

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

FORM 10-Q

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

For the quarterly period ended June 30, 1998

or

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

Commission File Number 1-9861

M&T BANK CORPORATION
(Exact name of registrant as specified in its charter)

New York
(State or other jurisdiction of
incorporation or organization)

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

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

14240
(Zip Code)

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

FIRST EMPIRE STATE CORPORATION
(Former name, former address and former fiscal year,
if changed since last report)

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

Number of shares of the registrant's Common Stock, \$5 par value, outstanding as of the close of business on August 7, 1998: 7,984,895 shares.

M&T BANK CORPORATION

FORM 10-Q

For the Quarterly Period Ended June 30, 1998

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

M&T BANK CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET (Unaudited)

Dollars in thousands, except per share		June 30, 1998	December 31, 1997
Assets			
Cash and due from banks		\$ 511,273	333,805
Money-market assets			
Interest-bearing deposits at banks		670	668
Federal funds sold and agreements to resell securities		336,410	53,087
Trading account		167,454	57,291
Total money-market assets		504,534	111,046
Investment securities			
Available for sale (cost: \$2,450,378 at June 30, 1998; \$1,563,055 at December 31, 1997)		2,461,545	1,583,273
Held to maturity (market value: \$127,230 at June 30, 1998; \$84,176 at December 31, 1997)		126,488	83,665
Other (market value: \$118,542 at June 30, 1998; \$58,280 at December 31, 1997)		118,542	58,280
Total investment securities		2,706,575	1,725,218
Loans and leases		15,487,386	11,765,533
Unearned discount		(242,607)	(268,965)
Allowance for possible credit losses		(310,811)	(274,656)
Loans and leases, net		14,933,968	11,221,912
Premises and equipment		173,678	121,984
Goodwill and core deposit intangible		566,878	17,288
Accrued interest and other assets		741,139	471,682
Total assets		\$ 20,138,045	14,002,935
Liabilities			
Noninterest-bearing deposits		\$ 2,096,105	1,458,241
NOW accounts		476,381	346,795
Savings deposits		4,525,942	3,344,697
Time deposits		7,407,806	5,762,497
Deposits at foreign office		306,725	250,928
Total deposits		14,812,959	11,163,158
Federal funds purchased and agreements to repurchase securities		2,177,388	930,775
Other short-term borrowings		394,736	166,549
Accrued interest and other liabilities		399,360	284,368
Long-term borrowings		694,594	427,819
Total liabilities		18,479,037	12,972,669
Stockholders' equity			
Preferred stock, \$1 par, 1,000,000 shares authorized, none outstanding		--	--
Common stock, \$5 par, 15,000,000 shares authorized, 8,101,539 shares issued at June 30, 1998; 8,097,472 issued at December 31, 1997		40,508	40,487
Common stock issuable, 8,315 shares at June 30, 1998		3,885	--
Additional paid-in capital		487,926	103,233
Retained earnings		1,172,399	1,092,106
Accumulated other comprehensive income		6,642	12,016
Treasury stock - common, at cost - 102,295 shares at June 30, 1998; 1,487,123 shares at December 31, 1997		(52,352)	(217,576)
Total stockholders' equity		1,659,008	1,030,266
Total liabilities and stockholders' equity		\$ 20,138,045	14,002,935

M&T BANK CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME (Unaudited)

Amounts in thousands, except per share		Three months ended June 30		Six months ended June 30	
		1998	1997	1998	1997
Interest income	Loans and leases, including fees	\$ 315,307	235,226	\$ 564,501	464,801
	Money-market assets				
	Deposits at banks	364	816	370	1,525
	Federal funds sold and agreements to resell securities	1,247	860	2,969	1,265
	Trading account	467	410	605	631
	Investment securities				
	Fully taxable	42,238	25,409	65,868	49,207
	Exempt from federal taxes	2,101	1,220	3,673	2,278
	Total interest income	361,724	263,941	637,986	519,707
Interest expense	NOW accounts	1,189	835	2,144	1,755
	Savings deposits	30,636	22,495	53,243	44,743
	Time deposits	105,500	82,254	186,134	156,011
	Deposits at foreign office	3,562	2,873	6,801	6,112
	Short-term borrowings	30,969	10,230	49,566	23,930
	Long-term borrowings	12,788	7,047	21,341	12,504
	Total interest expense	184,644	125,734	319,229	245,055
	Net interest income	177,080	138,207	318,757	274,652
	Provision for possible credit losses	13,200	11,000	25,200	22,000
	Net interest income after provision for possible credit losses	163,880	127,207	293,557	252,652
Other income	Mortgage banking revenues	18,466	12,172	32,336	24,247
	Service charges on deposit accounts	14,180	10,726	25,414	21,111
	Trust income	9,938	7,233	19,423	14,136
	Merchant discount and other credit card fees	4,330	4,234	8,568	9,465
	Trading account and foreign exchange gains	506	596	2,285	1,945
	Gain (loss) on sales of bank investment securities	322	(188)	322	(233)
	Other revenues from operations	18,668	9,210	48,458	19,235
	Total other income	66,410	43,983	136,806	89,906
Other expense	Salaries and employee benefits	69,930	53,561	128,263	109,120
	Equipment and net occupancy	17,878	13,155	31,357	26,388
	Printing, postage and supplies	5,029	3,472	8,599	6,823
	Amortization of goodwill and core deposit intangible	10,875	1,859	12,700	3,642
	Other costs of operations	51,292	30,023	107,958	60,381
	Total other expense	155,004	102,070	288,877	206,354
	Income before income taxes	75,286	69,120	141,486	136,204
	Income taxes	30,587	26,329	47,832	52,154
	Net income	\$ 44,699	42,791	\$ 93,654	84,050
	Net income per common share				
	Basic	\$ 5.55	6.46	\$ 12.72	12.63
	Diluted	5.32	6.17	12.16	11.98
	Cash dividends per common share	1.00	.80	1.80	1.60
	Average common shares outstanding				
	Basic	8,051	6,627	7,363	6,656
	Diluted	8,409	6,928	7,699	7,014

M&T BANK CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

Dollars In thousands		Six months ended June 30	
		1998	1997
Cash flows from operating activities	Net income	\$ 93,654	84,050
	Adjustments to reconcile net income to net cash provided by operating activities		
	Provision for possible credit losses	25,200	22,000
	Depreciation and amortization of premises and equipment	11,897	10,294
	Amortization of capitalized servicing rights	9,708	6,804
	Amortization of goodwill and core deposit intangible	12,700	3,642
	Provision for deferred income taxes	(6,262)	(5,123)
	Asset write-downs	3,166	619
	Net gain on sales of assets	(700)	(1,229)
	Net change in accrued interest receivable, payable	1,936	4,668
	Net change in other accrued income and expense	13,250	22,116
	Net change in loans held for sale	(134,486)	39,835
	Net change in trading account assets and liabilities	(123,711)	10,124
	Net cash provided (used) by operating activities	(93,648)	197,800
Cash flows from investing activities	Proceeds from sales of investment securities		
	Available for sale	112,890	200,942
	Proceeds from maturities of investment securities		
	Available for sale	502,169	118,275
	Held to maturity	28,092	46,936
	Other	7,930	-
	Purchases of investment securities		
	Available for sale	(35,514)	(472,516)
	Held to maturity	(18,969)	(17,337)
	Other	(21,873)	(3,576)
	Net increase in interest-bearing deposits at banks	(2)	(48,791)
	Additions to capitalized servicing rights	(6,469)	(12,917)
	Net increase in loans and leases	(659,515)	(318,388)
	Capital expenditures, net	(12,954)	(5,650)
	Acquisitions, net of cash acquired:		
	ONBANC Corp, Inc.	26,264	-
	Deposits and banking offices	-	123,043
	Purchases of bank owned life insurance	(150,000)	-
	Other, net	(2,963)	(3,907)
	Net cash used by investing activities	(230,914)	(393,886)
Cash flows from financing activities	Net increase (decrease) in deposits	(115,908)	539,565
	Net increase (decrease) in short-term borrowings	978,727	(536,492)
	Proceeds from issuance of trust preferred securities	-	250,000
	Payments on long-term borrowings	(1,591)	(86)
	Purchases of treasury stock	(74,711)	(48,702)
	Dividends paid - common	(13,345)	(10,652)
	Other, net	12,181	(2,129)
	Net cash provided by financing activities	785,353	191,504
	Net increase (decrease) in cash and cash equivalents	\$ 460,791	(4,582)
	Cash and cash equivalents at beginning of period	386,892	449,985
	Cash and cash equivalents at end of period	\$ 847,683	445,403
Supplemental disclosure of cash flow information	Interest received during the period	\$ 633,831	511,184
	Interest paid during the period	317,942	233,728
	Income taxes paid during the period	47,233	37,784
Supplemental schedule of noncash investing and financing activities	Real estate acquired in settlement of loans	\$ 3,387	3,941
	Acquisition of ONBANC Corp, Inc:		
	Common stock issued	587,819	--
	Fair value of:		
	Assets acquired (noncash)	5,204,863	--
	Liabilities assumed	4,618,411	--
	Stock options	19,424	--

M&T BANK CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (Unaudited)

Dollars in thousands, except per share	Preferred stock	Common stock	Common stock issuable	Additional paid-in capital	Retained earnings
1997					
Balance - January 1, 1997	\$ --	40,487	--	96,597	937,072
Comprehensive income:					
Net income	--	--	--	--	84,050
Other comprehensive income, net of tax:					
Unrealized gains on investment securities, net of reclassification adjustment	--	--	--	--	--
Exercise of stock options	--	--	--	4,721	--
Purchases of treasury stock	--	--	--	--	--
Common stock cash dividends - \$1.60 per share	--	--	--	--	(10,652)
Balance - June 30, 1997	\$ -	40,487	-	101,318	1,010,470
1998					
Balance - January 1, 1998	\$ --	40,487	--	103,233	1,092,106
Comprehensive income:					
Net income	--	--	--	--	93,654
Other comprehensive income, net of tax:					
Unrealized losses on investment securities, net of reclassification adjustment	--	--	--	--	--
Exercise of stock options	--	11	--	837	--
Purchases of treasury stock	--	--	--	--	--
Acquisition of ONBANCorp:					
Common stock issued	--	10	--	364,427	--
Fair value of stock options	--	--	--	19,424	--
Deferred bonus plan:					
Deferred stock awards, net	--	--	3,869	5	--
Dividend equivalents	--	--	16	--	(16)
Common stock cash dividends - \$1.80 per share	--	--	--	--	(13,345)
Balance - June 30, 1998	\$ -	40,508	3,885	487,926	1,172,399

