M&T BANK CORPORATION

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ANNUAL REPORT

COVER ART: The cover is the second in a series of annual reports featuring the work of regional artists chosen under the guidance of art institutions in communities supported by M&T Bank.

Based in Rochester, New York, metal sculptor Albert Paley is represented in art galleries around the world, including the Metropolitan Museum of Art in New York, the Museum of Fine Arts in Boston, and the Victoria and Albert Museum in London. The sculpture featured on this cover was commissioned for the opening of the Memorial Art Gallery's 1987 Vanden Brul Pavilion.

ALBERT PALEY (born 1944).
Convergence, 1987.
Forged steel, 107" x 77½". Memorial Art Gallery, Rochester, New York.
Gift in honor of Herbert W. Vanden Brul made possible by Harris Corporation-RF Communications Division, Vanden Brul family members and friends, and the artist.

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ANNUAL MEETING

The annual meeting of stockholders will take place at 11:00 a.m. on April 17, 2001 at One M&T Plaza in Buffalo.

PROFILE

M&T Bank Corporation is a bank holding company headquartered in Buffalo, New York, which had assets of $28.9 billion at December 31, 2000. M&T Bank Corporation's subsidiaries include Manufacturers and Traders Trust Company and M&T Bank, National Association.

Manufacturers and Traders Trust Company has offices throughout New York State, Pennsylvania, Maryland and West Virginia, and has an office in Nassau, The Bahamas. Major subsidiaries include:

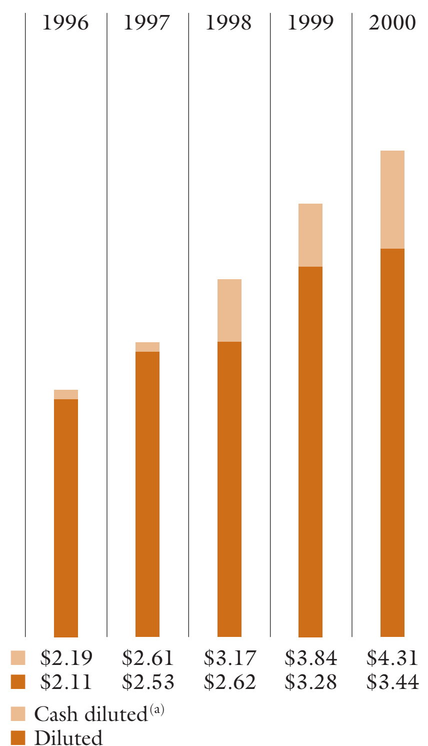
- Highland Lease Corporation
- M&T Credit Corporation
- M&T Financial Corporation
- M&T Mortgage Corporation
- M&T Real Estate, Inc.
- M&T Securities, Inc.
- Matthews, Bartlett & Dedecker, Inc.

Financial Highlights

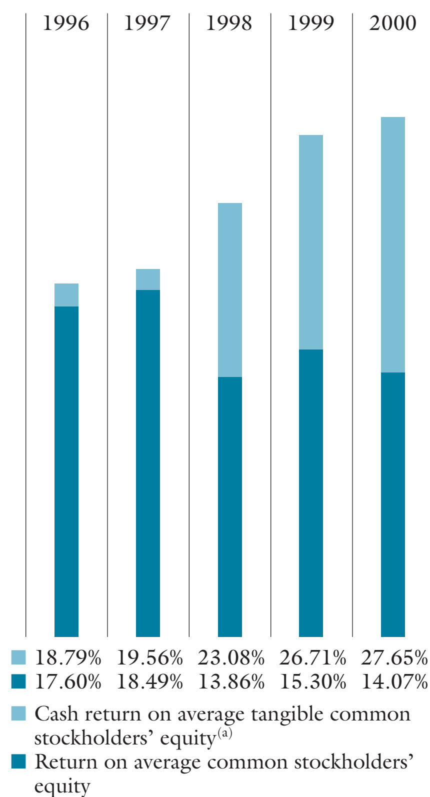
		2000	1999	Change
For the year				
Performance	Net income (thousands)	$286,156	265,626	+ 8%
	Return on			
	Average assets	1.21%	1.26%	
	Average common equity	14.07%	15.30%	
	Net interest margin	4.02%	4.02%	
	Net charge-offs/average loans	.16%	.25%	
	Efficiency ratio[a]	56.06%	54.80%	
Per common share data	Basic earnings	$ 3.55	3.41	+ 4%
	Diluted earnings	3.44	3.28	+ 5%
	Cash dividends	.625	.45	+ 39%
Cash (tangible) operating results[b]	Net income (thousands)[c]	$358,639	311,001	+ 15%
	Diluted earnings per common share[c]	4.31	3.84	+ 12%
	Return on			
	Average tangible assets	1.56%	1.52%	
	Average tangible common equity	27.65%	26.71%	
	Efficiency ratio[a]	50.22%	50.06%	
At December 31				
Balance sheet data (millions)	Loans and leases,			
	net of unearned discount	$ 22,743	17,407	+ 31%
	Total assets	28,949	22,409	+ 29%
	Deposits	20,233	15,374	+ 32%
	Stockholders' equity	2,700	1,797	+ 50%
Loan quality	Allowance for credit losses/net loans	1.65%	1.82%	
	Nonperforming assets ratio	.55%	.47%	
Capital	Tier 1 risk-based capital ratio	7.49%	8.27%	
	Total risk-based capital ratio	11.19%	10.25%	
	Leverage ratio	6.66%	6.92%	
	Common equity/total assets	9.33%	8.02%	
	Common equity (book value) per share	$ 28.93	23.24	+ 24%
	Tangible common equity per share	16.74	15.14	+ 11%
	Market price per share			
	Closing	68.00	41.43	+ 64%
	High	68.42	58.25	
	Low	35.70	40.60	

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

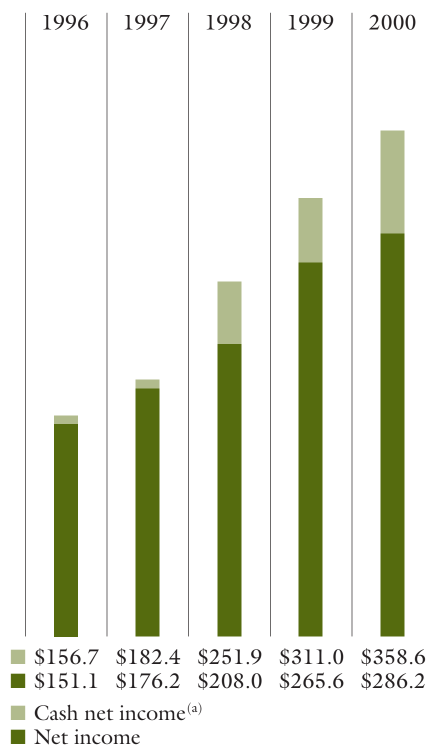
DILUTED EARNINGS
PER COMMON SHARE



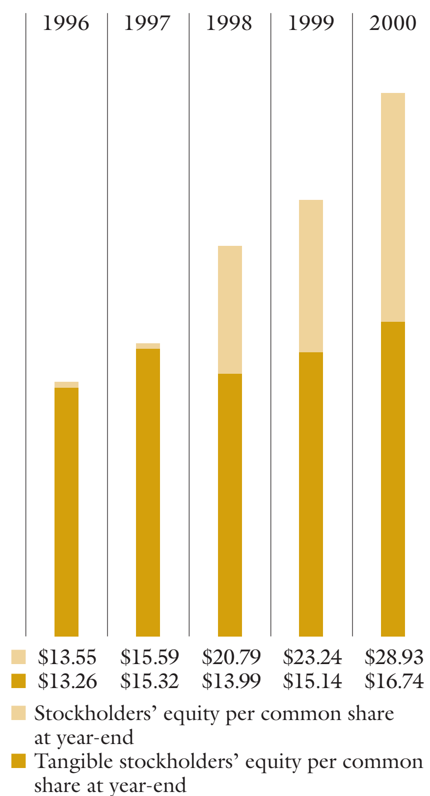
RETURN ON AVERAGE COMMON
STOCKHOLDERS' EQUITY



NET INCOME
In millions



STOCKHOLDERS' EQUITY
PER COMMON SHARE AT YEAR-END



(a) *Excludes nonrecurring merger-related expenses, net of applicable income tax effects.*

MESSAGE TO STOCKHOLDERS

The year 2000 saw a continuation of M&T Bank Corporation's pattern of posting double-digit growth in diluted cash earnings per share. After factoring in the over 17 million shares of common stock and equivalents added in connection with the merger with Keystone Financial, Inc. (Keystone) on October 6 of last year, diluted cash earnings per share tallied $4.31 in 2000, a rise of 12% from $3.84 in 1999. For purposes of meaningful comparison, earnings per share for both years, and indeed for all years presented in this report, are stated to reflect last year's ten-for-one split of M&T's common stock as if a ten-fold increase in diluted shares outstanding had occurred in each year. As a result, the cited per share calculations were based on 83.2 million diluted shares in 2000 and 80.9 million in 1999.

In dollar total, cash net income rose to $358.6 million last year, an increase of 15% from $311.0 million in 1999.

The results for both years exclude the after-tax impact of nonrecurring merger-related expenses and the noncash charges associated with amortization of goodwill and core deposit intangible resulting from M&T's use of the purchase method of accounting for acquisitions. After tax effect, merger-related expenses in 2000 totaled $16.4 million, or 20 cents per diluted share. In 1999, similar expenses amounted after tax effect to $3.0 million, or 3 cents per diluted share. Noncash charges for amortization of goodwill and core deposit intangible, also net of tax consequences, were $56.1 million in 2000 and $42.4 million in l999. On a per share basis, these amortization charges equaled 67 cents and 53 cents, respectively.

Cash net income in 2000, excluding merger-related expenses, produced a rate of return on average tangible assets of 1.56% and a return on average tangible stockholders' equity of 27.65%. Both ratios were improved from 1999's 1.52% return on average tangible assets and 26.71% on average tangible stockholders' equity.

As a result of our use of the purchase method of accounting for our merger with Keystone, as with previous acquisitions, cash earnings per share and cash net income differ from those determined using generally accepted accounting principles (GAAP), which prescribe that nonrecurring merger-related expenses and noncash charges for amortization of goodwill and core deposit intangible be included in the measurement of net income. In 2000,

M&T's GAAP-basis diluted earnings per share were $3.44, an improvement of 5% from $3.28 in 1999. Similarly determined, net income was $286.2 million last year. That was 8% above 1999's $265.6 million.

The GAAP-basis return on average total assets was 1.21% in 2000 and 1.26% in 1999. It was 14.07% on average stockholders' equity in 2000 and 15.30% in 1999.

We have long believed that earnings calculated on a cash basis represent a relevant measure of operating results which captures performance exclusive of differences linked merely to our use of the purchase rather than the pooling method of accounting. We note with interest that the Financial Accounting Standards Board has proposed rules changes under which goodwill would no longer be amortized, potentially leading, in effect, to a convergence of cash and GAAP earnings calculations.

The merger with Keystone added $7.4 billion of assets to our balance sheet, including $4.8 billion of loans, and $6.4 billion of liabilities, including $5.2 billion of deposits in 187 branch offices. Shares of common stock and common stock equivalents issued to complete the merger enlarged M&T's stockholders' equity by $664 million. In the aggregate, Keystone shareholders also received $375 million in cash making the total price tag $1.04 billion.

At December 31, 2000, M&T had total assets of $28.9 billion, an increase of $6.5 billion, or 29% from a year earlier. Deposits added up to $20.2 billion at the year's end, an increase of 32% from the end of 1999. Stockholders' equity stood at $2.7 billion, or $28.93 per share. It had been $1.8 billion, or $23.24 per share, at the end of 1999.

Last year's operating performance can be attributed, in part, to the following factors:

- a 13% rise in average earning assets that produced a like increase in taxable-equivalent net interest income,
- favorable, albeit likely unsustainable, loan loss experience,
- successful integration of our 1999 and 2000 acquisitions (the latter year's still being a work in progress), and
- careful attention to holding the line on operating expenses.

Taxable-equivalent net interest income in 2000 rose to $864.7 million, 13% higher than 1999's $767.1 million. The improvement in this largest ingredient in net income stemmed from 13% growth in average total earning assets to $21.5 billion from the 1999 average of $19.1 billion. Added loan volume, arising nearly equally from day-to-day business activities as from acquisition impact, was the leading element in earning assets growth. The average loan amount outstanding, net of unearned discount, was $18.5 billion in 2000, a rise of 13% from $16.4 billion in the previous year. The Keystone acquisition added nearly $1.2 billion to the 2000 average total (the fourth quarter share of $4.8 billion). The remaining increase, produced largely by our loan origination activities and net of customer repayments during the year, was damped by our decision to securitize in 2000's second quarter some $1 billion of residential mortgage loans. As a result, the underlying loans, now in another form, were moved to our investment securities portfolio.

The upwardly trending interest rate environment in 2000 contributed to a 51 basis point (hundredths of one percent) rise in the average yield on total earning assets to 8.30%. The average yield in 1999 was 7.79%. The impact on the rate we paid on total interest-bearing liabilities was modestly larger. That rate increased 60 basis points to 4.91% in 2000 from 4.31% in 1999. The net effect was a 9 basis point lowering of the net interest spread to 3.39% last year from 3.48% in 1999. The rising interest-rate environment, however, added to the value we ascribe to interest-free funds. As a result, the net interest margin, the ratio of taxable-equivalent net interest income to average total earning assets, at 4.02% was unchanged between the years.

In 2000, net charge-offs of loans, that is, the amount by which loans charged off exceeded amounts that we recovered from loans previously charged-off, declined both in dollar terms and when expressed as a percentage of average total loans. In 2000, net charge-offs were $29.0 million, or about one-sixth of one percent of average total loans outstanding. In 1999, they were $40.3 million or one quarter of one percent. Notwithstanding this performance, our ability to sustain the recent year's relative level of charge-offs cannot be assumed. At the end of the past year, alarms began to sound about a slowing, even stalled, economy and its impact on borrowers' abilities to repay loans.

Historically, by the time such warnings are issued, problems in loan portfolios are likely to exist already.

In 2000 we recorded a $38.0 million provision for credit losses, or $9.0 million more than net charge-offs. That excess, when coupled with the $49.5 million allowance that accompanied the Keystone loans we obtained, produced an allowance for credit losses at the 2000 year-end of $374.7 million, equal to 1.65% of outstanding loans. A year earlier the allowance stood at $316.2 million, or 1.82%.

Including some $43 million of loans obtained in the merger with Keystone, nonperforming loans rose to $110.6 million at December 31, 2000. At the prior year end, such loans totaled $72.2 million. As a percentage of total loans outstanding, nonperforming loans were .49 and .41 percent at the end of 2000 and 1999, respectively. Loans past due ninety days or more but on which we still accrue interest jumped to $141.8 million at the recent year-end, from $31.0 million a year earlier. The increase was largely the consequence of $87 million of residential mortgage loans we repurchased from the Government National Mortgage Association in order to reduce the costs of servicing the loans. The outstanding principal balance of these loans remains fully guaranteed by federal government agencies.

About half of the increase in noninterest income to $324.7 million in 2000 from $282.4 million in 1999 can be attributed to providing services to customers in market areas associated with the acquisitions we completed in the last two years. These increased revenues were mostly associated with providing deposit account, trust and brokerage services. We also realized a net pre-tax gain of $9 million related to the disposition of leased assets by our leasing businesses. This income from leasing activities reflects a $13.5 million gain from the sale of equipment previously leased to a commercial customer and the recognition of $4.5 million for expected losses associated with selling automobiles and other vehicles presently leased to retail customers. The upward trend of interest rates that began in 1999 and continued through most of 2000 was the main factor contributing to lower residential mortgage loan originations and, by consequence, lower mortgage banking revenues. Such revenues fell 12 percent in 2000 to $63.2 million from $71.8 million in 1999.

Our experience in integrating acquired operations into M&T's systems while maintaining our high quality service standards remains good. The vast majority of Keystone's customer information has been moved onto our own data processing systems, and timely, accurate customer service has been maintained. As we anticipated, and as is always the case following a major business acquisition, there is still work to be done in order to realize further operating synergies and expense savings. Although expenses have risen along with our increased scale of operations, our cash-basis efficiency ratio was little changed in 2000. This measure of how much of our revenues were used to pay for our operating expenses was 50.2%. In 1999, the ratio was slightly lower at 50.1%.

As a result of the acquisition of Keystone, that company's former chairman, president and chief executive officer Carl L. Campbell has been named a vice chairman of both M&T Bank Corporation and M&T Bank. Mr. Campbell will also serve as chairman of M&T Bank's Pennsylvania division. He will be joined by four of Keystone's other former directors, Donald Devorris, Daniel R. Hawbaker, Richard G. King and Stephen G. Sheetz. In addition, the remaining members of the Keystone board have joined M&T Bank's Directors Advisory Councils in Pennsylvania.

In addition, T. Jefferson Cunningham III, former chairman and chief executive officer of Premier National Bancorp, Inc.(Premier) has been named to the boards of M&T Bank Corporation and M&T Bank. On February 9, 2001, Premier was acquired by M&T for $340 million paid in a combination of stock and cash. Premier formerly operated 34 branches in New York's Hudson Valley region. At December 31, 2000, it had assets of $1.6 billion and deposits of $1.3 billion. Mr. Cunningham will, in addition, serve as chairman of M&T Bank's Directors Advisory Council for the Hudson Valley. Additional Premier directors have also joined the Hudson Valley Advisory Council.

In the past year, Robert J. Bennett retired from his position as chairman of the M&T board of directors, as well as retiring from his position as a vice chairman of M&T Bank. Mr. Bennett remains a member of the boards of both M&T and M&T Bank. In addition, Christine B. Whitman and Michael J. Falcone resigned as directors of M&T and M&T Bank. We thank them for their service.

