21,924	21,665	22,540	21,858	21,624
Stockholders' equity	3,313	3,208	3,083	3,000	2,968
Equity per common share	35.81	34.82	33.52	32.54	31.89
Tangible equity per common share	23.13	22.04	20.63	19.58	18.90
Market price per common share					
High	\$ 84.48	85.08	86.50	90.05	82.24

Low	74.71	67.70	70.09	79.80	71.19
Closing	78.58	79.35	78.81	85.76	80.37

- (a) Excludes impact of merger-related expenses and net securities transactions.
- (b) Excludes amortization and balances related to goodwill and core deposit and other intangible assets and merger-related expenses which, except in the calculation of the efficiency ratio, are net of applicable income tax effects. A reconciliation of cash (tangible) operating results with net income is included on page 17.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Item 4. Controls and Procedures.

(a) Evaluation of disclosure controls and procedures. Based upon their evaluation of the effectiveness of M&T's disclosure controls and procedures (as defined in Exchange Act rules 13a-14(c) and 15d-14(c)), Robert G. Wilmers, Chairman of the Board, President and Chief Executive Officer, and Michael P. Pinto, Executive Vice President and Chief Financial Officer, believe that M&T's disclosure controls and procedures were effective as of March 31, 2003.

(b) Changes in internal controls. There were no significant changes in M&T's internal controls or in other factors that could significantly affect these controls subsequent to March 31, 2003 through the date of this Quarterly Report on Form 10-Q, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

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

Item 2. Changes in Securities and Use of Proceeds.

(Not applicable.)

Item 3. Defaults Upon Senior Securities.

(Not applicable.)

Item 4. Submission of Matters to a Vote of Security Holders.

(None)

Item 5. Other Information.

(None)

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

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

Exhibit
No.

- | | |
|-----|---|
| 3.3 | Certificate of Amendment of the Certificate of Incorporation of M&T Bank Corporation dated March 4, 2003, effective as of March 25, 2003. |
| 3.4 | Certificate of Amendment of the Certificate of Incorporation of M&T Bank Corporation dated March 28, 2003, effective as of April 1, 2003. |

- 3.5 Bylaws of M&T Bank Corporation as adopted on October 15, 2002 and effective as of April 1, 2003.
- 4.23 Registration Rights Agreement dated April 1, 2003 between M&T Bank Corporation and Allied Irish Banks, p.l.c.
- 99.1 Certification of Chief Executive Officer Under 18 U.S.C. §1350.
- 99.2 Certification of Chief Financial Officer Under 18 U.S.C. §1350.

(b) Reports on Form 8-K. The following Current Reports on Form 8-K were filed with the Securities and Exchange Commission during the quarterly period ended March 31, 2003:

On January 16, 2003, M&T filed a Current Report on Form 8-K dated January 10, 2003 to disclose that M&T had announced its results of operations for the fiscal year ended December 31, 2002 by means of a news release.

On January 28, 2003, M&T filed a Current Report on Form 8-K/A to amend the filing of its Current Report on Form 8-K dated January 16, 2003 to include the definitive news release announcing M&T's results of operations for the year ended December 31, 2002, superceding the news release filed with Form 8-K on January 16, 2003.

SIGNATURES

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

M&T BANK CORPORATION

Date: May 15, 2003

By: /s/ Michael P. Pinto
Michael P. Pinto
Executive Vice President
and Chief Financial Officer

CERTIFICATIONS

I, Robert G. Wilmers, certify that:

1. I have reviewed this quarterly report on Form 10-Q of M&T Bank Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

By: /s/ Robert G. Wilmers

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

CERTIFICATIONS

I, Michael P. Pinto, certify that:

1. I have reviewed this quarterly report on Form 10-Q of M&T Bank Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

By: /s/ Michael P. Pinto

Michael P. Pinto
Executive Vice President
and Chief Financial Officer

EXHIBIT INDEX

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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; a fifth restated certificate of incorporation was filed by the Department of State on the 3rd day of June, 1998; and an amendment to the certificate of incorporation was filed by the Department of State on the 5th day of October, 2000.

(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 two hundred fifty-one million (251,000,000) 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 two hundred fifty million (250,000,000) 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:

Unissued shares: This amendment provides for a change of 52,860,653 unissued common shares of the par value of fifty cents (\$0.50) per share. Resulting from the change are 152,860,653 unissued common shares of the par value of fifty cents (\$0.50) per share. The terms of the change are that the unissued common share existing immediately prior to the effective time of this amendment shall be increased by 100,000,000 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 stockholders.

IN WITNESS WHEREOF, the undersigned have executed, signed and verified this certificate this 4th day of March, 2003.

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)
)
COUNTY OF ERIE) SS.:

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

Robert G. Wilmers

/s/ Marie King

Marie King

Sworn to before me
this 4th day of
March, 2003.

/s/ Brian R. Yoshida

Notary Public

BRIAN R. YOSHIDA
Notary Public, State of New York
Qualified in Erie County
My Commission Expires 03/29/2007

CERTIFICATE OF AMENDMENT
OF THE CERTIFICATE OF INCORPORATION OF
M&T BANK CORPORATION
UNDER SECTION 805 OF THE BUSINESS CORPORATION LAW

Dated: March 4, 2003

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

CERTIFICATE OF AMENDMENT
OF THE
CERTIFICATE OF INCORPORATION

OF

M&T BANK CORPORATION

UNDER SECTION 805 OF THE BUSINESS CORPORATION LAW

The undersigned, being an Executive Vice President and an Assistant Secretary, respectively, 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; a fifth restated certificate of incorporation was filed by the Department of State on the 3rd day of June, 1998; an amendment to the certificate of incorporation was filed by the Department of State on the 5th day of October, 2000; and an amendment to the certificate of incorporation was filed by the Department of State on the 25th day of March, 2003.

(3) A new Article EIGHTH is added to the certificate of incorporation of M&T Bank Corporation to read as follows:

EIGHTH: Notwithstanding anything herein or in the Bylaws to the contrary, each of this Article EIGHTH and the following provisions of the Bylaws may not be amended, modified or repealed, nor may any provisions of this certificate of incorporation or the Bylaws be adopted that are inconsistent with this article or such provisions, without either (i) the unanimous approval of the entire Board of Directors or (ii) the affirmative vote of holders of not less than eighty percent (80%) of the outstanding shares of common stock of the Corporation:

- the last proviso of the second sentence of Article II, Section 1;
- Article II, Section 3,
- Article II, Section 12,
- the proviso to the first sentence of Article III, Section 1,
- Article III, Section 4,
- Article X, Section 2,
- Article X, Section 3,
- Article XII, and
- any references to the foregoing Sections elsewhere in the Bylaws.

The provisions of this Article EIGHTH shall automatically terminate without any action on the part of the Corporation, the Board of Directors or the stockholders upon the termination of the foregoing provisions of the Bylaws in accordance with Article X, Section 3 of the Bylaws.

(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 stockholders.

IN WITNESS WHEREOF, the undersigned have executed, signed and verified this certificate this 28th day of March, 2003.

M&T BANK CORPORATION

By: /s/ Michael P. Pinto

Michael P. Pinto
Executive Vice President

By: /s/ Brian R. Yoshida

Brian R. Yoshida
Assistant Secretary

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

Michael P. Pinto and Brian R. Yoshida, being first duly sworn, depose and say that they are respectively, an Executive Vice President and an Assistant Secretary, respectively, 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/ Michael P. Pinto

Michael P. Pinto

/s/ Brian R. Yoshida

Brian R. Yoshida

Sworn to before me
this 28th day of March, 2003.

/s/ Timothy G. McEvoy

Notary Public

TIMOTHY G. MCEVOY
Notary Public, State of New York
Qualified in Erie County
Commission Expires August 29, 2006

CERTIFICATE OF AMENDMENT
OF THE CERTIFICATE OF INCORPORATION OF
M&T BANK CORPORATION
UNDER SECTION 805 OF THE BUSINESS CORPORATION LAW

Dated: March 28, 2003

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

M&T BANK CORPORATION

BYLAWS

(AS ADOPTED ON OCTOBER 15, 2002 AND EFFECTIVE AS OF APRIL 1, 2003)

AMENDED AND RESTATED
BYLAWS
OF
M&T BANK CORPORATION

ARTICLE I
MEETINGS OF STOCKHOLDERS

SECTION 1. ANNUAL MEETING: The annual meeting of the stockholders of the Corporation, for the election of directors and for the transaction of such other business as may be set forth in the notice of the meeting, shall be held each year at the principal office of the Corporation or at such other place within or without the State of New York as the board of directors shall determine and the notice of the meeting shall specify the hour of day on the third Tuesday in April in each year or at such other date within the period of 60 days next succeeding such date as the board of directors shall determine. If that day be a legal holiday in any year, the meeting shall be held on the next following that is not a legal holiday.

SECTION 2. SPECIAL MEETINGS: Special meetings of the stockholders may be called by the board of directors or by the Chief Executive Officer, and shall be called by the Secretary or an Assistant Secretary at the request in writing of the holders of record of at least 25% of the outstanding shares of the Corporation entitled to vote. Such request shall state the purpose or purposes for which the meeting is to be called. Each special meeting of the stockholders shall be held at such time as the board of directors or the person calling the meeting (the Chief Executive Officer, Secretary or Assistant Secretary, as the case may be) shall

determine and the notice of the meeting shall specify, and shall be held at the principal office of the Corporation or at such other place within or without the State of New York as the board of directors shall determine or the notice of meeting shall specify.