Dollars in thousands, except per share	Accumulated other comprehensive income	Treasury stock	Total
Balance - January 1, 1997	(2,485)	(166,012)	\$ 905,659
Comprehensive income:			
Net income	--	--	84,050
Other comprehensive income, net of tax:			
Unrealized gains on investment securities, net of reclassification adjustment	5,913	--	5,913
Exercise of stock options	--	10,048	14,769
Purchases of treasury stock	--	(48,702)	(48,702)
Common stock cash dividends - \$1.60 per share	--	--	(10,652)
Balance - June 30, 1997	3,428	(204,666)	\$ 951,037
1998			
Balance - January 1, 1998	12,016	(217,576)	\$1,030,266
Comprehensive income:			
Net income	--	--	93,654
Other comprehensive income, net of tax:			
Unrealized losses on investment securities, net of reclassification adjustment	(5,374)	--	(5,374)

Exercise of stock options	--	16,551	88,280
Purchases of treasury stock	--	(74,711)	17,399
Acquisition of ONBANCorp:			(74,711)
Common stock issued	--	223,382	587,819
Fair value of stock options	--	--	19,424
Deferred bonus plan:			
Deferred stock awards, net	--	2	3,876
Dividend equivalents	--	--	--
Common stock cash dividends - \$1.80 per share	--	--	(13,345)

Balance - June 30,1998		6,642	(52,352)
			\$1,659,008

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

Dollars in thousands	Six months ended June 30	
	1998	1997
Beginning balance	\$ 274,656	270,466
Provision for possible credit losses	25,200	22,000
Allowance obtained through acquisition	27,905	--
Net charge-offs		
Charge-offs	(25,292)	(29,883)
Recoveries	8,342	9,350

Total net charge-offs	(16,950)	(20,533)

Ending balance	\$ 310,811	271,933

NOTES TO FINANCIAL STATEMENTS

1. Significant accounting policies

In May 1998, First Empire State Corporation ("First Empire") changed its name to M&T Bank Corporation ("M&T"). The consolidated financial statements of M&T and subsidiaries ("the Company") were compiled in accordance with the accounting policies set forth in Note 1 of Notes to Financial Statements on pages 39 through 41 of the Company's 1997 Annual Report to stockholders, except as described below. In the opinion of management, all adjustments necessary for a fair presentation have been made and were all of a normal recurring nature.

2. Earnings per share

The computations of basic earnings per share follow:

	Three months ended June 30		Six months ended June 30	
	1998	1997	1998	1997
Income available to common stockholders:	(in thousands, except per share)			
Net income	\$44,699	42,791	93,654	84,050
Weighted-average shares outstanding (including common stock issuable)	8,051	6,627	7,363	6,656
Basic earnings per share	\$ 5.55	6.46	12.72	12.63

The computations of diluted earnings per share follow:

	Three months ended June 30		Six months ended June 30	
	1998	1997	1998	1997
Income available to common stockholders	\$44,699	42,791	93,654	84,050
Weighted-average shares outstanding (including common stock issuable)	8,051	6,627	7,363	6,656
Plus: incremental shares from assumed conversions of stock options	358	301	336	358
	-----	-----	-----	-----
Adjusted weighted-average shares outstanding	8,409	6,928	7,699	7,014
Diluted earnings per share	\$ 5.32	6.17	12.16	11.98

3. Comprehensive income

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income," in the first quarter of 1998. SFAS No. 130 establishes standards for reporting and displaying comprehensive income and its components. Financial statements presented for periods prior to 1998 are required to be reclassified to reflect application of the provisions of SFAS No. 130.

3. Comprehensive income, continued

The following table displays the components of other comprehensive income:

	Six months ended June 30, 1998		
	Before-tax amount	Income taxes	Net
Unrealized losses on investment securities:			
Unrealized holding losses during period(a)	\$ (8,729)	3,546	(5,183)
Less: reclassification adjustment for gains realized in net income	322	(131)	191
	-----	-----	-----
Net unrealized losses	\$ (9,051)	3,677	(5,374)
	=====	=====	=====

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

	Six months ended June 30, 1997		
	Before-tax amount	Income taxes	Net
Unrealized gains on investment securities:			
Unrealized holding gains during period	\$ 9,786	(4,011)	5,775
Add: reclassification adjustment for losses realized in net income	233	95	138
	-----	-----	-----
Net unrealized gains	\$10,019	(4,106)	5,913
	=====	=====	=====

4. Contribution of appreciated investment securities

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

5. Acquisition of ONBANCorp, Inc.

On April 1, 1998, M&T consummated the merger ("Merger") of ONBANCorp, Inc. ("ONBANCorp") with and into Olympia Financial Corp. ("Olympia"), a wholly owned subsidiary of M&T. 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 with and into Manufacturers and Traders Trust Company ("M&T Bank"), M&T's principal banking subsidiary.

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

5. Acquisition of ONBANCorp, Inc., continued

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 has been accounted for as a purchase and, accordingly, operations acquired from ONBANCorp have been included in the Company's financial results since the acquisition date. In connection with the acquisition, the Company recorded approximately \$501 million of goodwill and \$61 million of core deposit intangible. The goodwill is being amortized on a straight-line basis over twenty years and the core deposit intangible is being amortized on an accelerated basis over ten years. The Company incurred expenses related to systems conversions and other costs of integrating and conforming the acquired operations with and into the Company of approximately \$16.7 million and \$18.4 million during the three and six month periods ended June 30, 1998, respectively. The Company expects to incur additional integration costs during the remainder of 1998 which will be expensed as incurred.

Presented below is certain pro forma information as if ONBANCorp had been acquired on January 1, 1997. These results combine the historical results of ONBANCorp 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 acquisition taken place at that time. In particular, expenses related to systems conversions and other costs of integration are included in the 1998 periods in which such costs were incurred and, additionally, the Company expects to achieve further operating cost savings as a result of the Merger which are not reflected in the pro forma amounts presented below.

	Pro forma	
	Six months ended June 30 1998	1997
	(in thousands, except per share)	
Interest income	\$714,756	\$691,102
Other income	143,874	110,087
Net income	83,736	85,543
Diluted earnings per common share	\$ 10.33	\$ 10.50

6. Borrowings

In January 1997, First Empire Capital Trust I ("Trust I"), a Delaware business trust organized by the Company on January 17, 1997, issued \$150 million of 8.234% preferred capital securities. In June 1997, First Empire Capital Trust II ("Trust II"), a Delaware business trust organized by the Company on May 30, 1997, issued \$100 million of 8.277% preferred capital securities. As a result of the ONBANCorp acquisition, the Company assumed responsibility for similar preferred capital securities previously issued by a special-purpose subsidiary of ONBANCorp. In February 1997, OnBank Capital Trust I ("OnBank Trust I" and, together with Trust I and Trust II, the "Trusts"), a Delaware business trust organized by ONBANCorp on January 24, 1997, issued \$60 million of 9.25% preferred capital securities.

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
OnBank Trust I	9.25%	February 1 and August 1

6. Borrowings, continued

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

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

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

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

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

The Capital Securities are mandatorily redeemable in whole, but not in part, upon repayment at the stated maturity dates of the Junior Subordinated Debentures or the earlier redemption of the Junior Subordinated Debentures in whole upon the occurrence of one or more events ("Events") set forth in the indentures relating to the Capital Securities, and in whole or in part at any time after the stated optional redemption dates (February 1, 2007 in the case of Trust I and OnBank Trust I, and June 1, 2007 in the case of Trust II) contemporaneously with the Company's optional redemption of the related Junior Subordinated Debentures in whole or in part. The Junior Subordinated Debentures are redeemable prior to their stated maturity dates at M&T's option in the case of Trust I and Trust II.

6. Borrowings, continued

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

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

Overview

Effective May 29, 1998, First Empire State Corporation changed its name to M&T Bank Corporation ("M&T"). M&T's common stock began trading on the New York Stock Exchange under the symbol "MTB" on June 1, 1998.

On April 1, 1998, M&T completed its acquisition of ONBANCORP, Inc. ("ONBANCORP"), a bank holding company headquartered in Syracuse, New York. Immediately after the acquisition, ONBANCORP's two banking subsidiaries, OnBank & Trust Co. in Syracuse, which operated 59 offices in upstate New York, and Franklin First Savings Bank in Wilkes-Barre, Pennsylvania, which operated 19 offices in northeastern Pennsylvania, were merged with and into Manufacturers and Traders Trust Company ("M&T Bank"), M&T's principal banking subsidiary. The acquisition was accounted for using the purchase method of accounting and, accordingly, the operations acquired from ONBANCORP have been included in the financial results of M&T and its consolidated subsidiaries ("the Company") since the acquisition date. ONBANCORP's stockholders received \$266.3 million in cash and 1,429,998 shares of M&T common stock in exchange for ONBANCORP shares outstanding at the time of acquisition. A summary of assets acquired and liabilities assumed on April 1, 1998 in connection with the ONBANCORP transaction follows (in thousands):

Assets

Investment securities	\$1,576,604
Loans and leases, net of unearned discount	2,970,306
Allowance for loan loss	(27,905)

Loans and leases, net	2,942,401
Goodwill and core deposit intangible	562,290
Other assets	410,666

Total assets	\$5,491,961

Liabilities

Deposits	\$3,767,729
Short-term borrowings	543,734
Long-term borrowings	268,617
Other liabilities	38,331

Total liabilities	\$4,618,411

In connection with the acquisition, the Company recorded approximately \$562 million of goodwill and core deposit intangible, and incurred significant nonrecurring expenses related to systems conversions and other costs of integrating and conforming the acquired operations with and into M&T Bank. Such expenses totaled \$16.7 million and \$18.4 million during the three and six month periods ended June 30, 1998, respectively. The Company expects to incur additional integration costs during the remainder of 1998 which will be expensed as incurred.

M&T's net income for the second quarter of 1998 was \$44.7 million, up 4% from \$42.8 million in the second quarter of 1997. Diluted earnings per common share were \$5.32 in the recent quarter, a decrease of 14% from \$6.17 in the year-earlier quarter. Net income was \$49.0 million or \$7.01 of diluted earnings per share in the first quarter of 1998. Basic earnings per share also declined 14% to \$5.55 in the second quarter of 1998 from \$6.46 in the corresponding 1997 quarter. Basic earnings per share were \$7.34 in the initial 1998 quarter. The after-tax impact on the second quarter of 1998 of nonrecurring expenses associated with merging the operations of ONBANCORP into the Company was \$11.3 million or \$1.34 of diluted earnings per share and \$1.40 of basic earnings per share. For the six months ended June 30, 1998, net income was \$93.7 million or \$12.16 per diluted share, up 11% and 2%, respectively, from \$84.1 million or \$11.98 per share during the first half of 1997. Basic earnings per share were \$12.72 in the first six months of 1998, up from \$12.63 in the corresponding 1997 period. Nonrecurring merger-related

expenses lowered net income during the first half of 1998 by \$12.3 million and diluted and basic earnings per share by \$1.59 and \$1.66, respectively.

The annualized rate of return on average assets for the Company in the second quarter of 1998 was .92%, compared with 1.31% and 1.41% in the second quarter of 1997 and the first quarter of 1998, respectively. The annualized rate of return on average common stockholders' equity was 10.77% in the recent quarter, down from 18.55% in the year-earlier quarter and 18.86% in the initial 1998 quarter. During the first six months of 1998, the annualized rates of return on average assets and average common stockholders' equity were 1.12% and 13.89%, respectively, compared with 1.30% and 18.40%, respectively, in the corresponding 1997 period. Excluding the impact of merger-related expenses, the annualized returns on average assets and average common equity were 1.15% and 13.50%, respectively, during the second quarter of 1998 and 1.27% and 15.70%, respectively, during 1998's first half.