In recent years, these pages have frequently been dedicated to discussion of the economy and governance of this company's home region, including its disproportionate tax burden and lagging economic growth. It's a subject which continues to be of the utmost importance to the stockholders, depositors and other customers of M&T Bank. This past year has seen some modest grounds for optimism in these regards. The problems of the upstate economy have been the specific focus of new initiatives by New York Governor George Pataki working in concert with the state's legislators. Such problems were the subject of heated discussion in last fall's New York Senate campaign and have continued to be a priority of New York Senator Charles Schumer as well. The fact that the political agenda now includes high-level concern about the upstate economy is a welcome change.

What's more, some economic bright spots have emerged among the markets served by the company. Syracuse, in particular, saw job growth that equaled or exceeded the U.S. average from mid-1999 through 2000. And although that same measure of economic activity in Buffalo, our headquarters city, continued to lag the national average, the past year has seen Erie County taking the first halting steps in dealing with one of the area's most fundamental problems – the fact that taxes, overall, are simply too high and place western New York at a competitive disadvantage. Some modest tax relief has been enacted. Cooperation among jurisdictions, with the aim of delivering high-quality public services at a lower price, is at least being seriously talked about. There is reason to hope, based on census information, that our home region's population loss has bottomed out and that a rebound has begun. Economic growth inched upward, although the fact that it still significantly trailed the national average shows that much work still lies ahead. In light of the apparent national economic slowdown, we can only hope that upstate New York will not prove to have joined in prosperity too late and taken too few steps to ensure its continuation.

THE M&T STORY

The primary focus here, this year, however, will be internal: taking stock of the company's growth in recent years and some of the reasons for it. This reflection is occasioned by the fact that the past year has been one in which growth has been especially significant. The purchase of both Keystone and Premier have

increased our size by fully a third. These latest in a long series of mergers and acquisitions – the 16th and 17th in which the company has been involved since 1987 – have complemented the steady growth of our core lending and deposits. In tandem with the organic growth of our core customer base, they have enabled M&T to move from our status, in 1982, as the nation's 133rd largest publicly-held bank holding company, to our position today as the 29th largest, as measured by total assets.

Not long ago we were only the fourth largest bank in the city of Buffalo, as measured by deposits. We operated primarily in just two counties in western New York state, with a population of 1.2 million. We provided banking services to little more than 100,000 households. Our commercial loan portfolio was less than $600 million and we did business with just 12 percent of upstate New York firms.

Today, we are not only the largest bank in Buffalo, by deposit ranking, but the largest in our core markets, an area comprising more than 80 counties spread throughout New York, Pennsylvania and parts of Maryland and West Virginia. By market capitalization, we are now the fourth-largest publicly-traded bank holding company headquartered in New York state – including New York City. Our deposits have grown, from 1982 through 2000, at a compound annual rate of 15 percent, increasing from $1.57 billion to $20.2 billion. Our commercial loan portfolio has grown from less than $600 million in 1982 to some $13.8 billion, representing a compound annual growth rate of nearly 20 percent.

With the acquisitions of both Keystone and Premier we have added to our status as a major regional institution. M&T's market capitalization, which stood at just $70 million in 1982, reached $6.3 billion at year-end 2000. This was the highest of any Buffalo-headquartered publicly-traded company and the fourth-highest in upstate New York. Moreover, M&T constituted 55 percent of the market capitalization of all publicly-traded companies headquartered in the Buffalo area. Our growth in market capitalization, in conjunction with the stock split which helped facilitate the purchase of Keystone, contributed to Standard and Poor's decision, in November of the past year, to include M&T in its S&P 400 index.

There are any number of figures which further exemplify this change and growth.

In the combined markets of upstate New York and central Pennsylvania, the bank holds the leading share of all deposits. The bank serves some 1.2 million consumer households. One of every four families in our upstate New York markets does business with M&T – an 11-fold increase compared to our position in 1982. Our mortgage subsidiary has provided financing for over 100,000 families in New York state alone.

We now provide banking services to more than 50,000 businesses in upstate New York (more than 33 percent of all businesses in the area) and 33,000 in central Pennsylvania. In the view of an independent national consulting firm, the bank is "the market share leader among middle market firms" in upstate New York.

Over the past decade, our securities subsidiary – not even in existence when the current management came to the bank – placed over $3 billion in investments on behalf of our customers.

Put another way, we have become the leading financial services institution in the upstate New York and central Pennsylvania region. This region is a substantial one by many measures. As measured by personal income, our core markets are the equivalent of the tenth largest state in the United States; by deposits, they would rank as the nation's ninth largest. The total population, and number of households, in our core markets are only slightly smaller in population than the whole of the state of Ohio.

HOW WE'VE GROWN: THE M&T APPROACH

It would be a gross overstatement to say that growth on this scale was envisioned when the current management came to M&T in 1983. We have been fortunate in being able to take advantage of an unusual period in banking. Two of the defining aspects of this era have been a tremendous increase in merger activity and technological innovation – the latter helping the former make economic sense. In addition, the banking crisis of the late 1980s and early 1990s made it possible to obtain additional assets through the offices of federal regulators. Thanks to our strong financial position at the time, we were able to move when others could not.

But none of these factors, nor all of them, is sufficient to explain our good fortune. It cannot be stressed enough that the success of the company is

fundamentally the product of those who work here and the skills, loyalty, insight and dedication they bring to their jobs. Indeed, the most important thing we've done right has been the commitment we've made to identifying and hiring the best employees. This is not a minor effort. In the year 2000 alone, we interviewed more than 13,000 new candidates for some 2,000 positions, a ratio similar to those of the two years previous. We have been just as committed to retention as recruitment. Indeed, 47 percent of the company's workforce has been at the bank for more than five years. Among senior executives that figure stands at 88 percent. For the bank as a whole, 27 percent of employees have been with us for 10 or more years. Indeed, more than 400 have been with us for 25 years or more.

Such figures reflect the fact that, as we have grown, we have kept in mind the importance of employees who have a long-term commitment to the company, who know our products and our systems well, who feel an M&T esprit de corps. It's a spirit we have tried to nurture through an aggressive policy of internal promotion. Last year, we promoted more than 600 employees to positions which became available. The prospect of promotion, moreover, has been coupled with assistance meant to help employees gain the new skills to advance. Last year, fully 64 percent of M&T employees participated in at least one internal training course. We offered nearly 150 such courses. Moreover, over 500 employees took part in external seminars at bank expense, while others took advantage of our tuition reimbursement to work toward more advanced degrees – both undergraduate and graduate. Such assistance has been complemented by additional incentives. Some 4,500, or more than half of all employees, now have stock options. More than 93 percent of full-time employees who have been with the company for one year or more own M&T stock.

Because we are, first and foremost, a community bank, we have looked primarily – but by no means exclusively – to our home region for our workforce. As a major regional employer, we are able to attract top young talent – both with BAs and MBAs – from such upstate New York schools as the State University of New York at Buffalo, Canisius College, the Rochester Institute of Technology, Syracuse University and the State University of New York at Binghamton. At the same time, we have well understood that the

demands, sophistication and specialized skills of contemporary banking mean that we cannot afford to be parochial in our recruiting. We have invested, and will continue to invest heavily in a search for top talent, unbound by geography. Over the past decade, we have annually spent more than a million dollars on recruitment, an investment that has allowed us to hire 125 new MBAs, 65 percent of whom have come to us from out of state. Their degrees are from top schools, including Wharton (University of Pennsylvania), Harvard, Columbia, Cornell, the University of Rochester, the University of Chicago and the University of Michigan. Such young talent has been complemented by banking industry veterans, brought in not only from the banks we've acquired but from others around the country.

It is the blend of all these types of employees that makes us what we are. It is they who have made it possible for us to grow from 60 banking offices in 1982 to 484 following the Premier acquisition, to expand both core lending and deposits and to take advantage of the chance to acquire competitors that have complemented our existing operations. The dedication and talent of our employees has allowed us to grow while steadily improving our cash basis efficiency ratio: from 57.1 percent in 1996 – prior to a series of major acquisitions – to 50.2 percent in 2000. Put another way, during the same 1982-2000 period in which our deposits were increasing by an average of 15 percent annually, our number of employees was growing at little more than half the same rate (8 percent).

Throughout, we have been cognizant that acquisitions undertaken for the wrong reasons – for goals such as sheer size and its apparent prestige, for instance – will not lead to good outcomes. We know well that there is always the risk that an acquired entity will not add to the acquirer's earning power. In contrast, as we have made acquisitions, both cash net income and cash earnings per share have risen dramatically and consistently. Cash net income has risen from $5 million in 1983 to $359 million in 2000, while diluted cash earnings per share rose, during the same period, from nine cents to $4.31. The compound annual growth rate of cash earnings per share was 26 percent during this period. Following the trends in earnings growth, the compound annual growth rate of the company's stock price for the same period was 25 percent.

We've achieved these results thanks to our decision to concentrate on our core geographic area and to grow incrementally within it. Each acquisition has both tested us and taught us, in its own way. For instance, in acquiring the operations of the Monroe Savings Bank from the Federal Deposit Insurance Corporation in 1990, we learned how to take over a failed bank in a city we did not know – and learned that we had the management to do so. In acquiring parts of Goldome in 1991, we confronted the limits of our own capacity to finance such deals and found a compatible investor, an affiliate of Berkshire Hathaway Inc., which now holds seven percent of outstanding M&T shares. In our 1998 acquisition of the Syracuse-based ONBANCorp, Inc., we learned to manage the merger process on a far larger scale than previous. In some way, each acquisition has given us important new experience and greater confidence.

The smooth incorporation of new customers could not have occurred, however, without significant investment in new technology. Our spending on technology has risen from one third of all capital expenditures in 1993 to more than half in 2000. That investment has not only helped us process and clear checks more quickly but has strengthened our analytic capacities, as well. For instance, not only can we process impressive volumes of telephone inquires (last year our two call centers handled over 13 million phone calls, compared with 265,000 in 1983) but our telephone representatives are now linked to our product sales force. So it is that a simple balance inquiry might, conceivably, lead to the closing of a new loan. Like our peers, we are delivering services through the new channels which technology now makes possible. A sharply increasing number of phone inquiries – 77 percent, or 10.3 million calls, last year – were handled through an automated system, just as many of our consumer services generally have become automated. We now have some 1,000 ATMs and our number of web banking customers more than doubled during 2000. At that rate, online accounts will soon exceed 10 percent of our customer base.

COMMUNITY BANKERS

Even as we have upgraded our technological tools, we have never lost sight of the fact that we are, primarily, a community bank, one which serves the day-to-day needs of our regions' hometowns. This focus leads us not just to invest in

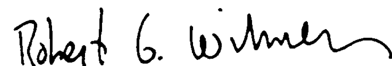
communities but to participate in civic and cultural life, a participation which the bank strongly encourages. M&T employees volunteer their time to their communities in myriad ways, from coaching youth sports to serving in local office. Currently, more than 500 M&T employees (exclusive of those employees who have moved over from Keystone and Premier) can be found on boards and committees of almost 800 not-for-profit and charitable organizations. We have made a particularly deep commitment to improving education through the bank's partnership with the City of Buffalo's Westminster Community School, where we've not only provided funds for physical improvements but contributed thousands of employee volunteer hours. More than 100 employees support the top-flight principal whom the company helped recruit. They mentor and assist students, help with building maintenance and repair, and support new computer technology.

In addition to such personal involvement, corporate philanthropy has been a key element of our approach to community banking. Our $6.7 million in charitable donations for the year 2000, made largely through The M&T Charitable Foundation (established in 1993), represented a 20 percent increase over 1999. At 1.50 percent of pre-tax income, such giving exceeded the U.S. corporate average by fully 25 percent. We seek, through our philanthropy, to make our communities better places in very tangible, "quality of life" ways. It may be a restored theatre, a youth program or a concert series but our goal, always, is not just to reinforce our brand name but to make the M&T region a more attractive place to live and work. And surely it helps us keep our ear to the ground, as well.

We are not deaf, of course, to the fact that there are those who joke about our home region. It was not coincidental, nor, really, inappropriate that Broadway, this past year, set its adaptation of The Full Monty in our headquarters city of Buffalo, the U.S. equivalent, in some ways, of the economically-depressed north of England. But history teaches us that bad times can help set the stage for good. The markets we serve, notwithstanding their slow growth, are nonetheless home to thousands of profitable businesses and to some 26 million people. It is a market with an aggregate personal income of $845 billion, a total surpassed only by California among U.S. states. That constitutes a level 57 percent greater than Texas and more than double that of Florida or

Illinois. (Even were the New York City region excluded from this count, the 5.6 million households in the other parts of the area we serve would rank fifth among all states in aggregate income.)

As it has been historically, banking will continue to be a crucial part of the system of capital accumulation and allocation. It is the means by which the small and mid-sized business has access to credit. Especially with the addition of brokerage and investment services, it is the means by which small savers have access to investment markets. We at M&T are proud that, since our founding in 1856 and over the course of nearly two decades of unprecedented expansion, we have found ways to provide more responsive and efficient systems, new products and new services, for the households and businesses we have historically served in New York and the markets we have now entered in Pennsylvania, West Virginia and Maryland. It is a tradition of change and growth we hope and believe we can continue.



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

February 21, 2001

FINANCIAL REVIEW

CORPORATE PROFILE AND SIGNIFICANT DEVELOPMENTS

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

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

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

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

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

The Company recorded approximately $615 million of goodwill and core deposit intangible as a result of the Keystone acquisition, and incurred nonrecurring expenses related to systems conversions and other costs of integrating and conforming the acquired operations with and into the operations of M&T Bank. Nonrecurring expenses associated with the Keystone merger, and to a significantly lesser extent with the Premier merger, totaled approximately $26.0 million ($16.4 million after-tax) during the year ended December 31, 2000. Such expenses consisted largely of expenses for professional services and other temporary help fees associated with the conversion of systems and/or integration of operations; recruiting and other incentive compensation; initial marketing and promotion expenses designed to introduce M&T Bank to Keystone's customers; travel; and printing, supplies and other costs of commencing operations in new markets. Although the systems conversions and integration of operations of Keystone are largely complete, the Company expects that it will incur some additional Keystone integration costs. However, the amount of such additional costs is not expected to be significant. Furthermore, the Company

KEYSTONE FINANCIAL, INC. ACQUISITION

In thousands

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

also expects to incur costs of a nature similar to those described above in connection with the February 2001 merger with Premier. In accordance with generally accepted accounting principles, included in the determination of goodwill associated with the Keystone merger were charges totaling $29.7 million, net of applicable income taxes, for severance of former Keystone employees; investment banking, legal and other professional fees; and termination of Keystone contracts for data processing and other services. As of December 31, 2000, the remaining unpaid portion of merger-related expenses and charges included in the determination of goodwill were $1.5 million and $7.3 million, respectively. The resolution of any preacquisition contingencies is not expected to have a material impact on the allocation of the purchase price or the amount of goodwill recorded as part of the acquisition.

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

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

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

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

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

The Company recorded approximately $153 million of goodwill and core deposit intangible in connection with the Chase branch and FNB acquisitions. Nonrecurring expenses related to systems conversions and other costs of integrating and conforming the acquired operations with and into M&T Bank totaled $4.7 million ($3.0 million after-tax) during the year ended December 31, 1999 and consisted largely of expenses similar in nature to those previously described as having been incurred in connection with the Keystone merger. In accordance with generally accepted accounting principles, included in the determination of goodwill were charges totaling $4.1 million, net of applicable income taxes, for severance of former Chase and FNB employees; legal and other professional fees; and termination of contracts for data processing and other services. As of December 31, 1999, the remaining unpaid portion of merger-related expenses and charges included in the determination of goodwill were $130 thousand and $960 thousand, respectively. Substantially all of these amounts were paid during 2000.

OVERVIEW

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

Net income expressed as a rate of return on average assets in 2000 was

EARNINGS SUMMARY

Dollars in millions

Increase (decrease)[a] 1999 to 2000 Amount	%	Increase (decrease)[a] 1998 to 1999 Amount	%		2000	1999	1998	1997	1996	Compound growth rate 5 years 1995 to 2000
$297.0	20	$119.7	9	Interest income[b]	$1,783.3	1,486.3	1,366.6	1,073.3	1,004.4	14%
199.4	28	31.7	5	Interest expense	918.6	719.2	687.5	508.1	466.4	16
97.6	13	88.0	13	Net interest income[b]	864.7	767.1	679.1	565.2	538.0	12
				Less: provision for						
(6.5)	(15)	1.3	3	credit losses	38.0	44.5	43.2	46.0	43.3	(1)
				Gain (loss) on sales of bank						
(4.7)	–	(.2)	–	investment securities	(3.1)	1.6	1.8	(.3)	–	–
47.0	17	19.6	8	Other income	327.8	280.8	261.2	190.8	167.8	18
				Less:						
				Salaries and						
44.4	16	25.3	10	employee benefits	329.2	284.8	259.5	220.0	208.3	12
71.1	24	(12.5)	(4)	Other expense	365.2	294.1	306.6	201.8	200.7	14
30.9	7	93.3	28	Income before income taxes	457.0	426.1	332.8	287.9	253.5	15
				Less:						
				Taxable-equivalent						
2.7	35	.6	8	adjustment[b]	10.5	7.8	7.2	5.8	4.5	18
7.6	5	35.1	30	Income taxes	160.3	152.7	117.6	105.9	97.9	12
$ 20.6	8	$ 57.6	28	Net income	$ 286.2	265.6	208.0	176.2	151.1	17%

[a] *Changes were calculated from unrounded amounts.*

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

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

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

Reflecting favorable credit loss experience, the provision for credit losses decreased to $38.0 million in 2000, compared with $44.5 million in 1999 and $43.2 million in 1998. Net charge-offs totaled $29.0 million in 2000, significantly lower than $40.3 million in 1999 and $39.4 million in 1998. Net charge-offs as a percentage of average loans and leases outstanding declined to .16% in 2000 from .25% in 1999 and .28% in 1998.