SECTION 3. NOTICE OF MEETINGS: Written notice of each meeting of the stockholders shall be given, personally or by mail, not less than 10 nor more than 60 days before the date of the meeting, to each stockholder entitled to vote at such meeting. If mailed, such notice shall be deposited in the United States mail, with first-class postage thereon prepaid, directed to the stockholder at his address as it appears on the record of stockholders, or, if he shall have filed with the Secretary of the Corporation a written request that notices to him be mailed to some other address, then directed to him at such other address. The notice shall state the place, date and hour of the meeting, the purpose or purposes for which the meeting is called and, unless it is the annual meeting, indicate that the notice is being issued by or at the direction of the person calling the meeting. The notice need not refer to the approval of minutes or to other matters normally incident to the conduct of the meeting. Except for such matters, the business which may be transacted at the meeting shall be confined to business which is related to the purpose or purposes set forth in the notice. If, at any meeting, action is proposed to be taken which would, if taken, entitle dissenting stockholders to receive payment for their shares, the notice of such meeting shall include a statement of that purpose and to that effect.

SECTION 4. WAIVER OF NOTICE: Whenever under any provision of these Bylaws, the certificate of incorporation, the terms of any agreement or instrument, or law, the Corporation or the board of directors or any committee thereof is authorized to take any action after notice to

any person or persons or after the lapse of a prescribed period of time, such action may be taken without notice and without the lapse of such period of time, if at any time before or after such action is completed the person or persons entitled to such notice or entitled to participate in the action to be taken or, in the case of a stockholder, by his duly authorized attorney-in-fact, submit a signed waiver of notice of such requirements. The attendance of any stockholder at a meeting, in person or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall constitute a waiver of notice by him.

SECTION 5. PROCEDURE: At each meeting of stockholders the order of business and all other matters of procedure may be determined by the person presiding at the meeting.

SECTION 6. LIST OF STOCKHOLDERS: A list of stockholders as of the record date, certified by the corporate officer responsible for its preparation or by a transfer agent, shall be produced at any meeting of stockholders upon the request thereat or prior thereto of any stockholder. If the right to vote at any meeting is challenged, the inspectors of election, or person presiding thereat, shall require such list of stockholders to be produced as evidence of the right of the persons challenged to vote at such meeting, and all persons who appear from such list to be stockholders entitled to vote thereat may vote at such meeting.

SECTION 7. QUORUM: At each meeting of stockholders for the transaction of any business, a quorum shall be present to organize such meeting. Except as otherwise provided by law, a quorum shall consist of the holders of record of not less than a majority of the outstanding shares of the Corporation entitled to vote at such meeting, present either in person or by proxy.

When a quorum is once present to organize a meeting of the stockholders, it is not broken by the subsequent withdrawal of any stockholders.

SECTION 8. ADJOURNMENTS: The stockholders entitled to vote who are present in person or by proxy at any meeting of stockholders, whether or not a quorum shall be present at the meeting, shall have power by a majority vote to adjourn the meeting from time to time without notice other than announcement at the meeting of the time and place to which the meeting is adjourned. At any adjourned meeting at which a quorum shall be present any business may be transacted that might have been transacted on the original date of the meeting and the stockholders entitled to vote at the meeting on the original date (whether or not they were present thereat), and no others, shall be entitled to vote at such adjourned meeting.

SECTION 9. VOTING; PROXIES: Each stockholder of record shall be entitled at every meeting of stockholders to one vote for each share having voting power standing in his name on the record of stockholders of the Corporation on the record date fixed pursuant to Section 3 of Article VI of these Bylaws. Each stockholder entitled to vote at a meeting of stockholders may vote in person, or may authorize another person or persons to act for him by proxy. Any proxy may be signed by such stockholder or his duly authorized attorney-in-fact, including by facsimile signature, and shall be delivered to the Secretary of the meeting, or may be authorized by telegram, cablegram or other electronic transmission provided that it can be reasonably determined from such telegram, cablegram or other electronic transmission that such proxy was authorized by the stockholder. The signature of a stockholder on any proxy, including without limitation a telegram, cablegram or other electronic transmission, may be printed, stamped or

written, or provided by other reliable reproduction, provided such signature is executed or adopted by the stockholder with intention to authenticate the proxy. No proxy shall be valid after the expiration of 11 months from the date of its execution unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the stockholder executing it, except as otherwise provided by law.

Directors elected at any meeting of the stockholders shall, except as otherwise provided by law or the certificate of incorporation, be elected by a plurality of the votes cast in favor or against such action. All other corporate action to be taken by vote of the stockholders shall, except as otherwise provided by law, the certificate of incorporation or these Bylaws, be authorized by a majority of the votes cast in favor or against such action. The vote for directors, or upon any question before a meeting of stockholders, shall not be by ballot unless the person presiding at such meeting shall so direct or any stockholder, present in person or by proxy and entitled to vote thereon, shall so demand.

SECTION 10. APPOINTMENT OF INSPECTORS OF ELECTION: The board of directors shall appoint one or more inspectors to act at the meeting or any adjournment thereof, and may appoint one or more persons as alternate inspectors to replace any inspector who fails to appear or act. If no inspector or alternate has been appointed, or in case any inspector or alternate inspector appointed fails to appear or act, the vacancy shall be filled by appointment made by the person presiding thereat. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability. No person who is a candidate for the office

of director of the Corporation shall act as an inspector at any meeting of the stockholders at which directors are elected.

SECTION 11. DUTIES OF INSPECTORS OF ELECTION: Whenever one or more inspectors of election may be appointed as provided in these Bylaws, he or they shall determine the number of shares outstanding and entitled to vote, the shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots, or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all stockholders.

SECTION 12. ADVANCE NOTICE OF PROPOSALS: At an annual or special meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (a) specified in the notice of the meeting, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (c) otherwise properly brought before the meeting by a stockholder.

For business to be properly brought before an annual meeting of stockholders pursuant to clause (c) above, the stockholder must have given timely notice thereof to the Corporate Secretary of the Corporation and such business must be a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to the Corporate Secretary at the principal executive offices of the Corporation not later than the following dates: (1) at the close of business on the 120th day prior to the date on which the Corporation first

mailed its proxy materials for the preceding year's annual meeting of stockholders if the date of the annual meeting is not changed more than 30 days from the date of the preceding year's annual meeting, and (2) with respect to any other annual meeting or special meeting of stockholders, the close of business on the tenth day following the date of public disclosure of the date of such meeting is first made. In no event shall the announcement of an adjournment of an annual meeting or special meeting of stockholders commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth (a) as to the stockholder giving the notice (i) the names and business addresses of the stockholder and all Persons (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended, through the date of adoption of these Bylaws) acting in concert with the stockholder; (ii) the names and addresses of the stockholder and the Persons identified in clause (i), as they appear on the Corporation's books (if they so appear); and (iii) the class and number of shares of the Corporation beneficially owned by the stockholder and the Persons identified in clause (i), (b) as to the business being proposed, (i) a brief description of the business desired to be brought before the meeting; (ii) the reasons for conducting such business at the meeting; and (iii) any material interest of the stockholder in such business; and (c) such other information as the Board of Directors reasonably determines is necessary or appropriate to enable the Board of Directors and stockholders of the Corporation to consider the proposal. The person presiding at the annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this section and, if he or she shall so determine, he or she shall declare to the meeting that any business not properly brought before the meeting shall not be transacted.

ARTICLE II

DIRECTORS

SECTION 1. NUMBER AND QUALIFICATIONS: The number of directors constituting the entire board shall not be less than three, except that where all the shares of the Corporation are owned beneficially and of record by less than three stockholders, the number of directors may be less than three, but not less than the number of stockholders. Subject to any provision as to the number of directors contained in the certificate of incorporation or these Bylaws, the exact number of directors shall be fixed from time to time by action of the stockholders or by vote of a majority of the entire board of directors, provided that no decrease in the number of directors shall shorten the term of any incumbent director; and provided, further, that, until the Sunset Date (as defined in Article XII hereof), without the consent of the Significant Stockholder (as defined in Article XII hereof), the number of directors shall not exceed 28. If the number of directors be increased at any time, the vacancy or vacancies in the board arising from such increase shall be filled as provided in Section 6 of this Article II. All of the directors shall be at least twenty-one years of age.

SECTION 2. ELECTION AND TERM OF OFFICE: Except as otherwise specified by law or these Bylaws, each director of the Corporation shall be elected at an annual meeting of stockholders or at any meeting of the stockholders held in lieu of such annual meeting, which meeting, for the purposes of these Bylaws, shall be deemed the annual meeting, and shall hold office until the next annual meeting of stockholders and until his successor has been elected and qualified.

SECTION 3. NOMINATION AND RECOMMENDATION OF SIGNIFICANT STOCKHOLDER
DESIGNEES:

(a) For so long as the Significant Stockholder holds at least fifteen percent (15%) of the outstanding shares of common stock of the Corporation, the Board of Directors, acting through the Nomination and Compensation Committee, shall nominate and recommend for election as directors of the Corporation at least four (4) persons designated by the Significant Stockholder, each of whom is reasonably acceptable to the Corporation.

(b) For so long as the Significant Stockholder holds at least ten percent (10%), but less than fifteen percent (15%), of the outstanding shares of common stock of the Corporation, the Board of Directors, acting through the Nomination and Compensation Committee, shall nominate and recommend for election as directors of the Corporation at least two (2) persons designated by the Significant Stockholder, each of whom is reasonably acceptable to the Corporation.

(c) For so long as the Significant Stockholder holds at least five percent (5%), but less than ten percent (10%), of the outstanding shares of common stock of the Corporation, the Board of Directors, acting through the Nomination and Compensation Committee, shall nominate and recommend for election as a director of the Corporation at least one (1) person designated by the Significant Stockholder, who is reasonably acceptable to the Corporation.

