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

FORM 10-Q

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

For the quarterly period ended June 30, 1999

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 X No

Number of shares of the registrant's Common Stock, $5 par value, outstanding as of the close of business on August 4, 1999: 7,868,100 shares.

M&T BANK CORPORATION

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1999

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

M&T BANK CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET (Unaudited)

DOLLARS IN THOUSANDS, EXCEPT PER SHARE		June 30, 1999	December 31, 1998
Assets	Cash and due from banks	$ 543,669	493,792
	Money-market assets		
	Interest-bearing deposits at banks	3,276	674
	Federal funds sold and agreements to resell securities	418,188	229,066
	Trading account	453,826	173,122
	Total money-market assets	875,290	402,862
	Investment securities		
	Available for sale (cost: $1,901,035 at June 30, 1999; $2,578,940 at December 31, 1998)	1,878,045	2,583,740
	Held to maturity (market value: $85,985 at June 30, 1999; $87,365 at December 31, 1998)	86,561	87,282
	Other (market value: $113,022 at June 30, 1999; $114,542 at December 31, 1998)	113,022	114,542
	Total investment securities	2,077,628	2,785,564
	Loans and leases	16,706,052	16,005,701
	Unearned discount	(193,191)	(214,171)
	Allowance for possible credit losses	(314,398)	(306,347)
	Loans and leases, net	16,198,463	15,485,183
	Premises and equipment	164,891	162,842
	Goodwill and core deposit intangible	620,876	546,036
	Accrued interest and other assets	724,635	707,612
	Total assets	$ 21,205,452	20,583,891
Liabilities	Noninterest-bearing deposits	$ 2,191,999	2,066,814
	NOW accounts	543,245	509,307
	Savings deposits	4,994,072	4,830,678
	Time deposits	6,959,070	7,027,083
	Deposits at foreign office	220,566	303,270
	Total deposits	14,908,952	14,737,152
	Federal funds purchased and agreements to repurchase securities	1,474,297	1,746,078
	Other short-term borrowings	467,203	483,898
	Accrued interest and other liabilities	760,986	446,854
	Long-term borrowings	1,821,507	1,567,543
	Total liabilities	19,432,945	18,981,525
Stockholders' equity	Preferred stock, $1 par, 1,000,000 shares authorized, none outstanding	-	-
	Common stock, $5 par, 15,000,000 shares authorized, 8,101,539 shares issued	40,508	40,508
	Common stock issuable - 8,764 shares at June 30, 1999; 8,028 shares at December 31,1998	4,112	3,752
	Additional paid-in capital	463,767	480,014
	Retained earnings	1,387,403	1,271,071
	Accumulated other comprehensive income, net	(13,595)	2,869
	Treasury stock - common, at cost - 225,992 shares at June 30, 1999; 403,769 shares at December 31, 1998	(109,688)	(195,848)
	Total stockholders' equity	1,772,507	1,602,366
	Total liabilities and stockholders' equity	$ 21,205,452	20,583,891

CONSOLIDATED STATEMENT OF INCOME (Unaudited)

AMOUNTS IN THOUSANDS, EXCEPT PER SHARE		Three months ended June 30 1999	1998	Six months ended June 30 1999	1998
Interest income	Loans and leases, including fees	$ 321,843	316,642	$ 636,816	567,339
	Money-market assets				
	Deposits at banks	48	364	55	370
	Federal funds sold and agreements to resell securities	5,381	1,247	9,204	2,969
	Trading account	1,380	467	2,625	605
	Investment securities				
	Fully taxable	28,512	42,238	62,886	65,868
	Exempt from federal taxes	2,156	2,101	4,279	3,673
	Total interest income	359,320	363,059	715,865	640,824
Interest expense	NOW accounts	1,125	1,189	2,405	2,144
	Savings deposits	29,114	30,636	57,924	53,243
	Time deposits	89,182	105,500	180,074	186,134
	Deposits at foreign office	2,757	3,562	6,186	6,801
	Short-term borrowings	22,768	30,969	48,503	49,566
	Long-term borrowings	26,323	12,788	51,415	21,341
	Total interest expense	171,269	184,644	346,507	319,229
	NET INTEREST INCOME	188,051	178,415	369,358	321,595
	Provision for possible credit losses	8,500	13,200	17,000	25,200
	Net interest income after provision for possible credit losses	179,551	165,215	352,358	296,395
Other income	Mortgage banking revenues	18,613	18,466	40,087	32,336
	Service charges on deposit accounts	16,715	14,180	32,583	25,414
	Trust income	10,275	9,938	20,601	19,423
	Merchant discount and other credit card fees	1,803	4,330	3,503	8,568
	Trading account and foreign exchange gains (losses)	(3,242)	506	(2,073)	2,285
	Gain on sales of bank investment securities	0	322	220	322
	Other revenues from operations	22,642	17,333	44,601	45,620
	Total other income	66,806	65,075	139,522	133,968
Other expense	Salaries and employee benefits	71,378	69,930	139,815	128,263
	Equipment and net occupancy	17,480	17,878	35,504	31,357
	Printing, postage and supplies	4,348	5,029	8,458	8,599
	Amortization of goodwill and core deposit intangible	11,178	10,875	22,030	12,700
	Other costs of operations	41,163	51,292	79,206	107,958
	Total other expense	145,547	155,004	285,013	288,877
	Income before income taxes	100,810	75,286	206,867	141,486
	Income taxes	35,772	30,587	74,923	47,832
	NET INCOME	$ 65,038	44,699	$ 131,944	93,654
	Net income per common share				
	Basic	$ 8.35	5.55	$ 17.00	12.72
	Diluted	8.00	5.32	16.33	12.16
	Cash dividends per common share	1.00	1.00	2.00	1.80
	Average common shares outstanding				
	Basic	7,793	8,051	7,762	7,363
	Diluted	8,132	8,409	8,078	7,699

CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

DOLLARS IN THOUSANDS		Six months ended June 30 1999	1998
Cash flows from operating activities	Net income	$ 131,944	93,654
	Adjustments to reconcile net income to net cash provided by operating activities		
	Provision for possible credit losses	17,000	25,200
	Depreciation and amortization of premises and equipment	13,963	11,897
	Amortization of capitalized servicing rights	9,857	9,708
	Amortization of goodwill and core deposit intangible	22,030	12,700
	Provision for deferred income taxes	935	(6,262)
	Asset write-downs	914	3,166
	Net gain on sales of assets	(280)	(700)
	Net change in accrued interest receivable, payable	(4,066)	1,936
	Net change in other accrued income and expense	(42,846)	13,250
	Net change in loans held for sale	153,530	(134,486)
	Net change in trading account assets and liabilities	95,801	(123,711)
	Net cash provided (used) by operating activities	398,782	(93,648)
Cash flows from investing activities	Proceeds from sales of investment securities		
	Available for sale	24,789	112,890
	Other	7,154	7,930
	Proceeds from maturities of investment securities		
	Available for sale	882,499	502,169
	Held to maturity	23,013	28,092
	Purchases of investment securities		
	Available for sale	(93,913)	(35,514)
	Held to maturity	(16,112)	(18,969)
	Other	(2,965)	(21,873)
	Net increase in interest-bearing deposits at banks	(2,602)	(2)
	Additions to capitalized servicing rights	(8,709)	(6,469)
	Net increase in loans and leases	(496,024)	(659,515)
	Capital expenditures, net	(6,874)	(12,954)
	Acquisitions, net of cash acquired:		
	Banks and bank holding companies	(51,423)	20,790
	Purchases of bank owned life insurance	0	(150,000)
	Other, net	(3,992)	2,511
	Net cash provided (used) by investing activities	254,841	(230,914)
Cash flows from financing activities	Net decrease in deposits	(340,078)	(115,908)
	Net increase (decrease) in short-term borrowings	(303,037)	978,727
	Proceeds from long-term borrowings	299,152	0
	Payments on long-term borrowings	(64,534)	(1,591)
	Purchases of treasury stock	(789)	(74,711)
	Dividends paid - common	(15,595)	(13,345)
	Other, net	10,257	12,181
	Net cash provided (used) by financing activities	(414,624)	785,353
	Net increase in cash and cash equivalents	$ 238,999	460,791
	Cash and cash equivalents at beginning of period	722,858	386,892
	Cash and cash equivalents at end of period	$ 961,857	847,683
Supplemental disclosure of cash flow information	Interest received during the period	$ 718,860	636,669
	Interest paid during the period	354,094	317,942
	Income taxes paid during the period	112,794	47,233
Supplemental schedule of noncash investing and financing activities	Real estate acquired in settlement of loans	$ 4,470	3,387
	Acquisition of banks and bank holding companies:		
	Common stock issued	58,746	587,819
	Fair value of:		
	Assets acquired (noncash)	650,841	5,206,168
	Liabilities assumed	616,928	4,619,715
	Stock options	0	19,424

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (Unaudited)