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

In January 1998, M&T contributed appreciated investment securities with a fair value of $24.6 million to an affiliated, tax-exempt private charitable foundation.

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

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

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

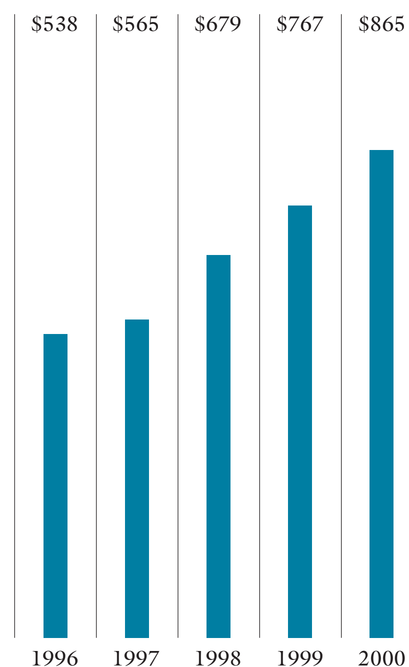
CASH OPERATING RESULTS

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

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

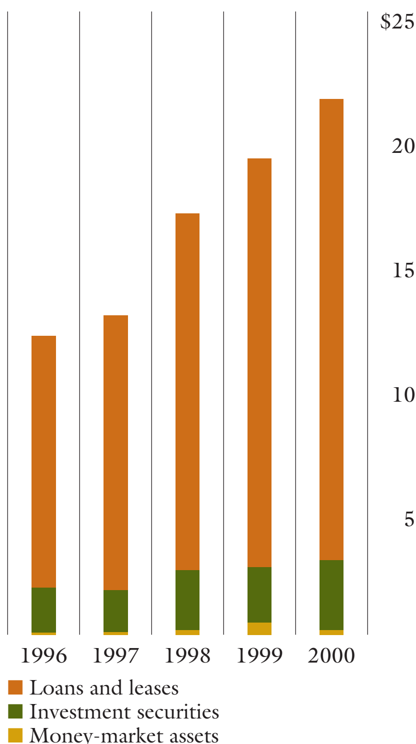
Cash return on average tangible assets was 1.56% in 2000, compared with 1.52% in 1999 and 1.41% in 1998. Cash return on average tangible common equity was 27.65% in 2000, compared with 26.71% and 23.08% in 1999 and 1998, respectively. Including the effect of merger-related expenses, the cash return on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

TAXABLE-EQUIVALENT
NET INTEREST INCOME
In millions



NET INTEREST INCOME/LENDING AND FUNDING ACTIVITIES

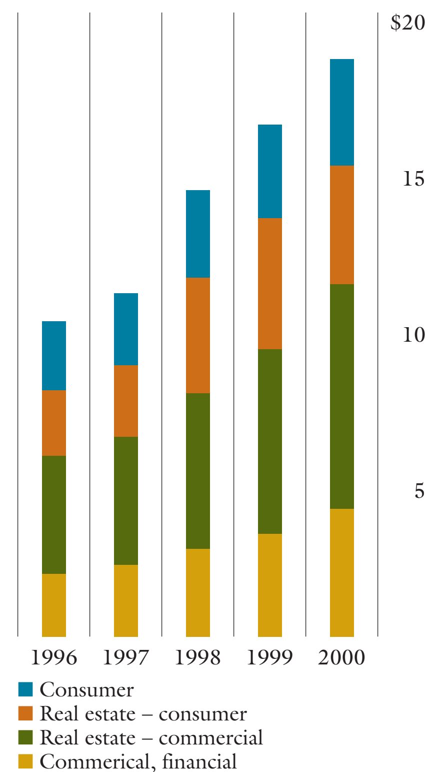
Net interest income expressed on a taxable-equivalent basis rose 13% to $865 million in 2000 from $767 million in 1999, largely the result of growth in average earning assets, which increased $2.4 billion or 13% to $21.5 billion in 2000 from $19.1 billion in 1999. Taxable-equivalent net interest income and average earning assets in 1998 were $679 million and $16.9 billion, respectively. The growth in average earning assets in 2000 and 1999 was largely attributable to higher average loans and leases outstanding, which totaled $18.5 billion in 2000, up 13% from $16.4 billion in 1999 and 30% higher than $14.3 billion in 1998. Growth in average loans and leases resulting from origination and acquisition activities was partially offset in 2000 by



the impact of the securitization of approximately $1.0 billion of residential mortgage loans during the second quarter. The resulting mortgage-backed securities, which are fully guaranteed by the Federal National Mortgage Association, are included in the Company's portfolio of available-for-sale investment securities. Excluding the impact of the securitization, average loans and leases grew by approximately $2.7 billion, or 17%, from 1999 to 2000. Approximately half of such growth was attributable to new originations, net of the impact of repayments. The remaining increase was largely the result of the $4.8 billion of loans obtained in the October 6, 2000 acquisition of Keystone. Those acquired loans included approximately $1.2 billion of commercial loans, $1.3 billion of commercial real estate loans, $1.1 billion of residential mortgage loans and $1.2 billion of consumer loans and leases. In addition to net origination activities, the impact of the $393 million of loans obtained in June 1999 from the FNB transaction and the full-year impact of the $3.0 billion of loans acquired in the April 1998 ONBANCorp transaction contributed to the higher average loan balances in 1999 compared with 1998. The accompanying table summarizes average loans and leases outstanding in 2000 and percentage changes in the major components of the portfolio over the past two years.

Loans secured by real estate, including home equity loans and outstanding home equity lines of credit which the Company classifies as consumer loans, represented approximately 65% of the loan and lease portfolio during 2000, compared with 66% in 1999 and 1998. At December 31, 2000, the Company held approximately $8.7 billion of commercial real estate loans, $4.8 billion of consumer real estate mortgage loans secured by one-to-four family residential properties and $1.1 billion of outstanding home equity loans and lines of credit, compared with $6.5 billion, $4.1 billion and $885 million, respectively, at December 31, 1999.

Commercial real estate loans originated by the Company are largely secured by properties in the New York City metropolitan area, including areas in neighboring states generally considered to be within commuting distance of New York City, and other areas of New York State where the Company operates, including the Buffalo, Rochester, Syracuse, Albany, Hudson Valley and Southern Tier regions. Commercial real estate loans are also originated through the Company's offices in central Pennsylvania, Maryland, Oregon and West Virginia. Commercial real estate loans originated by the Company include fixed-rate instruments with monthly payments and a balloon payment of the remaining unpaid principal at maturity, in many cases five years after



origination. For borrowers in good standing, the terms of such loans may be extended by the customer for an additional five years at the then-current market rate of interest. In response to customer needs, in recent years the Company has also originated fixed-rate commercial real estate loans with maturities of greater than five years. In general, these loans have original maturity terms of approximately ten years. The Company also originates adjustable-rate commercial real estate loans. As of December 31, 2000,

AVERAGE LOANS AND LEASES (NET OF UNEARNED DISCOUNT)

		Percent increase (decrease) from	
Dollars in millions	2000	1999 to 2000	1998 to 1999
Commercial, financial, etc.	$ 4,129	24%	18%
Real estate – commercial	7,188	22	18
Real estate – consumer	3,798	(9)	14
Consumer			
Automobile	1,436	(1)	11
Home equity	982	22	11
Other	970	30	–
Total consumer	3,388	13	8
Total	$18,503	13%	15%

Average Balance Sheets and Taxable-Equivalent Rates

	2000			1999		
Average balance in millions; interest in thousands	Average balance	Interest	Average rate	Average balance	Interest	Average rate
Assets						
Earning assets						
Loans and leases, net of unearned discount [a]						
Commercial, financial, etc.	$ 4,129	$ 365,951	8.86%	3,331	268,279	8.05%
Real estate – commercial	7,188	615,304	8.56	5,908	497,247	8.42
Real estate – consumer	3,798	296,915	7.82	4,182	310,514	7.42
Consumer	3,388	304,640	8.99	2,994	249,670	8.34
Total loans and leases, net	18,503	1,582,810	8.55	16,415	1,325,710	8.08
Money-market assets						
Interest-bearing deposits at banks	6	308	5.41	2	87	3.78
Federal funds sold and agreements to resell securities	212	12,891	6.08	467	24,491	5.24
Trading account	21	1,069	5.08	48	3,221	6.71
Total money-market assets	239	14,268	5.97	517	27,799	5.37
Investment securities [b]						
U.S. Treasury and federal agencies	1,603	105,104	6.56	920	53,108	5.77
Obligations of states and political subdivisions	122	8,890	7.27	74	4,660	6.28
Other	1,033	72,259	7.00	1,150	75,064	6.53
Total investment securities	2,758	186,253	6.75	2,144	132,832	6.20
Total earning assets	21,500	1,783,331	8.30	19,076	1,486,341	7.79
Allowance for credit losses	(333)			(312)		
Cash and due from banks	536			464		
Other assets	1,955			1,829		
Total assets	$23,658			21,057		
Liabilities and stockholders' equity						
Interest-bearing liabilities						
Interest-bearing deposits						
NOW accounts	$ 486	7,487	1.54	389	4,683	1.21
Savings deposits	5,507	132,225	2.40	5,163	121,888	2.36
Time deposits	7,674	445,666	5.81	7,074	367,889	5.20
Deposits at foreign office	250	14,915	5.95	254	12,016	4.73
Total interest-bearing deposits	13,917	600,293	4.31	12,880	506,476	3.93
Short-term borrowings	2,715	172,466	6.35	2,056	104,911	5.10
Long-term borrowings	2,086	145,838	6.99	1,748	107,847	6.17
Total interest-bearing liabilities	18,718	918,597	4.91	16,684	719,234	4.31
Noninterest-bearing deposits	2,425			1,965		
Other liabilities	482			672		
Total liabilities	21,625			19,321		
Stockholders' equity	2,033			1,736		
Total liabilities and stockholders' equity	$23,658			21,057		
Net interest spread			3.39			3.48
Contribution of interest-free funds			.63			.54
Net interest income/margin on earning assets		$ 864,734	4.02%		767,107	4.02%

[a] *Includes nonaccrual loans.*
[b] *Includes available for sale securities at amortized cost.*

1998			1997			1996		
Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate
2,831	235,628	8.32%	2,257	190,189	8.43%	2,031	166,170	8.18%
4,999	434,906	8.70	4,180	365,457	8.74	3,770	340,448	9.03
3,683	280,760	7.62	2,228	187,336	8.41	2,123	174,171	8.20
2,773	249,567	9.00	2,308	213,942	9.27	2,190	204,831	9.35
14,286	1,200,861	8.41	10,973	956,924	8.72	10,114	885,620	8.76
10	400	3.86	42	2,475	5.95	38	2,413	6.30
153	8,293	5.43	55	2,989	5.42	55	2,985	5.45
67	4,524	6.79	26	1,937	7.27	17	1,100	6.53
230	13,217	5.75	123	7,401	6.00	110	6,498	5.91
1,448	88,030	6.08	1,122	70,968	6.33	1,200	74,023	6.17
73	4,566	6.29	43	2,832	6.61	41	2,678	6.57
887	59,962	6.76	534	35,214	6.59	565	35,598	6.30
2,408	152,558	6.33	1,699	109,014	6.42	1,806	112,299	6.22
16,924	1,366,636	8.08	12,795	1,073,339	8.39	12,030	1,004,417	8.35
(302)			(273)			(269)		
394			308			334		
1,293			479			384		
18,309			13,309			12,479		
327	4,851	1.48	257	3,455	1.34	659	9,430	1.43
4,430	115,345	2.60	3,420	90,907	2.66	2,956	84,822	2.87
7,022	388,185	5.53	5,818	327,611	5.63	5,137	286,088	5.57
288	14,973	5.20	230	12,160	5.29	239	12,399	5.19
12,067	523,354	4.34	9,725	434,133	4.46	8,991	392,739	4.37
1,923	105,582	5.49	812	44,341	5.46	1,121	59,442	5.30
835	58,567	7.02	373	29,619	7.94	189	14,227	7.51
14,825	687,503	4.64	10,910	508,093	4.66	10,301	466,408	4.53
1,666			1,228			1,169		
317			218			146		
16,808			12,356			11,616		
1,501			953			863		
18,309			13,309			12,479		
		3.44			3.73			3.82
		.57			.69			.65
	679,133	4.01%		565,246	4.42%		538,009	4.47%

COMMERCIAL REAL ESTATE LOANS (NET OF UNEARNED DISCOUNT)

December 31, 2000

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

approximately 32% of the commercial real estate loan portfolio consisted of adjustable-rate loans. The accompanying table presents commercial real estate loans by geographic area, type of collateral and size of the loans outstanding at December 31, 2000. Of the $3.5 billion of commercial real estate loans in the New York City metropolitan area, approximately 47% were secured by multi-family residential properties, 21% by retail space and 14% by office space. The Company's experience has been that office space and retail properties tend to demonstrate more volatile fluctuations in value through economic cycles and changing economic conditions than do multi-family residential properties. Approximately 52% of the aggregate dollar amount of New York City area loans were for $5 million or less, while loans of more than $10 million made up approximately 30% of the total. Commercial real estate loans secured by properties elsewhere in New York State and in Pennsylvania tend to have a greater diversity of collateral types and include a significant amount of lending to customers who use the mortgaged property in their trade or business. Approximately 76% of the aggregate dollar amount of commercial real estate loans in New York State secured by properties located outside of the metropolitan New York City area were for $5 million or less. Approximately 86% of the outstanding balance of commercial real estate loans in Pennsylvania were for $5 million or less.

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

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

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

Consumer loans and leases represented approximately 18% of the average loan portfolio during 2000 and 1999, down slightly from 19% in 1998. Automobile loans and leases and home equity loans and lines of credit represent the largest components of the consumer loan portfolio. Approximately 85% of home equity loans and lines of credit outstanding at December 31, 2000 were secured by properties in New York State and 12% were secured by properties in Pennsylvania. At December 31, 2000, 31% and 51% of the automobile loan and lease portfolio were to customers residing in New York State and Pennsylvania, respectively. Automobile loans and leases are generally originated through dealers, however, all applications submitted through dealers are subject to the Company's normal underwriting and loan approval

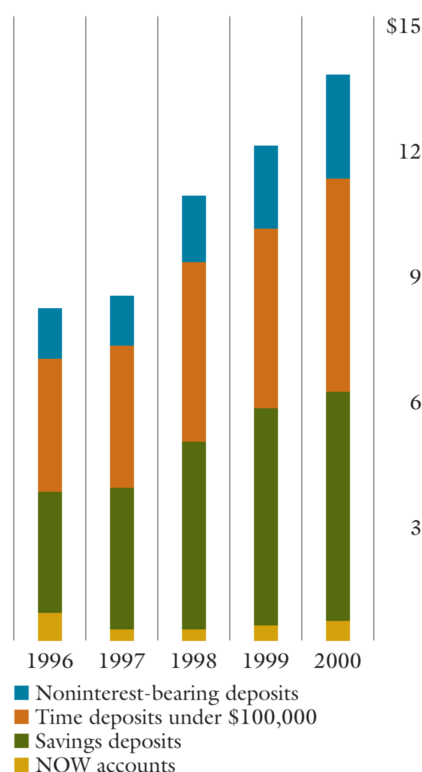
procedures. Automobile loans and leases represented approximately 8% of the Company's average loan portfolio during 2000, while no other consumer loan product represented more than 6%. The average outstanding balance of automobile leases was approximately $375 million in both 2000 and 1999, and $315 million in 1998. Automobile leases acquired in the Keystone transaction totaled $231 million on October 6, 2000. Due to poorer than expected results, during 1998 and 1997 the Company terminated all of its co-branded credit card programs and sold its retail credit card business on July 31, 1998, including outstanding balances of approximately $186 million.

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

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

Core deposits represent the most significant source of funding to the Company and consist of noninterest-bearing deposits, interest-bearing transaction accounts, savings deposits and nonbrokered domestic time deposits under $100,000. Core deposits generally carry lower interest rates than wholesale funds of comparable maturities. The Company's branch network is its principal source of core deposits. Certificates of deposit under $100,000 generated on a nationwide basis by M&T Bank, N.A. are also included in core deposits. Average core deposits were $13.6 billion in 2000, up from $11.9 billion in 1999 and $10.7 billion in 1998. The increase in average core deposits in 2000 was due to the $4.7 billion of core deposits obtained on October 6, 2000 in connection with the Keystone transaction. The increase in average core deposits in 1999 from 1998 reflected the 1999 Chase branch and FNB acquisitions and the full-year impact of the 1998 ONBANCorp acquisition. Core deposits obtained in the Chase branch acquisition as of September 24, 1999 and in the FNB acquisition as of June 1, 1999 were $618 million and $419 million, respectively. Core deposits obtained in the acquisition of ONBANCorp totaled approximately $2.8 billion on April 1, 1998. Average core deposits of M&T Bank, N.A. were $643 million in 2000, $429 million in 1999 and $401 million in 1998. Funding provided by core deposits totaled 63% of average earning assets in 2000, compared with 62% in 1999 and 63% in 1998. The accompanying table summarizes average core deposits in 2000 and percentage changes in the components of such deposits over the past two years.