Cash Operating Results

As a result of the acquisition of ONBANCORP on April 1, 1998 and, to a significantly lesser extent, acquisitions of other entities in prior years, M&T had recorded as assets at June 30, 1998 goodwill and core deposit intangible totaling \$566.9 million. Since the amortization of goodwill and core deposit intangible does not result in a cash expense, M&T believes that reporting its operating results on a "cash" basis (which excludes the after-tax effect of amortization of goodwill and core deposit intangible and the related asset balances) represents a more relevant measure of financial performance and better reflects the cash return on the investments made by M&T to improve and expand its franchise. Cash basis data presented herein do not exclude the effect of non-cash operating expenses such as depreciation, provision for possible credit losses, or deferred income taxes associated with the results of operations.

Cash net income, excluding nonrecurring merger-related expenses, was \$65.4 million in the second quarter of 1998, up 48% from \$44.4 million in the year-earlier quarter. On the same basis, diluted earnings per share for the recent quarter were \$7.78, an increase of 22% from \$6.40 in the second quarter of 1997. Cash net income and diluted earnings per share, excluding one-time expenses, were \$51.4 million and \$7.37, respectively, in the first quarter of 1998. For the first half of 1998, excluding merger-related expenses, cash net income and diluted cash earnings per share were \$116.9 million and \$15.18, respectively, up 34% and 22%, respectively, from \$87.1 million and \$12.42 in the corresponding 1997 period.

Cash return on average tangible assets, excluding nonrecurring merger-related expenses, was an annualized 1.38% in the recent quarter, compared with 1.36% in the second quarter of 1997 and 1.49% in the initial 1998 quarter. Cash return on average tangible common equity, also before one-time expenses, was an annualized 23.50% in the second quarter of 1998, up from 19.70% in the year-earlier quarter and 20.13% in the first quarter of 1998. For the first six months of 1998, excluding one-time merger-related expenses, the annualized cash return on average tangible assets and average tangible common stockholders' equity was 1.43% and 21.89%, respectively, compared with 1.35% and 19.55%, respectively, in the corresponding 1997 period. As noted earlier, the after-tax impact of merger-related expenses on net income and diluted earnings per share was \$11.3 million and \$1.34, respectively, in the second quarter of 1998 and \$12.3 million and \$1.59, respectively, in 1998's first half. Including the effect of merger-related expenses, the cash return on average tangible assets for the three and six month periods ended June 30, 1998 was 1.14% and 1.28%, respectively, and the cash return on average tangible common stockholders' equity was 19.45% and 19.60%, respectively.

Taxable-equivalent Net Interest Income

Taxable-equivalent net interest income increased to \$178.9 million in the second quarter of 1998, up \$39.3 million or 28% from \$139.6 million in the year-earlier quarter and \$35.6 million higher than the \$143.2 million earned

in the first quarter of 1998. The most significant factor contributing to the improvement in net interest income was growth in average loans and leases. Average loans and leases increased \$4.1 billion, or 38%, to \$15.0 billion in the second quarter of 1998 from \$10.8 billion in the year-earlier quarter. Average loans and leases in the recent quarter were \$3.4 billion, or 29%, higher than the first quarter of 1998. The primary reason for the higher loan balances was the \$3.0 billion of loans obtained on April 1, 1998 in the ONBANCorp acquisition, including approximately \$450 million of commercial loans, \$380 million of commercial real estate loans, \$1.2 billion of residential mortgage loans and \$930 million of consumer loans. The accompanying table summarizes quarterly changes in the major components of the loan and lease portfolio.

AVERAGE LOANS AND LEASES
(net of unearned discount)

Dollars in millions	Percent increase (decrease) from		
	2nd Qtr. 1998	2nd Qtr. 1997	1st Qtr. 1998
	-----	-----	-----
Commercial, financial, etc.	\$ 2,954	31 %	23 %
Real estate - commercial	5,005	22	11
Real estate - consumer	3,946	84	57
Consumer			
Automobile	1,386	29	51
Home equity	750	17	15
Credit cards	216	(15)	(12)
Other	721	111	89
	-----	---	--
Total consumer	3,073	33	40
	-----	---	--
Total	\$14,978	38 %	29 %
	-----	-----	-----
	-----	-----	-----

For the first six months of 1998, taxable-equivalent net interest income was \$322.1 million, up from \$277.3 million in the corresponding 1997 period. An increase in average loans and leases of \$2.5 billion, including approximately \$1.5 billion attributable to the loans acquired in the ONBANCorp transaction, was the leading factor contributing to this improvement.

Including approximately \$1.4 billion acquired in the ONBANCorp transaction, average investment securities increased to \$2.9 billion in the recent quarter from \$1.7 billion in the second quarter of 1997. Holdings of investment securities averaged \$1.6 billion in the first quarter of 1998. Money-market assets averaged \$156 million in 1998's second quarter, compared with \$143 million in the year-earlier quarter and \$141 million in the initial quarter of 1998. In general, the size of the investment securities and money-market assets portfolios are influenced by such factors as demand for loans, which generally yield more than investment securities and money-market assets, ongoing repayments, the levels of deposits, and management of balance sheet size and resulting capital ratios.

As a result of the changes described herein, average earning assets increased 42% to \$18.0 billion in the second quarter of 1998 from \$12.7 billion in the second quarter of 1997. Average earning assets were \$13.4 billion in the first quarter of 1998 and aggregated \$15.7 billion and \$12.6 billion for the six months ended June 30, 1998 and 1997, respectively. The impact of ONBANCorp-related earning assets on average earning assets in the second quarter and first six months of 1998 was \$4.5 billion and \$2.3 billion, respectively.

Core deposits, consisting of noninterest-bearing deposits, interest-bearing transaction accounts, savings deposits and nonbrokered domestic time deposits under \$100,000, represent the most significant source of funding to the Company and generally carry lower interest rates than wholesale funds of comparable maturities. The Company's branch network is the principal source of core deposits. Core deposits include certificates of deposit under \$100,000 generated on a nationwide basis by M&T Bank, National Association ("M&T Bank, N.A."), a wholly owned bank subsidiary of M&T. Core deposits obtained in the acquisition of ONBANCorp were approximately \$2.8 billion on the April 1, 1998 acquisition date. Average core deposits increased to \$11.5

billion in the second quarter of 1998, up from \$8.3 billion in the year-earlier quarter and \$8.4 billion in the first quarter of 1998. Average core deposits of M&T Bank, N.A., were \$406 million in the recently completed quarter, compared with \$440 million in the second quarter of 1997 and \$433 million in the first quarter of 1998. The accompanying table provides an analysis of quarterly changes in the components of average core deposits. For the six months ended June 30, 1998 and 1997, core deposits averaged \$10.0 billion and \$8.2 billion, respectively.

AVERAGE CORE DEPOSITS

Dollars in millions

	Percent increase from		
	2nd Qtr. 1998 -----	2nd Qtr. 1997 -----	1st Qtr. 1998 -----
NOW accounts	\$ 304	18 %	13 %
Savings deposits	4,718	39	37
Time deposits less than \$100,000	4,741	37	39
Noninterest-bearing deposits	1,751	48	38
	-----	--	--
Total	\$11,514 =====	39 % ==	37 % ==

In addition to core deposits, the Company obtains funding through domestic time deposits of \$100,000 or more, deposits originated through M&T Bank's offshore branch office, and brokered certificates of deposit. Brokered deposits are used as an alternative to short-term borrowings to lengthen the average maturity of interest-bearing liabilities. Brokered deposits averaged \$1.5 billion during the recent quarter and totaled \$1.5 billion at June 30, 1998, compared with an average balance of \$1.3 billion during the comparable 1997 period and a total balance of \$1.5 billion at June 30, 1997. Brokered deposits also averaged \$1.3 billion in the initial quarter of 1998. The weighted average remaining term to maturity of brokered deposits at June 30, 1998 was 2.08 years. However, certain of the deposits have provisions that allow early redemption. Additional amounts of brokered deposits may be solicited in the future depending on market conditions and the cost of funds available from alternative sources at the time.

In addition to deposits, the Company uses borrowings from banks, securities dealers, Federal Home Loan Banks ("FHLB") and others as sources of funding. Short-term borrowings averaged \$2.2 billion in the recent quarter (including \$476 million of borrowings assumed as a result of the ONBANCORP acquisition), compared with \$749 million in the second 1997 quarter and \$1.4 billion in the first quarter of 1998. Long-term borrowings averaged \$695 million and \$355 million in the second quarter of 1998 and 1997, respectively, and \$428 million in the first quarter of 1998. During the second 1998 quarter, average long-term borrowings included \$268 million of borrowings obtained in the ONBANCORP transaction. Long-term borrowings include \$250 million of trust preferred securities issued by two special-purpose subsidiaries of M&T during the first and second quarters of 1997 and similar securities with a carrying value of \$69 million that were issued in the first quarter of 1997 by a special-purpose subsidiary of ONBANCORP, as well as \$175 million of subordinated capital notes issued in prior years by M&T Bank.

Changes in the composition of the Company's earning assets and interest-bearing liabilities, as well as changes in interest rates and spreads, can impact net interest income. Net interest spread, or the difference between the taxable-equivalent yield on earning assets and the rate paid on interest-bearing liabilities, was 3.44% in the second quarter of 1998, compared with 3.73% in the year-earlier quarter. The yield on earning assets decreased 28 basis points (hundredths of one percent) to 8.10% in the second quarter of 1998 from 8.38% in the second quarter of 1997. The decrease in the recent quarter's yield was primarily due to lower yielding residential real estate loans, consumer loans and investment securities acquired in the ONBANCORP transaction. The adverse impact of the ONBANCORP-related earning assets on M&T's yield on earning assets for the second quarter of 1998 was approximately 24 basis points. The rate paid on interest-bearing liabilities in the second quarter of 1998 was 4.66%,

compared with 4.65% in the corresponding 1997 quarter. The net interest spread was 3.68% in the first quarter of 1998 when the yield on earning assets was 8.43% and the rate paid on interest-bearing liabilities was 4.75%.

The contribution to net interest margin, or taxable equivalent net interest income expressed as an annualized percentage of average earning assets, of interest-free funds was .55% in the second quarter of 1998, down from .68% in the corresponding 1997 quarter and .67% in the first quarter of 1998. Average interest-free funds, which include noninterest-bearing demand deposits and stockholders' equity, totaled \$2.1 billion in the second quarter of 1998, up from \$1.9 billion a year earlier and in the initial 1998 quarter. The decline in the contribution to net interest margin of interest-free funds was due, in part, to the goodwill and core deposit intangible assets recorded in conjunction with the ONBANCorp acquisition, which averaged \$557 million during the recent quarter, and the Company's ownership of bank-owned life insurance which averaged \$322 million. Although there was no similar investment during the second quarter of 1997, bank-owned life insurance averaged \$204 million during the first quarter of 1998. Increases in the cash surrender value of bank-owned life insurance are not included in interest income, but rather are recorded in "other revenue from operations." These two noninterest-earning assets mitigated much of the benefit derived from increases in noninterest-bearing deposits and stockholders' equity resulting from the ONBANCorp transaction.