DOLLARS IN THOUSANDS, EXCEPT PER SHARE	Preferred stock	Common stock	Common stock issuable	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income, net	Treasury stock	Total
1998								
Balance - January 1, 1998	$ -	40,487	-	103,233	1,092,106	12,016	(217,576)	$ 1,030,266
Comprehensive income:								
Net income	-	-	-	-	93,654	-	-	93,654
Other comprehensive income, net of tax:								
Unrealized losses on investment securities, net of reclassification adjustment	-	-	-	-	-	(5,374)	-	(5,374)
								88,280
Purchases of treasury stock	-	-	-	-	-	-	(74,711)	(74,711)
Acquisition of ONBANCorp:								
Common stock issued	-	10	-	364,427	-	-	223,382	587,819
Fair value of stock options	-	-	-	19,424	-	-	-	19,424
Stock-based compensation plans:								
Exercise of stock options	-	11	-	785	-	-	16,454	17,250
Directors' stock plan	-	-	-	52	-	-	97	149
Deferred bonus plan, net, including dividend equivalents	-	-	3,885	5	(16)	-	2	3,876
Common stock cash dividends - $1.80 per share	-	-	-	-	(13,345)	-	-	(13,345)
Balance - June 30, 1998	$ -	40,508	3,885	487,926	1,172,399	6,642	(52,352)	$ 1,659,008
1999								
Balance - January 1, 1999	$ -	40,508	3,752	480,014	1,271,071	2,869	(195,848)	$ 1,602,366
Comprehensive income:								
Net income	-	-	-	-	131,944	-	-	131,944
Other comprehensive income, net of tax:								
Unrealized losses on investment securities, net of reclassification adjustment	-	-	-	-	-	(16,464)	-	(16,464)
								115,480
Purchases of treasury stock	-	-	-	-	-	-	(789)	(789)
Acquisition of FNB Rochester Corp.:								
Common stock issued	-	-	-	(718)	-	-	59,464	58,746
Stock-based compensation plans:								
Exercise of stock options	-	-	-	(15,521)	-	-	27,072	11,551
Directors' stock plan	-	-	-	3	-	-	148	151
Deferred bonus plan, net, including dividend equivalents	-	-	360	(11)	(17)	-	265	597
Common stock cash dividends - $2.00 per share	-	-	-	-	(15,595)	-	-	(15,595)
Balance - June 30, 1999	$ -	40,508	4,112	463,767	1,387,403	(13,595)	(109,688)	$ 1,772,507

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

DOLLARS IN THOUSANDS	Six months ended June 30 1999	1998
Beginning balance	$ 306,347	274,656
Provision for possible credit losses	17,000	25,200
Allowance obtained through acquisition	5,636	27,905
Net charge-offs		
Charge-offs	(23,673)	(25,292)
Recoveries	9,088	8,342
Total net charge-offs	(14,585)	(16,950)
Ending balance	$ 314,398	310,811

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 1998 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. Certain reclassifications have been made to the 1998 financial statements to conform with the current year presentation.

2. EARNINGS PER SHARE

The computations of basic earnings per share follow:

	Three months ended June 30		Six months ended June 30	
	1999	1998	1999	1998
	(in thousands, except per share)			
Income available to common stockholders:				
Net income	$65,038	44,699	131,944	93,654
Weighted-average shares outstanding (including common stock issuable)	7,793	8,051	7,762	7,363
Basic earnings per share	$ 8.35	5.55	17.00	12.72

The computations of diluted earnings per share follow:

	Three months ended June 30		Six months ended June 30	
	1999	1998	1999	1998
	(in thousands, except per share)			
Income available to common stockholders	$65,038	44,699	131,944	93,654
Weighted-average shares outstanding (including common stock issuable)	7,793	8,051	7,762	7,363
Plus: incremental shares from assumed conversions of stock options	339	358	316	336
Adjusted weighted-average shares outstanding	8,132	8,409	8,078	7,699
Diluted earnings per share	$ 8.00	5.32	16.33	12.16

3. COMPREHENSIVE INCOME

The following table displays the components of other comprehensive income:

	Six Months Ended June 30, 1999		
	Before-tax Amount	Income Taxes	Net
	(in thousands)		
Unrealized losses on investment securities:			
Unrealized holding losses during period	$(27,570)	(11,236)	(16,334)
Less: reclassification adjustment for gains realized in net income	220	90	130
Net unrealized losses	$(27,790)	(11,326)	(16,464)

3. COMPREHENSIVE INCOME, CONTINUED

SIX MONTHS ENDED JUNE 30, 1998

	Before-tax Amount	Income Taxes	Net
		(in thousands)	
Unrealized losses on investment securities:			
Unrealized holding losses during period(a)	$(8,729)	(3,546)	(5,183)
Less: reclassification adjustment for gains realized in net income	322	131	191
Net unrealized losses	$(9,051)	(3,677)	(5,374)

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

4. CONTRIBUTION OF APPRECIATED INVESTMENT SECURITIES

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

5. ACQUISITIONS

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

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

Acquired assets, loans and deposits of ONBANCorp on April 1, 1998 totaled approximately $5.5 billion, $3.0 billion and $3.8 billion, respectively. The transaction was accounted for as a purchase and, accordingly, operations acquired from ONBANCorp have been included in the Company's financial results since the acquisition date. In connection with the acquisition, the Company recorded approximately $501 million of goodwill and $61 million of core deposit intangible. The goodwill is being amortized on a straight-line basis over twenty years and the core deposit intangible is being amortized on an accelerated basis over ten years. The Company incurred expenses related to systems conversions and other costs of integrating and conforming the acquired operations with and into the Company of approximately $21.3 million ($14.0 million net of applicable income taxes) during 1998, including approximately $16.7 million ($11.3 million net of applicable income taxes) and $18.4 million ($12.3 million net of

5. ACQUISITIONS, CONTINUED

applicable income taxes) during the three and six-month periods ended June 30, 1998.

On June 1, 1999, M&T consummated the merger of FNB Rochester Corp.("FNB"), a bank holding company headquartered in Rochester, New York, with and into Olympia. Following the merger with FNB, First National Bank of Rochester, a wholly owned subsidiary of FNB, was merged into M&T Bank. In accordance with the terms of the merger agreements with FNB, M&T paid $76.3 million in cash and issued 122,516 shares of M&T common stock in exchange for FNB shares outstanding at the time of the acquisition. The purchase price of the transaction was approximately $135.0 million based on the cash paid to FNB stockholders and the market price of M&T common shares on December 8, 1998 before the terms of the merger were agreed to and announced by M&T and FNB. Acquired assets, loans and deposits of FNB on June 1, 1999 totaled approximately $676 million, $393 million and $511 million, respectively. The transaction was accounted for as a purchase and, accordingly, operations acquired from FNB have been included in the Company's financial results since the acquisition date. In connection with the acquisition, the Company recorded approximately $98 million of goodwill and core deposit intangible. The goodwill is being amortized on a straight-line basis over twenty years and the core deposit intangible is being amortized on an accelerated basis over eight years. The Company incurred expenses related to systems conversions and other costs of integrating and conforming the acquired operations with and into the Company of approximately $2.5 million ($1.7 million net of applicable income taxes) for the three-month and six-month periods ended June 30, 1999. The Company expects to incur additional integration costs during the remainder of 1999 which will be expensed as incurred.

On June 2, 1999, M&T Bank and The Chase Manhattan Bank ("Chase") entered into a definitive agreement providing for M&T Bank's acquisition of 29 Chase branch locations in upstate New York. At the time the transaction was announced, the branches had approximately $600 million of retail and business banking deposits, approximately $140 million of municipal balances, and approximately $40 million of retail installment and small business loans. This transaction is subject to a number of closing conditions. M&T Bank's assumption of the deposit liabilities, its purchase of the loans and its acquisition of certain custody and investment management accounts associated with the branches is expected to close by the end of September 1999. A portion of the transaction relating to M&T Bank's acquisition of fiduciary trust accounts associated with the Chase branches is expected to close in the first quarter of 2000 following the receipt of regulatory and court approvals.

6. BORROWINGS

In January 1997, First Empire Capital Trust I ("Trust I"), a Delaware business trust organized by the Company on January 17, 1997, issued $150 million of 8.234% preferred capital securities. In June 1997, First Empire Capital Trust II ("Trust II"), a Delaware business trust organized by the Company on May 30, 1997, issued $100 million of 8.277% preferred capital securities. As a result of the ONBANCorp acquisition, the Company assumed responsibility for similar preferred capital securities previously issued by a special-purpose entity formed by ONBANCorp. In February 1997, OnBank Capital Trust I ("OnBank Trust I" and, together with Trust I and Trust II, the "Trusts"), a Delaware business trust organized by ONBANCorp on January 24, 1997, issued $60 million of 9.25% preferred capital securities. Including the unamortized portion of a purchase accounting adjustment to reflect estimated fair value at the April 1, 1998 acquisition of ONBANCorp, the preferred capital securities of OnBank Trust I had a financial statement carrying value of approximately $69 million at June 30, 1999 and December 31, 1998.

6. BORROWINGS, CONTINUED

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

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

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

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

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

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

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

6. BORROWINGS, CONTINUED

obligations under such guarantee and the Capital Securities are subordinate and junior in right of payment to all senior indebtedness of M&T and Olympia.

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

7. SEGMENT INFORMATION

In 1998, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures About Segments of an Enterprise and Related Information." In accordance with the provision of SFAS No. 131, 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 21 to the Company's consolidated financial statements as of and for the year ended December 31, 1998. 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. Information about the Company's segments is presented in the following tables.

7. SEGMENT INFORMATION, CONTINUED

	Three Months Ended June 30					
	1999			1998		
	Total Revenues(a)	Inter-segment Revenues	Net income (Loss)	Total Revenues(a)	Inter-segment Revenues	Net income (Loss)
	(in thousands)					
Commercial Banking	$ 45,270	100	19,926	43,746	148	19,152
Commercial Real Estate	31,804	410	16,495	27,765	358	14,601
Discretionary Portfolio	15,349	(812)	8,667	16,821	(836)	8,208
Residential Mortgage Banking	34,198	9,364	5,972	36,710	12,508	6,104
Retail Banking	110,451	2,572	26,617	111,647	1,795	25,139
All Other	17,785	(11,634)	(12,639)	6,801	(13,973)	(28,505)
Total	$254,857	--	65,038	243,490	--	44,699

	Six Months Ended June 30					
	1999			1998		
	Total Revenues(a)	Inter-segment Revenues	Net income (Loss)	Total Revenues(a)	Inter-segment Revenues	Net income (Loss)
	(in thousands)					
Commercial Banking	$ 90,724	224	40,662	74,876	270	32,496
Commercial Real Estate	60,445	678	30,889	57,697	644	30,402
Discretionary Portfolio	32,052	(812)	17,511	28,363	(836)	13,577
Residential Mortgage Banking	71,766	18,933	12,952	64,711	21,122	10,250
Retail Banking	215,863	4,513	51,161	196,467	3,394	44,319
All Other	38,030	(23,536)	(21,231)	33,449	(24,594)	(37,390)
Total	$508,880	--	131,944	455,563	--	93,654

(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 and interest paid on liabilities owned by a segment and a funding charge (credit) based on the Company's internal funds transfer pricing methodology. Segments are charged a cost to fund any assets (e.g., loans) and are paid a funding credit for any funds provided (e.g., deposits). The taxable-equivalent adjustment aggregated $1,838,000 and $1,779,000 for the three-month periods ended June 30, 1999 and 1998, respectively, and $3,663,000 and $3,320,000 for the six-month periods ended June 30, 1999 and 1998, respectively, and is eliminated in "All Other" total revenues. Total revenues in "All Other" for the six months ended June 30, 1998 include the impact of the contribution of appreciated investment securities described in note 4. 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.