AVERAGE CORE DEPOSITS
In billions

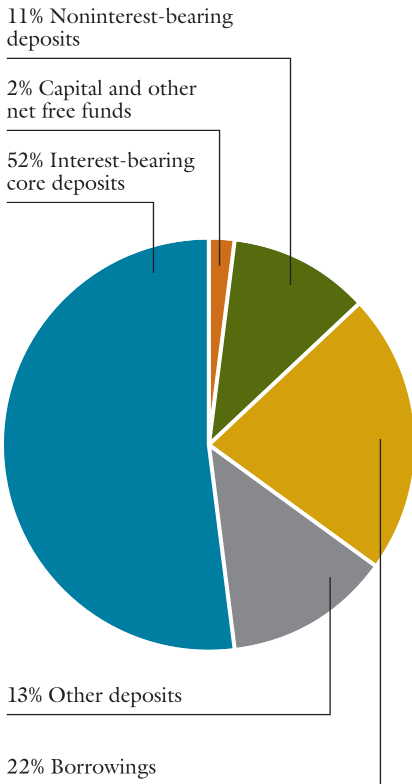


The Company also obtains funding through domestic time deposits of $100,000 or more, deposits originated through the Company's offshore branch office, and brokered certificates of deposit. Domestic time deposits over $100,000, excluding brokered certificates of deposit, averaged

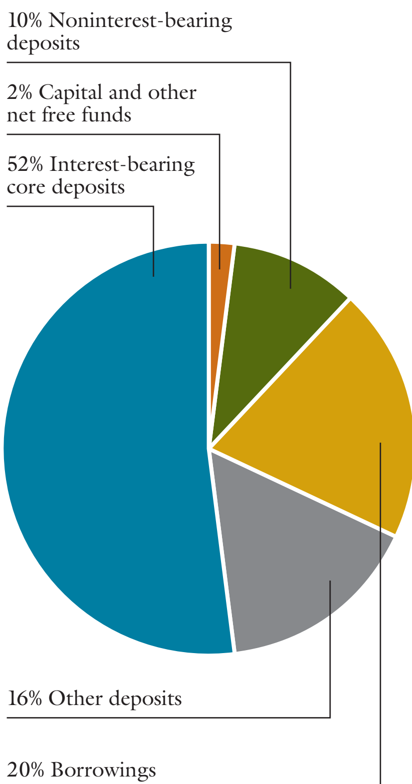
AVERAGE CORE DEPOSITS

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

2000 AVERAGE FUNDING SOURCES



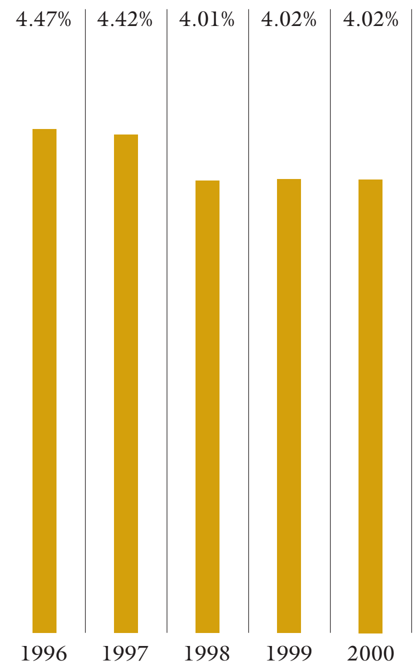
1999 AVERAGE FUNDING SOURCES



$1.8 billion in 2000, compared with $1.6 billion in 1999 and $1.3 billion in 1998. Offshore branch deposits, comprised primarily of accounts with balances of $100,000 or more, averaged $250 million in 2000, compared with $254 million and $288 million in 1999 and 1998, respectively. Brokered deposits averaged $696 million in 2000, compared with $1.1 billion in 1999 and $1.4 billion in 1998, and totaled $531 million at December 31, 2000. Brokered deposits have been used as an alternative to short-term borrowings to lengthen the average maturity of interest-bearing liabilities. The weighted-average remaining term to maturity of brokered deposits at December 31, 2000 was 1.2 years. Certain of the brokered deposits have provisions that allow early redemption. In connection with the Company's management of interest rate risk, interest rate swaps have been entered into under which the Company receives a fixed rate of interest and pays a variable rate and that have notional amounts and terms similar to the amounts and terms of many of the brokered deposits. Additional amounts of brokered deposits may be solicited in the future depending on market conditions and the cost of funds available from alternative sources at the time.

The Company also uses borrowings from banks, securities dealers, the Federal Home Loan Bank of New York and the Federal Home Loan Bank of Pittsburgh (together, the "FHLB"), and others as sources of funding. Short-term borrowings averaged $2.7 billion in 2000, $2.1 billion in 1999 and $1.9 billion in 1998. The average balance of long-term borrowings was $2.1 billion in 2000, $1.7 billion in 1999 and $835 million in 1998. Included in average long-term borrowings were amounts borrowed from the FHLB of $1.4 billion in 2000, $1.2 billion in 1999 and $343 million in 1998 and subordinated capital notes issued by M&T Bank of $295 million in 2000 and $175 million in 1999 and 1998. Trust preferred securities with a carrying value of $318 million that were issued by special-purpose entities in 1997 are also included in average long-term borrowings. Further information regarding the trust preferred securities, as well as information regarding

TAXABLE-EQUIVALENT NET INTEREST MARGIN



contractual maturities of long-term borrowings, is provided in note 8 of Notes to Financial Statements. As previously noted, M&T Bank issued $500 million of 8% subordinated capital notes on October 5, 2000 in anticipation of the Keystone and Premier acquisitions.

Changes in the composition of the Company's earning assets and interest-bearing liabilities, as described herein, as well as changes in interest rates and spreads, can impact net interest income. Net interest spread, or the difference between the yield on earning assets and the rate paid on interest-bearing liabilities, was 3.39% in 2000, compared with 3.48% in 1999. As a result of generally rising interest rates during much of 2000, the yield on earning assets increased 51 basis points (hundredths of one percent) to 8.30% from 7.79% in 1999. However, the rate paid on interest-bearing liabilities increased even further, rising 60 basis points to 4.91% from 4.31% in 1999. Actions taken by the Federal Reserve in 1999 and 2000 contributed to the rising level of interest rates in 2000. In 1998, the net interest spread was 3.44%, the yield on earning assets was 8.08% and the rate paid on interest-bearing liabilities was 4.64%.

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

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

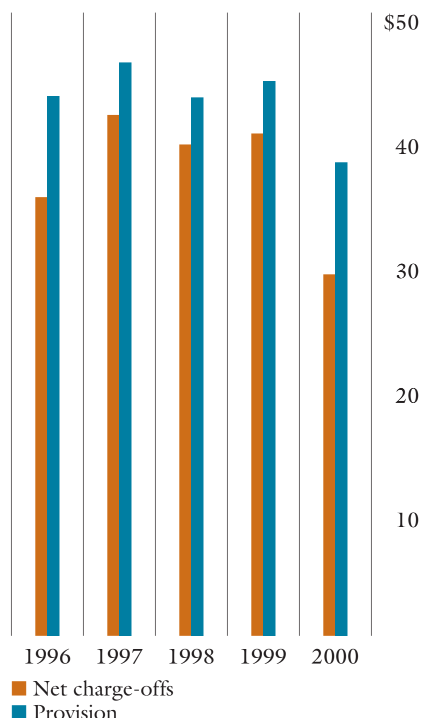
The Company estimates that as of December 31, 2000 it would have received approximately $1 million if all interest rate swap agreements entered into for interest rate risk management purposes had been terminated, compared with $25 million and $23 million at December 31, 1999 and 1998, respectively. The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

INTEREST RATE SWAPS

	Year ended December 31					
	2000		1999		1998	
Dollars in thousands	Amount	Rate[a]	Amount	Rate[a]	Amount	Rate[a]
Increase (decrease) in:						
Interest income	$ 793	–%	$ 12,750	.07 %	$ 3,378	.02 %
Interest expense	780	–	(13,350)	(.08)	(12,778)	(.09)
Net interest income/margin	$ 13	–%	$ 26,100	.14 %	$ 16,156	.10 %
Average notional amount[b]	$875,933		$1,944,813		$2,521,426	
Rate received[c]		6.43%		6.69 %		6.70 %
Rate paid[c]		6.43%		5.35 %		6.06 %

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

PROVISION AND
NET CHARGE-OFFS
In millions



LOAN CHARGE-OFFS, PROVISION AND ALLOWANCE FOR CREDIT LOSSES

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

rate swaps and other derivative financial instruments that became effective January 1, 2001 is presented herein under the heading "Recently Issued Accounting Standards Not Yet Adopted."

PROVISION FOR CREDIT LOSSES

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

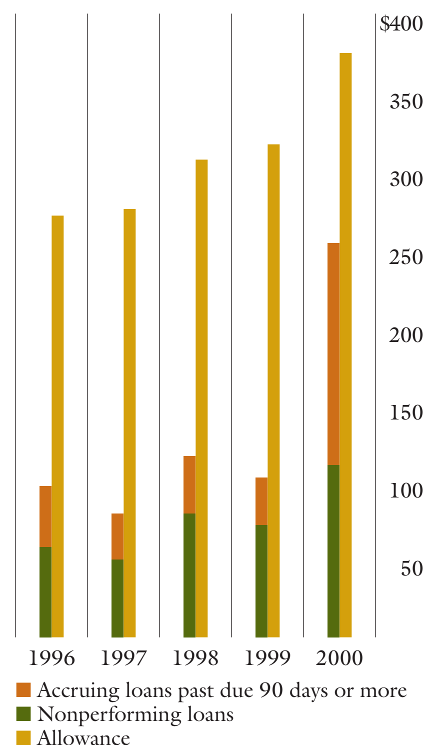
The allowance for credit losses was $374.7 million or 1.65% of net loans and leases at the end of 2000, compared with $316.2 million or 1.82% at December 31, 1999 and $306.3 million or 1.94% at December 31, 1998. The ratio of the allowance to nonperforming loans at year-end 2000, 1999 and 1998 was 339%, 438% and 387%, respectively. The decline in the allowance as a percentage of total loans at December 31,

2000 as compared with prior years reflects management's evaluation of the loan and lease portfolio as of each date, the relatively favorable and/or stable economic environment for many commercial borrowers during much of the recent year, the July 1998 sale of the Company's retail credit card business, and other factors. Management regularly assesses the adequacy of the allowance by performing an ongoing evaluation of the loan and lease portfolio, including such factors as the differing economic risks associated with each loan category, the current financial condition of specific borrowers, the economic environment in which borrowers operate, the level of delinquent loans and the value of any collateral. Significant loans are individually analyzed, while other smaller balance loans are evaluated by loan category. Management cautiously evaluated the impact of changes in interest rates and overall economic conditions on the ability of borrowers to meet repayment obligations when assessing the adequacy of the Company's allowance for credit losses as of December 31, 2000. In addition to the impact of acquisitions, factors considered by management when performing such assessment included, but were not limited to: (i) the concentration of commercial real estate loans in the Company's loan portfolio, particularly the large concentration of loans secured by properties in New York State, in general, and in the New York City metropolitan area, in particular; (ii) the amount of commercial and industrial loans to businesses in areas of New York State outside of the New York City metropolitan area that have not experienced the same degree of economic growth experienced by the vast majority of other regions of the country in recent years; and (iii) significant growth in loans to individual consumers. Based upon the results of such review, management believes that the allowance for credit losses at December 31, 2000 was adequate to absorb credit losses inherent in the portfolio as of that date.

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

ALLOWANCE AND NONPERFORMING AND PAST DUE LOANS

In millions



ALLOCATION OF THE ALLOWANCE FOR CREDIT LOSSES TO LOAN CATEGORIES

Dollars in thousands

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

related to commercial customers. After contracting throughout 1998 and 1999, the economy in central Pennsylvania stabilized in 2000. Nevertheless, the rate of employment growth in central Pennsylvania in 2000 was approximately one-half the rate experienced in the rest of the country. Given the Company's high concentration of commercial loans and commercial real estate loans in New York State, including the upstate New York region, and central Pennsylvania, and considering the other factors already discussed, the level of the unallocated portion of the allowance for credit losses was deemed prudent and reasonable by management. Nevertheless, the allowance is general in nature and is available to absorb losses from any loan or lease category. Accordingly, the amounts presented in the table are not necessarily indicative of future losses within the individual loan categories.

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

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

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

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

NONPERFORMING ASSETS AND PAST DUE LOAN DATA

Dollars in thousands

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

[a] *Predominately residential mortgage loans and consumer loans.*

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

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

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

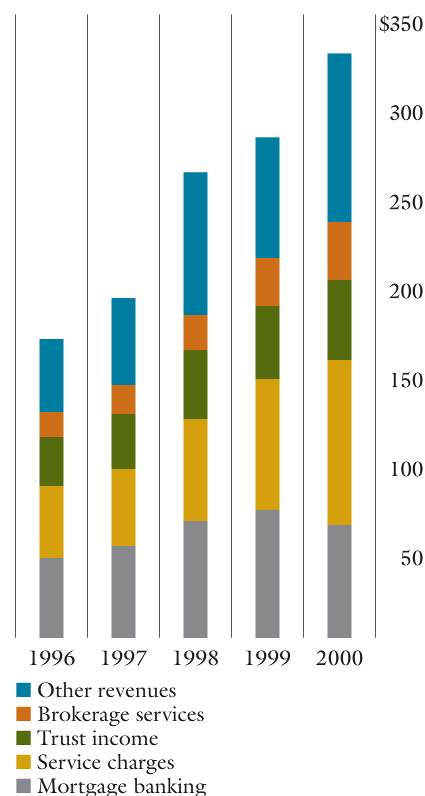
OTHER INCOME

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

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

Service charges on deposit accounts rose 26% to $92.5 million in 2000 from $73.6 million in 1999, and

OTHER INCOME – EXCLUDING SECURITIES TRANSACTIONS
In millions



61% from $57.4 million in 1998. The full-year effect in 2000 of a third quarter 1999 increase in fees and the impact of acquisitions were significant factors contributing to the increases. Fees for services provided to customers in the areas formerly served by Keystone contributed approximately 30% of the increase from 1999 to 2000. Trust income increased 11% to $45.2 million in 2000 from $40.8 million in 1999 and 18% from $38.2 million in 1998. The increase in 2000 from 1999 was attributable to the acquisition of Keystone. Higher revenues from investment management services contributed to the increase in 1999 from 1998. Brokerage services income, which is comprised of revenues from the sale of mutual funds and annuities and securities brokerage fees, totaled $32.8 million in 2000, up 21% from $27.1 million in 1999 and 67% higher than $19.6 million in 1998. Trading account and foreign exchange activity resulted in gains of $2.4 million in 2000, $315 thousand in 1999 and $4.0 million in 1998. The decline in

1999 income was largely the result of an approximate $3 million loss incurred as a result of a counterparty defaulting on the settlement of outstanding foreign exchange contracts. Losses from sales of bank investment securities in 2000 reflect $3.1 million of net losses incurred during the fourth quarter of 2000 from sales of investment securities following the acquisition of Keystone and the combination of the investment portfolios of Keystone and M&T. During 1999 and 1998, the Company sold bank investment securities resulting in gains of $1.6 million and $1.8 million, respectively. All sold securities had been previously classified as available for sale for financial reporting purposes.

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

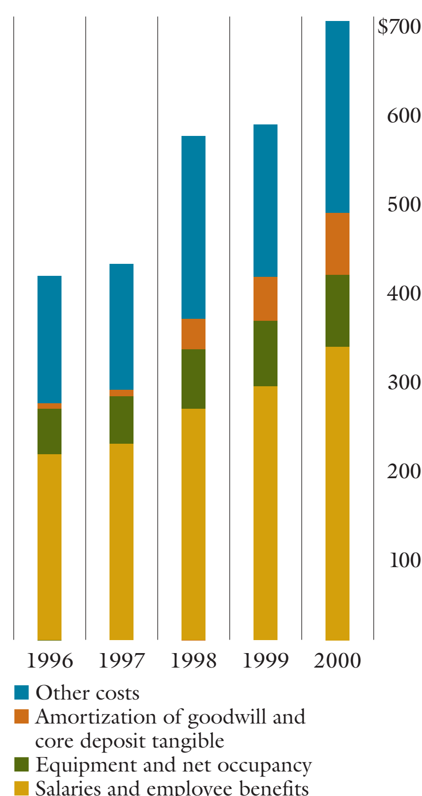
OTHER EXPENSE

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

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

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

OTHER EXPENSE
In millions



INCOME TAXES

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

INTERNATIONAL ACTIVITIES

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

LIQUIDITY, MARKET RISK, AND INTEREST RATE SENSITIVITY

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

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

The Company supplements funding provided through core deposits with various short-term and long-term wholesale borrowings, including Federal funds purchased and securities sold under agreements to repurchase, brokered certificates of deposit, and borrowings from the FHLB and others. M&T Bank had short-term and long-term credit facilities with the FHLB aggregating $3.3 billion at December 31, 2000. Outstanding borrowings under the FHLB credit facilities totaled $2.8 billion at December 31, 2000 and $1.8 billion at December 31, 1999.

