M&T Bank

Third Quarter 1998 Earnings

M&T Bank Corporation ("M&T")(NYSE: MTB) today reported diluted cash earnings per share, excluding non-recurring merger-related expenses, of $8.17 for the quarter ended September 30, 1998, up 19% from $6.85 in the third quarter of 1997. On the same basis, cash net income for the recent quarter rose 43% to $67.7 million from $47.4 million in the year-earlier quarter. For the first nine months of 1998, diluted cash earnings per share, excluding merger-related expenses, were $23.37, an increase of 21% from $19.26 in the corresponding 1997 period. Cash net income on the same basis for the first nine months of 1998 was $184.6 million, up 37% from $134.6 million in the comparable 1997 period.

Cash net income, excluding non-recurring merger-related expenses, expressed as an annualized rate of return on average tangible assets was 1.42% in the recent quarter, compared with 1.40% in the third quarter of 1997. Cash return on average tangible common equity, also before one-time expenses, rose to an annualized 23.90% in the third quarter of this year from 19.98% in the corresponding 1997 quarter.

M&T reports its earnings per share and net income on a "cash," or "tangible," basis, which excludes the after-tax effect of amortization of goodwill and core deposit intangible resulting from acquisition transactions accounted for using the purchase method of accounting, such as the merger with ONBANCorp, Inc. ("ONBANCorp") on April 1, 1998. In connection with the ONBANCorp merger, M&T also incurred non-recurring expenses having an after-tax impact of $1.8 million or $.21 per diluted share in the third quarter of 1998 and $14.0 million or $1.77 per diluted share for the first nine months of 1998. Such expenses were related to systems conversions and other costs of integrating and conforming the acquired operations with and into M&T's operations.

Growth in average loans outstanding was the leading factor in a 23% increase in taxable-equivalent net interest income to $174.5 million in the third quarter of 1998 from $141.5 million in the year-earlier quarter. Reflecting the impact of approximately $3 billion of loans obtained in the ONBANCorp acquisition, average loans outstanding increased 37% to $15.1 billion in the recent quarter from $11.0 billion in the third quarter of 1997. Partially offsetting the favorable impact of loan growth was a decline in the net interest margin, or taxable-equivalent net interest income expressed as an annualized percentage of average earning assets, in 1998's third quarter to 3.87% from 4.35% in the comparable 1997 quarter. Lower yielding loans and investment securities obtained in the ONBANCorp transaction, coupled with the impact of non-interest earning assets such as goodwill and core deposit intangible,contributed to the decline in the net interest margin.

The provision for possible credit losses was $10.5 million in the recent quarter, down from $12.0 million in the corresponding 1997 quarter, in part reflecting the July 1998 sale of M&T's retail credit card business. The allowance for loan losses increased during 1998 as a result of $27.9 million of allowance obtained in the ONBANCorp merger and an excess of provision for credit losses over net charge-offs during the first nine months of 1998 of $7.0 million. As a result, the allowance for possible credit losses was $309.5 million or 2.04% of total loans as of September 30, 1998. A year earlier the allowance for possible credit losses was $272.3 million or 2.42% of total loans. Non-performing loans totaled $119.2 million at September 30, 1998, or .79% of total loans, compared with $85.8 million or .76% at September 30, 1997. The ratio of the allowance for possible credit losses to non-performing loans was 260% and 318% at September 30, 1998 and 1997, respectively. Net charge-offs as an annualized percentage of average loans outstanding declined to .31% in the recent quarter from .42% in the year-earlier period. For the first nine months of 1998, net charge-offs were an annualized .28% of average loans, down significantly from .40% during the comparable period of 1997. Net charge-offs during the three and nine month periods ended September 30, 1998 were $11.8 million and $28.7 million, respectively, compared with $11.6 million and $32.2 million, respectively, during the corresponding 1997 periods. Assets acquired in settlement of defaulted loans were $11.1 million and $8.2 million at September 30, 1998 and 1997, respectively.

Other income totaled $66.6 million in the third quarter of 1998, up 33% from $50.2 million in the year-earlier quarter. Higher revenues from mortgage banking and trust activities, as well as the impact of the ONBANCorp acquisition and a $3.2 million gain from the July 1998 sale of M&T's retail credit card business, contributed to the increase in other income. Other expense totaled $138.5 million in the third quarter of 1998, up from $104.7 million in the year-earlier period. Expenses related to the acquired operations of ONBANCorp were large contributors to the higher expense level as were non-recurring merger-related expenses of $3.0 million and a $9.1 million increase in amortization of goodwill and core deposit intangible.

Including the effect of the non-recurring merger-related expenses and amortization of goodwill and core deposit intangible, diluted earnings per share for the quarter ended September 30, 1998 were $6.81, compared with $6.62 in the year-earlier quarter. On the same basis, net income for the recent quarter was $56.5 million, up from $45.9 million in the third quarter of 1997. For the first nine months of 1998 and 1997, diluted earnings per share were $19.01 and $18.60, respectively, and net income was $150.1 million and $129.9 million, respectively. Net income for the third quarter of 1998 expressed as an annualized rate of return on average assets and average common stockholders' equity was 1.15% and 13.48%, respectively.

The comparable rates for the corresponding 1997 quarter were 1.36% and 18.92%. During the first nine months of 1998, the annualized rates of return on average assets and average common stockholders' equity were 1.13% and 13.73%, respectively, compared with 1.32% and 18.58%, respectively, in the comparable 1997 period. During the three and nine month periods ended September 30, 1998, the non-recurring merger-related expenses lowered the annualized rate of return on assets by .04% and .11%, respectively, and the annualized return on average common stockholders' equity by .42% and 1.28%, respectively.

At September 30, 1998, M&T had total assets of $19.5 billion, up from $13.7 billion at September 30, 1997. Loans and leases, net of unearned discount, increased 35% to $15.2 billion from $11.3 billion a year earlier. Deposits were $14.4 billion at September 30, 1998, compared with $11.2 billion at September 30, 1997. Total stockholders' equity increased 68% to $1.6 billion at September 30, 1998 from $982 million a year earlier. Common stockholders' equity per share was $209.03 at the recent quarter-end, an increase of 40% from $149.31 at September 30, 1997. Tangible equity per common share was $141.43 and $146.40 at September 30, 1998 and 1997, respectively.

In April 1998, M&T announced a plan to repurchase up to 155,133 shares of its common stock for reissuance upon the possible future exercise of outstanding stock options. As of September 30, 1998, M&T had repurchased 153,815 common shares pursuant to such plan at an average cost of $479.71. In October 1998, the repurchase program was completed and another plan was announced to repurchase up to 200,674 additional shares for reissuance upon the possible future exercise of outstanding options.