Due to the changes described above, the Company's net interest margin was 3.99% in 1998's second quarter, compared with 4.41% in the comparable quarter of 1997 and 4.35% in the initial 1998 quarter. During the first six months of 1998 and 1997, the net interest margin was 4.14% and 4.45%, respectively.

The Company utilizes interest rate swap agreements as part of the management of interest rate risk to modify the repricing characteristics of certain portions of the loan and deposit portfolios. Revenue and expense arising from these agreements are reflected in either the yields earned on loans or, as appropriate, rates paid on interest-bearing deposits and borrowings. The notional amount of interest rate swap agreements used as part of the Company's management of interest rate risk in effect at June 30, 1998 and 1997 was \$2.5 billion and \$2.9 billion, respectively. In general, under the terms of these swaps, the Company receives payments based on the outstanding notional amount of the swaps at fixed rates of interest and makes payments at variable rates. However, under the terms of a \$33 million swap, the Company pays a fixed rate of interest and receives a variable rate. At June 30, 1998, the weighted average rates to be received and paid under interest rate swap agreements were 6.32% and 5.67%, respectively. As of June 30, 1998, the Company had also entered into forward-starting swaps with an aggregate notional amount of \$205 million in which the Company will pay a fixed rate of interest and receive a variable rate, and \$20 million in which the Company will pay a variable rate of interest and receive a fixed rate. Such forward-starting swaps had no effect on the Company's net interest income through June 30, 1998. The average notional amounts of interest rate swaps and the related effect on net interest income and margin are presented in the accompanying table.

INTEREST RATE SWAPS

Dollars in thousands

	Three months ended June 30			
	1998		1997	
	Amount	Rate *	Amount	Rate *
Increase (decrease) in:				
Interest income	\$ 408	.01 %	\$ (129)	-- %
Interest expense	(3,129)	(.08)	(3,417)	(.13)
Net interest income/margin	\$ 3,537	.08 %	\$ 3,288	.10 %
Average notional amount **	\$2,457,962		\$2,620,422	

	Six months ended June 30			
	1998		1997	
	Amount	Rate *	Amount	Rate *
Increase (decrease) in:				
Interest income	\$ 690	- %	\$ 48	-- %
Interest expense	(6,334)	(.09)	(6,625)	(.12)
Net interest income/margin	\$ 7,024	.09 %	\$ 6,673	.11 %
Average notional amount **	\$2,526,659		\$2,454,677	

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

** Excludes forward-starting interest rate swaps.

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

As a financial intermediary, the Company is exposed to various risks, including liquidity and market risk. Liquidity risk arises whenever the maturities of financial instruments included in assets and liabilities differ. Accordingly, a critical element in managing a financial institution is ensuring that sufficient cash flow and liquid assets are available to satisfy demands for loans and deposit withdrawals, to fund operating expenses, and to be used for other corporate purposes. Deposits and borrowings, maturities of money-market assets, repayments of loans and investment securities, and cash generated from operations, such as net interest income and fees collected for services, provide the Company with other sources of liquidity. Through membership in the FHLB, as well as other available borrowing facilities, M&T's banking subsidiaries have access to additional funding sources. M&T utilizes dividend payments from its banking subsidiaries, which are subject to various regulatory limitations, to pay dividends, repurchase treasury stock, and fund debt service and other operating expenses. The proceeds from \$250 million of junior subordinated debt issued to two special-purpose subsidiaries provided additional funds to M&T in 1997. M&T also maintains a \$25 million line of credit with an unaffiliated commercial bank, all of which was available for borrowing at June 30, 1998. Management does not anticipate engaging in any activities, either currently or in the long-term, which would cause a significant strain on liquidity at either M&T or its subsidiary banks. Furthermore, management closely monitors the Company's liquidity position for compliance with internal policies and believes that available sources of liquidity are adequate to meet anticipated funding needs.

Market risk is the risk of loss from adverse changes in market prices and/or interest rates of the Company's financial instruments. The core banking activities of lending and deposit-taking expose the Company to interest rate risk. As a result of interest rate risk, 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 under various interest rate scenarios using projected balances for earning assets, interest-bearing liabilities and off-balance sheet financial instruments. Management's philosophy toward positioning the Company for interest rate movements is to attempt to limit such variability. 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 the Company's sensitivity to changes in the market values of financial instruments resulting from changing interest rates.

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

The accompanying table displays the estimated impact on net interest income from financial instruments held for non-trading purposes resulting from changes in interest rates during the first modeling year.

SENSITIVITY OF NET INTEREST INCOME
TO CHANGES IN INTEREST RATES

(dollars in thousands)	Calculated increase (decrease) in projected net interest income
-----	-----
+200 basis points	\$ 1,207
+100 basis points	2,435
- 100 basis points	(2,207)
- 200 basis points	(3,571)

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

The Company engages in trading activities to meet the financial needs of customers and to profit from perceived market opportunities. Trading activities are conducted utilizing financial instruments that include forward and futures contracts related to foreign currency exchange and mortgage-backed securities, U.S. Treasury and other government securities, and interest rate contracts such as swaps. As a result, the Company is exposed to foreign currency and interest rate risk resulting from trading activities. However, the Company generally mitigates exposure arising from trading

activities by entering into offsetting positions. Accordingly, the Company's exposure to interest rate, foreign exchange or other price risk related to trading activities as of June 30, 1998 was not considered material.

Provision for Possible Credit Losses

The purpose of the provision is to replenish or build the Company's allowance for possible credit losses to a level necessary to maintain an adequate reserve position. 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. Based upon the results of such review, management believes that the allowance for possible credit losses at June 30, 1998 was adequate to absorb credit losses from existing loans and leases.

The provision for possible credit losses in the second quarter of 1998 was \$13.2 million, up from \$11.0 million in the second quarter of 1997 and \$12.0 million in 1998's first quarter. Net loan charge-offs totaled \$9.0 million in the second quarter of 1998, compared with \$12.6 million in the year-earlier quarter and \$7.9 million in 1998's initial quarter. Net charge-offs as an annualized percentage of average loans and leases were .24% in the recent quarter, compared with .47% in the corresponding 1997 quarter and .28% in the first quarter of 1998. Net charge-offs of consumer loans in the recent quarter were \$9.3 million, compared with \$9.7 million in the second quarter of 1997 and \$7.8 million in 1998's initial quarter. Net consumer loan charge-offs as an annualized percentage of average consumer loans and leases were 1.21% in the recent quarter, compared with 1.68% in the second quarter of 1997 and 1.45% in 1998's first quarter. Net charge-offs of credit card balances included in net consumer loan charge-offs were \$4.6 million and \$5.1 million in the second quarter of 1998 and 1997, respectively, and \$4.5 million in the first quarter of 1998. For the six months ended June 30, 1998 and 1997, the provision for possible credit losses was \$25.2 million and \$22.0 million, respectively. Through June 30, net charge-offs were \$17.0 million in 1998 and \$20.5 million in 1997, representing .26% and .38%, respectively, of average loans and leases. Consumer loan net charge-offs totaled \$17.1 million and \$18.5 million during the six months ended June 30, 1998 and 1997, respectively. Net credit card charge-offs were \$9.2 million during the first half of 1998 and \$9.9 million during the corresponding 1997 period.

Including \$38.4 million of loans obtained in the acquisition of ONBANCorp, nonperforming loans were \$127.2 million or .83% of total loans and leases outstanding at June 30, 1998, compared with \$97.1 million or .88% at June 30, 1997 and \$70.0 million or .58% at March 31, 1998. Nonperforming commercial real estate loans totaled \$24.8 million at June 30, 1998, \$29.2 million at June 30, 1997 and \$10.7 million at March 31, 1998. Nonperforming commercial real estate loans include loans secured by properties located in the New York City metropolitan area of \$3.6 million at June 30, 1998, \$11.9 million at June 30, 1997 and \$206 thousand at March 31, 1998. Nonperforming consumer loans and leases totaled \$30.0 million at June 30, 1998, compared with \$16.4 million at June 30, 1997 and \$19.5 million at March 31, 1998. As a percentage of consumer loan balances outstanding, nonperforming consumer loans and leases were .99% at June 30, 1998 compared with .71% at June 30, 1997 and .90% at March 31, 1998. Assets acquired in settlement of defaulted loans were \$12.2 million at June 30, 1998, \$9.7 million at June 30, 1997 and \$7.8 million at March 31, 1998.

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

NONPERFORMING ASSETS
Dollars in thousands

	1998 Quarters		Fourth	1997 Quarters	
	Second	First		Third	Second
Nonaccrual loans	\$78,527	40,737	38,588	50,369	62,525
Loans past due					
90 days or more	41,686	24,449	30,402	29,979	31,810
Renegotiated loans	7,025	4,819	11,660	5,413	2,741
	-----	-----			-----
Total nonperforming loans	127,238	70,005	80,650	85,761	97,076
Real estate and other assets	12,211	7,828	8,413	8,239	9,698
	-----	-----			-----
Total nonperforming assets	\$139,449	77,833	89,063	94,000	106,774
	=====	=====	=====	=====	=====
Government guaranteed nonperforming loans*	\$ 16,062	14,787	17,712	17,853	20,656
	=====	=====	=====	=====	=====
Nonperforming loans to total loans and leases, net of unearned discount	.83%	.58%	.70%	.76%	.88%
Nonperforming assets to total net loans and other real estate owned	.91%	.65%	.77%	.83%	.97%
	===	===	===	===	===

* Included in total nonperforming loans.

The allowance for possible credit losses was \$310.8 million, or 2.04% of total loans and leases at June 30, 1998, compared with \$271.9 million or 2.48% a year earlier, \$274.7 million or 2.39% at December 31, 1997 and \$278.7 million or 2.32% at March 31, 1998. The ratio of the allowance for possible credit losses to nonperforming loans was 244% at the most recent quarter-end, compared with 280% a year earlier, 341% at December 31, 1997 and 398% at March 31, 1998.

Other Income

Reflecting strong growth in mortgage banking revenues, fees for trust and investment services, and approximately \$7.6 million of revenues associated with operations obtained in the ONBANCorp acquisition, other income totaled \$66.4 million in the second quarter of 1998, up 51% from \$44.0 million in the year-earlier quarter. Other income was \$55.1 million in the first quarter of 1998 excluding \$15.3 million of tax-exempt other income the Company recognized in connection with the contribution of appreciated investment securities with a fair value of \$24.6 million to an affiliated, tax-exempt private charitable foundation. As a result of the transfer, the Company also incurred \$24.6 million of charitable contributions expense and realized income tax benefits of \$10.0 million. Also excluding the effect of the transfer, other income was \$121.5 million in the first half of 1998, up 35% from \$89.9 million in the comparable 1997 period.