(d) For purposes of determining the number of outstanding shares of common stock of this Corporation for purposes of this Article II, Section 3, Article X, Section 3 and Article XII, Section 1(h), there shall be used the number of shares of common stock of the Corporation disclosed as outstanding on the cover page of the Corporation's most recently filed Annual Report on Form 10-K or Report on Form 10-Q, as the case may be, or the number of

shares of common stock of the Corporation actually outstanding as of a later date, if requested by the Corporation or the Significant Stockholder, determined on the same basis as the number of shares disclosed on such Reports. Any share held by any direct or indirect subsidiary of the Significant Stockholder of which the Significant Stockholder holds 80% or more of the outstanding equity capital or voting shares shall be deemed held by the Significant Stockholder. In the event that the transaction that would result in the Significant Stockholder's holdings being below any threshold set forth herein is a transaction that gives rise to an Issuance Event (as defined in Article XII hereof), no diminution in the percentage of the outstanding shares of common stock of the Corporation held by the Significant Stockholder shall be deemed to have occurred until the earlier of such time as the Significant Stockholder gives written notice that it shall not exercise its Maintenance Rights (as defined in Article XII hereof) or the deadline for exercise of such Maintenance Rights has passed without the Significant Stockholder having provided notice that it shall exercise the same. No diminution in the percentage of outstanding shares of common stock held by the Significant Stockholder shall be deemed to have occurred as a result of any issuance of shares that is subject to the Corporation's repurchase obligations under Section 7.2(c) or Section 7.2(e) of the Reorganization Agreement. In the event that the Significant Stockholder's holdings decrease to less than fifteen percent (15%), but not less than twelve percent (12%), of the outstanding common stock, the Significant Stockholder's holdings shall be deemed to be equal to fifteen percent (15%) for all purposes of the definition of Sunset Date and of this Article II, Section 3, unless, not later than one year from the date on which the Significant Stockholder's holdings decreased to less than fifteen percent (15%), the Significant Stockholder's holdings have not been restored to at least fifteen percent (15%) of the outstanding shares of common stock of the Corporation.

(e) In the event that the Corporation objects to any designee for board or committee service on the grounds that such designee is not "reasonably acceptable" under any provision of this Article II, Section 3, the Corporation shall fully cooperate and shall use best efforts to work with the Significant Stockholder to promptly resolve any such objection so that such designee may as promptly as practicable serve in the capacity for which he or she has been designated or, in the alternative, to promptly identify a substitute candidate that is reasonably acceptable, in order to give effect to the intention of the Corporation and the Significant Stockholder regarding board and committee representation, as applicable, contemplated by this Article II, Section 3.

SECTION 4. RESIGNATION: Any director of the Corporation may resign at any time by giving his resignation to the President or any Vice President or the Secretary. Such resignation shall take effect at the time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 5. REMOVAL OF DIRECTORS: Any director may be removed for cause, at any meeting of stockholders notice of which shall have referred to the proposed action, by vote of the stockholders. Any director may be removed without cause, at any meeting of stockholders notice of which shall have referred to the proposed action, by the vote of the holders of a majority of the shares of the Corporation entitled to vote. Any director may be removed for cause, at any meeting of the directors notice of which shall have referred to the proposed action, by vote of three-fourths of the entire board of directors.

SECTION 6. VACANCIES: Newly created directorships resulting from an increase in the number of directors and vacancies occurring in the board of directors for any reason except the removal of directors may be filled by vote of a majority of the directors then in office, although less than a quorum exists. Subject to Article III, Section 4, any vacancy occurring in the board of directors by reason of the removal of a director by stockholders may be filled by vote of the stockholders at the meeting at which such action is taken or at any meeting of stockholders notice of which shall have referred to the proposed election. Subject to Article III, Section 4, if any such newly created directorships or vacancies occurring in the board of directors for any reason shall not be filled prior to the next annual meeting of stockholders, they shall be filled by vote of the stockholders at such annual meeting. Any director elected to fill a vacancy shall be elected to hold office for the unexpired term of his predecessor.

SECTION 7. DIRECTORS' FEES: Directors, except salaried officers who are directors, may receive a fee for their services as directors and traveling and other out-of-pocket expenses incurred in attending any regular or special meeting of the board. The fee may be a fixed sum to be paid for attending each meeting of the board of directors and/or a fixed sum to be paid monthly, quarterly, or semiannually, irrespective of the number of meetings attended or not attended. The amount of the fee and the basis on which it shall be paid shall be determined by the board of directors. Nothing herein contained shall preclude any director from serving the Corporation in any other capacity and receiving compensation for such service.

SECTION 8. FIRST MEETING OF NEWLY ELECTED DIRECTORS: The first meeting of the newly elected board of directors may be held immediately after the annual meeting of

stockholders, and at the same place as such annual meeting of stockholders, provided a quorum be present, and no notice of such meeting shall be necessary. In the event such first meeting of the newly elected board of directors is not held at said time and place, the same shall be held as provided in Section 9 of this Article II.

SECTION 9. MEETINGS OF DIRECTORS: Regular and special meetings of the board of directors shall be held at such times and at such place, within or without the State of New York, as the board of directors may determine. Special meetings may also be called by the Chief Executive Officer or by any four members of the board, and shall be held at such time and at such place as the person or persons calling the meeting shall determine.

SECTION 10. NOTICE OF MEETINGS: Notice of each regular or special meeting of the board of directors, stating the time and place thereof shall be given by the Secretary, any Assistant Secretary or any member of the board to each member of the board not less than three days before the meeting by depositing the same in the United States mail, with first-class postage thereon prepaid, directed to each member of the board at the address designated by him for such purpose (or, if none is designated, at his last known address), or not less than two days before the meeting by either delivering the same to each member of the board personally, or sending the same by electronic mail, facsimile or telegraph, or delivering it, to the address designated by him for such purpose (or, if none is designated, to his last known address). Notice of a meeting need not be given to any director who submits a signed waiver of notice whether before or after the meeting. The notice of any meeting of the board of directors need not specify the purposes for

which the meeting is called, except as provided in Section 5 of this Article II and as provided in Article X of these Bylaws.

SECTION 11. QUORUM AND ACTION BY THE BOARD: At all meetings of the board of directors, except as otherwise provided by law, the certificate of incorporation or these Bylaws, a quorum shall be required for the transaction of business and shall consist of not less than one-third of the entire board, and the vote of a majority of the directors present shall decide any question that may come before the meeting. A majority of the directors present, whether or not a quorum is present, may adjourn any meeting to another time or place without notice other than announcement at the meeting of the time and place to which the meeting is adjourned.

SECTION 12. CERTAIN ACTIONS:

Notwithstanding any other provision of these Bylaws to the contrary:

(a) Until the Sunset Date, unless the Executive Committee shall have, by the appropriate affirmative vote of members which shall include the affirmative vote of the Significant Stockholder Designee (as defined in Article XII hereof) on the Executive Committee, previously approved and recommended such action or recommendation to the board of directors, the board of directors shall not take, or make any recommendation to the stockholders of the Corporation with respect to, any of the following actions:

(i) Any amendment of the certificate of incorporation or Bylaws that would be inconsistent with this Article II, Section 12 or would otherwise have an adverse effect on the board representation, committee representation or other rights of the Significant Stockholder contemplated by these Bylaws or by the Reorganization Agreement (as defined in

Article XII hereof);

(ii) Authorizing the Corporation or any of its subsidiaries to engage in any activity not permissible for a U.S. bank holding company;

(iii) The adoption of any stockholder rights plan or other measures having the purpose or effect of preventing or materially delaying completion of any transaction involving a Change in Control (as defined in Article XII hereof); or

(iv) Any public announcement by the Corporation or any affiliate of the Corporation disclosing the Corporation's desire or intention to take any of the foregoing actions prior to obtaining the requisite Committee approval.

(b) Until the Sunset Date, unless the Executive Committee (in the case of items (i) through (iv) and (vi) below) or the Nomination and Compensation Committee (in the case of item (v) below) shall have, by the requisite affirmative vote of the members of such Committee such that the members not voting in favor of such matter do not include both the Significant Stockholder Designee on such Committee and at least one other member thereof, previously approved and recommended such action or recommendation to the board of directors, the board of directors shall not take, or make any recommendation to the stockholders of the Corporation with respect to, any of the following actions:

(i) Any change in the Corporation's cash dividend policy such that the ratio of cash dividends to net income is not at least fifteen percent (15%), or any extraordinary dividends or distributions to holders of common stock of the Corporation;

(ii) Any acquisition (in one transaction or a series of related transactions), directly or indirectly, by the Corporation or any subsidiary of the Corporation (except from the Corporation or a wholly owned subsidiary of the Corporation) of any assets or

businesses, in one transaction or a series of related transactions (whether by merger, tender or exchange offer, asset purchase or otherwise) in which the consideration paid by the Corporation (A) if in shares of common stock of the Corporation, will exceed ten percent (10%) of the aggregate voting power of the outstanding voting securities of the Corporation as of the date that the Corporation or any such subsidiary enters into a definitive agreement to effect such transaction or, in the case of a series of related transactions, as of the date that the Corporation or any such subsidiary enters into a definitive agreement to effect the last of such related transactions, or (B) if in cash, property or common stock of the Corporation or other securities of the Corporation, has a fair market value at the time of the execution by the Corporation or such subsidiary of a definitive agreement to effect such transaction which will exceed ten percent (10%) of the aggregate Fair Market Value of the outstanding common stock of the Corporation as of the date that the Corporation or any such subsidiary enters into a definitive agreement to effect such transaction or, in the case of a series of related transactions, at the time of the execution by the Corporation or such subsidiary of a definitive agreement to effect the last of such related transactions, which will exceed ten percent (10%) of the aggregate Fair Market Value of the outstanding common stock of the Corporation as of the date that the Corporation or any such subsidiary enters into a definitive agreement to effect the last of such related transactions;

(iii) Any disposition (in one transaction or a series of related transactions), directly or indirectly, by the Corporation or any subsidiary of the Corporation (except to the Corporation or an 80% or more owned subsidiary of the Corporation) of any assets or businesses, in one transaction or a series of related transactions (whether by merger, tender or exchange offer, asset purchase or otherwise) in which the value of the aggregate consideration to

be received in respect of the assets disposed of exceeds ten percent (10%) of the aggregate Fair Market Value of the outstanding common stock of the Corporation as of the date that the Corporation or any such subsidiary enters into a definitive agreement to effect such transaction or, in the case of a series of related transactions, as of the date that the Corporation or any such subsidiary enters into a definitive agreement to effect the last of such related transactions;

(iv) Any voluntary liquidation or dissolution of the Corporation or the submission of any proposal to the stockholders of the Corporation to liquidate or dissolve the Corporation;

(v) The appointment or election of the Chairman of the Board of Directors or the Chief Executive Officer of the Corporation; or

(vi) Any public announcement by the Corporation or any affiliate of the Corporation disclosing the Corporation's desire or intention to take any of the foregoing actions prior to obtaining the requisite Committee approval.