7. SEGMENT INFORMATION, CONTINUED

	Average Total Assets		
	Six months ended June 30,		Twelve months ended December 31,
	1999	1998	1998
	(in millions)		
Commercial Banking	$ 4,142	3,331	3,653
Commercial Real Estate	3,929	3,489	3,527
Discretionary Portfolio	6,778	5,352	6,025
Residential Mortgage Banking	647	521	581
Retail Banking	4,075	3,546	3,781
All Other	868	578	742
Total	$20,439	16,817	18,309

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

OVERVIEW

Net income of M&T Bank Corporation ("M&T") was $65.0 million or $8.00 of diluted earnings per common share in the second quarter of 1999, increases of 46% and 50%, respectively, from the second quarter of 1998 when net income was $44.7 million or $5.32 of diluted earnings per common share. Net income was $66.9 million or $8.34 of diluted earnings per common share in the initial 1999 quarter. Basic earnings per common share increased 50% to $8.35 in the recent quarter from $5.55 in the second quarter of 1998, but declined 3% from $8.65 earned in the first quarter of 1999. The after-tax impact of nonrecurring merger-related expenses associated with M&T's June 1, 1999 acquisition of FNB Rochester Corp. ("FNB") and the April 1, 1998 acquisition of ONBANCorp Inc. ("ONBANCorp") was $1.7 million or $.21 of diluted earnings per share and $.22 of basic earnings per share in the second quarter of 1999, compared with $11.3 million or $1.34 of diluted earnings per share and $1.40 of basic earnings per share in the year-earlier quarter. For the six months ended June 30, 1999, net income was $131.9 million or $16.33 per diluted share, up 41% and 34%, respectively, from $93.7 million or $12.16 per diluted share during the first half of 1998. Basic earnings per share rose to $17.00 in the first six months of 1999 from $12.72 in the corresponding 1998 period. Nonrecurring merger-related expenses resulting from the acquisition of FNB lowered net income during the first half of 1999 by $1.7 million and diluted and basic earnings per share by $.21 and $.22, respectively. Similar expenses related to the acquisition of ONBANCorp lowered net income in the first half of 1998 by $12.3 million and reduced diluted and basic earnings per share by $1.59 and $1.66, respectively.

The annualized rate of return on average total assets for M&T and its consolidated subsidiaries ("the Company") in the second quarter of 1999 was 1.27%, compared with .92% in the year-earlier quarter and 1.34% in 1999's initial quarter. The annualized return on average common stockholders' equity was 15.23% in the recent quarter, compared with 10.77% in the second quarter of 1998 and 16.56% in the first quarter of 1999. During the first half of 1999, the annualized rates of return on average assets and average common stockholders' equity were 1.30% and 15.88%, respectively, compared with 1.12% and 13.89%, respectively, in the first six months of 1998. Excluding the impact of merger-related expenses, the annualized returns on average assets and average common equity were 1.30% and 15.63%, respectively, during the second quarter of 1999, compared with 1.15% and 13.50%, respectively, during the second quarter of 1998. On the same basis, the annualized returns on average assets and average common equity during the first six months of 1999 were 1.32% and 16.08%, respectively, compared with 1.27% and 15.70%, respectively, during the first half of 1998.

On June 1, 1999, M&T completed the acquisition of FNB, a bank holding company headquartered in Rochester, New York. Immediately after the acquisition, FNB's banking subsidiary, First National Bank of Rochester, which had 17 banking offices in western and central New York State, was merged with and into Manufacturers and Traders Trust Company ("M&T Bank"), M&T's principal banking subsidiary. The acquisition was accounted for using the purchase method of accounting, and, accordingly, the operations of FNB have been included in the financial results of the Company since the acquisition date. FNB's stockholders received $76.3 million in cash and 122,516 shares of M&T common stock in exchange for FNB shares outstanding at the time of acquisition. Assets acquired totaled approximately $676 million, and included loans and leases of $393 million and investment securities of $148 million. The Company recorded approximately $98 million of goodwill and core deposit intangible in connection with the acquisition. Liabilities assumed on June 1 were approximately $541 million and included $511 million of deposits. Nonrecurring expenses relating to systems conversions and other costs of integrating and conforming the acquired operations with and into M&T Bank totaled $2.5 million ($1.7 million after-tax) for the three-month and six-month periods ended June 30, 1999. The Company expects to incur additional integration costs during the remainder of 1999 which will be expensed as incurred.

On June 2, 1999, M&T Bank and The Chase Manhattan Bank ("Chase") entered into an agreement providing for M&T Bank's acquisition of 29 Chase branches located in upstate New York, 11 of which are located in Binghamton, 8 of which are located in Jamestown, 7 of which are located in Buffalo, 2 of which are located in Elmira-Corning, and 1 of which is located in Albany. At the time the transaction was announced, the branches had approximately $600 million of retail and business banking deposits, approximately $140 million of municipal balances, and approximately $40 million of retail installment and small business loans. This transaction is subject to a number of closing conditions. M&T Bank's assumption of the deposit liabilities, its purchase of the loans and its acquisition of certain custody and investment management accounts associated with the branches is expected to close by the end of September 1999. A portion of the transaction relating to M&T Bank's acquisition of fiduciary trust accounts associated with the Chase branches is expected to close in the first quarter of 2000 following the receipt of regulatory and court approvals.

CASH OPERATING RESULTS

As a result of the acquisitions of FNB and ONBANCorp and, to a significantly lesser extent, acquisitions of other entities in prior years, M&T had recorded as assets at June 30, 1999 goodwill and core deposit intangible totaling $621 million. Since the amortization of goodwill and core deposit intangible does not result in a cash expense, M&T believes that supplemental reporting of its operating results on a "cash" (or "tangible") basis (which excludes the after-tax effect of amortization of goodwill and core deposit intangible and the related asset balances) represents a relevant measure of financial performance. The supplemental cash basis data presented herein do not exclude the effect of other non-cash operating expenses such as depreciation, provision for possible credit losses, or deferred income taxes associated with the results of operations. Unless noted otherwise, cash basis data does, however, exclude the after-tax impact of nonrecurring merger-related expenses associated with the acquisitions of FNB and ONBANCorp.

Cash net income rose 17% to $76.5 million in the second quarter of 1999 from $65.4 million in the second quarter of 1998. Diluted cash earnings per share for the recent quarter were $9.41, up 21% from $7.78 in the year- earlier quarter. Cash net income and diluted cash earnings per share were $76.3 million and $9.51, respectively, in the initial 1999 quarter. For the first half of 1999, cash net income and diluted cash earnings per share were $152.8 million and $18.92, respectively, up 31% and 25%, respectively, from $116.9 million and $15.18 in the corresponding 1998 period.

Cash return on average tangible assets was an annualized 1.53% in the recent quarter, compared with 1.38% in the second quarter of 1998 and 1.57% in the first quarter of 1999. Cash return on average tangible common equity was an annualized 26.13% in the second quarter of 1999, compared with 23.50% in the year-earlier quarter and 27.66% in the initial 1999 quarter. For the first six months of 1999, the annualized cash return on average tangible assets and average tangible common stockholders' equity was 1.55% and 26.88%, respectively, compared with 1.43% and 21.89%, respectively, in the corresponding 1998 period. Including the effect of merger-related expenses, the annualized cash return on average tangible assets for the second quarters of 1999 and 1998 was 1.50% and 1.14%, respectively, and the annualized cash return on average tangible common stockholders' equity was 25.55% and 19.45%, respectively.

TAXABLE-EQUIVALENT NET INTEREST INCOME

Taxable-equivalent net interest income rose 5% to $189.9 million in the second quarter of 1999 from $180.2 million in the year-earlier quarter and was up 4% from the $183.1 million earned in the first quarter of 1999. Factors contributing to the improvement in net interest income included growth in average loans and leases, partially offset by lower rates earned on those loans and leases, and lower rates paid on interest-bearing deposits and borrowings. Average loans and leases increased $1.1 billion, or 7%, to $16.1 billion in the second quarter of 1999 from $15.0 billion in the year-earlier quarter. Average loans and leases in the recent quarter were $.3 billion, or 2%, higher than the first quarter of 1999. 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	
	2nd Qtr. 1999	2nd Qtr. 1998	1st Qtr. 1999
Commercial, financial, etc.	$ 3,201	8 %	1 %
Real estate - commercial	5,752	15	4
Real estate - consumer	4,176	6	-
Consumer			
Automobile	1,439	4	(1)
Home equity	772	3	4
Credit cards	11	(95)	-
Other	705	(2)	3
Total consumer	2,927	(5)	1
Total	$16,056	7 %	2 %

For the first six months of 1999, taxable-equivalent net interest income was $373.0 million, up 15% from $324.9 million in the corresponding 1998 period. An increase in average loans and leases of $2.6 billion, including loans acquired in the ONBANCorp transaction, was the leading factor contributing to this improvement.

Average investment securities decreased to $2.1 billion in the recent quarter from $2.9 billion in the second quarter of 1998 and $2.5 billion in the initial quarter of 1999. The investment securities portfolio is largely comprised of mortgage-backed securities, collateralized mortgage obligations, and shorter-term U.S. Treasury notes. When purchasing investment securities, the Company considers its overall interest-rate risk profile as well as the adequacy of expected returns relative to prepayment and other risks assumed. The Company occasionally sells investment securities as a result of changes in interest rates and spreads, actual or anticipated prepayments, or credit risk associated with a particular security.