Including \$2.1 million of revenues associated with acquired ONBANCorp operations, mortgage banking revenues totaled \$18.5 million in the recent quarter, compared with \$12.2 million in the year-earlier quarter and \$13.9 million in the first quarter of 1998. Residential mortgage loan servicing fees were \$7.8 million in the second quarter of 1998, up from \$6.2 million in the second quarter of 1997 and \$7.2 million in the initial 1998 quarter. Gains from sales of residential mortgage loans and loan servicing rights were \$9.9 million in the recently completed quarter, compared with \$5.4 million in the year-earlier quarter and \$5.9 million in 1998's first quarter. During the recent quarter, the Company completed bulk sales of servicing rights related to approximately \$400 million of loans sold to investors in prior periods resulting in a gain of \$1.2 million. Due, in part, to generally favorable interest rates for borrowers, during the second quarter of 1998 residential mortgage loans originated for sale to other investors totaled \$953 million, up from \$505 million in 1997's second quarter and \$775 million in the initial 1998 quarter. Residential mortgage loans serviced for others

totalled \$8.1 billion and \$6.5 billion at June 30, 1998 and 1997, respectively. Capitalized servicing assets were \$67 million and \$49 million at June 30, 1998 and 1997, respectively. Loans serviced for others and the related capitalized servicing assets obtained in the ONBANCORP acquisition were \$988 million and \$16 million, respectively, at April 1, 1998.

Service charges on deposit accounts increased to \$14.2 million in the second quarter of 1998, up from \$10.7 million in the corresponding quarter of the previous year and \$11.2 million in the first quarter of 1998. Fees for services provided to customers in the areas formerly served by ONBANCORP were \$2.6 million in the recent quarter. Largely due to higher revenues for management, custody and securities clearing services, trust income was \$9.9 million in the second quarter of 1998, compared with \$7.2 million in last year's second quarter. Trust income was \$9.5 million during the first three months of 1998. Merchant discount and credit card fees were \$4.3 million in the recent quarter, compared with \$4.2 million in both the year-earlier period and in the initial 1998 quarter. Trading account and foreign exchange activity resulted in gains of \$506 thousand in the second quarter of 1998, compared with gains of \$596 thousand and \$1.8 million in the second quarter of 1997 and the first quarter of 1998, respectively. Other revenue from operations totaled \$18.7 million in the recent quarter, compared with \$9.2 million in the corresponding quarter of 1997 and \$14.5 million in the first quarter of 1998 (excluding the \$15.3 million of tax-exempt income related to the transfer of securities to the Company's affiliated foundation). Included in other revenue from operations in 1998's second quarter was \$1.5 million relating to ONBANCORP-related activities. The remaining increase from the year-earlier period was due largely to \$4.5 million of tax-exempt income earned from the Company's ownership of bank-owned life insurance, higher fees earned from the sales of mutual funds and annuities of \$1.2 million, \$1.1 million in fees for providing automated teller machine services and higher miscellaneous loan fees of \$1.0 million.

For the six-month period ended June 30, 1998, mortgage banking revenues totaled \$32.3 million, up 33% from \$24.2 million in the corresponding 1997 period. Compared with the first half of 1997, mortgage servicing fees and gains from sales of loans and loan servicing rights in 1998 were up by \$2.9 million and \$4.9 million, respectively. Compared with the same period in 1997, service charges on deposit accounts increased 20% to \$25.4 million during the first six months of 1998, while trust income increased 37% to \$19.4 million. As a result of the factors discussed in the next paragraph, merchant discount and credit card fees decreased 9% to \$8.6 million from \$9.5 million in the similar period of 1997. Trading account and foreign exchange activity resulted in gains of \$2.3 million for the initial half of 1998, compared with gains of \$1.9 million during the first six months of 1997. Excluding the effect of the transfer of securities to the affiliated charitable foundation, other revenues from operations increased 73% to \$33.2 million in the first six months of 1998 from \$19.2 million in the comparable 1997 period. The increase resulted largely from \$7.4 million of tax-exempt income earned from bank-owned life insurance, \$2.3 million of increased loan fees, \$1.6 million in automated teller machine service fees and a \$1.5 million increase in fees earned from the sales of mutual funds and annuities. These latter fees totaled \$8.9 million during the first half of 1998.

Due to poorer than expected results, during 1997 and 1998 the Company terminated all of its co-branded credit card programs. In addition, during the recently completed quarter, M&T agreed to sell its retail credit card business. The sale occurred on July 31, 1998 and resulted in a third quarter pre-tax gain of approximately \$3 million. Following the sale, M&T continues to offer credit cards to customers in the name of M&T Bank, but the cardholder accounts are owned and serviced by the purchaser of that business. Credit card balances outstanding were \$205.5 million, or 1.35% of total loans and leases, at June 30, 1998. Total credit card fees included in merchant discount and credit card fees in the first half of 1998 were \$6.9 million, compared with \$7.9 million in the corresponding 1997 period. Including internal allocations of the provision for possible credit losses, interest expense and other operating expenses, net income from credit card operations was less than 1.5% of the Company's net income during the first six months of 1998.

Other Expense

Excluding the impact of the \$24.6 million of contributions expense already discussed, amortization of goodwill and core deposit intangible, and nonrecurring merger-related expenses, other expense totaled \$127.4 million in the second quarter of 1998, up 27% from \$100.2 million in the second quarter of 1997 and 20% from \$105.8 million in the first quarter of 1998. On the same basis, through the first half of 1998, other expense totaled \$233.2 million, an increase of 15% from \$202.7 million in the comparable 1997 period. Nonrecurring merger-related expenses were \$16.7 million and \$1.6 million during the second and first quarters of 1998, respectively. Increases in operating expense levels compared with prior periods is predominately the effect of combining ONBANCorp with the Company. Since nearly all operating systems and support operations of ONBANCorp were converted to or combined with those of the Company during the recent quarter, the Company's operating expenses cannot be precisely divided between or attributed directly to ONBANCorp or the Company as it existed prior to the merger.

Salaries and employee benefits expense was \$69.9 million in the recent quarter, 31% higher than the \$53.6 million in the corresponding 1997 quarter, and 20% higher than the \$58.3 million in the first quarter of 1998. For the first six months of 1998, salaries and employee benefits expense increased 18% to \$128.3 million from \$109.1 million in the corresponding 1997 period. Salaries and employee benefits relating to the operations acquired from ONBANCorp were the predominant factor for the increased expense level. Other factors contributing to the higher expenses were merit salary increases and higher costs associated with incentive-based compensation arrangements, stock appreciation rights and employee benefits.

Excluding the previously mentioned \$24.6 million of contributions expense recognized in the first quarter of 1998, one-time merger-related expenses and amortization of goodwill and core deposit intangible, nonpersonnel expense totaled \$58.8 million in the second quarter of 1998, up from \$46.7 million in the second quarter of 1997 and \$47.5 million in the first quarter of 1998. On the same basis, such expenses were \$106.3 million during the first six months of 1998, an increase of 14% from \$93.6 million during the corresponding 1997 period. The increases were the result of expenses related to the acquired operations of ONBANCorp. Partially offsetting these increases were decreases in co-branded credit card rebate and other operating expenses based on card usage of \$1.5 million and \$1.7 million compared with the second quarter of 1997 and the first quarter of 1998, respectively. Such expenses for the first half of 1998 were \$2.6 million, compared with \$6.1 million in the corresponding 1997 period.

Capital

Stockholders' equity at June 30, 1998 was \$1.7 billion or 8.24% of total assets, compared with \$951 million or 7.08% of total assets a year earlier and \$1.0 billion or 7.36% at December 31, 1997. On a per share basis, stockholders' equity was \$207.18 at June 30, 1998, up from \$143.64 and \$155.86 at June 30 and December 31, 1997, respectively. Excluding goodwill and core deposit intangible, net of applicable tax effect, tangible equity per share was \$139.37 at June 30, 1998, compared with \$140.43 at June 30, 1997 and \$153.24 at December 31, 1997. To complete the acquisition of ONBANCorp on April 1, 1998, M&T issued 1,429,998 shares of common stock to former holders of ONBANCorp common stock and assumed employee stock options for 61,772 shares of M&T common stock resulting in additions to stockholders' equity of \$587.8 million and \$19.4 million, respectively.

Stockholders' equity at June 30, 1998 reflected a gain of \$6.6 million, or \$.83 per share, for the net after-tax impact of unrealized gains on investment securities classified as available for sale, compared with unrealized gains of \$3.4 million or \$.52 per share at June 30, 1997 and \$12.0 million or \$1.82 per share at December 31, 1997. Such unrealized gains

represent the difference, net of applicable income tax effect, between the estimated fair value and amortized cost of investment securities classified as available for sale. The market valuation of investment securities should be considered in the context of the entire balance sheet of the Company. With the exception of investment securities classified as available for sale, trading account assets and liabilities, and residential mortgage loans held for sale, the carrying values of financial instruments in the balance sheet are generally not adjusted for appreciation or depreciation in market value resulting from changes in interest rates.

Federal regulators generally require banking institutions to maintain "core capital" and "total capital" ratios of at least 4% and 8%, respectively, of risk-adjusted total assets. In addition to the risk-based measures, Federal bank regulators have also implemented a minimum "leverage" ratio guideline of 3% of the quarterly average of total assets. Under regulatory guidelines, unrealized gains or losses on investment securities classified as available for sale are not recognized in determining regulatory capital. Core capital includes the \$250 million of trust preferred securities issued by two special-purpose subsidiaries of M&T in the first and second quarters of 1997 and similar securities having a carrying value of \$69 million issued in February 1997 by a special-purpose subsidiary of ONBANCORP. As of June 30, 1998, total capital also included \$160 million of subordinated notes issued by M&T Bank in prior years. Unrealized gains or losses on investment securities are not recognized in determining regulatory capital. The capital ratios of the Company and its banking subsidiaries, M&T Bank and M&T Bank, N.A., as of June 30, 1998 are presented in the accompanying table.

REGULATORY CAPITAL RATIOS
June 30, 1998

	M&T Bank Corp. (Consolidated)	M&T Bank	M&T Bank, N.A.
	-----	-----	-----
Core capital	9.08%	8.33%	17.73%
Total capital	11.37%	10.65%	18.98%
Leverage	7.40%	6.86%	8.47%

The Company has historically maintained capital ratios in excess of minimum regulatory guidelines largely through a high rate of internal capital generation. The rate of internal capital generation, or net income less dividends paid expressed as an annualized percentage of average total stockholders' equity, was 8.84% during the second quarter of 1998, compared with 16.25% in the second quarter of 1997 and 16.80% in the initial 1998 quarter.

During the second quarter of 1998, M&T acquired 88,438 shares of its common stock pursuant to, and thereby completing, the repurchase program announced in February 1997. A total of 303,317 shares were repurchased at an average cost of \$398.27 per share. In May 1998, M&T announced another plan to repurchase up to 155,133 additional shares for reissuance upon the possible future exercise of outstanding stock options. As of June 30, 1998, M&T had repurchased 25,155 common shares pursuant to the latest plan at an average cost of \$515.56 per share. M&T repurchased 150,461 common shares during the first six months of 1998 at a total cost of \$74.7 million.