SECTION 13. PROCEDURES: The order of business and all other matters of procedure at every meeting of directors may be determined by the person presiding at the meeting.

SECTION 14. MEETINGS BY CONFERENCE TELEPHONE: Any one or more members of the board of directors or any committee thereof may participate in a meeting of such board or committee by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at the meeting.

ARTICLE III

COMMITTEES OF DIRECTORS

SECTION 1. DESIGNATION OF COMMITTEES: The board of directors, by resolution or resolutions adopted by a majority of the entire board, may designate from among its members an Executive Committee and other committees, each consisting of two or more directors, and may designate one or more directors as alternate members of such committee, who may replace any absent or disqualified member or members at any meeting of such committee (provided that alternate committee members with respect to any Significant Stockholder Designee serving on any such committee shall be designated by the Significant Stockholder Designees). In the interim between meetings of the board of directors, the Executive Committee shall have all the authority of the board of directors except as otherwise provided by law. Subject to Article II, Section 12 and Article III, Section 4 hereof, the Executive Committee shall serve at the pleasure of the board of directors. Subject to Article III, Section 4 below, each other committee so designated shall have such name as may be provided from time to time in the resolution or resolutions, shall serve at the pleasure of the board of directors and shall have, to the extent provided in such resolution or resolutions, all the authority of the board of directors except as otherwise provided by law.

SECTION 2. ACTS AND PROCEEDINGS: All acts done and power and authority conferred by the Executive Committee from time to time within the scope of its authority shall be, and may be deemed to be, and may be specified as being, the act and under the authority of

the board of directors. The Executive Committee shall meet at such time and place and upon such notice as the Committee may from time to time determine. Meetings may also be called by the Chief Executive Officer and shall be held at such time and place as he shall determine. The Executive Committee and each other committee shall keep regular minutes of its proceedings and report its actions to the board of directors when required.

SECTION 3. COMPENSATION: Members of the Executive Committee or of any other committee, except salaried officers who are directors, may receive such compensation for their services as the board of directors shall from time to time determine.

SECTION 4. COMPOSITION: Until the Sunset Date, one among the Significant Stockholder Designees shall be a member of each of the Executive Committee, Nomination and Compensation Committee and Audit Committee (or any committee or committees performing comparable functions); provided, that any such committee members shall meet the requisite independence and expertise requirements under applicable law or stock exchange rules. The Significant Stockholder may, and shall have the sole right to, remove any Significant Stockholder Designee from any committee upon which such Significant Stockholder Designee is serving and appoint a director to fill any vacancy, regardless of the cause of such vacancy, on any such committee or the board of directors caused by the departure of any such Significant Stockholder Designee (other than a vacancy caused by the occurrence of the Sunset Date or one of the thresholds contemplated by Article II, Section 3 hereof being triggered); provided that any replacement committee members shall meet the requisite independence and expertise requirements prescribed under applicable law or stock exchange rules.

ARTICLE IV

OFFICERS

SECTION 1. OFFICERS: The board of directors shall annually, at the first meeting of the board after the annual meeting of stockholders, appoint or elect a President, and a Secretary, and may at each meeting and from time to time elect or appoint such additional officers as it may determine. Such additional officers shall have such authority and perform such duties as the board of directors may from time to time prescribe.

SECTION 2. TERM OF OFFICE: The President and the Secretary shall, unless otherwise determined by the board of directors, hold office until the first meeting of the board following the next annual meeting of stockholders and until their successors have been elected or appointed and qualified. Each additional officer appointed or elected by the board of directors shall hold office for such term as shall be determined from time to time by the board of directors and until his successor has been elected or appointed and qualified. Any officer, however, may be removed or have his authority suspended by the board of directors at any time, with or without cause. If the office of any officer becomes vacant for any reason, the board of directors shall have the power to fill such vacancy.

SECTION 3. THE CHIEF EXECUTIVE OFFICER: The board of directors may from time to time designate one of the officers of the Corporation as Chief Executive Officer. The Chief Executive Officer shall, under the control of the board of directors and the Executive Committee,

have the general management of the Corporation's business affairs and property and shall exercise general supervision over all activities of the Corporation and the other officers. The Chief Executive Officer shall have the power to appoint or hire, to remove, and to determine the compensation of, all employees of the Corporation who are not officers, and to delegate the foregoing powers from time to time in whole or in part. The Chief Executive Officer shall preside at all meetings of the stockholders and of the board of directors.

In the absence or incapacity of the Chief Executive Officer the powers and duties of that office shall be vested in such other officer as may from time to time be designated by the board of directors or the Executive Committee, or, in the absence of any such designation, by the Chief Executive Officer.

SECTION 4. THE PRESIDENT: If the board of directors has not designated another officer as Chief Executive Officer, the President shall be the Chief Executive Officer of the Corporation.

SECTION 5. THE SECRETARY: The Secretary shall issue notices of all meetings of stockholders and directors where notices of such meetings are required by law or these Bylaws. He shall attend all meetings of stockholders and of the board of directors and keep the minutes thereof. He shall affix the corporate seal to and sign such instruments as require the seal and his signature and shall perform such other duties as usually pertain to his office or as are properly required of him by the board of directors.

SECTION 6. OFFICERS HOLDING TWO OR MORE OFFICES: Any two or more offices may be held by the same person, except the office of President and Secretary, but no officer shall execute or verify any instrument in more than one capacity if such instrument be required by law or otherwise to be executed or verified by two or more officers.

SECTION 7. DUTIES OF OFFICERS MAY BE DELEGATED: In case of the absence or disability of any officer of the Corporation, or in case of a vacancy in any office or for any other reason that the board of directors may deem sufficient, the board of directors, except as otherwise provided by law, may temporarily delegate the powers or duties of any officer to any other officer or to any director.

SECTION 8. COMPENSATION: The board of directors shall determine the compensation to be paid to the Chief Executive Officer and it may also determine the compensation to be paid to any or all of the other officers of the Corporation. In the event and to the extent that the board of directors shall not hereafter exercise such discretionary power, the compensation to be paid to the other officers shall be determined by the Chief Executive Officer.

SECTION 9. SECURITY: The board of directors may require any officer, agent or employee of the Corporation to give security for the faithful performance of his duties, in such amount as may be satisfactory to the board.

ARTICLE V

INDEMNIFICATION OF DIRECTORS AND OFFICERS

SECTION 1. RIGHT OF INDEMNIFICATION: Each director and officer of the Corporation, whether or not then in office, and any person whose testator or intestate was such a director or officer, shall be indemnified by the Corporation for the defense of, or in connection with, any threatened, pending or completed actions or proceedings and appeals therein, whether civil, criminal, governmental, administrative or investigative, in accordance with and to the fullest extent permitted by the Business Corporation Law of the State of New York or other applicable law, as such law now exists or may hereafter be amended; provided, however, that the Corporation shall provide indemnification in connection with an action or proceeding (or part thereof) initiated by such a director or officer only if such action or proceeding (or part thereof) was authorized by the board of directors.

SECTION 2. ADVANCEMENT OF EXPENSES: Expenses incurred by a director or officer in connection with any action or proceeding as to which indemnification may be given under Section 1 of this Article V may be paid by the Corporation in advance of the final disposition of such action or proceeding upon (a) receipt of an undertaking by or on behalf of such director or officer to repay such advancement in the event that such director or officer is ultimately found not to be entitled to indemnification as authorized by this Article V and (b) approval by the board of directors acting by a quorum consisting of directors who are not parties to such action or proceeding or, if such a quorum is not obtainable, then approval by stockholders. To the extent permitted by law, the board of directors or, if applicable, the

stockholders, shall not be required under this Section 2, to find that the director or officer has met the applicable standard of conduct provided by law for indemnification in connection with such action or proceeding.

SECTION 3. AVAILABILITY AND INTERPRETATION: To the extent permitted under applicable law, the rights of indemnification and to the advancement of expenses provided in this Article V (a) shall be available with respect to events occurring prior to the adoption of this Article V, (b) shall continue to exist after any rescission or restrictive amendment of this Article V with respect to events occurring prior to such rescission or amendment, (c) may be interpreted on the basis of applicable law in effect at the time of the occurrence of the event or events giving rise to the action or proceeding, or on the basis of applicable law in effect at the time such rights are claimed, and (d) are in the nature of contract rights which may be enforced in any court of competent jurisdiction as if the Corporation and the director or officer for whom such rights are sought were parties to a separate written agreement.

SECTION 4. OTHER RIGHTS: The rights of indemnification and to the advancement of expenses provided in this Article V shall not be deemed exclusive of any other rights to which any such director, officer or other person may now or hereafter be otherwise entitled whether contained in the certificate of incorporation, these Bylaws, a resolution of stockholders, a resolution of the board of directors, or an agreement providing such indemnification, the creation of such other rights being hereby expressly authorized. Without limiting the generality of the foregoing, the rights of indemnification and to the advancement of expenses provided in this Article V shall not be deemed exclusive of any rights, pursuant to statute or otherwise, of any

such director, officer or other person in any such action or proceeding to have assessed or allowed in his or her favor, against the Corporation or otherwise, his or her costs and expenses incurred therein or in connection therewith or any part thereof.

SECTION 5. SEVERABILITY: If this Article V or any part hereof shall be held unenforceable in any respect by a court of competent jurisdiction, it shall be deemed modified to the minimum extent necessary to make it enforceable, and the remainder of this Article V shall remain fully enforceable.