Money-market assets averaged $516 million in 1999's second quarter, compared with $156 million in the year-earlier quarter and $406 million in the first quarter of 1999. In general, the size of the investment securities and money-market assets portfolios are influenced by such factors as demand for loans, which generally yield more than investment securities and money-market assets, ongoing repayments, the levels of deposits, and management of balance sheet size and resulting capital ratios.

As a result of the changes described herein, average earning assets increased 4% to $18.6 billion in the second quarter of 1999 from $18.0 billion in the second quarter of 1998. Average earning assets were $18.7

billion in the first quarter of 1999 and aggregated $18.7 billion and $15.7 billion for the six months ended June 30, 1999 and 1998, respectively.

Core deposits, consisting of noninterest-bearing deposits, interest-bearing transaction accounts, savings deposits and nonbrokered domestic time deposits under $100,000, represent the most significant source of funding to the Company and generally carry lower interest rates than wholesale funds of comparable maturities. The Company's branch network is the principal source of core deposits. Core deposits include certificates of deposit under $100,000 generated on a nationwide basis by M&T Bank, National Association ("M&T Bank, N.A."), a wholly owned bank subsidiary of M&T. Average core deposits increased to $11.6 billion in the second quarter of 1999, up from $11.5 billion in the year-earlier quarter and $11.4 billion in the first quarter of 1999. The accompanying table provides an analysis of quarterly changes in the components of average core deposits. For the six months ended June 30, 1999 and 1998, core deposits averaged $11.5 billion and $10.0 billion, respectively.

AVERAGE CORE DEPOSITS
Dollars in millions

		Percent increase (decrease) from	
	2nd Qtr. 1999	2nd Qtr. 1998	1st Qtr. 1999
NOW accounts	$ 370	22 %	(7)%
Savings deposits	5,038	7	3
Time deposits less than $100,000	4,263	(10)	(1)
Noninterest-bearing deposits	1,886	8	1
Total	$11,557	- %	1 %

In addition to core deposits, the Company obtains funding through domestic time deposits of $100,000 or more, deposits originated through M&T Bank's offshore branch office, and brokered certificates of deposit. Brokered deposits are used as an alternative to short-term borrowings to lengthen the average maturity of interest-bearing liabilities. Brokered deposits averaged $1.2 billion during the recent quarter and totaled $1.1 billion at June 30, 1999, compared with an average balance of $1.5 billion during the comparable 1998 period and a total balance of $1.5 billion at June 30, 1998. Brokered deposits averaged $1.3 billion in the initial quarter of 1999. The weighted average remaining term to maturity of brokered deposits at June 30, 1999 was 1.6 years. However, certain of the deposits have provisions that allow early redemption. In connection with the Company's management of interest rate risk, interest rate swaps have been entered into under which the Company receives a fixed rate of interest and pays a variable rate and that have notional amounts and terms substantially similar to the amounts and terms of the brokered deposits. Additional amounts of brokered deposits may be solicited in the future depending on market conditions and the cost of funds available from alternative sources at the time.

In addition to deposits, the Company uses borrowings from banks, securities dealers, Federal Home Loan Banks ("FHLB") and others as sources of funding. Short-term borrowings averaged $1.9 billion in the recent quarter, compared with $2.2 billion in the second 1998 quarter and $2.1 billion in the first quarter of 1999. Long-term borrowings averaged $1.8 billion and $695 million in the second quarter of 1999 and 1998, respectively, and $1.6 billion in the initial 1999 quarter. Included in long-term borrowings during the recent quarter were $1.3 billion of FHLB borrowings, compared with $182 million in the year-earlier quarter and $1.1 billion in the first quarter of 1999. Long-term borrowings also include $319 million of trust preferred securities and $175 million of subordinated capital notes. Further information regarding the trust preferred securities is provided in note 6 of Notes to Financial Statements.

Changes in the composition of the Company's earning assets and interest-bearing liabilities, 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 3.56% in the second quarter of 1999, up from 3.47% in the year-earlier quarter. The yield on earning assets decreased 36 basis points (hundredths of one percent) to 7.77% in the second quarter of 1999 from 8.13% in the second quarter of 1998. The rate paid on interest-bearing liabilities in the second quarter of 1999 was 4.21%, down from 4.66% in the corresponding 1998 quarter. The decrease in the recent quarter's yield on earning assets and interest-bearing liabilities was due to generally lower interest rates when compared with the corresponding 1998 quarter. The net interest spread was 3.46% in the first quarter of 1999 when the yield on earning assets was 7.79% and the rate paid on interest-bearing liabilities was 4.33%.

The contribution to net interest margin, or taxable equivalent net interest income expressed as an annualized percentage of average earning assets, of interest-free funds was .53% in the second quarter of 1999, compared with .55% in the corresponding 1998 quarter and .52% in the first quarter of 1999. Average interest-free funds, which include noninterest- bearing demand deposits and stockholders' equity, totaled $2.3 billion in the second quarter of 1999, up from $2.1 billion a year earlier and $2.2 million in the initial 1999 quarter.

Due to the changes described above, the Company's net interest margin was 4.09% in 1999's second quarter, up from 4.02% in the comparable quarter of 1998 and 3.98% in the initial 1999 quarter. During the first six months of 1999 and 1998, the net interest margin was 4.03% and 4.18%, respectively.

The Company utilizes interest rate swap agreements as part of the management of interest rate risk to modify the repricing characteristics of certain portions of its portfolios of earnings assets and interest-bearing liabilities. Revenue and expense arising from these agreements are reflected in either the yields earned on assets or, as appropriate, rates paid on interest-bearing liabilities. The notional amount of interest rate swap agreements used as part of the Company's management of interest rate risk in effect at June 30, 1999 and 1998 was $1.8 billion and $2.5 billion, respectively. In general, under the terms of these swaps, the Company receives payments based on the outstanding notional amount of the swaps at fixed rates of interest and makes payments at variable rates. However, under the terms of $82 million of swaps, the Company pays a fixed rate of interest and receives a variable rate. At June 30, 1999, the weighted average rates to be received and paid under interest rate swap agreements were 6.23% and 5.17%, respectively. The Company had also entered into forward-starting swaps as of June 30, 1999, with an aggregate notional amount of $391 million in which the Company will pay a fixed rate of interest and receive a variable rate. The forward-starting swaps had no effect on the Company's net interest income through June 30, 1999. The average notional amounts of interest rate swaps and the related effect on net interest income and margin are presented in the accompanying table.

INTEREST RATE SWAPS
Dollars in thousands

	Three Months Ended June 30			
	1999		1998	
	Amount	Rate *	Amount	Rate *
Increase (decrease) in:				
Interest income	$ 4,090	.09%	$ 408	.01 %
Interest expense	(4,302)	(.11)	(3,129)	(.08)
Net interest income/margin	$ 8,392	.18%	$ 3,537	.08 %
Average notional amount **	$ 2,052,899		$ 2,547,962	

	Six Months Ended June 30			
	1999		1998	
	AMOUNT	RATE *	AMOUNT	RATE *
Increase (decrease) in:				
Interest income	$ 8,803	0.9%	$ 690	% --
Interest expense	(8,648)	(.11)	(6,334)	(.09)
Net interest income/margin	$ 16,731	.18%	$ 7,024	.09 %
Average notional amount **	$2,194,941		$2,525,659	

* COMPUTED AS AN ANNUALIZED PERCENTAGE OF AVERAGE EARNING ASSETS OR INTEREST-BEARING LIABILITIES.
** EXCLUDES FORWARD-STARTING INTEREST RATE SWAPS.

The Company estimates that as of June 30, 1999 it would have received approximately $28 million if all interest rate swap agreements entered into for interest rate risk management purposes had been terminated, compared with $18 million a year earlier and $23 million at December 31, 1998. The estimated fair value of the interest rate swap portfolio results from the effects of changing interest rates and should be considered in the context of the entire balance sheet and the Company's overall interest rate risk profile. Changes in the estimated fair value of interest rate swaps entered into for interest rate risk management purposes are not recorded in the consolidated financial statements.

As a financial intermediary, the Company is exposed to various risks, including liquidity and market risk. Liquidity risk arises whenever the maturities of financial instruments included in assets and liabilities differ. Accordingly, a critical element in managing a financial institution is ensuring that sufficient cash flow and liquid assets are available to satisfy demands for loans and deposit withdrawals, to fund operating expenses, and to be used for other corporate purposes. Deposits and borrowings, maturities of money-market assets 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 membership in the FHLB, as well as other available borrowing facilities. M&T has historically utilized dividend payments from its banking subsidiaries, which are subject to various regulatory limitations, to pay for operating expenses, shareholder dividends and treasury stock repurchases. In 1997, the proceeds from issuance of $250 million of trust preferred securities provided funds to M&T. M&T also maintains a $25 million line of credit with an unaffiliated commercial bank, all of which was available for borrowing at June 30, 1999.

Management does not anticipate engaging in any activities, either currently or in the long-term, which would cause a significant strain on liquidity at either M&T or its subsidiary banks. Furthermore, management closely monitors the Company's liquidity position for compliance with internal policies and believes that available sources of liquidity are adequate to meet funding needs anticipated in the normal course of business.

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. Interest rate risk occurs when assets and liabilities reprice at different times as interest rates change. As a result, net interest income earned by the Company is subject to the effects of changing interest rates. The Company measures interest rate risk by calculating the variability of net interest income in future periods under various interest rate scenarios using projected balances for earning assets, interest-bearing liabilities and off-balance sheet financial instruments. Management's philosophy toward interest rate risk management is to limit the variability of net interest income. The balances of both on- and off-balance sheet financial instruments used in the projections are based on expected growth from forecasted business opportunities, anticipated prepayments of mortgage-related assets and expected maturities of investment securities, loans and deposits. Management supplements the modeling technique described above with analyses of market values of the Company's financial instruments.