Year 2000 Initiatives

The "Year 2000" problem relates to the ability of computer and computer-dependent systems to distinguish date data between the twentieth and twenty-first centuries. The Company is currently working to resolve the potential impact of the Year 2000 problem. The risk for the Company is that all of the corrections and testing will not be made in time for its own computer, data processing or other computer-dependent systems, and for those third parties doing business with or providing services to the Company.

Addressing the Year 2000 problem requires that the Company identify, remediate and test its centralized and distributed computer, data processing

and other computer-dependent systems that have date sensitive functions. Management anticipates that the Company's "mission critical" computer systems, i.e., those which if uncorrected would have a material adverse impact on the Company, will be Year 2000 compliant by the end of 1998 and has a planned program to test for such compliance. As a result of completed testing, management presently believes that approximately one-third of its centralized computer systems are Year 2000 compliant. The Company is also engaged in an ongoing process of assessing, correcting and testing its distributed computer and other computer-dependent systems which may be affected by the Year 2000 problem. The Company currently expects to make mission critical distributed computer and other computer-dependent systems Year 2000 compliant or to replace such non-compliant systems before the new millennium.

The Company could be adversely affected if its vendors and customers that supply or rely on data processing systems are not Year 2000 compliant prior to the end of 1999. The Company, therefore, is taking a proactive role to work with its data processing vendors and to provide information to its commercial customers regarding Year 2000 issues. Specifically, lending officers have been trained to address Year 2000 issues with customers, including providing help with assessing customer needs for Year 2000 compliance. Notwithstanding the Company's efforts, a risk remains due to the uncertainty that such third parties will not be Year 2000 compliant before the new millennium. For example, the credit quality of commercial and other loans may be adversely affected by the failure of customers' operating systems resulting from Year 2000 issues.

Lack of corrective measures by government agencies or service providers which the Company either receives data from or provides data to could also have a negative impact on the Company's operations. Additionally, there is risk to the extent that other third parties that engage in business with the Company are relying on systems that are not Year 2000 compliant. As a result, it is possible that if all aspects of Year 2000 issues are not adequately resolved by each of the entities referred to above, the Company's future business operations, financial position and results of operations could be adversely impacted.

The Company's management is monitoring the Company's progress regarding Year 2000 issues. Management will assess the Company's current Year 2000 remediation plans and develop appropriate contingency plans should any critical issues not be resolved prior to January 1, 2000.

To date, the Company has spent approximately \$2 million in addressing its potential Year 2000 problems. The Company is continuing to devote appropriate financial and human resources to resolve its Year 2000 issues in a timely manner. The Company currently estimates that it will expend an additional \$3 to \$5 million in order to address Year 2000 issues. A majority of the Company's past and future Year 2000 expenses relate to internal costs and constitute resources that would otherwise have been reallocated within the Company. Costs associated with Year 2000 issues are recognized as expenses are incurred.

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

Recently issued accounting standards not yet adopted

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as

(a) a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, (b) a hedge of the exposure to variable cash flows of a forecasted transaction, or (c) a hedge of the foreign currency exposure of a net investment in a foreign operation, an unrecognized firm commitment, an available for sale security, or a foreign currency denominated forecasted transaction.

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

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

The Company is currently in the process of analyzing the provisions of SFAS No. 133. The method of adoption expected to be utilized by the Company and the impact that adopting the provisions of SFAS No. 133 is expected to have on the Company's financial statements has yet to be determined.

Forward-Looking Statements

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

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

M&T BANK CORPORATION AND SUBSIDIARIES

QUARTERLY TRENDS

Taxable-equivalent basis	1998 Quarters			1997 Quarters		
	Second	First	Fourth	Third	Second	First
Earnings and dividends						
Amounts in thousands, except per share						
Interest income	\$363,503	277,803	277,166	271,305	265,301	257,029
Interest expense	184,644	134,585	133,270	129,768	125,734	119,321
Net interest income	178,859	143,218	143,896	141,537	139,567	137,708
Less: provision for possible credit losses	13,200	12,000	12,000	12,000	11,000	11,000
Other income	66,410	70,396	52,979	50,182	43,983	45,923
Less: other expense	155,004	133,873	110,716	104,706	102,070	104,284
Income before income taxes	77,065	67,741	74,159	75,013	70,480	68,347
Applicable income taxes	30,587	17,245	26,246	27,518	26,329	25,825
Taxable-equivalent adjustment	1,779	1,541	1,613	1,604	1,360	1,263
Net income	\$ 44,699	48,955	46,300	45,891	42,791	41,259
Per common share data						
Net income						
Basic	\$ 5.55	7.34	7.01	6.96	6.46	6.17
Diluted	5.32	7.01	6.66	6.62	6.17	5.81
Cash dividends	\$ 1.00	.80	.80	.80	.80	.80
Average common shares outstanding						
Basic	8,051	6,666	6,599	6,592	6,627	6,685
Diluted	8,409	6,981	6,955	6,927	6,928	7,100
Performance ratios, annualized						
Return on						
Average assets	.92%	1.41%	1.33%	1.36%	1.31%	1.30%
Average common stockholders' equity	10.77%	18.86%	18.25%	18.92%	18.55%	18.24%
Net interest margin on average earning assets	3.99%	4.35%	4.34%	4.35%	4.41%	4.50%
Nonperforming assets to total assets, at end of quarter						
	.69%	.53%	.64%	.69%	.79%	.81%
Cash (tangible) operating results (1)						
Net income (in thousands)	\$ 65,445	51,448	47,837	47,428	44,350	42,773
Diluted net income per common share	7.78	7.37	6.88	6.85	6.40	6.02
Annualized return on						
Average tangible assets	1.38%	1.49%	1.38%	1.40%	1.36%	1.35%
Average tangible common stockholders' equity	23.50%	20.13%	19.20%	19.98%	19.70%	19.39%
Balance sheet data						
Dollars in millions, except per share						
Average balances						
Total assets	\$ 19,547	14,055	13,785	13,424	13,148	12,866
Earning assets	17,992	13,357	13,148	12,905	12,700	12,420
Investment securities	2,858	1,614	1,721	1,747	1,715	1,611
Loans and leases, net of unearned discount	14,978	11,602	11,327	11,002	10,842	10,715
Deposits	14,726	10,988	11,262	11,170	10,914	10,454
Stockholders' equity	1,664	1,053	1,007	962	925	917
At end of quarter						
Total assets	\$ 20,138	14,570	14,003	13,675	13,441	13,122
Earning assets	18,419	13,778	13,333	13,100	12,903	12,621
Investment securities	2,707	1,530	1,725	1,752	1,708	1,693
Loans and leases, net of unearned discount	15,245	12,033	11,497	11,271	10,980	10,803
Deposits	14,813	11,085	11,163	11,205	11,186	10,533
Stockholders' equity	1,659	1,069	1,030	982	951	912
Equity per common share	207.18	160.06	155.86	149.31	143.64	137.33
Tangible equity per common share	139.37	157.75	153.24	146.40	140.43	133.84
Market price per common share						
High	\$ 554	504	468	415	343 1/2	336
Low	480	429	401	335	303	281
Closing	554	499 7/8	465	415	337	320

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

M&T BANK CORPORATION AND SUBSIDIARIES

AVERAGE BALANCE SHEETS AND ANNUALIZED TAXABLE-EQUIVALENT RATES

Average balance in millions; interest in thousands	1998 Second quarter			1998 First quarter			1997 Fourth quarter		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate
Assets									
Earning assets									
Loans and leases, net of unearned discount*									
Commercial, financial, etc.	\$ 2,954	\$ 62,026	8.42%	2,393	49,755	8.43%	2,353	49,625	8.37%
Real estate	8,951	184,120	8.23	7,012	148,744	8.49	6,752	145,960	8.65
Consumer	3,073	69,672	9.09	2,197	51,194	9.45	2,222	52,259	9.33
Total loans and leases, net	14,978	315,818	8.46	11,602	249,693	8.73	11,327	247,844	8.68
Money-market assets									
Interest-bearing deposits at banks	37	364	3.93	1	6	2.91	1	6	2.80
Federal funds sold and agreements to resell securities	88	1,247	5.70	127	1,722	5.51	56	772	5.50
Trading account	31	494	6.31	13	169	5.13	43	825	7.55
Total money-market assets	156	2,105	5.40	141	1,897	5.45	100	1,603	6.36
Investment securities**									
U.S. Treasury and federal agencies	1,816	27,620	6.10	1,013	15,861	6.35	1,098	17,328	6.26
Obligations of states and political subdivisions	90	1,396	6.25	37	628	6.83	40	672	6.60
Other	952	16,564	6.98	564	9,724	7.00	583	9,719	6.62
Total investment securities	2,858	45,580	6.40	1,614	26,213	6.59	1,721	27,719	6.39
Total earning assets	17,992	363,503	8.10	13,357	277,803	8.43	13,148	277,166	8.36
Allowance for possible credit losses	(310)			(279)			(273)		
Cash and due from banks	417			321			322		
Other assets	1,448			656			588		
Total assets	\$ 19,547			14,055			13,785		
Liabilities and stockholders' equity									
Interest-bearing liabilities									
Interest-bearing deposits									
NOW accounts	\$ 304	1,189	1.57	270	955	1.44	257	897	1.39
Savings deposits	4,718	30,636	2.60	3,446	22,607	2.66	3,483	23,418	2.67
Time deposits	7,686	105,500	5.51	5,753	80,634	5.68	5,978	85,711	5.69
Deposits at foreign office	267	3,562	5.34	247	3,239	5.31	227	3,079	5.37
Total interest-bearing deposits	12,975	140,887	4.36	9,716	107,435	4.48	9,945	113,105	4.51
Short-term borrowings	2,207	30,969	5.63	1,353	18,597	5.57	829	11,610	5.56
Long-term borrowings	695	12,788	7.38	428	8,553	8.11	428	8,555	7.93
Total interest-bearing liabilities	15,877	184,644	4.66	11,497	134,585	4.75	11,202	133,270	4.72
Noninterest-bearing deposits	1,751			1,272			1,316		
Other liabilities	255			233			260		
Total liabilities	17,883			13,002			12,778		
Stockholders' equity	1,664			1,053			1,007		
Total liabilities and stockholders' equity	\$ 19,547			14,055			13,785		
Net interest spread			3.44			3.68			3.64
Contribution of interest-free funds			0.55			.67			.70
Net interest income/margin on earning assets		\$ 178,859	3.99%		143,218	4.35%		143,896	4.34%

*Includes nonaccrual loans.