ARTICLE VI

SHARES

SECTION 1. CERTIFICATE OF SHARES: The shares of the Corporation shall be represented by certificates which shall be numbered and shall be entered in the records of the Corporation as they are issued. Each share certificate shall when issued state upon the face thereof that the Corporation is formed under the laws of the State of New York, the name of the person or persons to whom issued, and the number and class of shares and the designation of the series, if any, which such certificate represents and shall be signed by the Chief Executive Officer or President and by the Secretary and shall be sealed with the seal of the Corporation or a facsimile thereof. The signatures of the officers upon a certificate may be a facsimile if the certificate is countersigned by a transfer agent or registered by a registrar other than the Corporation itself or its employee. In case any officer who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer before such

certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer at the date of issue. No certificate shall be valid until countersigned by a transfer agent if the Corporation has a transfer agent, or until registered by a registrar if the Corporation has a registrar.

SECTION 2. TRANSFER OF SHARES: Shares of the Corporation shall be transferable on the books of the Corporation by the holder thereof, in person or by duly authorized attorney, upon the surrender of the certificate representing the shares to be transferred, properly endorsed. Except as otherwise provided by law, the Corporation shall be entitled to treat the holder of record of any share as the owner thereof and shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person whether or not it shall have express or other notice thereof. The board of directors, to the extent permitted by law, shall have power and authority to make all rules and regulations as it may deem expedient concerning the issue, transfer and registration of share certificates and may appoint one or more transfer agents and registrars of the shares of the Corporation.

SECTION 3. FIXING OF RECORD TIME: The board of directors may fix, in advance, a day and hour not more than 60 days nor less than 10 days before the date on which any meeting of the stockholders is to be held, as the time as of which stockholders entitled to notice of and to vote at such meeting and at all adjournments thereof shall be determined; and, in the event such record date and time are fixed by the board of directors, no one other than the holders of record on such date and time of shares entitled to notice of and to vote at such meeting shall be entitled to notice of or to vote at such meeting or any adjournment thereof. If a record date and time shall

not be fixed by the board of directors for the determination of stockholders entitled to notice of and to vote at any meeting of the stockholders, stockholders of record at the close of business on the day next preceding the day on which notice of such meeting is given, and no others, shall be entitled to notice of and to vote at such meeting or any adjournment thereof; provided, however, that if no notice of such meeting is given, stockholders of record at the close of business on the day next preceding the day on which such meeting is held, and no others, shall be entitled to vote at such meeting or any adjournment thereof.

The board of directors may fix, in advance, a day and hour, not more than 60 days nor less than 10 days before the date fixed for the payment of a dividend of any kind or the allotment of any rights, as the record time for the determination of stockholders entitled to receive such dividend or rights, and in such case only stockholders of record at the date and time so fixed shall be entitled to receive such dividend or rights; provided, however, that if no record date and time for the determination of stockholders entitled to receive such dividend or rights are fixed, stockholders of record at the close of business on the day on which the resolution of the board of directors authorizing the payment of such dividend or the allotment of such rights is adopted shall be entitled to receive such dividend or rights.

SECTION 4. RECORD OF STOCKHOLDERS: The Corporation shall keep at its office in the State of New York, or at the office of its transfer agent or registrar in this State, a record containing the names and addresses of all stockholders, the number and class of shares held by each and the dates when they respectively became the owners of record thereof.

SECTION 5. LOST SHARE CERTIFICATES: The board of directors may in its discretion cause a new certificate for shares to be issued by the Corporation in place of any certificate theretofore issued by it, alleged to have been lost or destroyed, and the board may require the owner of the lost or destroyed certificate, or his legal representative, to give the Corporation a bond sufficient to indemnify the Corporation against any claim that may be made against it on account of the alleged loss or destruction of any such certificate or the issuance of any such new certificate; but the board of directors may in its discretion refuse to issue such new certificate save upon the order of the court having jurisdiction in such matters.

ARTICLE VII

FINANCES

SECTION 1. CORPORATE FUNDS: The funds of the Corporation shall be deposited in its name with such banks, trust companies or other depositories as the board of directors may from time to time designate. All checks, notes, drafts and other negotiable instruments of the Corporation shall be signed by such officer or officers, employee or employees, agent or agents as the board of directors may from time to time designate. No officers, employees or agents of the Corporation, alone or with others, shall have power to make any checks, notes, drafts or other negotiable instruments in the name of the Corporation or to bind the Corporation thereby, except as provided in this Section.

SECTION 2. FISCAL YEAR: The fiscal year of the Corporation shall be the calendar year unless otherwise provided by the board of directors.

ARTICLE VIII

CORPORATE SEAL

SECTION 1. FORM OF SEAL: The seal of the Corporation shall be in such form as may be determined from time to time by the board of directors. The seal on any corporate obligation for the payment of money may be facsimile.

ARTICLE IX

EMERGENCY BYLAW PROVISIONS

SECTION 1. TAKING EFFECT: The provisions of this Article IX may be declared effective by the New York State Defense Council as constituted under the New York State Defense Emergency Act, as amended, in the event of attack and shall cease to be effective when the Defense Council declares the end of the period of attack.

SECTION 2. QUORUM AND FILLING OF VACANCIES: Upon the effectiveness of this Article IX and until the Defense Council declares the end of the period of attack, the affairs of the Corporation shall be managed by such directors theretofore elected pursuant to Article II of these Bylaws as are available to act, and a majority of such directors available to act shall constitute a quorum. In the event, however, that there are less than three such directors available to act, the director or directors available to act shall appoint a sufficient number of emergency directors to make a board of three directors. Each emergency director shall serve until the

vacancy he was appointed to fill can again be filled by the previously elected director, except, however, that the period of his service shall end at such time as his appointment is terminated pursuant to Section 3 of this Article IX, or at such time as the New York State Defense Council declares the end of the period of attack and his successor shall be elected and qualified pursuant to Article II of these Bylaws. If, in the event of attack, there are no directors available to act, then the three highest paid officers of the Corporation available to act shall constitute the emergency board of directors until one or more of the previously elected directors are again available to act, except, however, that the period of their service as emergency directors shall end at such time as their service is terminated pursuant to Section 3 of this Article IX, or at such time as the New York State Defense Council declares the end of the period of attack and their successors shall be elected and qualified pursuant to Article II of these Bylaws.

SECTION 3. TERMINATION OF PERIOD OF SERVICE: The stockholders of the Corporation or the previously elected director or directors who are available to act may, pursuant to the provisions of Article II of these Bylaws, terminate the appointment or the period of service of any emergency director at any time and fill any vacancy created thereby.

ARTICLE X

AMENDMENTS AND AUTOMATIC TERMINATION

SECTION 1. PROCEDURE FOR AMENDING BYLAWS: Subject to Section 2 of this Article X, Bylaws of the Corporation may be adopted, amended or repealed at any meeting of stockholders notice of which shall have referred to the proposed action, by the vote of the holders

of a majority of the shares of the Corporation at the time entitled to vote in the election of any directors, or at any meeting of the board of directors notice of which shall have referred to the proposed action, by the vote of a majority of the entire board of directors; provided, however, that no amendment of the Bylaws pertaining to the election of directors or the procedures for the calling and conduct of a meeting of stockholders shall affect the election of directors or the procedures for the calling or conduct in respect of any meeting of stockholders unless adequate notice thereof is given to the stockholders in a manner reasonably calculated to provide stockholders with sufficient time to respond thereto prior to such meeting.

SECTION 2. AMENDMENT OF CERTAIN PROVISIONS: Notwithstanding anything herein to the contrary, none of the following provisions of these Bylaws may be amended, modified or repealed, nor may any Bylaw provisions be adopted that are inconsistent with such provisions, without either (i) the unanimous approval of the entire board of directors or (ii) the affirmative vote of holders of not less than eighty percent (80%) of the outstanding shares of common stock of the Corporation:

- the last proviso of the second sentence of Article II, Section 1,
- Article II, Section 3,
- Article II, Section 12,
- the proviso to the first sentence of Article III, Section 1,
- Article III, Section 4,
- this Article X, Sections 2 and 3,
- Article XII, and
- any references to the foregoing provisions elsewhere in these Bylaws.

SECTION 3. TERMINATION OF CERTAIN PROVISIONS: Each of the provisions of these Bylaws listed in Article X, Section 2 hereof shall automatically terminate without any action on the part of the Corporation, the board of directors or the stockholders on the first date following

the date upon which the Significant Stockholder ceases to be the beneficial owner of at least five percent (5%) of the outstanding shares of common stock of the Corporation.

ARTICLE XI

ELECTION UNDER SECTION 912 OF THE NEW YORK BUSINESS CORPORATION LAW

SECTION 1. ELECTION: The Corporation has expressly elected not to be governed by the provisions of Section 912 of the Business Corporation Law of New York. Until this bylaw is amended or repealed in the manner provided by law, none of the business combination provisions of Section 912 of the Business Corporation Law of New York shall apply to the Corporation.

ARTICLE XII

CERTAIN DEFINITIONS

SECTION 1. DEFINITIONS: For purposes of Articles II and III of these Bylaws:

(a) "Change in Control" shall mean a "Purchaser Change in Control" defined in Section 1.57 of the Reorganization Agreement.

(b) "Fair Market Value" shall mean the "Fair Market Value" defined in Section 1.31 of the Reorganization Agreement.

(c) "Issuance Event" shall mean an "Issuance Event" defined in Section 1.42 of the Reorganization Agreement.

(d) "Maintenance Rights" shall mean the "Seller Maintenance Rights" defined in Section 1.75 of the Reorganization Agreement.

(e) "Reorganization Agreement" shall mean the Agreement and Plan of Reorganization, dated September 26, 2002, by and among the Significant Stockholder, Allfirst Financial Inc. and the Corporation, as amended or supplemented from time to time.

(f) "Significant Stockholder" shall mean Allied Irish Banks, p.l.c., a limited liability company incorporated under the laws of Ireland having its registered office at Bankcentre, Ballsbridge, Dublin 4, Ireland and any successor thereto not prohibited by the Reorganization Agreement.

(g) "Significant Stockholder Designees" shall mean the directors of the Corporation who have been designated by the Significant Stockholder pursuant to paragraphs (a) through (c) of Article II, Section 3 hereof.