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

In thousands

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

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

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

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

Market risk is the risk of loss from adverse changes in market prices and/or interest rates of the Company's financial instruments. The primary market risk the Company is exposed to

MATURITY DISTRIBUTION OF LOANS[a]

In thousands

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

[a] *The data do not include nonaccrual loans.*

MATURITY AND TAXABLE-EQUIVALENT YIELD OF INVESTMENT SECURITIES

Dollars in thousands

December 31, 2000	One year or less	One to five years	Five to ten years	Over ten years	Total
Investment securities available for sale [(a)]					
U.S. Treasury and federal agencies					
Carrying value	$159,161	175,444	25,960	3,912	364,477
Yield	7.04%	5.49%	6.92%	7.19%	6.31%
Obligations of states and political subdivisions					
Carrying value	52,053	78,929	52,449	1,703	185,134
Yield	8.33%	8.51%	8.51%	8.15%	8.45%
Mortgage-backed securities [(b)]					
Government issued or guaranteed					
Carrying value	62,891	250,846	339,312	966,821	1,619,870
Yield	6.66%	6.89%	6.94%	6.96%	6.93%
Privately issued					
Carrying value	34,084	181,300	132,579	84,738	432,701
Yield	5.98%	6.06%	6.33%	7.78%	6.47%
Other debt securities					
Carrying value	5,623	34,482	182,536	4,503	227,144
Yield	6.78%	7.58%	7.84%	8.88%	7.80%
Equity securities					
Carrying value	–	–	–	–	204,978
Yield	–	–	–	–	8.28%
Total investment securities available for sale					
Carrying value	$313,812	721,001	732,836	1,061,677	3,034,304
Yield	7.11%	6.54%	7.18%	7.04%	7.04%
Investment securities held to maturity					
Obligations of states and political subdivisions					
Carrying value	$ 51,824	7,671	4,488	308	64,291
Yield	6.95%	6.82%	7.52%	8.80%	6.98%
Other debt securities					
Carrying value	13,356	–	–	3,378	16,734
Yield	9.64%	–	–	7.32%	9.17%
Total investment securities held to maturity					
Carrying value	$ 65,180	7,671	4,488	3,686	81,025
Yield	7.50%	6.82%	7.52%	7.44%	7.43%
Other investment securities	–	–	–	–	194,524
Total investment securities					
Carrying value	$378,992	728,672	737,324	1,065,363	3,309,853
Yield	7.17%	6.54%	7.18%	7.04%	6.64%

[(a)] *Investment securities available for sale are presented at estimated fair value. Yields on such securities are based on amortized cost.*

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

is interest rate risk. The core banking activities of lending and deposit-taking expose the Company to interest rate risk, which occurs when assets and liabilities reprice at different times as interest rates change. As a result, net interest income earned by the Company is subject to the effects of changing interest rates. The Company measures interest rate risk by calculating the variability of net interest income in future years under various interest rate scenarios using projected balances for earning assets, interest-bearing liabilities and off-balance sheet financial instruments. Management's philosophy toward interest rate risk management is to limit the variability of net interest income. The balances of both on- and off-balance sheet financial instruments used in the projections are based on expected growth from forecasted business opportunities, anticipated prepayments of mortgage-related assets and expected maturities of investment securities, loans and deposits. Management supplements the modeling technique described above with analyses of market values of the Company's financial instruments. The Company has entered into interest rate swap agreements to help manage exposure to interest rate risk. At December 31, 2000, the aggregate notional amount of interest rate swaps entered into for interest rate risk management purposes was approximately $534 million. Information about interest rate swaps entered into for interest rate risk management

SENSITIVITY OF NET INTEREST INCOME TO CHANGES IN INTEREST RATES

Dollars in thousands

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

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

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

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

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

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

The Company engages in trading activities to meet the financial needs of customers and to profit from perceived market opportunities. Trading activities are conducted utilizing financial instruments that include forward and futures contracts related to foreign currencies and mortgage-backed securities, U.S. Treasury and other government

CONTRACTUAL REPRICING DATA

Dollars in thousands by repricing date

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

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

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

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

CAPITAL

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

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

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

Cash dividends on M&T's common stock of $52.0 million were paid in 2000, compared with $35.1 million and $29.0 million in 1999 and 1998, respectively. As previously discussed, in conjunction with the Keystone acquisition, M&T increased its quarterly dividend on common stock in the fourth quarter of 2000 to $.25 per share from $.125 per share. In the third quarter of 1999 M&T's quarterly common stock dividend rate was increased to $.125 per share from $.10 per share. In total, dividends per common share increased to $.625 in 2000 from $.45 in 1999 and $.38 in 1998.

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

Federal regulators generally require banking institutions to maintain "core capital" and "total capital" ratios of at least 4% and 8%, respectively, of risk-adjusted total assets. In addition to the risk-based measures, Federal bank regulators have also implemented a minimum "leverage" ratio guideline of 3% of the quarterly average of total assets. Core capital includes the $318 million carrying value of trust preferred securities. As of December 31, 2000, total capital further included $594 million of subordinated notes issued by M&T Bank. The capital ratios of the Company and its banking subsidiaries, M&T Bank and M&T Bank, N.A., as of

December 31, 2000 and 1999 are presented in note 20 of Notes to Financial Statements.

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

FOURTH QUARTER RESULTS

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

Taxable-equivalent net interest income rose to $262 million in the fourth quarter of 2000, an increase of $63 million or 32% from $199 million in the comparable 1999 quarter. A 30% increase in average earning assets, largely the result of the Keystone acquisition on October 6, 2000, was the most significant factor contributing to the improvement in net interest income. Average earning assets were $25.7 billion and $19.8 billion in the fourth quarter of 2000 and 1999, respectively. Average loans and leases for the fourth quarter of 2000 totaled $22.1 billion, up from $17.1 billion during the year-earlier quarter. Net interest margin was 4.05% in the fourth quarter of 2000, up from 3.99% in 1999's final quarter. The yield on earning assets was 8.47% in the recent quarter, up 62 basis points from 7.85% in the year-earlier period. The rate paid on interest-bearing liabilities was 5.12% in 2000's final quarter, compared with 4.43% in the fourth quarter of 1999. The resulting net interest spread was 3.35% in the recent quarter, compared with 3.42% in 1999's final quarter.

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

Other income increased 46% to $102.8 million in the fourth quarter of 2000 from $70.4 million in the fourth quarter of 1999. Approximately one-half of the increase was attributable to revenues related to operations and/or market areas associated with the Keystone acquisition. Income from leasing activities and increases in service charges on deposit accounts of $8.6 million and trust income of $5.7 million, largely attributable to acquired Keystone operations, were partially offset by $3.1 million of losses from sales of bank investment securities. Income from leasing activities reflects a net gain of $9 million during the fourth quarter of 2000 resulting from a $13.5 million gain from the sale of equipment previously leased to a commercial customer and an accrual of $4.5 million for losses associated with selling automobiles and other vehicles presently leased to retail customers.

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

SEGMENT INFORMATION

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

The financial information of the Company's segments was compiled utilizing the accounting policies described in note 19 of Notes to Financial Statements. The management accounting policies and processes utilized in compiling segment financial information are highly subjective and, unlike financial accounting, are not based on authoritative guidance similar to generally accepted accounting principles. As a result, reported segments and the financial results of such segments are not necessarily comparable with similar information reported by other financial institutions. Furthermore, changes in management structure or allocation methodologies and procedures may result in changes in reported segment financial data. Financial information about the Company's segments is presented in note 19 of Notes to Financial Statements.

The Commercial Banking segment provides a wide range of credit products and banking services for middle-market

and large commercial customers, largely within the markets the Company serves. Among the services provided by this segment are commercial lending and leasing, deposit products, and cash management services. The Commercial Banking segment's earnings increased 27% to $98.4 million in 2000 from $77.6 million in 1999. The higher net income in 2000 when compared with 1999 resulted largely from an increase of $34.5 million, or 22%, in net interest income. Net interest income from loans and leases increased $24.0 million, as a result of a 23% increase in average balances outstanding, while the contribution to net interest income from deposits increased $8.2 million, due to a higher net interest spread and a 9% increase in average balances outstanding. Growth in most markets already served by the Company, as well as the impact of balances obtained in acquisitions, contributed to the higher loan and deposit levels. Net income in 1998 was $67.4 million. Higher net interest income of $17.8 million, or 13%, the result of a 17% increase in average loans outstanding, and increases in letter of credit and other credit related fee income of $6.1 million were factors contributing to the rise in net income from 1998 to 1999. Growth in most markets served by the Company, as well as the full year impact in 1999 of loans acquired from ONBANCorp, contributed to the higher loan balances. Reflecting higher net charge-offs, including charge-offs of $11.2 million related to one commercial customer, the segment's provision for credit losses increased to $11.3 million in 1999 from $3.0 million in 1998. The segment's provision for credit losses was $7.3 million in 2000.

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

The Discretionary Portfolio segment includes securities, residential mortgage loans and other assets; short-term and long-term borrowed funds; brokered certificates of deposit and interest rate swaps related thereto; and offshore branch deposits. This segment also provides services to commercial customers and consumers that include foreign exchange, securities trading and municipal bond underwriting and sales. The Discretionary Portfolio segment earned net income of $33.9 million in 2000, compared with $38.2 million in 1999 and $31.7 million in 1998. Factors contributing to the decline in net income for 2000 include an $11.0 million, or 23%, decrease in net interest income and losses from sales of bank investment securities of $3.1 million, offset, in part, by a $3.0 million increase in tax-exempt income earned from bank owned life insurance. The decline in net interest income largely reflects a narrowing of the segment's net interest margin. The higher net income in 1999 as compared with 1998 was due, in part, to a $4.9 million increase in income from bank owned life insurance and higher net interest income from holdings of residential mortgage loans. Partially offsetting these increases was the previously mentioned $3 million settlement loss on foreign exchange contracts in 1999.

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

The Retail Banking segment offers a variety of consumer and small business services through several delivery channels which include traditional and "in-store" banking offices, automated teller machines, telephone banking and internet banking. The Company has banking offices in New York State, Pennsylvania, Maryland and West Virginia. The Retail Banking segment also offers certain deposit and loan

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

RECENTLY ISSUED ACCOUNTING STANDARDS NOT YET ADOPTED

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

Pursuant to SFAS No. 133, the accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. An entity that elects to apply hedge accounting will be required to establish at the inception of the hedge the method it will use for assessing the effectiveness of the hedging derivative and the measurement approach for determining the ineffective aspect of the hedge. Those methods must be consistent with the entity's approach to managing risk.

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

Initial application of SFAS No. 133, as amended, must be as of the beginning of an entity's fiscal quarter; on that date, hedging relationships must be designated anew and documented pursuant to the provisions of the statement. SFAS No. 133, as amended, may not be applied retroactively to financial statements of prior periods.

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

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

SFAS No. 140 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. The statement is effective for recognition and reclassification of collateral and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. Disclosures about securitization and collateral accepted need not be reported for periods ending on or before December 15, 2000, for which financial statements are presented for comparative purposes. In general, SFAS No. 140 is to be applied prospectively. Earlier or retroactive application of its accounting provisions is generally not permitted. The adoption of SFAS No. 140 is not expected to have a material impact on the Company's consolidated financial statements.

FORWARD-LOOKING STATEMENTS

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

a result of new information, future events or otherwise.

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

Quarterly Trends

	2000 Quarters				1999 Quarters			
	Fourth	Third	Second	First	Fourth	Third	Second	First
Earnings and dividends								
Amounts in thousands, except per share								
Interest income (taxable-equivalent basis)	$548,345	424,212	409,710	401,064	391,792	375,021	361,158	358,370
Interest expense	286,538	219,622	208,706	203,731	192,766	179,961	171,269	175,238
Net interest income	261,807	204,590	201,004	197,333	199,026	195,060	189,889	183,132
Less: provision for credit losses	14,000	9,000	6,000	9,000	14,000	13,500	8,500	8,500
Other income	102,778	76,514	73,382	71,998	70,354	72,499	66,806	72,716
Less: other expense	234,187	153,959	155,710	150,597	149,047	144,898	145,547	139,466
Income before income taxes	116,398	118,145	112,676	109,734	106,333	109,161	102,648	107,882
Applicable income taxes	40,672	41,397	38,888	39,293	38,132	39,633	35,772	39,151
Taxable-equivalent adjustment	3,759	2,332	2,250	2,206	2,083	1,964	1,838	1,825
Net income	$ 71,967	74,416	71,538	68,235	66,118	67,564	65,038	66,906
Per common share data								
Basic earnings	$ .78	.97	.93	.89	.85	.86	.83	.87
Diluted earnings	.76	.94	.91	.86	.82	.83	.80	.83
Cash dividends	$ .25	.125	.125	.125	.125	.125	.10	.10
Average common shares outstanding								
Basic	91,987	76,748	76,631	77,112	77,950	78,804	77,931	77,311
Diluted	95,088	79,417	78,876	79,222	80,584	81,473	81,321	80,226
Performance ratios, *annualized*								
Return on								
Average assets	1.01%	1.36%	1.32%	1.22%	1.18%	1.27%	1.27%	1.34%
Average common stockholders' equity	11.03%	15.64%	15.75%	15.14%	14.58%	14.97%	15.23%	16.56%
Net interest margin on average earning assets (taxable-equivalent basis)	4.05%	4.05%	4.05%	3.94%	3.99%	4.03%	4.09%	3.98%
Nonperforming assets to total assets, at end of quarter	.43%	.32%	.33%	.33%	.37%	.45%	.41%	.44%
Efficiency ratio[(a)]	57.61%	53.49%	56.75%	55.92%	55.33%	53.62%	55.72%	54.56%
Cash (tangible) operating results[(b)]								
Net income (in thousands)	$108,100	87,758	82,937	79,844	78,443	79,714	76,511	76,333
Diluted net income per common share	1.14	1.11	1.05	1.00	.97	.98	.94	.95
Annualized return on								
Average tangible assets	1.57%	1.64%	1.57%	1.47%	1.45%	1.54%	1.53%	1.57%
Average tangible common stockholders' equity	28.93%	26.98%	27.46%	26.95%	26.67%	26.43%	26.13%	27.66%
Efficiency ratio[(a)]	50.20%	48.57%	51.61%	50.57%	49.71%	48.91%	51.36%	50.31%
Balance sheet data								
Dollars in millions, except per share								
Average balances								
Total assets	$ 28,487	21,823	21,851	22,438	22,147	21,183	20,579	20,298
Earning assets	25,746	20,098	19,976	20,147	19,806	19,184	18,636	18,664
Investment securities	3,559	2,904	2,582	1,977	1,974	2,048	2,064	2,497
Loans and leases, net of unearned discount	22,141	17,163	17,181	17,501	17,147	16,678	16,056	15,761
Deposits	19,900	14,980	15,206	15,257	15,472	14,821	14,578	14,497
Stockholders' equity	2,596	1,893	1,826	1,813	1,800	1,791	1,713	1,638
At end of quarter								
Total assets	$ 28,949	22,009	21,746	22,762	22,409	21,759	21,205	20,285
Earning assets	26,089	20,143	19,893	20,389	19,964	19,467	19,050	18,382
Investment securities	3,310	2,799	2,865	2,079	1,901	1,953	2,078	2,088
Loans and leases, net of unearned discount	22,743	17,324	16,949	17,703	17,407	16,984	16,513	15,813
Deposits	20,233	14,682	15,223	15,151	15,374	15,417	14,909	14,476
Stockholders' equity	2,700	1,940	1,852	1,832	1,797	1,817	1,773	1,667
Equity per common share	28.93	25.22	24.18	23.83	23.24	23.05	22.48	21.53
Tangible equity per common share	16.74	17.52	16.28	15.79	15.14	14.94	14.91	14.90
Market price per common share								
High	$ 68.42	52.29	47.50	45.81	51.20	57.50	58.25	51.88
Low	46.67	44.50	39.95	35.70	40.60	41.25	46.25	46.40
Closing	68.00	51.00	45.00	44.65	41.43	45.90	55.00	47.90

(a) *Excludes impact of nonrecurring merger-related expenses and net securities transactions.*

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

STATEMENT OF RESPONSIBILITY

M&T Bank Corporation ("M&T") is responsible for the financial statements and the other information in this Annual Report. This responsibility includes the preparation of the statements in accordance with generally accepted accounting principles appropriate in the circumstances, the fairness of the estimates and judgments required, and the reliability of the underlying data.

The steps taken to meet this responsibility include maintaining a system of internal controls, providing for the training of personnel, promulgating written policies and codes of conduct and, in general, seeking to create an atmosphere conducive to proper reporting and ethical behavior.

M&T also assures that the internal auditors and the independent public accountants have full and free access to the Audit Committee of M&T's board of directors and the examining committees of the bank subsidiaries' boards.

No member of those committees is an officer or employee of M&T or its subsidiaries and none is otherwise involved in their day-to-day operations. Among the duties of the Audit Committee is recommending to M&T's board of directors the firm to be selected as M&T's independent public accountants.

On the basis of the above-mentioned and other controls, policies, and independent reviews, M&T believes that the responsibility described in the first paragraph has been fulfilled in all material aspects.

REPORT OF INDEPENDENT ACCOUNTANTS

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

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

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

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

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

Consolidated Balance Sheet

Dollars in thousands, except per share		December 31 2000	1999
Assets	Cash and due from banks	$ 750,259	592,755
	Money-market assets		
	Interest-bearing deposits at banks	3,102	1,092
	Federal funds sold and agreements to resell securities	17,261	643,555
	Trading account	37,431	641,114
	Total money-market assets	57,794	1,285,761
	Investment securities		
	Available for sale (cost: $3,035,031 in 2000; $1,724,713 in 1999)	3,034,304	1,680,760
	Held to maturity (market value: $77,959 in 2000; $92,909 in 1999)	81,025	94,571
	Other (market value: $194,524 in 2000; $125,191 in 1999)	194,524	125,191
	Total investment securities	3,309,853	1,900,522
	Loans and leases	22,970,314	17,572,861
	Unearned discount	(227,500)	(166,090)
	Allowance for credit losses	(374,703)	(316,165)
	Loans and leases, net	22,368,111	17,090,606
	Premises and equipment	257,975	173,815
	Goodwill and core deposit intangible	1,199,407	648,040
	Accrued interest and other assets	1,006,057	717,616
	Total assets	$28,949,456	22,409,115
Liabilities	Noninterest-bearing deposits	$ 3,344,913	2,260,432
	NOW accounts	873,472	583,471
	Savings deposits	6,105,689	5,198,681
	Time deposits	9,664,088	7,088,345
	Deposits at foreign office	244,511	242,691
	Total deposits	20,232,673	15,373,620
	Federal funds purchased and agreements to repurchase securities	1,440,887	1,788,858
	Other short-term borrowings	631,937	765,301
	Accrued interest and other liabilities	528,958	909,157
	Long-term borrowings	3,414,516	1,775,133
	Total liabilities	26,248,971	20,612,069
Stockholders' equity	Preferred stock, $1 par, 1,000,000 shares authorized, none outstanding	–	–
	Common stock, $.50 par, 150,000,000 shares authorized, 93,244,101 shares issued in 2000; 81,015,390 shares issued in 1999	46,622	40,508
	Common stock issuable, 88,543 shares in 2000; 83,970 shares in 1999	4,077	3,937
	Additional paid-in capital	914,575	458,729
	Retained earnings	1,735,643	1,501,530
	Accumulated other comprehensive income, net	(432)	(26,047)
	Treasury stock – common, at cost – none in 2000; 3,777,380 shares in 1999	–	(181,611)
	Total stockholders' equity	2,700,485	1,797,046
	Total liabilities and stockholders' equity	$28,949,456	22,409,115

See accompanying notes to financial statements.