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

The accompanying table as of June 30, 1999 and December 31, 1998 displays the estimated impact on net interest income from non-trading financial instruments resulting from changes in interest rates during the first modeling year.

SENSITIVITY OF NET INTEREST INCOME
TO CHANGES IN INTEREST RATES

(dollars in thousands)	Calculated increase (decrease) in projected net interest income	
Changes in Interest Rates	June 30, 1999	December 31, 1998
+200 basis points	$ (3,419)	(7,668)
+100 basis points	1,460	335
- -100 basis points	7,212	5,161
- -200 basis points	6,733	4,498

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

The Company engages in trading activities to meet the financial needs of customers and to profit from perceived market opportunities. Trading activities are conducted utilizing financial instruments that include forward and futures contracts related to foreign currency exchange and mortgage-backed securities, U.S. Treasury and other government securities, and interest rate contracts such as swaps. The Company generally mitigates the foreign currency and interest rate risk associated with trading activities by entering into offsetting trading positions. The amounts of gross and net trading positions as well as the type of trading activities conducted by the Company are subject to a well-defined series of potential loss exposure limits established by the Asset-Liability Committee.

The notional amounts of interest rate contracts and foreign exchange and other option and futures contracts totaled $1.8 billion and $.9 billion, respectively, at June 30, 1999, $2.7 billion and $2.0 billion, respectively, at June 30, 1998, and $.4 billion and $2.0 billion, respectively, at December 31, 1998. 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 $454 million and $427 million, respectively, at June 30, 1999, $168 million and $97 million, respectively, at June 30, 1998, and $173 million and $51 million, respectively, at December 31, 1998. Included in trading account assets were mortgage-backed securities that served as collateral securing certain money-market assets. The obligations to return such collateral were recorded as noninterest-bearing trading account liabilities, and were included in accrued interest and other liabilities in the Company's consolidated balance sheet. The fair value of such collateral (and the related obligation to return collateral) was $385 million at June 30, 1999 and $52 million at June 30, 1998. There was no similar collateral held at December 31, 1998. Given the Company's policies, limits and positions, management believes that the potential loss exposure to the Company resulting from market risk associated with trading activities was not material as of June 30, 1999 and December 31, 1998.

PROVISION FOR POSSIBLE CREDIT LOSSES

The purpose of the provision for possible credit losses is to adjust the Company's allowance for possible credit losses to a level that is adequate to absorb losses inherent in the loan and lease portfolio. The provision for possible credit losses in the second quarter of 1999 was $8.5 million, down from $13.2 million in the second quarter of 1998, but equal to 1999's first quarter. Net loan charge-offs totaled $6.5 million in the second quarter of 1999, compared with $9.0 million in the year-earlier quarter and $8.1 million in 1999's initial quarter. Net charge-offs as an annualized percentage of average loans and leases were .16% in the recent quarter, compared with .24% in the corresponding 1998 quarter and .21% in the first quarter of 1999. Net charge-offs of consumer loans in the recent quarter were $5.1 million, compared with $9.3 million in the second quarter of 1998 and $5.3 million in 1999's initial quarter. Net consumer loan charge-offs as an annualized percentage of average consumer loans and leases were .69% in the recent quarter, compared with 1.21% in the second quarter of 1998 and .75% in 1999's first quarter. Net charge-offs of credit card balances included in net consumer loan charge-offs were $89 thousand and $4.6 million in the second quarter of 1999 and 1998, respectively, and $263 thousand in the first quarter of 1999. The Company sold its retail credit card business in July 1998. For the six months ended June 30, 1999 and 1998, the provision for possible credit losses was $17.0 million and $25.2 million, respectively. Through June 30, net charge-offs were $14.6 million in 1999 and $17.0 million in 1998, representing .18% and .26%, respectively, of average loans and leases. Consumer loan net charge-offs totaled $10.4 million and $17.1 million during the six months ended June 30, 1999 and 1998, respectively. Net credit card charge-offs were $352 thousand during the first half of 1999 and $9.2 million during the corresponding 1998 period.

Nonperforming loans were $108.4 million or .66% of total loans and leases outstanding at June 30, 1999, compared with $127.2 million or .83% at June 30, 1998, $117.0 million or .74% at December 31, 1998, and $115.4 million or .73% at March 31, 1999. Nonperforming commercial real estate loans totaled $18.9 million at June 30, 1999, $24.8 million at June 30, 1998,

$17.8 million at December 31, 1998, and $21.6 million at March 31, 1999. Nonperforming consumer loans and leases totaled $17.8 million at June 30, 1999, compared with $30.0 million at June 30, 1998, $25.8 million at December 31, 1998, and $26.1 million at March 31, 1999. As a percentage of consumer loan balances outstanding, nonperforming consumer loans and leases were .59% at June 30, 1999, .99% at June 30, 1998, and .89% at December 31, 1998 and March 31, 1999. The remaining nonperforming loans consisted largely of residential mortgage loans. Assets acquired in settlement of defaulted loans were $10.1 million at June 30, 1999, $12.2 million at June 30, 1998 and $11.1 million at December 31, 1998 and at March 31, 1999.

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

NONPERFORMING ASSETS
Dollars in thousands

	1999 Quarters		1998 Quarters		
	Second	First	Fourth	Third	Second
Nonaccrual loans	$ 68,285	69,393	70,999	73,778	78,527
Loans past due 90 days or more	31,988	37,988	37,784	37,746	41,686
Renegotiated loans	8,146	8,014	8,262	7,656	7,025
Total nonperforming loans	108,419	115,395	117,045	119,180	127,238
Real estate and other assets owned	10,108	11,052	11,129	11,106	12,211
Total nonperforming assets	$118,527	126,447	128,174	130,286	139,449
Government guaranteed nonperforming loans*	$ 14,618	13,368	14,316	13,776	16,062
Nonperforming loans to total loans and leases, net of unearned discount	.66%	.73%	.74%	.79%	.83%
Nonperforming assets to total net loans and leases and real estate and other assets owned	.72%	.80%	.81%	.86%	.91%

* INCLUDED IN TOTAL NONPERFORMING LOANS.

The allowance for possible credit losses was $314.4 million, or 1.90% of total loans and leases at June 30, 1999, compared with $310.8 million or 2.04% a year earlier, $306.3 million or 1.94% at December 31, 1998 and $306.7 million or 1.94% at March 31, 1999. The ratio of the allowance for possible credit losses to nonperforming loans was 290% at the most recent quarter-end, compared with 244% a year earlier, 262% at December 31, 1998 and 266% at March 31, 1999. The decline in the allowance as a percentage of total loans at June 30, 1999 reflects management's evaluation of the loan and lease portfolio, the July 1998 sale of the retail credit card business, the relatively favorable economic environment for many commercial borrowers, and other factors. Management regularly assesses the adequacy of the allowance by performing an ongoing evaluation of the loan and lease portfolio, including such factors as the differing economic risks associated with each loan category, the current financial condition of specific borrowers, the economic environment in which borrowers operate, the level of delinquent loans and the value of any collateral. Significant loans are individually analyzed, while other smaller balance loans are evaluated by loan category. Given the concentration of commercial real estate loans in the Company's loan portfolio, particularly the large concentration of loans secured by properties in New York State, in general, and in the New York City metropolitan area, in particular, coupled with the amount of commercial and industrial loans to businesses in New York State outside of the New York City metropolitan area and significant growth in recent years in loans to individual consumers, management cautiously evaluated the impact of interest rates and overall economic conditions on the ability of borrowers to meet repayment obligations when assessing the adequacy of the Company's allowance for possible credit losses as of June 30, 1999. Based upon the results of such review, management believes that the allowance for possible credit losses at June 30, 1999 was adequate to absorb credit losses from existing loans and leases.

OTHER INCOME

Other income totaled $66.8 million in the second quarter of 1999, compared with $65.1 million in the year-earlier quarter and $72.7 million in the first quarter of 1999. The decrease from the first quarter of 1999 was largely attributable to lower mortgage banking revenues, trading account and foreign exchange losses realized during the recent quarter and a $2.9 million award received in the first quarter of 1999 in recognition of the Company's community reinvestment activities.

Mortgage banking revenues totaled $18.6 million in the recent quarter, compared with $18.5 million in the year-earlier quarter and $21.5 million in the first quarter of 1999. Residential mortgage loan servicing fees were $6.6 million in the recently completed quarter, compared with $7.8 million a year earlier and $7.0 million in the initial quarter of 1999. Gains from sales of residential mortgage loans and loan servicing rights were $10.7 million in the second quarter of 1999, compared with $9.9 million in the corresponding 1998 quarter and $13.0 million in 1999's first quarter. A generally favorable interest rate environment in the fourth quarter of 1998 and in early 1999 resulted in higher realized gains from sales of residential mortgage loans in the initial 1999 quarter. During the second quarter of 1999 residential mortgage loans originated for sale to other investors totaled $663 million, compared with $735 million in 1998's second quarter and $652 million in the first 1999 quarter. Residential mortgage loans held for sale totaled $292 million at June 30, 1999, $324 million at March 31, 1999 and $445 million at December 31, 1998. Residential mortgage loans serviced for others totaled $7.1 billion at June 30, 1999, $8.1 billion at June 30, 1998 and $7.3 billion at December 31, 1998. Capitalized servicing assets were $61 million and $67 million at June 30, 1999 and 1998, respectively, and $62 million at December 31, 1998.