(h) "Sunset Date" shall mean the first date following the date upon which the Significant Stockholder ceases to be the beneficial owner of at least 15% of the outstanding shares of common stock of the Corporation, determined in accordance with, and subject to, the paragraph (d) of Article II, Section 3 hereof.

Registration Rights Agreement

This REGISTRATION RIGHTS AGREEMENT (the "Agreement") is made and entered into as of April 1, 2003, by and between M&T Bank Corporation, a New York corporation (together with its permitted successors and assigns, "Company"), and Allied Irish Banks, p.l.c., a limited liability company incorporated under the laws of Ireland (together with its permitted successors and assigns, the "Shareholder").

WHEREAS, pursuant to the Agreement and Plan of Reorganization by and among Shareholder, Allfirst Financial Inc. and Company, dated as of September 26, 2002 (the "Reorganization Agreement"), Shareholder has the right to receive 26,700,000 shares of common stock, par value \$0.50, of the Company (the "Shares"); and

WHEREAS, pursuant to Section 7.4 of the Reorganization Agreement, the Company and Shareholder have agreed to enter into this Agreement effective as of the Closing (as defined in the Reorganization Agreement);

NOW, THEREFORE, the parties hereto, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, intending to be bound hereby agree as follows:

SECTION 1. Definitions.

As used in this Agreement, the following terms shall have the following meanings:

"Agreement" shall have the meaning set forth in the preamble hereto.

"Business Day" shall mean any day that the New York Stock Exchange is normally open for trading for a full day and that is not a Saturday, a Sunday or a day on which banks in the City of New York are authorized or required to close for regular banking business.

"Common Stock" shall mean the common stock, par value \$0.50 per share, of Company, or any other shares of capital stock of Company into which such stock shall be reclassified or changed (by operation of law or otherwise).

"Company" shall have the meaning set forth in the preamble hereto.

"Company Registration Statement" shall have the meaning set forth in Section 4(a) hereof.

"Delay Period" shall have the meaning set forth in Section 2(b) hereof.

"Demand Registration" shall have the meaning set forth in Section 3 hereof.

"Effective Date" shall have the meaning set forth in Section 2(b) hereof.

"Effectiveness Period" shall have the meaning set forth in Section 2(b) hereof.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Reorganization Agreement" shall have the meaning set forth in the recitals hereto.

"Person" shall mean an individual, corporation, limited liability company, partnership, joint venture, joint stock company, association, trust, unincorporated entity or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof, whether acting in an individual, fiduciary or other capacity.

"Prospectus" shall mean the prospectus included in any registration statement (including, without limitation, a prospectus that discloses information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable Shares covered by such registration statement and all other amendments and supplements to the prospectus, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference in such prospectus.

"Registrable Shares" shall mean the Shares, any shares of Common Stock acquired by Shareholder on or after the date hereof not in violation of the terms of the Reorganization Agreement, and any shares of Common Stock paid, issued or distributed in respect of such shares by way of stock dividends or distribution or stock split or in connection with a combination of shares, recapitalization, reorganization, merger or otherwise, until in the case of any such shares (i) such shares have been disposed of by Shareholder pursuant to such effective registration statement under the Securities Act, or (ii) such share may be transferred by Shareholder without registration or other restriction pursuant to the Rule 144(k) under the Securities Act or any successor rule and Company has removed any restrictive legend on the share certificate evidencing such share.

"Registration Statement" shall mean the registration statement of Company filed with the SEC that covers any of the Registrable Shares pursuant to the provisions of this Agreement, including the Prospectus, amendments and supplements to such registration statement, including post-effective amendments, all exhibits, and all material incorporated by reference or deemed to be incorporated by reference in such registration statement.

"SEC" shall mean the Securities and Exchange Commission.

"Securities Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Shareholder" shall have the meaning set forth in the recitals hereof.

"Shelf Registration" shall have the meaning set forth in Section 2(a) hereof.

"underwritten registration" or "underwritten offering" means a registration in which securities of Company are sold to or through one or more underwriters for reoffering or sale to the public.

SECTION 2. Shelf Registration.

(a) Upon a request by Shareholder, Company shall file a Registration Statement under the Securities Act relating to all or part of the Registrable Shares, which Registration Statement provides for the sale by Shareholder of Registrable Shares from time to time on a delayed or continuous basis pursuant to Rule 415 under the Securities Act (the "Shelf Registration"); provided that Company shall not be obligated (i) to effect more than one Shelf Registration in any 12-month period, or (ii) to effect a Shelf Registration for less than one million shares of Common Stock.

(b) Company agrees to use its reasonable best efforts to cause the SEC to declare the Shelf Registration effective (the date of initial effectiveness being referred to herein as the "Effective Date") as soon as practicable and to keep the Shelf Registration continuously effective and usable for the resale of Registrable Shares for a period ending on the date on which all the Registrable Shares covered by such Shelf Registration have been sold. The foregoing notwithstanding, Company shall have the right to suspend the use of the Shelf Registration for a reasonable length of time (a "Delay Period") and from time to time if the Chief Executive Officer, Chief Financial Officer or General Counsel of Company shall determine in good faith that such use (A) would require disclosure by Company that would materially interfere with a material financing, merger, sale or acquisition of assets, recapitalization or other similar corporate action of Company that is pending or expected by Company to occur or be announced during the Delay Period or (B) would require pre-mature disclosure of non-public information the disclosure of which, in the good faith determination of the Chief Executive Officer, Chief Financial Officer or General Counsel of Company, would be materially adverse to Company or with respect to which Company has a bona fide business purpose for keeping such information confidential, it being understood and agreed that while Company is under no obligation to disclose any such information for the purpose of permitting any such sale, Company shall endeavor to limit any Delay Period to the period reasonably necessary for the foregoing purposes, and in exercising its right to impose Delay Periods shall not treat Shareholder more restrictively than it does directors and executive officers of Company who have access to such information. Company shall provide written notice (to the extent practicable) no fewer than 5 Business Days prior to commencement of a Delay Period and promptly upon the end of any Delay Period to Shareholder and Shareholder shall cease all disposition efforts with respect to Registrable Shares held by it immediately upon the beginning of any Delay Period until notified of the end of such Delay Period.

(c) Company shall use its reasonable best efforts to remain eligible to register securities on Form S-3, including meeting the registrant requirements set forth in the instructions to Form S-3.

SECTION 3. Demand Registration.

Shareholder may make a written request for registration under the Securities Act of all or part of its Registrable Securities (a "Demand Registration"); provided that the Company shall not be obligated (i) to effect more than two Demand Registrations in any 12-month period, or (ii) to effect a Demand Registration for less than one million shares of Common Stock. Such request will specify the number of shares of Registrable Securities proposed to be sold and will also specify the intended method of disposition thereof.

SECTION 4. Piggyback Registration.

(a) If Company proposes to file a registration statement (other than a registration statement filed pursuant to Sections 2 or 3 or a registration statement on Form S-8 or Form S-4, or their successors) for an offering and sale of shares of Common Stock by Company in an underwritten offering or an offering and sale of shares of Common Stock by one or more selling shareholders, or both the Company and one or more selling shareholders (a "Company Registration Statement"), it will, prior to such filing, give written notice to Shareholder of its intention to do so at least 15 days prior to the anticipated filing date of such Company Registration Statement; provided, that Company shall not be required to give any notice if the Company Registration Statement is underwritten and the underwriter(s) thereof shall have advised Company in writing that inclusion of any securities, other than those to be sold by Company, would materially and adversely affect the offering. Company's written notice shall offer to include in such registration statement for offer to the public such number of Registrable Shares as Shareholder may request, subject to the conditions set forth herein, and shall specify, to the extent then known, the number and class and securities proposed to be registered, the proposed date of filing of such registration statement, any proposed means of distribution of such securities, any other shareholder of the Company with the right to have shares of Company Common Stock registered thereon, any proposed managing underwriter or underwriters of such securities and (if available or as soon as available) a good faith estimate (which may be a range) by Company of the proposed maximum offering price of such securities, as such price is proposed to appear on the facing page of such registration statement. Upon the written request of Shareholder to Company given within 10 days after Company provides such notice, Company shall use its reasonable best efforts to cause all Registrable Shares which Company has been requested by Shareholder to register to be included in such Company Registration Statement. Company shall have the right to postpone, suspend or withdraw any Company Registration Statement without obligation to Shareholder. The right of Shareholder to include its Registrable Shares in any Company Registration Statement shall be conditioned upon Shareholder's participation in the underwriting for such Company Registration Statement on the terms set forth herein. Shareholder shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for the underwriting by Company with

respect to shares sold by it. Notwithstanding any other provision of this Section 4, if the managing underwriter advises Company in writing that in its opinion the inclusion of all shares requested to be registered by Company and any selling shareholders (including Shareholder) would materially and adversely affect the offering, Company may limit the number of Registrable Shares to be included in the Company Registration Statement and underwriting to a number that would not reasonably be expected to have such affect. In such event, Company shall so advise Shareholder, and the number of shares that are entitled to be included in the Company Registration Statement and underwriting shall be allocated in the following manner:

(i) First, the securities of Company to be issued by Company shall be included in the Company Registration Statement.

(ii) Second, the securities of Company held by Shareholder and other holders of securities of Company who are entitled by contract with Company to have securities included in such a registration statement shall be included in the Company Registration Statement, on a pro rata basis based upon the number of securities of Company requested by Shareholder and such other holders to be included in such Company Registration Statement.

SECTION 5. Registration Procedures.