Consolidated Statement of Income

In thousands, except per share		2000	1999	1998
		Year ended December 31		
Interest income	Loans and leases, including fees	$1,579,701	1,323,262	1,198,639
	Money-market assets			
	Deposits at banks	308	87	400
	Federal funds sold and agreements to resell securities	12,891	24,491	8,293
	Trading account	1,009	3,153	4,403
	Investment securities			
	Fully taxable	165,811	118,741	139,731
	Exempt from federal taxes	13,064	8,897	7,984
	Total interest income	1,772,784	1,478,631	1,359,450
Interest expense	NOW accounts	7,487	4,683	4,851
	Savings deposits	132,225	121,888	115,345
	Time deposits	445,666	367,889	388,185
	Deposits at foreign office	14,915	12,016	14,973
	Short-term borrowings	172,466	104,911	105,582
	Long-term borrowings	145,838	107,847	58,567
	Total interest expense	918,597	719,234	687,503
	Net interest income	854,187	759,397	671,947
	Provision for credit losses	38,000	44,500	43,200
	Net interest income after provision for credit losses	816,187	714,897	628,747
Other income	Mortgage banking revenues	63,168	71,819	65,646
	Service charges on deposit accounts	92,544	73,612	57,357
	Trust income	45,165	40,751	38,211
	Brokerage services income	32,795	27,140	19,587
	Trading account and foreign exchange gains	2,351	315	3,963
	Gain (loss) on sales of bank investment securities	(3,078)	1,575	1,761
	Other revenues from operations	91,727	67,163	76,414
	Total other income	324,672	282,375	262,939
Other expense	Salaries and employee benefits	329,209	284,822	259,487
	Equipment and net occupancy	80,960	73,131	66,553
	Printing, postage and supplies	20,138	17,510	17,603
	Amortization of goodwill and core deposit intangible	69,576	49,715	34,487
	Other costs of operations	194,570	153,780	187,993
	Total other expense	694,453	578,958	566,123
	Income before income taxes	446,406	418,314	325,563
	Income taxes	160,250	152,688	117,589
	Net income	$ 286,156	265,626	207,974
	Net income per common share			
	Basic	$ 3.55	3.41	2.73
	Diluted	3.44	3.28	2.62

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows

In thousands		Year ended December 31 2000	1999	1998
Cash flows from operating activities	Net income	$ 286,156	265,626	207,974
	Adjustments to reconcile net income to net cash provided by operating activities			
	Provision for credit losses	38,000	44,500	43,200
	Depreciation and amortization of premises and equipment	30,164	27,488	25,432
	Amortization of capitalized servicing rights	24,392	19,773	19,650
	Amortization of goodwill and core deposit intangible	69,576	49,715	34,487
	Provision for deferred income taxes	(5,911)	1,816	(2,965)
	Asset write-downs	1,674	1,771	3,905
	Net gain on sales of assets	(6,631)	(279)	(4,607)
	Net change in accrued interest receivable, payable	25,540	473	13,991
	Net change in other accrued income and expense	(27,901)	(124,772)	71,914
	Net change in loans held for sale	(81,549)	206,448	(255,791)
	Net change in trading account assets and liabilities	(6,868)	114,062	(120,542)
	Net cash provided by operating activities	346,642	606,621	36,648
Cash flows from investing activities	Proceeds from sales of investment securities			
	Available for sale	706,262	89,509	223,929
	Other	65,553	7,224	11,906
	Proceeds from maturities of investment securities			
	Available for sale	429,304	1,061,118	1,071,889
	Held to maturity	68,821	55,096	91,060
	Purchases of investment securities			
	Available for sale	(313,760)	(165,852)	(846,020)
	Held to maturity	(55,507)	(52,793)	(42,930)
	Other	(89,154)	(15,204)	(21,872)
	Additions to capitalized servicing rights	(33,694)	(17,257)	(16,741)
	Net increase in loans and leases	(1,467,187)	(1,429,849)	(1,299,195)
	Proceeds from sale of retail credit card business	–	–	189,818
	Capital expenditures, net	(18,784)	(22,933)	(16,785)
	Acquisitions, net of cash acquired:			
	Banks and bank holding companies	174,215	(51,423)	20,790
	Deposits and banking offices	–	529,754	–
	Other companies	(4,303)	–	–
	Purchases of bank owned life insurance	(35,000)	–	(150,000)
	Other, net	13,183	19,390	(2,143)
	Net cash provided (used) by investing activities	(560,051)	6,780	(786,294)
Cash flows from financing activities	Net decrease in deposits	(321,735)	(508,240)	(190,445)
	Net increase (decrease) in short-term borrowings	(830,214)	324,370	648,784
	Proceeds from long-term borrowings	1,000,896	353,991	875,000
	Payments on long-term borrowings	(32,224)	(165,593)	(3,136)
	Purchases of treasury stock	(54,947)	(79,784)	(231,779)
	Dividends paid – common	(51,987)	(35,128)	(28,977)
	Other, net	34,830	10,435	16,165
	Net cash provided (used) by financing activities	(255,381)	(99,949)	1,085,612
	Net increase (decrease) in cash and cash equivalents	$ (468,790)	513,452	335,966
	Cash and cash equivalents at beginning of year	1,236,310	722,858	386,892
	Cash and cash equivalents at end of year	$ 767,520	1,236,310	722,858
Supplemental disclosure of cash flow information	Interest received during the year	$ 1,751,074	1,484,098	1,365,239
	Interest paid during the year	870,482	723,106	683,467
	Income taxes paid during the year	147,009	252,484	47,188
Supplemental schedule of noncash investing and financing activities	Real estate acquired in settlement of loans	$ 11,880	11,631	8,503
	Acquisition of banks and bank holding companies			
	Common stock issued	659,862	58,746	587,819
	Fair value of			
	Assets acquired (noncash)	6,904,954	650,841	5,206,168
	Liabilities assumed	6,376,489	540,672	4,619,715
	Stock options	8,586	–	19,424
	Securitization of residential mortgage loans allocated to:			
	Available for sale investment securities	1,018,216	–	–
	Capitalized servicing rights	14,282	–	–

See accompanying notes to financial statements.

Consolidated Statement of Changes in Stockholders' Equity

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	–	–	–	–	207,974	–	–	207,974
Other comprehensive income, net of tax:								
Unrealized losses on investment securities, net of reclassification adjustment	–	–	–	–	–	(9,147)	–	(9,147)
								198,827
Purchases of treasury stock	–	–	–	–	–	–	(231,779)	(231,779)
Acquisition of ONBANCorp, Inc.:								
Common stock issued	–	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	–	(7,114)	–	–	29,788	22,685
Directors' stock plan	–	–	–	49	–	–	177	226
Deferred bonus plan, net, including dividend equivalents	–	–	3,752	(5)	(32)	–	160	3,875
Common stock cash dividends – $.38 per share	–	–	–	–	(28,977)	–	–	(28,977)
Balance – December 31, 1998	$ –	40,508	3,752	480,014	1,271,071	2,869	(195,848)	1,602,366
1999								
Comprehensive income:								
Net income	–	–	–	–	265,626	–	–	265,626
Other comprehensive income, net of tax:								
Unrealized losses on investment securities, net of reclassification adjustment	–	–	–	–	–	(28,916)	–	(28,916)
								236,710
Purchases of treasury stock	–	–	–	–	–	–	(79,784)	(79,784)
Acquisition of FNB Rochester Corp.:								
Common stock issued	–	–	–	(718)	–	–	59,464	58,746
Stock-based compensation plans:								
Exercise of stock options	–	–	–	(20,558)	–	–	33,791	13,233
Directors' stock plan	–	–	–	8	–	–	300	308
Deferred bonus plan, net, including dividend equivalents	–	–	185	(17)	(39)	–	466	595
Common stock cash dividends – $.45 per share	–	–	–	–	(35,128)	–	–	(35,128)
Balance – December 31, 1999	$ –	40,508	3,937	458,729	1,501,530	(26,047)	(181,611)	1,797,046
2000								
Comprehensive income:								
Net income	–	–	–	–	286,156	–	–	286,156
Other comprehensive income, net of tax:								
Unrealized gains on investment securities, net of reclassification adjustment	–	–	–	–	–	25,615	–	25,615
								311,771
Purchases of treasury stock	–	–	–	–	–	–	(54,947)	(54,947)
Acquisition of Keystone Financial, Inc.:								
Common stock issued	–	5,875	–	461,579	–	–	192,408	659,862
Fair value of stock options	–	–	–	8,586	–	–	–	8,586
Management stock ownership program receivable	–	–	–	(4,713)	–	–	–	(4,713)
Stock-based compensation plans:								
Exercise of stock options	–	238	–	(9,679)	–	–	43,431	33,990
Directors' stock plan	–	–	–	(9)	–	–	342	333
Deferred bonus plan, net, including dividend equivalents	–	1	140	82	(56)	–	377	544
Common stock cash dividends – $.625 per share	–	–	–	–	(51,987)	–	–	(51,987)
Balance – December 31, 2000	$ –	46,622	4,077	914,575	1,735,643	(432)	–	2,700,485

See accompanying notes to financial statements.

1. Significant accounting policies

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

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

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

Consolidation

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

Consolidated Statement of Cash Flows

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

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

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

Trading account

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

Investment securities

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

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

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

Loans

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

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

Allowance for credit losses

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

Premises and equipment

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

Capitalized servicing rights

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

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

Goodwill and core deposit intangible

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

Stock-based compensation

Compensation expense is not recognized for stock option awards to employees under the Company's stock option plan since the exercise price of options is equal to the market price of the underlying stock at the date of grant. Compensation expense for stock appreciation rights issued separately from stock options is recognized based upon changes in the quoted market value of M&T's common stock. The pro forma effects of stock-based compensation arrangements are based on the estimated grant date fair value of stock options that are expected to vest calculated pursuant to the provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation." Pro forma compensation expense, net of applicable income tax effect, is recognized over the vesting period.

Income taxes

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

Financial futures

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

Interest rate swap agreements

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

Earnings per common share

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

Treasury stock

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

2. Acquisitions

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

announced by M&T and Keystone, and the estimated fair value of Keystone stock options converted into M&T stock options.

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

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

On March 31, 2000, The Chase Manhattan Bank ("Chase") transferred trust and fiduciary accounts with assets of approximately $147 million to M&T Bank, completing a transaction that began in September 1999 with M&T Bank's acquisition from Chase of 29 branch offices in upstate New York and the investment management and custody accounts associated with those offices. At the time of closing in September 1999, the branches had approximately $634 million of deposits and approximately $44 million of retail installment and commercial loans, and the investment management and custody accounts had assets of approximately $286 million. In connection with the transaction, the Company recorded approximately $55 million of intangible assets that are being amortized over periods ranging from five to seven years.

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

On April 1, 1998, M&T completed the merger of ONBANCorp, Inc. ("ONBANCorp") with and into Olympia. Following the merger, OnBank & Trust Co., Syracuse, New York, and Franklin First Savings Bank, Wilkes-Barre, Pennsylvania, both wholly owned subsidiaries of ONBANCorp, were merged into M&T Bank. After application of the election, allocation and proration procedures contained in the merger agreement with ONBANCorp, M&T paid $266 million in cash and issued 14,299,980 shares of common stock in exchange for the ONBANCorp common shares outstanding at the time of acquisition. In addition, based on the merger agreement and the exchange ratio provided for therein, M&T converted outstanding and unexercised stock options granted by ONBANCorp into options to purchase 617,720 shares of M&T common stock. The purchase price of the transaction was approximately $873 million based on the cash paid to ONBANCorp stockholders, the market price of M&T common shares on October 28, 1997 before the terms of the merger were agreed to and announced by M&T and ONBANCorp, and the estimated fair value of ONBANCorp stock options converted into M&T stock options.

Acquired assets, loans and deposits of ONBANCorp on April 1, 1998 totaled approximately $5.5 billion, $3.0 billion and $3.8 billion, respectively. The transaction was accounted for using the purchase method of accounting and, accordingly, operations acquired from ONBANCorp have been included in the Company's financial results since the acquisition date. In connection with the acquisition, the Company recorded approximately $501 million of goodwill and $61 million of core deposit intangible. The goodwill is being amortized over twenty years using the straight-line method and the core deposit intangible is being amortized over ten years using an accelerated method.

In connection with the transactions described herein and in note 22, the Company incurred expenses related to systems conversions and other costs of integrating and conforming the acquired operations with and into the Company of approximately $26.0 million ($16.4 million net of applicable income taxes) during 2000, approximately $4.7 million ($3.0 million net of applicable income taxes) during 1999, and approximately $21.3 million ($14.0 million net of applicable income taxes) during 1998. Expenses related to systems conversions and other costs of integration are included in the consolidated statement of income for the years ended December 31, 2000, 1999 and 1998 as follows:

In thousands	2000	1999	1998
Salaries and employee benefits . .	$ 2,117	188	2,141
Equipment and net occupancy . .	820	149	875
Printing, postage and supplies . .	2,062	685	1,079
Other costs of operations . . .	20,953	3,654	17,250
	$25,952	4,676	21,345

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

Presented herein is certain unaudited pro forma information for 2000 as if Keystone had been acquired on January 1, 2000 and for 1999 as if Keystone and FNB had been acquired on January 1, 1999. These results combine the historical results of Keystone and FNB into the Company's consolidated statement of income and, while certain adjustments were made for the estimated impact of purchase accounting adjustments and other acquisition-related activity, they are not necessarily indicative of what would have occurred had the acquisitions taken place at that time. In particular, expenses related to systems conversions and other costs of integration associated with the acquisition of Keystone are included in the 2000 periods in which such costs were incurred and, additionally, the Company expects to achieve further operating cost savings as a result of the mergers which are not reflected in the pro forma amounts presented. Pro forma information related to the acquisition of MBD is not presented since MBD's financial position and results of operations were not material to the Company's consolidated financial statements.

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

3. Investment securities

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

In thousands	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
December 31, 2000				
Investment securities available for sale:				
U.S. Treasury and federal agencies	$ 363,099	3,545	2,167	364,477
Obligations of states and political subdivisions	181,990	3,149	5	185,134
Mortgage-backed securities				
Government issued or guaranteed	1,614,222	10,088	4,440	1,619,870
Privately issued	435,623	1,037	3,959	432,701
Other debt securities	237,234	863	10,953	227,144
Equity securities	202,863	4,577	2,462	204,978
	3,035,031	23,259	23,986	3,034,304
Investment securities held to maturity:				
Obligations of states and political subdivisions	64,291	282	–	64,573
Other debt securities	16,734	–	3,348	13,386
	81,025	282	3,348	77,959
Other securities	194,524	–	–	194,524
Total	$3,310,580	23,541	27,334	3,306,787
December 31, 1999				
Investment securities available for sale:				
U.S. Treasury and federal agencies	$ 202,283	–	9,669	192,614
Mortgage-backed securities				
Government issued or guaranteed	557,058	860	12,946	544,972
Privately issued	640,368	6,123	18,475	628,016
Other debt securities	155,805	606	3,446	152,965
Equity securities	169,199	464	7,470	162,193
	1,724,713	8,053	52,006	1,680,760
(continued)				
Investment securities held to maturity:				
Obligations of states and political subdivisions	79,189	–	361	78,828
Other debt securities	15,382	–	1,301	14,081
	94,571	–	1,662	92,909
Other securities	125,191	–	–	125,191
Total	$1,944,475	8,053	53,668	1,898,860

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

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

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

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

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

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

In thousands	Amortized cost	Estimated fair value
Debt securities available for sale:		
Due in one year or less	$ 214,172	216,837
Due after one year through five years	288,457	288,855
Due after five years through ten years	269,667	260,945
Due after ten years	10,027	10,118
	782,323	776,755
Mortgage-backed securities available for sale	2,049,845	2,052,571
	$2,832,168	2,829,326
Debt securities held to maturity:		
Due in one year or less	$ 65,180	61,983
Due after one year through five years	7,671	7,725
Due after five years through ten years	4,488	4,546
Due after ten years	3,686	3,705
	$ 81,025	77,959

At December 31, 2000, investment securities with a carrying value of $2,104,356,000, including $2,045,333,000 of investment securities available for sale, were pledged to secure demand notes issued to the U.S. Treasury, borrowings from the Federal Home Loan Bank of New York and the Federal Home Loan Bank of Pittsburgh (together, the "Federal Home Loan Banks"), repurchase agreements, governmental deposits and interest rate swap agreements. Investment

securities pledged by the Company to secure obligations whereby the secured party is permitted by contract or custom to sell or repledge such collateral totaled $188,291,000 at December 31, 2000.