Service charges on deposit accounts were $16.7 million in the second quarter of 1999, up from $14.2 million in the corresponding quarter of the previous year and $15.9 million in the first quarter of 1999. Trust income was $10.3 million in the second quarter of 1999, up from $9.9 million a year earlier, but little changed from the previous quarter. Merchant discount and credit card fees were $1.8 million in the recent quarter, compared with $4.3 million in the similar period of 1998 and $1.7 million in the initial quarter of 1999. The decrease from the second quarter of 1998 was predominately the result of the July 1998 sale of the Company's retail credit card business. Through the date of sale, the results of operations of the retail credit card business in 1998, including internal allocations of the provision for possible credit losses, interest expense and other expenses, were essentially break-even. Trading account and foreign exchange activity resulted in losses of $3.2 million in the second quarter of 1999, largely due to a $3 million loss incurred when a counterparty defaulted on the settlement of outstanding foreign exchange contracts. In the year-earlier period, trading account and foreign exchange activity resulted in gains of $.5 million, while in the first quarter of 1999 gains were $1.2 million. Other revenue from operations totaled $22.6 million in the recent quarter, compared with $17.3 million in the corresponding quarter of 1998 and $22.0 million in the initial quarter of 1999. The improvement from the year-earlier period was due largely to increased revenues of $2.5 million in tax-exempt income earned from the Company's ownership of bank-owned life insurance, $2.0 million from the sale of mutual funds and annuities, and $1.9 million from letter of credit and other credit-related fees. The increase from the first quarter of 1999 (which included a $2.9 million community reinvestment award) was achieved predominately through higher revenues from bank-owned life insurance and the sale of mutual funds and annuities.

Excluding $15.3 million of tax-exempt other income the Company recognized in 1998's first quarter in connection with the contribution of appreciated investment securities with a fair value of $24.6 million to an affiliated, tax-exempt private charitable foundation, other income totaled $139.5 million in the first half of 1999, up 18% from $118.7 million in the year-earlier period. Growth in mortgage banking revenues, service charges on deposits and fees for trust, investment and credit-related services, and a full six months of revenues associated with operations obtained in the ONBANCorp acquisition, were factors contributing to the increase. As a result of the charitable contribution described in the first sentence of this paragraph, the Company also incurred $24.6 million of charitable contributions expense and realized income tax benefits of $10.0 million in 1998.

For the six-month period ended June 30, 1999, mortgage banking revenues totaled $40.1 million, up 24% from $32.3 million in the corresponding 1998 period. Compared with the first half of 1998, gains from sales of loans and loan servicing rights in 1999 were up by $7.9 million. Including the impact of the ONBANCorp acquisition, when compared with the same period in 1998, service charges on deposit accounts increased 28% to $32.6 million during the first six months of 1999, while trust income increased 6% to $20.6 million. Merchant discount and credit card fees decreased 59% to $3.5 million from $8.6 million in the similar period of 1998, predominately the result of the July 1998 sale of the Company's retail credit card business. Trading account and foreign exchange activity resulted in losses of $2.1 million for the initial half of 1999, compared with gains of $2.3 million during the first six months of 1998. The losses in 1999 were largely the result of the previously mentioned counterparty default on settling foreign exchange contracts. Excluding the effect of the transfer of securities to the affiliated charitable foundation, other revenues from operations increased 47% to $44.6 million in the first six months of 1999 from $30.3 million in the comparable 1998 period. The rise resulted largely from increases in tax-exempt income earned from bank-owned life insurance of $4.6 million and increased credit-related fees of $3.4 million and fees earned from the sales of mutual funds and annuities of $3.5 million. These latter fees totaled $12.4 million during the first six months of 1999.

OTHER EXPENSE

Excluding amortization of goodwill and core deposit intangible and nonrecurring merger-related expenses, other expense totaled $131.8 million in the second quarter of 1999, up from $127.4 million in the second quarter of 1998 and $128.6 million in the first quarter of 1999. On the same basis, through the first half of 1999, other expense totaled $260.5 million, an increase of 12% from $233.2 million in the comparable 1998 period, after excluding from 1998 the $24.6 million non-cash charitable contribution expense previously noted. Expenses related to the acquired operations of ONBANCorp contributed to the higher level of expenses for the first six months of 1999 compared with the first half of 1998. Goodwill and core deposit intangible amortization was $11.2 million in the second quarter of 1999, up from $10.9 million in the second quarter of 1998 and first quarter of 1999. The increase from the second quarter of 1998 resulted from amortization related to the FNB acquisition. Amortization of goodwill and core deposit intangible totaled $22.0 million in the first six months of 1999, up from $12.7 million in the corresponding 1998 period, due largely to the impact of the April 1, 1998 ONBANCorp acquisition. Nonrecurring merger- related expenses were $2.5 million in the second quarter and first half of 1999, compared with $16.7 million during the second quarter of 1998 and $18.3 million during the first six months of 1998.

Salaries and employee benefits expense was $71.4 million in the recent quarter, 2% higher than the $69.9 million in the corresponding 1998 quarter, and 4% higher than the $68.4 million in the first quarter of 1999. For the first six months of 1999, salaries and employee benefits expense increased 9% to $139.9 million from $128.3 million in the corresponding 1998 period. The increase from the first quarter of 1999 was predominately attributable to higher costs associated with stock appreciation rights. Salaries and employee benefits relating to the operations acquired from ONBANCorp, merit salary increases, and higher costs associated with incentive-based compensation arrangements and employee benefits, partially offset by lower costs associated with stock appreciation rights, were the contributing factors for the increase from the first six months of 1998.

Excluding the previously mentioned one-time merger-related expenses and amortization of goodwill and core deposit intangible, nonpersonnel expense totaled $60.5 million in the second quarter of 1999, up from $58.8 million in the second quarter of 1998, but little changed from the first quarter of 1999. On the same basis, and after excluding the $24.6 million non-cash charitable contribution expense from 1998, such expenses were $120.7 million during the first six months of 1999, an increase of 14% from $106.3 million during the corresponding 1998 period. The increase from the first six months of 1998 was due, in part, to expenses related to the acquired operations of ONBANCorp and higher expenses for advertising and professional services, partially offset by lower co-branded credit card rebate expenses resulting from the Company's decision to terminate all of its co-branded credit card programs in 1997 and 1998 due to poorer than expected results.

CAPITAL

Stockholders' equity at June 30, 1999 was $1.8 billion or 8.36% of total assets, compared with $1.7 billion or 8.24% of total assets a year earlier and $1.6 billion or 7.78% at December 31, 1998. On a per share basis, stockholders' equity was $224.81 at June 30, 1999, up from $207.18 and $207.94 at June 30 and December 31, 1998, respectively. Excluding goodwill and core deposit intangible, net of applicable tax effect, tangible equity per share was $149.14 at June 30, 1999, compared with $139.37 at June 30, 1998 and $139.89 at December 31, 1998. To complete the acquisition of FNB on June 1, 1999, M&T issued 122,516 shares of common stock to former holders of FNB common stock resulting in an addition to stockholders' equity of $58.7 million.

Stockholders' equity at June 30, 1999 reflected a loss of $13.6 million, or $1.72 per share, for the net after-tax impact of unrealized losses on investment securities classified as available for sale, compared with unrealized gains of $6.6 million or $.83 per share at June 30, 1998 and $2.9 million or $.37 per share at December 31, 1998. Such unrealized gains and losses are generally due to changes in interest rates and represent the difference, net of applicable income tax effect, between the estimated fair value and amortized cost of investment securities classified as available for sale. The market valuation of investment securities should be considered in the context of the entire balance sheet of the Company. With the exception of investment securities classified as available for sale, trading account assets and liabilities, and residential mortgage loans held for sale, the carrying values of financial instruments in the balance sheet are generally not adjusted for appreciation or depreciation in market value resulting from changes in interest rates.

Federal regulators generally require banking institutions to maintain "core capital" and "total capital" ratios of at least 4% and 8%, respectively, of risk-adjusted total assets. In addition to the risk-based measures, Federal bank regulators have also implemented a minimum "leverage" ratio guideline of 3% of the quarterly average of total assets. Under regulatory guidelines, unrealized gains or losses on investment securities classified as available for sale are not recognized in determining regulatory capital. Core capital includes the $319 million carrying value of trust preferred securities. As of June 30, 1999, total capital also included $145 million of subordinated notes issued by M&T Bank in prior years. The capital ratios of the Company and its banking subsidiaries, M&T Bank and M&T Bank, N.A., as of June 30, 1999 are presented in the accompanying table.

REGULATORY CAPITAL RATIOS
June 30, 1999

	M&T (Consolidated)	M&T Bank	M&T Bank, N.a.
Core capital	8.74%	8.30%	15.74%
Total capital	10.86%	10.43%	17.27%
Leverage	7.44%	7.13%	7.89%

The rate of internal capital generation, or net income less dividends paid expressed as an annualized percentage of average total stockholders' equity, was 13.39% during the second quarter of 1999, compared with 8.84% in the second quarter of 1998 and 14.65% in the initial 1999 quarter.

In February 1999, M&T's board of directors authorized a plan to repurchase up to 134,342 shares of its common stock for reissuance upon the possible future exercise of outstanding stock options. As of June 30, 1999, no shares had been repurchased under the plan. Under a previously authorized plan, M&T repurchased 1,581 common shares during the first six months of 1999 at a total cost of $789 thousand.

YEAR 2000 INITIATIVES

The "Year 2000" problem relates to the ability of computer systems, including those in non-information technology equipment and systems ("Computer Systems"), to distinguish date data between the twentieth and twenty-first centuries.

Addressing the Year 2000 problem requires that the Company identify, remediate and test its Computer Systems that have date sensitive functions. As part of this process, the Company has identified those of its Computer Systems which, if uncorrected, would have a material adverse impact on the Company's customers, the Company's compliance with applicable regulations, or the Company's financial statements ("Mission Critical Systems"). Based on the remediation efforts completed and test work performed (either by the Company or through proxy testing) and, where appropriate, documentation provided by vendors, management believes that 100% of the Company's Mission Critical Systems should be able to accurately process date data before and after January 1, 2000. Management further believes that substantially all of the Company's remaining Computer Systems are Year 2000 compliant, even though certain non-critical equipment upgrades are scheduled for the second-half of 1999.