(a) In connection with the registration obligations of Company pursuant to and in accordance with Sections 2, 3 and 4 hereof (and subject to Company's rights under Sections 2, 3 and 4 hereof), Company shall use its reasonable best efforts to effect the registration of such Registrable Securities as expeditiously as possible, and in connection with such registration:

(i) with respect to a Demand Registration and a Piggyback Registration, Company will use its reasonable best efforts to file such registration statement to permit the sale of such Registrable Shares in accordance with the intended method or methods of disposition thereof, and use reasonable best efforts to cause such filed registration statement to become effective, and to remain effective for a period of not less than 90 days;

(ii) prepare and file with the SEC such amendments (including post-effective amendments) to such registration statement, and such supplements to such Prospectus, as may be required by the rules, regulations or instructions applicable to the Securities Act or the rules and regulations thereunder or any applicable state securities laws during the applicable period in accordance with the intended methods of disposition by the sellers thereof and cause such Prospectus as so supplemented to be filed pursuant to Rule 424 under the Securities Act;

(iii) notify Shareholder promptly and, if requested, confirm such notice in writing, (v) when a Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to such registration statement or any post-effective amendment, when the same has become effective, (w) of any request by the SEC for amendments or supplements to such registration statement or related Prospectus (including any SEC "comment letter") or for additional information regarding Shareholder, (x) of the issuance by the SEC of any stop order suspending the effectiveness of such registration statement or the initiation of any proceedings for that purpose, (y) of the receipt by Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Shares for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose and (z) at any time when a prospectus relating to Registrable Securities is required to be delivered under the Securities Act, of the happening of any event as a result of which the prospectus included in such registration statement contains an untrue statement of a material fact or omits any fact necessary to make the statements therein not misleading;

(iv) use reasonable best efforts to obtain the prompt withdrawal of any order suspending the effectiveness of such registration statement, or the prompt lifting of any suspension of the qualification or exemption from qualification of any of the Registrable Shares for sale in any jurisdiction in the United States;

(v) if requested by Shareholder, furnish to Shareholder, without charge, copies of such registration statement as declared effective by the SEC and of each post-effective amendment thereto, in each case including financial statements and schedules and all exhibits and reports incorporated or deemed to be incorporated therein by reference; and such number of copies of the preliminary Prospectus, each amended preliminary Prospectus, each final Prospectus and each post-effective amendment or supplement thereto, as Shareholder may reasonably request in order to facilitate the disposition of the Registrable Shares in conformity with the requirement of the Securities Act (Company hereby consenting to such use of such documents);

(vi) except during any Delay Period, upon the occurrence of any event contemplated by paragraph 5(a)(iii)(w) or 5(a)(iii)(z) above, promptly prepare a supplement or post-effective amendment to such registration statement or related Prospectus or any document incorporated or deemed to be incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of the Registrable Shares being sold thereunder, such Prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make

the statements therein, in light of the circumstances under which they were made, not misleading;

(vii) cause all Registrable Shares covered by such registration statement to be listed on each U.S. securities exchange, if any, on which similar securities issued by Company are then listed;

(viii) use its reasonable best efforts to obtain all necessary state securities law or "Blue Sky" permits and approvals required for the sale of the Registrable Shares;

(ix) subject to receiving reasonable assurances of confidentiality, make available for inspection by Shareholder, any underwriter participating in any disposition pursuant to such registration statement and any attorney, accountant or other agent retained by Shareholder or such underwriter, all financial and other records, pertinent corporate documents and properties of Company, and cause the managers, officers, members, employees and independent accountants of Company to supply all information reasonably requested by any Shareholder, underwriter, attorney, accountant or agent in connection with such registration statement;

(x) otherwise use its reasonable best efforts to comply with all applicable rules and regulations of the SEC, and make available to Shareholder, as soon as reasonably practicable, an earnings statement covering the period of at least twelve months beginning with the first day of the first full calendar quarter of Company after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 promulgated thereunder;

(xi) permit Shareholder, if it might be deemed to be an underwriter or a controlling person of the Company to participate in the preparation of such registration or comparable statement and to request the insertion therein of material, furnished to the Company in writing, which in the reasonable judgment of Shareholder and its counsel should be included, and Company shall include such material, unless in the reasonable judgment of Company and its counsel, the material should be not included;

(xii) obtain a "comfort" letter from the independent public accountants of Company in customary form and covering such matters of the type customarily covered by "comfort" letters as Shareholder reasonably requests; and

(xiii) otherwise facilitate such registration and related offering.

(b) Company may require Shareholder to furnish such information regarding the distribution of such Registrable Shares and as to Shareholder as it may from time to time reasonably request.

(c) Shareholder agrees by inclusion of such Registrable Shares in a registration statement that, upon receipt of any notice from Company of the happening of any event of the kind described in clauses (w), (x), (y) or (z) of Section 5(a)(iii) hereof or upon notice of the commencement of any Delay Period, it shall forthwith discontinue disposition of such Registrable Shares covered by such registration statement or Prospectus pursuant to such registration statement until its receipt of the copies of the supplemented or amended Prospectus contemplated by Section 5(a)(vi) hereof, or until it is advised in writing by Company that the use of the applicable Prospectus may be resumed, and has received copies of any amended or supplemented Prospectus or any additional or supplemental filings which are incorporated, or deemed to be incorporated, by reference in such Prospectus and, if requested by Company, Shareholder shall deliver to Company (at the expense of Company) all copies, other than permanent file copies then in Shareholder's possession, of the Prospectus covering such Registrable Shares at the time of receipt of such request. Shareholder further agrees not to utilize any material other than the applicable current Prospectus in connection with the offering of Registrable Shares pursuant to a registration statement.

(d) If Shareholder desires to effect the sale and distribution of some or all of the Registrable Securities covered by a registration statement by means of an underwriting, it shall so advise Company, and Company and Shareholder shall enter into an underwriting agreement in customary form (including customary indemnification and contribution provisions on the part of Company) for such purpose and shall otherwise cooperate reasonably with respect to such underwriting. The underwriter(s) shall be selected by Shareholder and shall be reasonably acceptable to Company.

SECTION 6. Indemnification and Contribution.

(a) Company will indemnify and hold harmless Shareholder and each Person who participates as an underwriter, each Person, if any, who controls the Shareholder or such underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, and their respective agents, employees, officers and directors (including those of such controlling Person) against any losses, claims, damages or liabilities to which such indemnified party may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages, judgments, liabilities or reasonable expenses (or any action in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any registration statement pursuant to which Registrable Securities were registered under the Securities Act or Prospectus or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse such indemnified parties for any legal or other expenses reasonably incurred by them in connection with investigating or defending against such loss, claim, damage, judgment or liability as such expenses are incurred; provided, however, that Company

shall not be liable in any such case to the extent any such loss, claim, damage, judgment, liability or reasonable expense arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with information furnished in writing to Company by such indemnified party specifically for use in the preparation thereof; provided, further, that Company shall not be liable to any indemnified party hereunder with respect to the registration statement or Prospectus to the extent that any such loss, claim, damage, judgment, liability or reasonable expense of such indemnified party results solely from an untrue statement of a material fact contained in, or the omission of a material fact from, the registration statement or Prospectus which untrue statement or omission was corrected in an amended or supplemented registration statement or Prospectus, if the Person alleging such loss, claim, damage or liability was not sent or given, at or prior to the written confirmation of such sale, a copy of the amended or supplemented registration statement or Prospectus if Company had previously furnished copies thereof to such indemnified party and such indemnified party was required under the Securities Act to deliver such amended or supplemented registration statement or Prospectus.

(b) Shareholder will indemnify and hold harmless Company, each Person who participates as an underwriter, each Person, if any, who controls the Shareholder or such underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, and their respective agents, employees, officers and directors (including those of such controlling Person) against any losses, claims, damages, judgments, liabilities or reasonable expenses to which each such indemnified party may become subject, under the Securities Act or otherwise, to the same extent as the foregoing indemnity from Company, but only insofar as such losses, claims, damages, judgment, liability or reasonable expense arise out of or are based upon misstatements or alleged misstatements or omissions or alleged omissions made in reliance upon and in conformity with information furnished in writing by Shareholder to Company specifically for use in the preparation of a registration statement (or any amendment or supplement thereto).

(c) Promptly after receipt by an indemnified party of notice of the commencement of any action, such indemnified party shall notify the indemnifying party in writing of the commencement thereof, but the omission so to notify the indemnifying party shall not relieve it from any liability that it may have to any indemnified party except to the extent the indemnifying party shall have been prejudiced as a result of such failure. In case any such action shall be brought against any indemnified party, and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate in, and, to the extent that it shall wish, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party. In the event the indemnifying party shall assume the defense thereof, any such indemnified party shall have the right to employ separate counsel in such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (a) the indemnifying party has agreed to pay such fees and expenses, (b) the named parties to any such action or proceeding (including any impleaded parties) include both such indemnified party and the indemnifying party, and such indemnified party shall have been advised by counsel of

any actual or potential conflict of interest or that there may be one or more legal defenses available to such indemnified party which are different from or additional to those available to the indemnifying party (in which case, if such indemnified party notifies the indemnifying party in writing that it elects to employ separate counsel at the expense of the indemnifying party, the indemnifying party shall not have the right to assume the defense of such action or proceeding on behalf of such indemnified party, it being understood, however, that the indemnifying party shall not, in connection with any one such action or proceeding or separate but substantially similar or related actions or proceedings in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the fees and expense of more than one separate firm of attorneys (together with appropriate local counsel) at any time for all such indemnified parties), or (c) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party within a reasonable time after the indemnified party has given notice of commencement in compliance with this clause (c) . Any such fees and expenses payable by the indemnifying party shall be paid to the indemnified party entitled thereto as incurred by such indemnified party. The indemnifying party shall not be liable for any settlement of any such action or proceeding effected without its written consent (which shall not be unreasonably withheld), but if settled with its written consent, or if there be a final judgment for the plaintiff in any such action or proceeding, the indemnifying party agrees to indemnify and hold harmless each such indemnified party from and against any loss or liability by reason of such settlement or judgment. The indemnifying party shall not, without the prior written consent of the indemnified party (which consent shall not be unreasonably withheld), consent to the entry of any judgment against the indemnified party or enter into any settlement or compromise that (x) does not include, as an unconditional term thereof, the giving by the claimant or plaintiff to the indemnified party of a release, in form and substance reasonably satisfactory to the indemnified party, from all liability in respect of such claim or litigation, or (y) requires the indemnified party to admit any wrongdoing.