4. Loans and leases

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

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

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

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

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

Borrowings by directors and certain officers of M&T and its banking subsidiaries, and by associates of such persons, exclusive of loans aggregating less than $60,000, amounted to $132,356,000 and $124,185,000 at December 31, 2000 and 1999, respectively. During 2000, new borrowings by such persons amounted to $51,718,000 (including borrowings of new directors or officers that were outstanding at the time of their election) and repayments and other reductions were $43,547,000.

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

5. Allowance for credit losses

Changes in the allowance for credit losses were as follows:

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

6. Premises and equipment

The detail of premises and equipment was as follows:

In thousands	December 31 2000	1999
Land	$ 31,586	16,649
Buildings – owned	165,638	126,670
Buildings – capital leases	2,881	1,773
Leasehold improvements	60,571	44,639
Furniture and equipment – owned	205,277	171,158
Furniture and equipment –		
capital leases	978	1,156
	466,931	362,045
Less: accumulated depreciation		
and amortization		
Owned assets	206,745	186,137
Capital leases	2,211	2,093
	208,956	188,230
Premises and equipment, net	$257,975	173,815

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

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

Payments required under capital leases are not material.

7. Capitalized servicing assets

Changes in capitalized servicing assets were as follows:

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

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

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

8. Borrowings

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

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

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

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

In thousands	M&T	M&T Bank	M&T Bank, N.A.
Outstanding borrowings	$ –	2,801,418	–
Unused	30,000	1,565,299	350,892

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

Long-term borrowings were as follows:

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

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

Long-term variable rate advances from the Federal Home Loan Banks had contractual interest rates that ranged from 6.56% to 6.83% at December 31, 2000 and from 6.00% to 6.25% at December 31, 1999. The weighted-average contractual interest rates were 6.74% and 6.13% at December 31, 2000 and 1999, respectively. Long-term fixed-rate advances from the Federal Home Loan Banks had contractual interest rates ranging from 4.05% to 8.29% at December 31, 2000 and from 4.05% to 8.45% at December 31, 1999. The weighted-average contractual interest rates payable were 5.67% and 5.93% at December 31, 2000 and 1999, respectively. Advances from the Federal Home Loan Banks mature at various dates through 2029 and are secured by residential and commercial real estate loans.

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

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

Trust	Distribution rate	Distribution dates
Trust I.	8.234%	February 1 and August 1
Trust II	8.277%	June 1 and December 1
Trust III.	9.25%	February 1 and August 1

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

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

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

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

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

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

the percentage is 100%, subject to a make-whole amount if the early redemption occurs prior to February 1, 2007. In the case of Trust II, such percentage adjusts annually and ranges from 104.139% at June 1, 2007 to 100.414% for the annual period ending May 31, 2017, after which the percentage is 100%, subject to a make-whole amount if the early redemption occurs prior to June 1, 2007. In the case of Trust III, such percentage adjusts annually and ranges from 104.625% at February 1, 2007 to 100.463% for the annual period ending January 31, 2017, after which the percentage is 100%, subject to a make-whole amount if the early redemption occurs prior to February 1, 2007.

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

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

9. Stock-based compensation plans

Stock option plan

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

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

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

	Stock options outstanding	Cash-only appreciation rights outstanding	Weighted-average exercise price: Stock options	Weighted-average exercise price: Cash-only appreciation rights
1998				
Beginning balance	7,771,940	464,500	$17.01	$6.10
Granted	1,444,590	–	44.53	–
Acquired (note 2)	617,720	–	18.56	–
Exercised	(1,484,670)	(110,500)	10.56	5.95
Cancelled	(250,450)	–	25.09	–
At year-end	8,099,130	354,000	22.97	6.14
1999				
Granted	2,131,400	–	49.78	–
Exercised	(796,230)	(165,000)	16.30	6.40
Cancelled	(293,540)	–	37.60	–
At year-end	9,140,760	189,000	$29.33	$5.91
(continued)				
2000				
Granted	2,108,840	–	42.72	–
Acquired (note 2)	1,259,493	–	53.90	–
Exercised	(1,562,135)	(189,000)	22.99	5.91
Cancelled	(337,850)	–	45.33	–
At year-end	10,609,108	–	$35.34	$ –
Exercisable at:				
December 31, 2000	5,648,499	–	$27.72	$ –
December 31, 1999	4,462,230	189,000	17.00	5.91
December 31, 1998	3,844,940	354,000	14.50	6.14

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

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

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

The Company used a binomial option pricing model to estimate the grant date present value of stock options granted in 2000, 1999 and 1998. The weighted-average estimated value per option was $13.37 in 2000, $11.58 in 1999 and $11.46 in 1998. The values were calculated using the following weighted-average assumptions: an option term of 6.5 years (representing the estimated period between grant date and exercise date based on historical data since inception of the plan); a risk-free interest rate of 6.80% in 2000, 4.97% in 1999 and 5.53% in 1998 (representing the yield on a U.S. Treasury security with a remaining term equal to the expected option term); expected volatility of 22% in 2000, 19% in 1999 and 14% in 1998; and estimated dividend yields of 1.19% in 2000, .85% in 1999 and .72% in 1998 (representing the approximate annualized cash dividend rate paid with respect to a share of common stock at or near the grant date). The Company reduced the estimated value per option to reflect an estimate of the probability of forfeiture prior to vesting. Based on historical data since inception of the plan and projected employee turnover rates, the weighted-average estimated forfeiture rate was 10% in 2000 and 1998, and 21% in 1999.

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for the stock option plan. Accordingly, no compensation expense was recognized in 2000, 1999 and 1998 for stock option awards since the exercise price of stock options granted under the stock option plan was not less than the fair market value of the common stock at date of grant. Compensation expense (benefit) recognized for cash-only stock appreciation rights was $976,000 in 2000, $(2,199,000) in 1999, and $2,238,000 in 1998.

Had compensation expense for stock option awards been determined consistent with SFAS No. 123, net income and earnings per share would be reduced to the pro forma amounts indicated as follows:

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

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

Deferred bonus plan

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

Directors' stock plan

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

Management stock ownership program

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

10. Pension plans and other postretirement benefits

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

Net periodic pension expense consisted of the following:

In thousands	Year ended December 31 2000	1999	1998
Service cost	$ 8,213	8,202	7,021
Interest cost on projected benefit obligation	11,801	9,225	8,135
Expected return on plan assets	(17,712)	(14,308)	(12,396)
Amortization of prior service cost	1,615	84	(24)
Amortization of initial net asset	–	–	(344)
Recognized net actuarial gain	(1,431)	–	(38)
Settlements and curtailments	–	349	218
Net periodic pension expense	$ 2,486	3,552	2,572

Net postretirement benefits expense consisted of the following:

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

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

	Pension benefits		Postretirement benefits	
In thousands	2000	1999	2000	1999
Change in benefit obligation:				
Benefit obligation at beginning of year	$127,038	136,931	16,762	18,023
Service cost	8,213	8,202	307	325
Interest cost	11,801	9,225	1,379	1,150
Plan participants' contributions	–	–	230	202
Amendments	2,689	395	2,979	–
Actuarial (gain) loss	(6,109)	(22,031)	2,009	(1,108)
Business combinations	112,771	3,223	–	–
Benefits paid	(7,266)	(9,256)	(2,229)	(1,830)
Settlements and curtailments	–	349	–	–
Benefit obligation at end of year	$249,137	127,038	21,437	16,762

In thousands	Pension benefits 2000	1999	Postretirement benefits 2000	1999
(continued)				
Change in plan assets:				
Fair value of plan assets at beginning of year	$159,356	167,469	3,359	4,276
Actual return on plan assets	5,418	(1,547)	457	525
Employer contributions	64	–	–	–
Plan participants' contributions	–	–	535	388
Business combinations	122,487	2,430	–	–
Benefits and other payments	(7,107)	(6,480)	(2,229)	(1,830)
Settlements	–	(2,516)	–	–
Fair value of plan assets at end of year	$280,218	159,356	2,122	3,359
Funded status	$ 31,081	32,318	(19,315)	(13,403)
Unrecognized net actuarial (gain) loss	(16,808)	(24,493)	2,371	736
Unrecognized prior service cost	(212)	(237)	3,217	321
Prepaid (accrued) benefit cost	$ 14,061	7,588	(13,727)	(12,346)
Amounts recognized in the consolidated balance sheet were:				
Prepaid benefit cost (asset)	$ 32,640	10,551	–	–
Accrued benefit cost (liability)	(18,579)	(2,963)	(13,727)	(12,346)
	$ 14,061	7,588	(13,727)	(12,346)

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

The assumed rates used in the actuarial computations were:

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

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

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

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

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

11. Income taxes

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

In thousands	Year ended December 31 2000	1999	1998
Current			
Federal	$156,941	139,946	105,751
State and city	9,220	10,926	14,803
Total current	166,161	150,872	120,554
Deferred			
Federal	(4,947)	1,508	(2,309)
State and city	(964)	308	(656)
Total deferred	(5,911)	1,816	(2,965)
Total income taxes applicable to pre-tax income	$160,250	152,688	117,589

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

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

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

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

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

In thousands	2000	1999	1998
Losses on loans and other assets	$ 144,099	127,667	120,422
Postretirement and other supplemental employee benefits	14,416	9,276	5,316
Incentive compensation plans	14,168	14,041	20,395
Depreciation and amortization	–	11,090	10,489
Interest on loans	10,897	–	–
Unrealized investment losses	295	17,906	–
Other	11,547	7,217	3,140
Gross deferred tax assets	195,422	187,197	159,762
Leasing transactions	(163,581)	(115,586)	(107,187)
Capitalized servicing rights	(14,838)	(10,150)	(6,868)
Retirement benefits	(9,776)	(4,077)	(1,969)
Depreciation and amortization	(7,454)	–	–
Interest on loans	–	(5,495)	(5,025)
Unrealized investment gains	–	–	(1,931)
Other	–	(54)	(685)
Gross deferred tax liabilities	(195,649)	(135,362)	(123,665)
Net deferred tax asset (liability)	$ (227)	51,835	36,097

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

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

12. Earnings per share

The computations of basic earnings per share follow:

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

The computations of diluted earnings per share follow:

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

13. Comprehensive income

The following table displays the components of other comprehensive income:

In thousands	Before-tax amount	Income taxes	Net
For the year ended December 31, 2000			
Unrealized gains on investment securities:			
Unrealized holding gains	$ 40,148	16,395	23,753
Reclassification adjustment for losses realized in net income	(3,078)	(1,216)	(1,862)
Net unrealized gains	$ 43,226	17,611	25,615
For the year ended December 31, 1999			
Unrealized losses on investment securities:			
Unrealized holding losses	$(47,178)	(19,198)	(27,980)
Reclassification adjustment for gains realized in net income	1,575	639	936
Net unrealized losses	$(48,753)	(19,837)	(28,916)
For the year ended December 31, 1998			
Unrealized losses on investment securities:			
Unrealized holding losses[a]	$(13,657)	(5,553)	(8,104)
Reclassification adjustment for gains realized in net income	1,761	718	1,043
Net unrealized losses	$(15,418)	(6,271)	(9,147)

[a] *Including the effect of the contribution of appreciated investment securities described in note 14.*

14. Other income and other expense

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

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

[a] *In January 1998, M&T contributed appreciated investment securities with a fair value of $24.6 million to an affiliated, tax-exempt private charitable foundation. As a result of this transfer, the Company recognized tax-exempt other income of $15.3 million and incurred charitable contributions expense of $24.6 million. These amounts are included in the consolidated statement of income in "Other revenues from operations" and "Other costs of operations," respectively. The transfer provided an income tax benefit of approximately $10.0 million and, accordingly, resulted in an after-tax increase in net income of $.7 million.*

15. International activities

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

16. Derivative financial instruments

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

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

In thousands	Notional amount	Average maturity (in years)	Weighted-average rate Fixed	Variable	Estimated fair value-gain (loss)
December 31, 2000					
Fixed rate available for sale investment securities:					
Non-amortizing[a]. .	$ 16,500	1.9	6.57%	6.75%	$ (214)
Fixed rate time deposits:					
Non-amortizing . .	467,000	1.4	6.45%	6.68%	1,049
Fixed rate borrowings:					
Non-amortizing . .	50,000	2.6	5.85%	6.76%	(15)
	$ 533,500	1.5	6.40%	6.69%	$ 820
(continued)					
December 31, 1999					
Fixed rate available for sale investment securities:					
Non-amortizing[a]. .	$ 50,000	8.1	5.26%	6.46%	$ 5,646
Variable rate loans:					
Non-amortizing . . .	660,000	.3	6.29%	6.14%	540
Fixed rate loans:					
Amortizing[a]	49,279	8.5	6.81%	6.24%	1,244
Amortizing – forward-starting[b]. .	372,800	7.5	5.94%	5.64%	23,863
Fixed rate time deposits:					
Non-amortizing . .	847,000	1.5	6.46%	6.09%	(5,014)
Fixed rate borrowings:					
Non-amortizing . .	50,000	3.6	5.85%	6.07%	(1,770)
	$2,029,079	2.6	6.27%	6.04%	$24,509

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

[a] *Under the terms of these swaps, the Company receives settlement amounts at a variable rate and pays at a fixed rate.*
[b] *Under the terms of these swaps, the Company was to have received settlement amounts at a variable rate and pay at a fixed rate.*

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

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

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

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

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

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

In thousands	
Year ending December 31:	
2001	$ 1,834
2002	2,163
2003	2,163
2004	2,163
2005	2,068
Later years	4,758
	$15,149

Derivative financial instruments used for trading purposes included foreign exchange and other option contracts, foreign exchange forward and spot contracts, interest rate swap contracts and financial futures. The following table includes information about the estimated fair value of derivative financial instruments used for trading purposes:

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

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

17. Disclosures about fair value of financial instruments

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

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

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

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

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

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

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

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

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

comprised principally of unamortized fee income, are included in other liabilities and totaled $8,624,000 and $5,434,000 at December 31, 2000 and 1999, respectively.

SFAS No. 107 requires that the estimated fair value ascribed to noninterest-bearing deposits, savings deposits and NOW accounts be established at carrying value because of the customers' ability to withdraw funds immediately. Additionally, time deposit accounts are required to be revalued based upon prevailing market interest rates for similar maturity instruments.

The following summarizes the results of these calculations:

In thousands	Carrying value	Calculated estimate
December 31, 2000		
Noninterest-bearing deposits	$3,344,913	3,344,913
Savings deposits and NOW accounts	6,979,161	6,979,161
Time deposits	9,664,088	9,713,668
Deposits at foreign office	244,511	244,511
December 31, 1999		
Noninterest-bearing deposits	$2,260,432	2,260,432
Savings deposits and NOW accounts	5,782,152	5,782,152
Time deposits	7,088,345	7,085,462
Deposits at foreign office	242,691	242,691

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

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

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

As described in note 16, the Company also uses certain derivative financial instruments as part of its trading activities. Interest rate contracts entered into for trading purposes had notional values and estimated fair value losses of $769 million and $81,000, respectively, at December 31, 2000 and notional values and estimated fair value losses of $799 million and $515,000, respectively, at December 31, 1999. The Company also entered into foreign exchange and other option and futures contracts totaling approximately $293 million and $573 million at December 31, 2000 and 1999, respectively. Such contracts were valued at losses of $444,000 and $2,700,000 at December 31, 2000 and 1999, respectively. All trading account assets and liabilities are recorded in the consolidated balance sheet at estimated fair value. The fair values of all trading account assets and liabilities were $37 million and $22 million, respectively, at December 31, 2000 and $641 million and $633 million, respectively, at December 31, 1999. Included in trading account assets at December 31, 1999 were mortgage-backed securities which M&T held as collateral securing certain agreements to resell securities. The obligations to return such collateral were recorded as noninterest-bearing trading account liabilities and were included in accrued interest and other liabilities in the Company's consolidated balance sheet. The fair value of such collateral (and the related obligation to return collateral) was $600 million at December 31, 1999.

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

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

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

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

18. Commitments and contingencies

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

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

19. Segment information

In accordance with the provisions of SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," reportable segments have been determined based upon the Company's internal profitability reporting system, which is organized by strategic

business units. Certain strategic business units have been combined for segment information reporting purposes where the nature of the products and services, the type of customer and the distribution of those products and services are similar. The reportable segments are Commercial Banking, Commercial Real Estate, Discretionary Portfolio, Residential Mortgage Banking and Retail Banking.