**Includes available for sale securities at amortized cost.

(continued)

M&T BANK CORPORATION AND SUBSIDIARIES

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

Average balance in millions; interest in thousands	1997 Third quarter			1997 Second quarter		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate
Assets						
Earning assets						
Loans and leases, net of unearned discount*						
Commercial, financial, etc.	\$ 2,226	\$ 47,527	8.47%	2,260	47,680	8.46%
Real estate	6,468	139,184	8.61	6,265	134,710	8.60
Consumer	2,308	54,025	9.28	2,317	53,347	9.23
Total loans and leases, net	11,002	240,736	8.68	10,842	235,737	8.72
Money-market assets						
Interest-bearing deposits at banks	63	944	5.91	54	816	6.01
Federal funds sold and agreements to resell securities	69	952	5.47	64	860	5.40
Trading account	24	414	6.96	25	443	7.10
Total money-market assets	156	2,310	5.88	143	2,119	5.93
Investment securities**						
U.S. Treasury and federal agencies	1,132	17,959	6.29	1,192	19,002	6.39
Obligations of states and political subdivisions	45	755	6.61	44	728	6.59
Other	570	9,545	6.64	479	7,715	6.46
Total investment securities	1,747	28,259	6.42	1,715	27,445	6.42
Total earning assets	12,905	271,305	8.34	12,700	265,301	8.38
Allowance for possible credit losses	(273)			(272)		
Cash and due from banks	303			307		
Other assets	489			413		
Total assets	\$ 13,424			13,148		
Liabilities and stockholders' equity						
Interest-bearing liabilities						
Interest-bearing deposits						
NOW accounts	\$ 234	803	1.36	259	835	1.30
Savings deposits	3,443	22,746	2.62	3,406	22,495	2.65
Time deposits	6,021	85,889	5.66	5,852	82,254	5.64
Deposits at foreign office	221	2,969	5.32	216	2,873	5.33
Total interest-bearing deposits	9,919	112,407	4.50	9,733	108,457	4.47
Short-term borrowings	641	8,801	5.45	749	10,230	5.48
Long-term borrowings	428	8,560	7.94	355	7,047	7.93
Total interest-bearing liabilities	10,988	129,768	4.69	10,837	125,734	4.65
Noninterest-bearing deposits	1,251			1,181		
Other liabilities	223			205		
Total liabilities	12,462			12,223		
Stockholders' equity	962			925		
Total liabilities and stockholders' equity	\$ 13,424			13,148		
Net interest spread			3.65			3.73
Contribution of interest-free funds			.70			.68
Net interest income/margin on earning assets		\$ 141,537	4.35%		139,567	4.41%

*Includes nonaccrual loans.

**Includes available for sale securities at amortized cost.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

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

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

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

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

The 1998 Annual Meeting of Stockholders of M&T was held on May 19, 1998. At the 1998 Annual Meeting, stockholders elected twenty-one (21) directors, all of whom were then serving as directors of M&T, for terms of one (1) year and until their successors are elected and qualified. The following table reflects the tabulation of the votes with respect to each director who was elected at the 1998 Annual Meeting.

Nominee	Number of Votes	
	For	Withheld
William F. Allyn	7,120,854	51,129
Brent D. Baird	7,123,727	48,256
John H. Benisch	7,121,782	50,201
Robert J. Bennett	7,124,425	47,558
C. Angela Bontempo	7,114,112	57,871
Robert T. Brady	7,095,974	76,009
Patrick J. Callan	7,104,088	67,895
Richard E. Garman	7,124,466	47,517
James V. Glynn	7,120,644	51,339
Roy M. Goodman	7,092,296	79,687
Patrick W.E. Hodgson	7,123,487	48,496
Samuel T. Hubbard, Jr.	7,096,089	75,894
Russell A. King	7,116,322	55,661
Lambros J. Lambros	7,124,722	47,261
Wilfred J. Larson	7,120,508	51,475
Peter J. O'Donnell, Jr.	7,120,820	51,163
Jorge G. Pereira	7,124,702	47,281
John L. Vensel	7,120,863	51,120
Herbert L. Washington	7,114,898	57,085
John L. Wehle, Jr.	7,116,592	55,391
Robert G. Wilmers	7,124,623	47,360

At the Annual Meeting, stockholders also approved an amendment to the First Empire State Corporation Certificate of Incorporation (the "Certificate of Incorporation") changing the name of First Empire State Corporation to "M&T Bank Corporation." In addition, stockholders approved an amendment to the M&T Bank Corporation 1983 Stock Option Plan (the "Stock Option Plan") increasing from 2,000,000 to 2,500,000 the number of shares of M&T Bank Corporation common stock subject to the Stock Option Plan. The following table presents the tabulation

of the votes with respect to the amendments to the Certificate of Incorporation and the Stock Option Plan.

	Number of Votes			
	For	Against	Abstain	Broker Non-Votes
Certificate of Incorporation	7,096,666	40,145	35,172	-
Stock Option Plan	5,123,830	1,111,320	42,530	894,303

Item 5. Other Information.

Subsequent Event. On July 31, 1998, M&T completed the sale of its retail credit card business that is discussed under Item 2 of Part I, "Management's Discussion and Analysis of Financial Condition and Results of Operations." Following the sale, M&T will continue to offer credit cards to consumers in the name of M&T Bank, but the cardholder accounts will be owned and serviced by the purchaser of that business.

Stockholder Proposals. If M&T does not receive notice at its principal executive offices on or before December 10, 1998 of a stockholder proposal for consideration at the 1999 Annual Meeting of Stockholders, the proxies named by the M&T Board of Directors with respect to such meeting shall have discretionary voting authority with respect to such proposal.

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

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

- | Exhibit No. | |
|-------------|---|
| 3.1 | Restated Certificate of Incorporation of M&T Bank Corporation dated May 29, 1998 (File No. 1-9861). Filed herewith. |
| 3.2 | By-Laws of M&T Bank Corporation as last amended on May 19, 1998 (File No. 1-9861). Filed herewith. |
| 10.2 | M&T Bank Corporation 1983 Stock Option Plan, as amended and restated (File No. 1-9861). Filed herewith. |
| 10.3 | M&T Bank Corporation Annual Executive Incentive Plan, as amended and restated (File No. 1-9861). Filed herewith. |
| 10.7 | M&T Bank Corporation Supplemental Pension Plan, as amended and restated (File No. 1-9861). Filed herewith. |
| 10.8 | M&T Bank Corporation Supplemental Retirement Savings Plan, as amended and restated (File No. 1-9861). Filed herewith. |
| 10.9 | M&T Bank Corporation Deferred Bonus Plan, as amended and restated (File No. 1-9861). Filed herewith. |
| 10.10 | M&T Bank Corporation Directors' Stock Plan, as amended and restated (File No. 1-9861). Filed herewith. |
| 10.11 | Restated 1987 Stock Option and Appreciation Rights Plan of ONBANCorp, Inc. (File No. 1-9861). Filed herewith. |
| 10.12 | 1992 ONBANCorp Directors' Stock Option Plan (File No. 1-9861). Filed herewith. |
| 10.13 | Amended Franklin First Financial Corp. 1988 Stock Incentive Plan (File No. 1-9861). Filed herewith. |

- 10.14 Employment Agreement, dated as of April 1, 1998, between M&T Bank Corporation, (formerly First Empire State Corporation) and Robert J. Bennett (File No. 1-9861). Filed herewith.
- 10.15 SERP Assumption Agreement, dated as of January 15, 1993, between Robert J. Bennett and ONBANCORP, Inc. (File No. 1-9861). Filed herewith.
- 27.1 Financial Data Schedule. Filed herewith.

(b) Reports on Form 8-K. M&T filed a Current Report on Form 8-K dated April 1, 1998, disclosing under Item 2 that it had consummated the merger of ONBANCORP with and into Olympia Financial Corp., a wholly owned subsidiary of M&T, on April 1, 1998. Certain financial statements and other exhibits were filed with, or incorporated by reference into, such Current Report in Item 7 thereof. Such Current Report on Form 8-K was filed on April 10, 1998, and an amendment of Item 7 thereto on Form 8-K/A was filed on May 14, 1998 in order to disclose the pro forma financial information required to be filed by Item 7(b) of Form 8-K.

M&T also filed a Current Report on Form 8-K dated May 29, 1998 reporting under Item 5 that at the 1998 Annual Meeting of Stockholders held on May 19, 1998, stockholders approved a proposal to amend the First Empire State Corporation Certificate of Incorporation to change the name of the company to "M&T Bank Corporation." Such Current Report also reported that on June 1, 1998, the common stock of the Company was listed and began trading on the New York State Stock Exchange under the name M&T Bank Corporation (NYSE: MTB).

SIGNATURES

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

M&T BANK CORPORATION

Date: August 13, 1998

By: /s/ Michael P. Pinto

Michael P. Pinto
Executive Vice President
and Chief Financial Officer

EXHIBIT INDEX

Exhibit
No.

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RESTATED CERTIFICATE OF INCORPORATION

OF

M&T BANK CORPORATION

UNDER SECTION 807 OF THE BUSINESS CORPORATION LAW

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

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

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

(3) The text of the certificate of incorporation as amended heretofore is hereby restated without further amendment or change to read as herein set forth in full:

"CERTIFICATE OF INCORPORATION
of
M&T BANK CORPORATION

FIRST: The name of the Corporation is M&T BANK CORPORATION.

SECOND: The purpose or purposes for which it is formed are:

- (1) To engage in the business of a bank holding company.
- (2) To acquire by purchase, subscription or otherwise, and to own and hold and exercise all the powers and privileges of ownership and to sell, exchange, or otherwise dispose of and deal in and with shares, bonds, and other securities, interests or obligations issued by any person, corporation, firm, or other entity, domestic or foreign.
- (3) To the extent permitted by law to cause to be organized, merged or consolidated, any corporation, firm or other entity, domestic or foreign.
- (4) To the extent permitted by law to render services, assistance, and advice to, and to act as representative or agent in any capacity of, any person, corporation, firm, or other entity, domestic or foreign.
- (5) To arrange for, finance, pay or cause to be paid the compensation of the directors, officers or employees of any corporation, firm, or other entity in the business affairs of which the Corporation shall have any interest and to adopt, alter or amend any plan or plans for additional compensation to such directors, officers or employees.
- (6) To purchase, lease, or otherwise acquire, and to own, improve, mortgage or otherwise encumber, real and personal property, or any interest therein wherever situated.

The foregoing purposes shall be construed in furtherance and not in limitation of powers now or hereafter conferred by the laws of the State of New York.

THIRD: The office of the Corporation is to be located in the City of Buffalo, County of Erie, and State of New York.

FOURTH: 1. The aggregate number of shares of stock which the Corporation shall have authority to issue is sixteen million (16,000,000) shares, divided into two classes, namely, preferred

shares and common shares. The number of preferred shares authorized is one million (1,000,000) shares of the par value of one dollar (\$1.00) per share. The number of common shares authorized is fifteen million (15,000,000) shares of the par value of five dollars (\$5.00) per share.