The Company could also be adversely affected if its customers and other parties that rely on data processing systems are not Year 2000 compliant prior to the end of 1999. For example, the credit quality of commercial and other loans may be adversely affected by the failure of customers' operating systems resulting from Year 2000 issues. In this regard, lending officers have received training to address Year 2000 issues with customers, including assessing customer needs for Year 2000 compliance. Additionally, the Company has completed a second survey of its commercial customers and is monitoring the Year 2000 status of customers considered to have a potentially high Year 2000 business risk. The Company is addressing the Year 2000 risks posed by other parties such as its funds providers and capital market/asset management counterparties. Lack of corrective measures by government agencies or service providers which the Company either receives data from or provides data to could also have a negative impact on the Company's operations. To be adequately prepared in the event its customers place higher than normal demands for cash or funding during the period surrounding January 1, 2000, the Company has been, and will continue to be, working with the Federal Reserve and other sources of funds to refine its cash and liquidity contingency plans. The Company also continues to evaluate information regarding Year 2000 activities received from significant vendors. Based on information provided to date by these vendors, management believes that such parties are taking steps to address Year 2000 issues on a timely basis. Notwithstanding the Company's efforts, a risk remains that all aspects of

Year 2000 issues will not be adequately resolved by each of the parties referred to above before January 1, 2000. If that were to be the case, the Company's future business operations, financial position and results of operations could be adversely impacted.

Management is closely monitoring the Company's progress regarding Year 2000 issues. The Company has established a Year 2000 Steering Committee consisting of senior members of management to oversee all Year 2000 activities. In conjunction with its assessment of the Company's Year 2000 remediation plans, and the remediation efforts of other parties such as those described in the preceding paragraph, management has developed contingency plans to mitigate risks associated with critical Year 2000 issues that could arise during the period leading up to and after January 1, 2000.

Through June 30, 1999, the Company has spent approximately $7.5 million (including approximately $1.0 million and $2.1 million during the second quarter and first six months of 1999, respectively,) in addressing its potential Year 2000 problems. Management believes that the Company is continuing to devote appropriate financial and human resources to monitor and resolve Year 2000 issues in a timely manner. The Company estimates that it may expend an additional $1 - $1.5 million to finalize and monitor implementation of its Year 2000 program, including the upgrading of certain non-critical equipment scheduled for the second-half of 1999. A majority of the Company's Year 2000 costs relate to internal costs and constitute resources that would otherwise have been reallocated within the Company. Such reallocation has not had a material adverse impact on the Company's financial condition or results of operations, nor is it expected to have a material adverse impact in future periods. Costs associated with Year 2000 issues are recognized in expense as incurred.

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

SEGMENT INFORMATION

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

The financial information of the Company's segments was compiled utilizing the accounting policies described in note 21 to the Company's consolidated financial statements as of and for the year ended December 31, 1998. The management accounting policies and processes utilized in compiling segment financial information are highly subjective and, unlike financial accounting, are not based on authoritative guidance similar to generally accepted accounting principles. As a result, reported segments are not necessarily comparable with similar information reported by other financial institutions.

The Commercial Banking segment's earnings were $19.9 million in the second quarter of 1999, $19.2 million in the comparable 1998 quarter and $20.7 million in the initial quarter of 1999. For the six months ended June 30, 1999 and 1998, earnings were $40.7 million and $32.5 million, respectively. Commercial loans obtained from ONBANCorp and loan growth in most of the markets already served by the Company were the leading factors contributing to the increase from the first-half of 1998. In the second quarter of 1999, the Commercial Real Estate segment contributed net income of $16.5 million, compared with $14.6 million in the year-earlier period and $14.4 million in the first three months of 1999. The major factor in the improvement in earnings over the second quarter of 1998 was higher loan balances. The increase from the first quarter of 1999 was in part the result of higher loan margins and a lower provision for loan losses. Earnings in the first half of 1999 and 1998 were $30.9 million and $30.4 million, respectively. The increase in net income was due in part to commercial real estate loans acquired from ONBANCorp, partially offset by a higher provision for loan losses of $1.1 million in the first six months of 1999 over the corresponding 1998 period. Net income contributed by the Discretionary Portfolio segment in the second quarter of 1999 totaled $8.7 million, compared with $8.2 million in the second quarter of 1998 and $8.8 million in the first quarter of 1999. Higher tax-exempt noninterest income from bank-owned life insurance of $2 million in the second quarter of 1999 over the second quarter of 1998 and the initial 1999 quarter was partially offset by a $3 million loss incurred when a counterparty defaulted on the settlement of outstanding foreign exchange contracts. In the first two quarters, net income from this segment was $17.5 million in 1999 and $13.6 million in 1998. The increase over 1998 was largely the result of a $4.6 million increase in tax exempt income earned from bank-owned life insurance. An increase in earning assets, including residential mortgage loans and investment securities obtained in the ONBANCorp acquisition, also contributed to the improvement in net income. Partially offsetting these increases was the previously mentioned settlement loss on foreign exchange contracts. The Residential Mortgage Banking segment had net income of $6.0 million in the second 1999 quarter, compared to $6.1 million in the corresponding 1998 quarter and $7.0 million in the initial 1999 quarter. For the first half of the year, net income increased to $13.0 million in 1999 from $10.3 million in 1998, largely the result of a $7.9 million increase in gains from sales of loans and loan servicing rights. A favorable interest rate environment was the primary factor leading to an increase in loan origination volume and the related increase in net income for this segment. As of June 30, 1999, loans serviced by the Residential Mortgage Banking segment totaled $10.7 billion, including $3.6 billion of loans serviced for the Company, compared with $11.4 billion a year earlier. Retail Banking earned $26.6 million in 1999's second quarter, up from $25.1 million in the year-earlier period and $24.5 million in the first quarter of 1999. Higher loan and deposit balances were the major factors contributing to the improvement in net income. For the first half of the year, earnings were $51.2 million in 1999 and $44.3 million in 1998. The acquisition of ONBANCorp on April 1, 1998 and higher earnings from indirect consumer lending and small business banking were the leading factors contributing to the increases from the 1998 periods.

RECENTLY ISSUED ACCOUNTING STANDARDS NOT YET ADOPTED

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

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

SFAS No. 133 was to be effective for all fiscal quarters of fiscal years beginning after June 15, 1999. In June 1999, the Financial Accounting Standards Board amended SFAS No. 133, deferring the effective date by one year. Initial application of SFAS No. 133 must be as of the beginning of an entity's fiscal quarter; on that date, hedging relationships must be designated anew and documented pursuant to the provisions of the statement. Early application of all of the provisions of SFAS No. 133 is encouraged, but is permitted only as of the beginning of any fiscal quarter that begins after issuance of the statement. SFAS No. 133 may not be applied retroactively to financial statements of prior periods.

The method of adoption expected to be utilized by the Company has yet to be determined and the estimated impact that adopting the provisions of SFAS No. 133 will have on the Company's financial statements has not been quantified.

FORWARD-LOOKING STATEMENTS

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

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

QUARTERLY TRENDS

	1999 Quarters		1998 Quarters			
TAXABLE-EQUIVALENT BASIS	Second	First	Fourth	Third	Second	First
EARNINGS AND DIVIDENDS						
AMOUNTS IN THOUSANDS, EXCEPT PER SHARE						
Interest income	$361,158	358,370	360,571	361,921	364,838	279,306
Interest expense	171,269	175,238	183,424	184,850	184,644	134,585
Net interest income	189,889	183,132	177,147	177,071	180,194	144,721
Less: provision for possible credit losses	8,500	8,500	7,500	10,500	13,200	12,000
Other income	66,806	72,716	64,985	63,986	65,075	68,893
Less: other expense	145,547	139,466	138,756	138,490	155,004	133,873
Income before income taxes	102,648	107,882	95,876	92,067	77,065	67,741
Applicable income taxes	35,772	39,151	36,064	33,693	30,587	17,245
Taxable-equivalent adjustment	1,838	1,825	1,969	1,897	1,779	1,541
Net income	65,038	66,906	57,843	56,477	44,699	48,955
Per common share data						
Net income						
Basic	$ 8.35	8.65	7.44	7.09	5.55	7.34
Diluted	8.00	8.34	7.14	6.81	5.32	7.01
Cash dividends	$ 1.00	1.00	1.00	1.00	1.00	.80
Average common shares outstanding						
Basic	7,793	7,731	7,778	7,966	8,051	6,666
Diluted	8,132	8,023	8,105	8,288	8,409	6,981
PERFORMANCE RATIOS, ANNUALIZED						
Return on						
Average assets	1.27 %	1.34 %	1.14 %	1.15 %	.92 %	1.41 %
Average common stockholders' equity	15.23 %	16.56 %	14.20 %	13.48 %	10.77 %	18.86 %
Net interest margin on average earning assets (taxable-equivalent basis)	4.09 %	3.98 %	3.82 %	3.93 %	4.02 %	4.39 %
Nonperforming assets to total assets, at end of quarter	.56 %	.62 %	.62 %	.67 %	.69 %	.53 %
CASH (TANGIBLE) OPERATING RESULTS (1)						
Net income (in thousands)	$ 76,511	76,333	67,326	67,703	65,445	51,448
Diluted net income per common share	9.41	9.51	8.31	8.17	7.78	7.37
Annualized return on						
Average tangible assets	1.53 %	1.57 %	1.36 %	1.42 %	1.38 %	1.49 %
Average tangible common stockholders' equity	26.13 %	27.66 %	24.57 %	23.90 %	23.50 %	20.13 %
BALANCE SHEET DATA						
DOLLARS IN MILLIONS, EXCEPT PER SHARE						
Average balances						
Total assets	$ 20,579	20,298	20,101	19,455	19,547	14,055
Earning assets	18,636	18,664	18,401	17,881	17,992	13,357
Investment securities	2,064	2,497	2,617	2,533	2,858	1,614
Loans and leases, net of unearned discount	16,056	15,761	15,389	15,124	14,978	11,602
Deposits	14,578	14,497	14,617	14,552	14,726	10,988
Stockholders' equity	1,713	1,638	1,616	1,662	1,664	1,053
At end of quarter						
Total assets	$ 21,205	20,285	20,584	19,478	20,138	14,570
Earning assets	19,435	18,730	18,926	17,905	18,419	13,778
Investment securities	2,078	2,088	2,786	2,446	2,707	1,530
Loans and leases, net of unearned discount	16,513	15,813	15,792	15,163	15,245	12,033
Deposits	14,909	14,476	14,737	14,394	14,813	11,085
Stockholders' equity	1,773	1,667	1,602	1,649	1,659	1,069
Equity per common share	224.81	215.34	207.94	209.03	207.18	160.06
Tangible equity per common share	149.14	148.95	139.89	141.43	139.37	157.75
MARKET PRICE PER COMMON SHARE						
High	$ 582 1/2	518 3/4	539 1/2	582	554	504
Low	462 1/2	464	400	410	480	429
Closing	550	479	518 15/16	461	554	499 7/8