(d) In order to provide for just and equitable contribution in circumstances in which the indemnity agreement provided for in this Section 6 is for any reason held to be unenforceable by the indemnified parties although applicable in accordance with its terms in respect of any losses, liabilities, claims, damages, judgments and expenses suffered by an indemnified party referred to therein, each applicable indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, liabilities, claims, damages, judgments and expenses in such proportion as is appropriate to reflect the relative fault of the Company on the one hand and of the Shareholder on the other (including without limitation that of their respective officers, directors, employees and agents) in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages, judgments or expenses, as well as any other relevant equitable considerations. The relative fault of the Company on the one hand and the Shareholder on the other (including without limitation, in each case, that of their respective officers, directors, employees and agents) shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company, on the one hand, or by or on behalf of the Shareholder, on the other, and

the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by a party as a result of the losses, liabilities, claims, damages, judgments and expenses referred to above shall be deemed to include, subject to the limitations set forth in Section 6(c), any legal or other fees or expenses reasonably incurred by such party in connection with investigating or defending any action or claim.

(e) Notwithstanding the provisions of this Section 6(e), in the case of distributions to the public, Shareholder shall not be required to contribute any amount in excess of the amount by which (A) the total price at which the Registrable Securities sold by Shareholder and distributed to the public were offered to the public exceeds (B) the amount of any damages which Shareholder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

(f) The obligations of Company and Shareholder under this Section 6 shall be in addition to any liability that such Persons may otherwise have. For purposes of this Section 6, each Person, if any, who controls Shareholder or an underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act (and their respective partners, directors, officers and employees) shall have the same rights to contribution as Shareholder or such underwriter; and each director of the Company, each officer of the Company who signed the registration statement, and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, shall have the same rights to contribution as the Company.

SECTION 7. Registration Expenses.

Except as provided below, whether or not any registration statement becomes effective, Company shall pay all costs, fees and expenses incident to Company's performance of or compliance with this Agreement including, without limitation, (i) SEC registration and filing fees, fees and expenses of compliance with securities or Blue Sky laws; (ii) printing expenses and fees; (iii) fees and expenses incurred in connection with the listing of the Registrable Securities; (iv) fees and disbursements of counsel for Company; (v) fees and disbursements of all independent certified public accountants of Company (including the expenses of any comfort letters obtained pursuant to Section 5(a)(xiii) and all other Persons retained by Company in connection with the registration statement; and (vi) the reasonable fees and expenses of any additional experts retained by the Company in connection with such registration. In all cases, Shareholder will be responsible for underwriters' discounts, selling commissions and fees and disbursements of its counsel with respect to the Registrable Shares being sold by it.

SECTION 8. "Stand-Off" Agreement.

Shareholder, if reasonably requested by the managing underwriter of an underwritten offering of securities by Company, shall agree not to sell or otherwise transfer or dispose of any Registrable Shares during the 3-day period prior to, and during the 90-day period beginning on, the closing date of such underwritten offering, provided that such agreement shall be on terms customary for such agreements (including exceptions to the foregoing obligation). Company, if reasonably requested by the managing underwriter of an underwritten offering of securities by Shareholder, shall agree not to sell or otherwise transfer or dispose of any Company Common Stock during the 3-day period prior to, and during the 90-day period beginning on, the closing date of such underwritten offering, provided that such agreement shall be on terms customary for such agreements (including exceptions to the foregoing obligation).

SECTION 9. Miscellaneous.

9.1 Termination. This Agreement and the obligations of Company hereunder shall terminate on the earlier of the (i) first date on which no Registrable Shares remain outstanding and (ii) the date all Registrable Shares may be sold in a single three-month period pursuant to Rule 144 under the Securities Act.; provided that in the case of clause (ii), this Agreement shall not terminate with respect to any then effective Registration Statement under which there are Registrable Shares registered unless such Registrable Shares may be transferred by Shareholder without registration or other restriction pursuant to the Rule 144(k) under the Securities Act or any successor rule and Company has removed any restrictive legend on the share certificate evidencing such share; provided that the foregoing Sections 6 and 7 of this Agreement shall survive any such termination in accordance with their terms.

9.2 Amendments and Waivers. The provisions of this Agreement including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions herein may not be given, unless consent is obtained from the party against whom such waiver, modification or amendment is sought to be enforced.

9.3 Notices. All notices, requests, demands and other communications required or permitted herein shall be in writing and shall be deemed given: when delivered personally; one Business Day after being deposited with a next-day air courier; when answered back if telexed and when receipt is acknowledged, if telecopied, in each case to the parties at the following addresses (or at such other address for a party as shall be specified by like notice; provided that notices of a change of address shall be effective only upon receipt thereof);

(i) if Shareholder, to:

Allied Irish Banks, plc
Bankcentre, Ballsbridge
Dublin 4, Ireland

Attn: Bryan Sheridan
Group Law Agent
Facsimile No: 011-353-1-668-9677

With a required copy to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
Attn: Edward D. Herlihy, Esq.
Facsimile No: (212) 403-2000

(ii) if to Company, to:

M&T Bank Corporation
One M&T Plaza
Buffalo, New York 14229
Attn: Michael Pinto
Executive Vice President and Chief
Financial Officer
Facsimile No: (716) 842-5177

With a required copy to:

M&T Bank Corporation
One M&T Plaza
Buffalo, New York 14229
Attn: Richard A. Lammert, Esquire
Senior Vice President and General Counsel
Facsimile No: (716) 842-5177

and to:

Arnold & Porter
555 Twelfth Street, N.W.
Washington, D.C. 20004
Attn: Steven Kaplan, Esquire
Facsimile No: (202) 942-5999

9.4 Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties; provided that without the written consent of Company, Shareholder may not assign its rights hereunder to a Person other than any direct or indirect Subsidiary of Shareholder of which

Shareholder holds 80% or more of the outstanding equity capital or voting shares and to which Registrable Shares have been transferred in compliance with the provisions of the Reorganization Agreement; provided that no such assignment shall be effective or confer any right on any such assignee unless, prior to such assignment, the assignee agrees in writing, in form and substance reasonably satisfactory to Company, that such assignee will be bound by all provisions binding on Shareholder hereunder. Neither this Agreement nor any provision hereof is intended to confer upon any Person other than the parties hereto and any successor or assignee any rights or remedies hereunder.

9.5 Counterparts. This Agreement may be executed in any number of counterparts and by the 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.

9.6 Specific Performance. Each of the parties hereto, in addition to being entitled to exercise all rights provided herein or granted by law, shall be entitled to specific performance of its rights under this Agreement. Each of the parties agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by any such party of the provisions of this Agreement and hereby agrees to waive the defense in any action for specific performance that a remedy at law would be adequate.

9.7 Headings; Sections. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof. All references to Sections shall refer to Sections of this Agreement, unless otherwise stated.

9.8 Governing Law.

(a) Except to the extent superceded by Federal law, this Agreement shall be governed by and construed in accordance with the law of the State of New York, without regard to the conflicts of law rules of such state that would construe this Agreement under the laws of another state.

(b) Any action brought in connection with this Agreement shall be brought in the courts of the State of New York located in the City of New York or of the United States of America for the Southern District of New York, which courts shall have exclusive jurisdiction. The parties further agree, to the extent permitted by law, that final and unappealable judgment against any of them in any action or proceeding contemplated above shall be conclusive and may be enforced in any other jurisdiction within or outside the United States by suit on the judgment, a certified copy of which shall be conclusive evidence of the fact and amount of such judgment.

(c) By the execution and delivery of this Agreement, each of the parties hereto submits to the personal jurisdiction of any court of the State of New York located in the City of New York or of the United States of America for the Southern

District of New York in any action or proceeding arising out of or relating to this Agreement and the transactions contemplated hereby.

(d) To the extent that Shareholder or Company has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, Shareholder and Company each hereby irrevocably waive such immunity in respect of its obligations with respect to this Agreement.

(e) Each party waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect of any action or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

9.9 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their best efforts to find and employ and alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

9.10 Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein, with respect to the registration rights granted by Company with respect to the Registrable Shares. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

9.11 Calculation of Time Periods. Except as otherwise indicated, all periods of time referred to herein shall include all Saturdays, Sundays and holidays; provided, that if the date to perform the act or give any notice with respect to this Agreement shall fall on a day other than a Business Day, such act or notice may be timely performed or given if performed or given on the next succeeding Business Day.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

M&T BANK CORPORATION

By: /s/ Michael P. Pinto

Name: Michael P. Pinto
Title: Executive Vice President and
Chief Financial Officer

ALLIED IRISH BANKS, P.L.C.

By: /s/ Michael D. Buckley

Name: Michael D. Buckley
Title: Group Chief Executive

CERTIFICATION OF CHIEF EXECUTIVE OFFICER UNDER 18 U.S.C. SECTION 1350

I, Robert G. Wilmers, Chairman of the Board, President and Chief Executive Officer of M&T Bank Corporation, hereby certify, to my knowledge:

- (1) that the Quarterly Report on Form 10-Q of M&T Bank Corporation for the quarterly period ended on March 31, 2003 filed with the Securities and Exchange Commission at File No. 1-9861 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) that the information contained in such Report fairly presents, in all material respects, the financial condition and results of operations of M&T Bank Corporation.

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

/s/ Robert G. Wilmers

Robert G. Wilmers

May 15, 2003

CERTIFICATION OF CHIEF FINANCIAL OFFICER UNDER 18 U.S.C. SECTION 1350

I, Michael P. Pinto, Executive Vice President and Chief Financial Officer of M&T Bank Corporation, hereby certify, to my knowledge:

- (1) that the Quarterly Report on Form 10-Q of M&T Bank Corporation for the quarterly period ended on March 31, 2003 filed with the Securities and Exchange Commission at File No. 1-9861 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) that the information contained in such Report fairly presents, in all material respects, the financial condition and results of operations of M&T Bank Corporation.

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

/s/ Michael P. Pinto

Michael P. Pinto

May 15, 2003