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

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

The Commercial Banking segment provides a wide range of credit products and banking services for middle-market and large commercial customers, largely within the markets the Company serves. Among the services provided by this segment are commercial lending and leasing, deposit products and cash management services. The Commercial Real Estate segment provides credit services which are secured by various types of multifamily residential and commercial real estate and deposit services to its customers. The Discretionary Portfolio segment includes securities, residential mortgage loans and other assets; short-term and long-term borrowed funds; brokered certificates of deposit and interest rate swaps related thereto; and offshore branch deposits. This segment also provides services to commercial customers and consumers which include foreign exchange, securities trading and municipal bond underwriting and sales. The Residential Mortgage Banking segment originates and services residential mortgage loans for consumers and sells substantially all of those loans in the secondary market to investors or to banking subsidiaries of M&T. Residential mortgage loans held for sale are included in the Residential Mortgage Banking segment. The Retail Banking segment offers a variety of consumer and small business services through several delivery channels which include traditional and "in-store" banking offices, automated teller machines, telephone banking and internet banking. The "All Other" category includes other operating activities of the Company that are not directly attributable to the reported segments as determined in accordance with SFAS No. 131, the difference between the provision for credit losses and the calculated provision allocated to the reportable segments, goodwill and core deposit intangible resulting from acquisitions of financial institutions, the net impact of the Company's internal funds transfer pricing methodology, eliminations of transactions between reportable segments, certain nonrecurring transactions, the residual effects of unallocated support systems and general and administrative expenses, and the impact of interest rate risk management strategies. The amount of intersegment activity eliminated in arriving at consolidated totals was included in the "All Other" category as follows:

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

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

In thousands, except asset data	Commercial Banking	Commercial Real Estate	Discretionary Portfolio	Residential Mortgage Banking	Retail Banking	All Other	Total
For the year ended December 31, 2000							
Net interest income[(a)]	$192,343	133,970	36,576	25,666	485,136	(19,504)	854,187
Noninterest income	34,311	5,127	23,016	86,687	106,859	68,672	324,672
	226,654	139,097	59,592	112,353	591,995	49,168	1,178,859
Provision for credit losses	7,309	(1,774)	1,941	69	26,798	3,657	38,000
Amortization of goodwill and core deposit intangible	–	–	–	150	–	69,426	69,576
Depreciation and other amortization	392	307	2,277	23,183	14,712	13,685	54,556
Other noninterest expense[(b)]	51,633	15,492	15,639	82,717	273,612	131,228	570,321
Income (loss) before taxes	167,320	125,072	39,735	6,234	276,873	(168,828)	446,406
Income tax expense (benefit)	68,956	52,953	5,801	(263)	113,189	(80,386)	160,250
Net income (loss)	$ 98,364	72,119	33,934	6,497	163,684	(88,442)	286,156
Average total assets (in millions)	$ 5,274	4,839	6,431	662	5,186	1,266	23,658
Capital expenditures (in millions)	$ –	–	–	1	12	6	19
For the year ended December 31, 1999							
Net interest income[(a)]	$157,818	121,675	47,530	26,854	375,803	29,717	759,397
Noninterest income	30,177	4,351	22,766	104,164	86,493	34,424	282,375
	187,995	126,026	70,296	131,018	462,296	64,141	1,041,772
Provision for credit losses	11,316	(143)	3,833	22	25,480	3,992	44,500
Amortization of goodwill and core deposit intangible	–	–	–	810	–	48,905	49,715
Depreciation and other amortization	442	333	153	20,587	12,462	13,284	47,261
Other noninterest expense[(b)]	44,145	14,402	17,183	78,836	235,767	91,649	481,982
Income (loss) before taxes	132,092	111,434	49,127	30,763	188,587	(93,689)	418,314
Income tax expense (benefit)	54,457	47,190	10,898	9,984	77,046	(46,887)	152,688
Net income (loss)	$ 77,635	64,244	38,229	20,779	111,541	(46,802)	265,626
Average total assets (in millions)	$ 4,277	4,118	6,827	635	4,244	956	21,057
Capital expenditures (in millions)	$ –	–	–	–	12	11	23
For the year ended December 31, 1998							
Net interest income[(a)]	$140,033	108,863	40,611	23,797	339,510	19,133	671,947
Noninterest income[(b)]	20,215	4,624	20,726	111,283	79,391	26,700	262,939
	160,248	113,487	61,337	135,080	418,901	45,833	934,886
Provision for credit losses	2,964	1,243	2,330	(3)	19,557	17,109	43,200
Amortization of goodwill and core deposit intangible	–	–	–	810	–	33,677	34,487
Depreciation and other amortization	467	352	97	21,400	11,007	11,759	45,082
Other noninterest expense[(b)]	42,100	12,336	17,477	84,237	219,050	111,354	486,554
Income (loss) before taxes	114,717	99,556	41,433	28,636	169,287	(128,066)	325,563
Income tax expense (benefit)[(b)]	47,276	42,240	9,749	9,089	69,142	(59,907)	117,589
Net income (loss)	$ 67,441	57,316	31,684	19,547	100,145	(68,159)	207,974
Average total assets (in millions)	$ 3,653	3,527	6,025	581	3,781	742	18,309
Capital expenditures (in millions)	$ –	–	–	1	7	9	17

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

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

20. Regulatory matters

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

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

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

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

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

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

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

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

21. Parent company financial statements

Condensed Balance Sheet

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

Condensed Statement of Income

In thousands, except per share	2000	1999	1998
	Year ended December 31		
Income			
Dividends from bank and bank holding company subsidiaries	$ 130,000	76,000	121,500
Other income	3,484	2,618	20,222
Total income	133,484	78,618	141,722
Expense			
Interest on short-term borrowings	705	103	–
Interest on long-term borrowings	21,516	21,516	21,516
Other expense	2,987	2,635	27,168
Total expense	25,208	24,254	48,684
Income before income taxes and equity in undistributed income of subsidiaries	108,276	54,364	93,038
Income tax credits	8,066	8,621	17,541
Income before equity in undistributed income of subsidiaries	116,342	62,985	110,579
Equity in undistributed income of subsidiaries			
Net income of subsidiaries	299,814	278,641	218,895
Less: dividends received	(130,000)	(76,000)	(121,500)
Equity in undistributed income of subsidiaries	169,814	202,641	97,395
Net income	$ 286,156	265,626	207,974
Net income per common share			
Basic	$ 3.55	3.41	2.73
Diluted	3.44	3.28	2.62

Condensed Statement of Cash Flows

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

22. Subsequent event

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

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Managing Director
Salomon Smith Barney Inc.

Selected Consolidated Year-End Balances

In thousands	2000	1999	1998	1997	1996
Money-market assets					
Interest-bearing deposits at banks	$ 3,102	1,092	674	668	47,325
Federal funds sold and resell agreements	17,261	643,555	229,066	53,087	125,326
Trading account	37,431	641,114	173,122	57,291	37,317
Total money-market assets	57,794	1,285,761	402,862	111,046	209,968
Investment securities					
U.S. Treasury and federal agencies	1,984,347	737,586	1,321,000	1,081,247	1,023,038
Obligations of states and political subdivisions	249,425	79,189	73,789	38,018	41,445
Other	1,076,081	1,083,747	1,390,775	605,953	507,215
Total investment securities	3,309,853	1,900,522	2,785,564	1,725,218	1,571,698
Loans and leases					
Commercial, financial, leasing, etc.	5,171,959	3,697,058	3,211,427	2,406,640	2,206,282
Real estate – construction	900,170	525,241	489,112	254,434	90,563
Real estate – mortgage	12,654,236	10,152,905	9,289,521	6,765,408	6,199,931
Consumer	4,243,949	3,197,657	3,015,641	2,339,051	2,623,445
Total loans and leases	22,970,314	17,572,861	16,005,701	11,765,533	11,120,221
Unearned discount	(227,500)	(166,090)	(214,171)	(268,965)	(398,098)
Allowance for credit losses	(374,703)	(316,165)	(306,347)	(274,656)	(270,466)
Loans and leases, net	22,368,111	17,090,606	15,485,183	11,221,912	10,451,657
Goodwill and core deposit intangible	1,199,407	648,040	546,036	17,288	18,923
Real estate and other assets owned	13,619	10,000	11,129	8,413	8,523
Total assets	28,949,456	22,409,115	20,583,891	14,002,935	12,943,915
Noninterest-bearing deposits	3,344,913	2,260,432	2,066,814	1,458,241	1,352,929
NOW accounts	873,472	583,471	509,307	346,795	334,787
Savings deposits	6,105,689	5,198,681	4,830,678	3,344,697	3,280,788
Time deposits	9,664,088	7,088,345	7,027,083	5,762,497	5,352,749
Deposits at foreign office	244,511	242,691	303,270	250,928	193,236
Total deposits	20,232,673	15,373,620	14,737,152	11,163,158	10,514,489
Short-term borrowings	2,072,824	2,554,159	2,229,976	1,050,918	1,127,900
Long-term borrowings	3,414,516	1,775,133	1,567,543	427,819	178,002
Total liabilities	26,248,971	20,612,069	18,981,525	12,972,669	12,038,256
Stockholders' equity	2,700,485	1,797,046	1,602,366	1,030,266	905,659

Stockholders, Employees and Offices

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

Consolidated Earnings

In thousands	2000	1999	1998	1997	1996
Interest income					
Loans and leases, including fees	$1,579,701	1,323,262	1,198,639	954,974	883,500
Money-market assets					
Deposits at banks	308	87	400	2,475	2,413
Federal funds sold and resell agreements	12,891	24,491	8,293	2,989	2,985
Trading account	1,009	3,153	4,403	1,781	980
Investment securities					
Fully taxable	165,811	118,741	139,731	99,640	107,415
Exempt from federal taxes	13,064	8,897	7,984	5,640	2,637
Total interest income	1,772,784	1,478,631	1,359,450	1,067,499	999,930
Interest expense					
NOW accounts	7,487	4,683	4,851	3,455	9,430
Savings deposits	132,225	121,888	115,345	90,907	84,822
Time deposits	445,666	367,889	388,185	327,611	286,088
Deposits at foreign office	14,915	12,016	14,973	12,160	12,399
Short-term borrowings	172,466	104,911	105,582	44,341	59,442
Long-term borrowings	145,838	107,847	58,567	29,619	14,227
Total interest expense	918,597	719,234	687,503	508,093	466,408
Net interest income	854,187	759,397	671,947	559,406	533,522
Provision for credit losses	38,000	44,500	43,200	46,000	43,325
Net interest income after provision for credit losses	816,187	714,897	628,747	513,406	490,197
Other income					
Mortgage banking revenues	63,168	71,819	65,646	51,547	44,484
Service charges on deposit accounts	92,544	73,612	57,357	43,377	40,659
Trust income	45,165	40,751	38,211	30,688	27,672
Brokerage services income	32,795	27,140	19,587	16,550	13,898
Trading account and foreign exchange gains	2,351	315	3,963	3,690	2,421
Gain (loss) on sales of bank investment securities	(3,078)	1,575	1,761	(280)	(37)
Other revenues from operations	91,727	67,163	76,414	44,957	38,653
Total other income	324,672	282,375	262,939	190,529	167,750
Other expense					
Salaries and employee benefits	329,209	284,822	259,487	220,017	208,342
Equipment and net occupancy	80,960	73,131	66,553	53,299	51,346
Printing, postage and supplies	20,138	17,510	17,603	13,747	15,167
Amortization of goodwill and core deposit intangible	69,576	49,715	34,487	7,291	6,292
Other costs of operations	194,570	153,780	187,993	127,422	127,831
Total other expense	694,453	578,958	566,123	421,776	408,978
Income before income taxes	446,406	418,314	325,563	282,159	248,969
Income taxes	160,250	152,688	117,589	105,918	97,866
Net income	$ 286,156	265,626	207,974	176,241	151,103
Dividends declared					
Common	$ 51,987	35,128	28,977	21,207	18,617
Preferred	–	–	–	–	900

Common Shareholder Data

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

Changes in Interest Income and Expense[a]

	2000 compared with 1999			1999 compared with 1998		
Increase (decrease) in thousands	Total change	Resulting from changes in: Volume	Rate	Total change	Resulting from changes in: Volume	Rate
Interest income						
Loans and leases, including fees	$257,100	176,459	80,641	124,849	173,474	(48,625)
Money-market assets						
Deposits at banks	221	172	49	(313)	(305)	(8)
Federal funds sold and agreements to resell securities	(11,600)	(15,023)	3,423	16,198	16,499	(301)
Trading account	(2,152)	(1,501)	(651)	(1,303)	(1,250)	(53)
Investment securities						
U.S. Treasury and federal agencies	51,996	43,880	8,116	(34,922)	(30,636)	(4,286)
Obligations of states and political subdivisions	4,230	3,398	832	94	101	(7)
Other	(2,805)	(7,985)	5,180	15,102	17,203	(2,101)
Total interest income	$296,990			119,705		
Interest expense						
Interest-bearing deposits						
NOW accounts	$ 2,804	1,342	1,462	(168)	810	(978)
Savings deposits	10,337	8,241	2,096	6,543	17,854	(11,311)
Time deposits	77,777	32,630	45,147	(20,296)	2,885	(23,181)
Deposits at foreign office	2,899	(168)	3,067	(2,957)	(1,667)	(1,290)
Short-term borrowings	67,555	38,286	29,269	(671)	7,074	(7,745)
Long-term borrowings	37,991	22,511	15,480	49,280	57,149	(7,869)
Total interest expense	$199,363			31,731		

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

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Ronald C. Unterberger
Christina Wagoner

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Dale E. Blauch
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Mark J. Folk
Charlene A. Friedman
Edward A. Friedman
Edward G. Huber, Jr.
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Maurice A. Lawruk
Max A. Messenger
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John McMullen
Robert F. Pennington
Neil M. Port
Thomas E. Schwartz
Sheri Sensabaugh
Joseph S. Sheetz
G. William Ward

MANUFACTURERS AND TRADERS TRUST COMPANY

Condensed Consolidated Balance Sheet

In thousands		December 31, 2000	1999
Assets	Cash and due from banks	$ 749,848	592,747
	Money-market assets	58,030	1,365,631
	Investment securities		
	Available for sale (cost: $2,834,801 in 2000; $1,578,552 in 1999)	2,833,489	1,539,120
	Held to maturity (market value: $77,959 in 2000; $92,909 in 1999)	81,025	94,571
	Other (market value: $193,208 in 2000; $123,875 in 1999)	193,208	123,875
	Total investment securities	3,107,722	1,757,566
	Loans and leases, net of unearned discount	22,012,468	16,701,987
	Allowance for credit losses	(370,162)	(311,410)
	Loans and leases, net	21,642,306	16,390,577
	Other assets	2,447,043	1,516,976
	Total assets	$28,004,949	21,623,497
Liabilities	Deposits		
	Noninterest-bearing	$ 3,412,000	2,265,963
	Interest-bearing	16,104,412	12,428,549
	Total deposits	19,516,412	14,694,512
	Short-term borrowings	2,072,824	2,525,159
	Accrued interest and other liabilities	474,996	884,733
	Long-term borrowings	2,970,080	1,456,330
	Total liabilities	25,034,312	19,560,734
Stockholder's equity		2,970,637	2,062,763
	Total liabilities and stockholder's equity	$28,004,949	21,623,497

Member FDIC and Federal Reserve System
One M&T Plaza, Buffalo, New York 14203 716/842-4200

New York City Offices and International Banking Facility
212/350-2000
350 Park Avenue
New York, New York 10022

Nassau Office
Rawson Square
Bay Street
Nassau, N.P., The Bahamas

Highland Lease Corporation
716/848-3040
Consumer leasing

M&T Credit Corporation
716/848-3040
Consumer lending and commercial lending and leasing

M&T Financial Corporation
716/258-8264
Capital equipment leasing

M&T Mortgage Corporation
716/848-4848
Residential mortgage lending

M&T Real Estate, Inc.
716/848-3171
Commercial real estate lending

M&T Securities, Inc.
716/635-9308
Securities brokerage and investment advisory services

Matthews, Bartlett & Dedecker, Inc.
716/853-7960
Insurance agency

M&T BANK, NATIONAL ASSOCIATION

Condensed Balance Sheet

In thousands		December 31 2000	1999
Assets	Cash and due from banks	$ 3,372	2,221
	Investment securities		
	Available for sale (cost: $165,564 in 2000; $144,798 in 1999)	165,283	140,277
	Other (market value: $1,316 in 2000 and 1999)	1,316	1,316
	Total investment securities	166,599	141,593
	Loans, net of unearned discount	730,346	704,784
	Allowance for credit losses	(4,541)	(4,755)
	Loans, net	725,805	700,029
	Other assets	6,859	7,934
	Total assets	$902,635	851,777
Liabilities	Deposits		
	Noninterest-bearing	$ 536	215
	Interest-bearing	798,907	692,927
	Total deposits	799,443	693,142
	Short-term borrowings	8,500	86,900
	Accrued interest and other liabilities	35,690	21,787
	Total liabilities	843,633	801,829
Stockholder's equity		59,002	49,948
	Total liabilities and stockholder's equity	$902,635	851,777

Member FDIC
48 Main Street, Oakfield, New York 14125 800/528-6532

Officers and Directors

OFFICERS

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Chairman of the Board

Robert E. Sadler, Jr.
President and
Chief Executive Officer

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Adam C. Kugler
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Robert L. Cieslica
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Andrew D. Fornarola
Carol A. Goulding
Christopher J. Henderson
Clifford P. Johnson
Michael J. Quinlivan
Michael P. Wallace

DIRECTORS

Robert G. Wilmers
Chairman of the Board

Robert E. Sadler, Jr.
President and
Chief Executive Officer

Emerson L. Brumback
Executive Vice President

Adam C. Kugler
Executive Vice President and
Treasurer

John L. Pett
Executive Vice President

Michael P. Pinto
Executive Vice President and
Chief Financial Officer

DIVIDEND REINVESTMENT PLAN

A plan is available to common stockholders whereby they may invest their dividends and voluntary cash payments in additional shares of M&T Bank Corporation's common stock.

INQUIRIES

Requests for information about the Dividend Reinvestment Plan and questions about stock certificates or dividend checks should be addressed to M&T Bank Corporation's transfer agent, registrar and dividend disbursing agent:

EquiServe Trust Company, N.A.
P.O. Box 43010
Providence, RI 02940-3010
800/730-4001
Internet address: www.equiserve.com

Questions on other matters and requests for SEC Form 10-K may be directed to:

M&T Bank Corporation
Corporate Finance Department
One M&T Plaza, 12th Floor
P.O. Box 223
Buffalo, NY 14203-2399
716/842-5445

INTERNET ADDRESS

www.mandtbank.com

QUOTATION AND TRADING OF COMMON STOCK

M&T Bank Corporation's common stock is traded under the symbol MTB on the New York Stock Exchange. Quarterly information on the market price of the stock is included in the table on page 43.

AVAILABILITY OF SEC FORM 10-K

A copy of M&T Bank Corporation's Annual Report as filed with the Securities and Exchange Commission (Form 10-K) will be available at no charge.

M&T Bank Corporation