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

M&T BANK CORPORATION AND SUBSIDIARIES

AVERAGE BALANCE SHEETS AND ANNUALIZED TAXABLE-EQUIVALENT RATES

AVERAGE BALANCE IN MILLIONS; INTEREST IN THOUSANDS	1999 Second quarter Average balance	Interest	Average rate	1999 First quarter Average balance	Interest	Average rate
ASSETS						
Earning assets						
Loans and leases, net of unearned discount*						
Commercial, financial, etc.	$ 3,201	$ 62,928	7.88 %	3,179	64,028	8.17 %
Real estate	9,928	198,370	7.99	9,691	191,482	7.90
Consumer	2,927	61,114	8.37	2,891	60,003	8.42
Total loans and leases, net	16,056	322,412	8.05	15,761	315,513	8.12
Money-market assets						
Interest-bearing deposits at banks	5	49	4.08	1	7	2.68
Federal funds sold and agreements to resell securities	430	5,381	5.02	331	3,823	4.68
Trading account	81	1,398	6.89	74	1,256	6.91
Total money-market assets	516	6,828	5.30	406	5,086	5.08
Investment securities**						
U.S. Treasury and federal agencies	902	13,063	5.81	1,112	15,832	5.77
Obligations of states and political subdivisions	71	1,121	6.30	72	1,116	6.30
Other	1,091	17,734	6.52	1,313	20,823	6.43
Total investment securities	2,064	31,918	6.20	2,497	37,771	6.13
TOTAL EARNING ASSETS	18,636	361,158	7.77	18,664	358,370	7.79
Allowance for possible credit losses	(310)			(308)		
Cash and due from banks	439			442		
Other assets	1,814			1,500		
Total assets	$ 20,579			20,298		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Interest-bearing liabilities						
Interest-bearing deposits						
NOW accounts	$ 370	1,125	1.22	399	1,280	1.30
Savings deposits	5,038	29,114	2.32	4,881	28,810	2.39
Time deposits	7,041	89,182	5.08	7,049	90,892	5.23
Deposits at foreign office	243	2,757	4.56	303	3,429	4.59
Total interest-bearing deposits	12,692	122,178	3.86	12,632	124,411	3.99
Short-term borrowings	1,876	22,768	4.87	2,138	25,735	4.88
Long-term borrowings	1,763	26,323	5.99	1,647	25,092	6.18
TOTAL INTEREST-BEARING LIABILITIES	16,331	171,269	4.21	16,417	175,238	4.33
Noninterest-bearing deposits	1,886			1,865		
Other liabilities	649			378		
Total liabilities	18,866			18,660		
Stockholders' equity	1,713			1,638		
Total liabilities and stockholders' equity	$ 20,579			20,298		
Net interest spread			3.56			3.46
Contribution of interest-free funds			.53			.52
Net interest income/margin on earning assets		$ 189,889	4.09 %		183,132	3.98 %

M&T BANK CORPORATION AND SUBSIDIARIES

AVERAGE BALANCE SHEETS AND ANNUALIZED TAXABLE-EQUIVALENT RATES

AVERAGE BALANCE IN MILLIONS; INTEREST IN THOUSANDS	1998 Fourth quarter Average balance	Interest	Average rate
ASSETS			
Earning assets			
Loans and leases, net of unearned discount*			

Commercial, financial, etc.	3,034	61,936	8.10 %
Real estate	9,458	189,222	8.00
Consumer	2,897	63,154	8.65
Total loans and leases, net	15,389	314,312	8.10
Money-market assets			
Interest-bearing deposits at banks	2	14	3.80
Federal funds sold and agreements to resell securities	276	3,690	5.30
Trading account	117	2,066	6.99
Total money-market assets	395	5,770	5.80
Investment securities**			
U.S. Treasury and federal agencies	1,398	20,905	5.93
Obligations of states and political subdivisions	78	1,217	6.19
Other	1,141	18,367	6.39
Total investment securities	2,617	40,489	6.14
TOTAL EARNING ASSETS	18,401	360,571	7.77
Allowance for possible credit losses	(310)		
Cash and due from banks	425		
Other assets	1,585		
Total assets	20,101		
LIABILITIES AND STOCKHOLDERS' EQUITY			
Interest-bearing liabilities			
Interest-bearing deposits			
NOW accounts	390	1,379	1.40
Savings deposits	4,828	30,707	2.52
Time deposits	7,216	98,526	5.42
Deposits at foreign office	341	4,208	4.89
Total interest-bearing deposits	12,775	134,820	4.19
Short-term borrowings	2,055	26,640	5.14
Long-term borrowings	1,344	21,964	6.48
TOTAL INTEREST-BEARING LIABILITIES	16,174	183,424	4.50
Noninterest-bearing deposits	1,842		
Other liabilities	469		
Total liabilities	18,485		
Stockholders' equity	1,616		
Total liabilities and stockholders' equity	20,101		
Net interest spread			3.27
Contribution of interest-free funds			.55
Net interest income/margin on earning assets		177,147	3.82 %

*INCLUDES NONACCRUAL LOANS.
**INCLUDES AVAILABLE FOR SALE SECURITIES AT AMORTIZED COST. (continued)

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

AVERAGE BALANCE IN MILLIONS; INTEREST IN THOUSANDS	1998 Third quarter Average balance	Interest	Average rate	1998 Second quarter Average balance	Interest	Average rate
ASSETS						
Earning assets						
Loans and leases, net of unearned discount*						
Commercial, financial, etc.	$ 2,935	$ 61,711	8.34 %	2,954	62,185	8.44 %
Real estate	9,273	191,102	8.24	8,951	185,138	8.27
Consumer	2,916	65,389	8.90	3,073	69,830	9.11
Total loans and leases, net	15,124	318,202	8.35	14,978	317,153	8.49
Money-market assets						
Interest-bearing deposits at banks	2	16	3.07	37	364	3.93
Federal funds sold and agreements to resell securities	119	1,634	5.44	88	1,247	5.70
Trading account	103	1,797	6.93	31	494	6.31
Total money-market assets	224	3,447	6.11	156	2,105	5.40
Investment securities**						
U.S. Treasury and federal agencies	1,561	23,644	6.01	1,816	27,620	6.10
Obligations of states and political subdivisions	85	1,321	6.18	90	1,396	6.25
Other	887	15,307	6.84	952	16,564	6.98
Total investment securities	2,533	40,272	6.31	2,858	45,580	6.40
TOTAL EARNING ASSETS	17,881	361,921	8.03	17,992	364,838	8.13
Allowance for possible credit losses	(311)			(310)		
Cash and due from banks	413			417		
Other assets	1,472			1,448		
Total assets	$ 19,455			19,547		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Interest-bearing liabilities						
Interest-bearing deposits						
NOW accounts	$ 344	1,328	1.53	304	1,189	1.57
Savings deposits	4,709	31,395	2.65	4,718	30,636	2.60
Time deposits	7,414	103,525	5.54	7,686	105,500	5.51
Deposits at foreign office	293	3,964	5.36	267	3,562	5.34
Total interest-bearing deposits	12,760	140,212	4.36	12,975	140,887	4.36
Short-term borrowings	2,069	29,376	5.63	2,207	30,969	5.63
Long-term borrowings	861	15,262	7.03	695	12,788	7.38
TOTAL INTEREST-BEARING LIABILITIES	15,690	184,850	4.67	15,877	184,644	4.66
Noninterest-bearing deposits	1,792			1,751		
Other liabilities	311			255		
Total liabilities	17,793			17,883		
Stockholders' equity	1,662			1,664		
Total liabilities and stockholders' equity	$ 19,455			19,547		
Net interest spread			3.36			3.47
Contribution of interest-free funds			.57			.55
Net interest income/margin on earning assets		$ 177,071	3.93 %		180,194	4.02 %

*INCLUDES NONACCRUAL LOANS.
**INCLUDES AVAILABLE FOR SALE SECURITIES AT AMORTIZED COST.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

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

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

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

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

Information concerning the matters submitted to a vote of stockholders at M&T Bank Corporation's Annual Meeting of Stockholders held on April 20, 1999 was previously reported in response to Item 4 of Part II of M&T's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999.

Item 5. Other Information.
(None.)

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

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

Exhibit No.	
27.1	Financial Data Schedule. Filed herewith.

(b) Reports on Form 8-K. The following Current Report on Form 8-K was filed with the Securities and Exchange Commission:

On June 7, 1999, a Current Report on Form 8-K dated June 1, 1999 was filed to announce the consummation of the merger of FNB Rochester Corp. with and into Olympia Financial Corp., a wholly owned subsidiary of M&T, on June 1, 1999. That Form 8-K also reported that on June 2, 1999, M&T Bank and The Chase Manhattan Bank ("Chase") entered into an agreement providing for M&T Bank's acquisition of 29 Chase branches located in the Binghamton, Elmira, Corning, Buffalo, Jamestown and Albany areas of upstate New York.

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: August 12, 1999

By: /s/ Michael P. Pinto

Michael P. Pinto
Executive Vice President
and Chief Financial Officer

EXHIBIT INDEX

Exhibit NO.	
27.1	Financial Data Schedule. Filed herewith.

6-MOS
JUN-30-1999
JUN-30-1999
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