2. Authority is hereby granted to the Board of Directors at any time and from time to time to issue the preferred shares in one or more series and for such consideration, not less than the par value thereof, as may be fixed from time to time by the Board of Directors, and, before the issuance of any shares of a particular series to fix the designation of such series, the number of shares to comprise such series, the dividend rate or rates payable with respect to the shares of such series, the redemption price or prices, the voting rights, and any other relative rights, preferences and limitations pertaining to such series. In lieu of issuing a new series, the Board of Directors may increase the number of shares of a series already outstanding. Before the issue of any shares of a series established by the Board of Directors, the Board shall cause to be delivered to the Department of State the necessary certificate of amendment under the Business Corporation Law of the State of New York as now in effect or hereafter amended.

3. The description of the common shares and of their relative rights and limitations are as follows:

(a) Out of the assets of the Corporation which are by law available for the payment of dividends remaining after all dividends to which any preferred shares then outstanding shall be entitled shall have been declared and paid or set apart for payment for all past dividend periods, dividends may be declared and paid upon the common shares to the exclusion of the holders of preferred shares.

(b) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of record of any preferred shares then outstanding shall be entitled to be paid the amount which the Board of Directors prior to issuance of such preferred shares fixed to be paid for each such share upon such liquidation, dissolution or winding up as set forth in the necessary certificate of amendment, as required by Article FOURTH, Paragraph 2 above plus accumulated dividends on such shares up to the date of

such liquidation, dissolution or winding up of the Corporation and no more. After payment to the holders of any preferred shares then outstanding of the amount payable to them as aforesaid, the remaining assets of the Corporation shall be payable to and distributed ratably among the holders of record of the common shares.

(c) The holders of the common shares shall vote share for share, together with the holders of any series of the preferred shares entitled to have voting rights except as may be provided by the Board of Directors with respect to any other series of the preferred shares.

FIFTH: The Secretary of State is designated as the agent of the Corporation upon whom process against the Corporation may be served. The post office address to which the Secretary of State shall mail a copy of any process against the Corporation served upon him is Richard A. Lammert, One M&T Plaza, 12th Floor, Buffalo, New York 14203-2399.

SIXTH: No holder of shares of the Corporation of any class, now or hereafter authorized, shall have any preferential or preemptive right to subscribe for, purchase or receive any shares of the Corporation of any class, now or hereafter authorized, or any options or warrants for such shares, or any rights to subscribe to or purchase such shares, or any securities convertible into or exchangeable for such shares, which may at any time be issued, sold or offered for sale by the Corporation.

SEVENTH: As to any act or omission occurring after the adoption of this provision, a director of the Corporation shall, to the maximum extent permitted by the laws of the State of New York, have no personal liability to the Corporation or any of its stockholders for damages for any breach of duty as a director, provided that this Article SEVENTH shall not eliminate or reduce the liability of a director in any case where such elimination or reduction is not permitted by law."

(4) This restatement, without amendment or change, of the certificate of incorporation of M&T Bank Corporation was authorized, pursuant to section 807(a) of the Business Corporation Law, by vote of the board of directors of the Corporation.

IN WITNESS WHEREOF, the undersigned have executed, signed and verified this certificate this 29th day of May, 1998.

M&T BANK CORPORATION

By: /s/ Robert G. Wilmers
Robert G. Wilmers
President and Chief Operating Officer

By: /s/ Marie King
Marie King
Corporate Secretary

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

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

 /s/ Robert G. Wilmers

Robert G. Wilmers

 /s/ Marie King

Marie King

Sworn to before me
this 29th day of May, 1998

/s/ Timothy G. McEvoy

Notary Public

RESTATED CERTIFICATE OF INCORPORATION

OF

M&T BANK CORPORATION

UNDER SECTION 807 OF THE BUSINESS CORPORATION LAW

Dated: May 29, 1998

Filer: Richard A. Lammert, Esq.
Senior Vice President and General Counsel
M&T Bank Corporation
One M & T Plaza
Buffalo, New York 14240

BYLAWS
of
M&T BANK CORPORATION

ARTICLE I
Meetings of Stockholders

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

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

(the Chief Executive Officer, Secretary or Assistant Secretary, as the case may be) shall determine and the notice of the meeting shall specify, and shall be held at the principal office of the Corporation or at such other place within or without the State of New York as the board of directors shall determine or the notice of meeting shall specify.

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

Section 4. Waiver of Notice: Whenever under any provision of these Bylaws, the certificate of incorporation, the terms of any agreement or instrument, or law, the Corporation or the board of directors or any committee thereof is authorized to take any action after notice to any person or persons or after the lapse of a prescribed period of time, such action may be taken without notice and without the lapse of such period of time, if at any time before or after such action is completed the person or persons entitled to such notice or entitled to participate in the action to be taken or, in the case of a stockholder, by his duly authorized attorney-in-fact, submit a signed waiver of notice of such requirements. The attendance of any stockholder at a meeting, in person or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall constitute a waiver of notice by him.

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

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

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

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

Section 9. Voting; Proxies: Each stockholder of record shall be entitled at every meeting of stockholders to one vote for each share having voting power standing in his name on the record of stockholders of the Corporation on the record date fixed pursuant to Section 3 of Article VI of these Bylaws. Each stockholder entitled to vote at a meeting of stockholders may vote in person, or may authorize another person or persons to act for him by proxy. Any proxy may be signed by such stockholder or his duly authorized attorney-in-fact, including by facsimile

signature, and shall be delivered to the Secretary of the meeting, or may be authorized by telegram, cablegram or other electronic transmission provided that it can be reasonably determined from such telegram, cablegram or other electronic transmission that such proxy was authorized by the stockholder. The signature of a stockholder on any proxy, including without limitation a telegram, cablegram or other electronic transmission, may be printed, stamped or written, or provided by other reliable reproduction, provided such signature is executed or adopted by the stockholder with intention to authenticate the proxy. No proxy shall be valid after the expiration of 11 months from the date of its execution unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the stockholder executing it, except as otherwise provided by law.

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

Section 10. Appointment of Inspectors of Election: The board of directors shall appoint one or more inspectors to act at the meeting or any adjournment thereof, and may appoint one or more persons as alternate inspectors to replace any inspector who fails to appear

or act. If no inspector or alternate has been appointed, or in case any inspector or alternate inspector appointed fails to appear or act, the vacancy shall be filled by appointment made by the person presiding thereat. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability. No person who is a candidate for the office of director of the Corporation shall act as an inspector at any meeting of the stockholders at which directors are elected.

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

ARTICLE II Directors

Section 1. Number and Qualifications: The number of directors constituting the entire board shall not be less than three, except that where all the shares of the Corporation are owned beneficially and of record by less than three stockholders, the number of directors may

be less than three, but not less than the number of stockholders. Subject to any provision as to the number of directors contained in the certificate of incorporation or these Bylaws, the exact number of directors shall be fixed from time to time by action of the stockholders or by vote of a majority of the entire board of directors, provided that no decrease in the number of directors shall shorten the term of any incumbent director. If the number of directors be increased at any time, the vacancy or vacancies in the board arising from such increase shall be filled as provided in Section 5 of this Article II. All of the directors shall be at least twenty-one years of age.

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

Section 3. Resignation: Any director of the Corporation may resign at any time by giving his resignation to the President or any Vice President or the Secretary. Such resignation shall take effect at the time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 4. Removal of Directors: Any director may be removed for cause, at any meeting of stockholders notice of which shall have referred to the proposed action, by vote

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

Section 5. Vacancies: Newly created directorships resulting from an increase in the number of directors and vacancies occurring in the board of directors for any reason except the removal of directors may be filled by vote of a majority of the directors then in office, although less than a quorum exists. Any vacancy occurring in the board of directors by reason of the removal of a director by stockholders may be filled by vote of the stockholders at the meeting at which such action is taken or at any meeting of stockholders notice of which shall have referred to the proposed election. If any such newly created directorships or vacancies occurring in the board of directors for any reason shall not be filled prior to the next annual meeting of stockholders, they shall be filled by vote of the stockholders at such annual meeting. Any director elected to fill a vacancy shall be elected to hold office for the unexpired term of his predecessor.

Section 6. Directors' Fees: Directors, except salaried officers who are directors, may receive a fee for their services as directors and traveling and other out-of-pocket expenses incurred in attending any regular or special meeting of the board. The fee may be a fixed sum to be paid for attending each meeting of the board of directors and/or a fixed sum to be paid

monthly, quarterly, or semiannually, irrespective of the number of meetings attended or not attended. The amount of the fee and the basis on which it shall be paid shall be determined by the board of directors. Nothing herein contained shall preclude any director from serving the Corporation in any other capacity and receiving compensation for such service.

Section 7. First Meeting of Newly Elected Directors: The first meeting of the newly elected board of directors may be held immediately after the annual meeting of stockholders, and at the same place as such annual meeting of stockholders, provided a quorum be present, and no notice of such meeting shall be necessary. In the event such first meeting of the newly elected board of directors is not held at said time and place, the same shall be held as provided in Section 8 of this Article II.

Section 8. Meetings of Directors: Regular and special meetings of the board of directors shall be held at such times and at such place, within or without the State of New York, as the board of directors may determine. Special meetings may also be called by the Chief Executive Officer or by any four members of the board, and shall be held at such time and at such place as the person or persons calling the meeting shall determine.

Section 9. Notice of Meetings: Notice of each regular or special meeting of the board of directors, stating the time and place thereof shall be given by the Secretary, any Assistant Secretary or any member of the board to each member of the board not less than three days before the meeting by depositing the same in the United States mail, with first-class postage

thereon prepaid, directed to each member of the board at the address designated by him for such purpose (or, if none is designated, at his last known address), or not less than two days before the meeting by either delivering the same to each member of the board personally, or sending the same by telegraph, or delivering it, to the address designated by him for such purpose (or, if none is designated, to his last known address). Notice of a meeting need not be given to any director who submits a signed waiver of notice whether before or after the meeting. The notice of any meeting of the board of directors need not specify the purposes for which the meeting is called, except as provided in Section 4 of this Article II and as provided in Article X of these Bylaws.

Section 10. Quorum and Action by the Board: At all meetings of the board of directors, except as otherwise provided by law, the certificate of incorporation or these Bylaws, a quorum shall be required for the transaction of business and shall consist of not less than one-third of the entire board, and the vote of a majority of the directors present shall decide any question that may come before the meeting. A majority of the directors present, whether or not a quorum is present, may adjourn any meeting to another time or place without notice other than announcement at the meeting of the time and place to which the meeting is adjourned.

Section 11. Procedures: The order of business and all other matters of procedure at every meeting of directors may be determined by the person presiding at the meeting.

Section 12. Meetings by Conference Telephone: Any one or more members of the board of directors or any committee thereof may participate in a meeting of such board or committee by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at the meeting.

ARTICLE III
Committees of Directors

Section 1. Designation of Committees: The board of directors, by resolution or resolutions adopted by a majority of the entire board, may designate from among its members an Executive Committee and other committees, each consisting of two or more directors, and may designate one or more directors as alternate members of such committee, who may replace any absent or disqualified member or members at any meeting of such committee. In the interim between meetings of the board of directors, the Executive Committee shall have all the authority of the board of directors except as otherwise provided by law. The Executive Committee shall serve at the pleasure of the board of directors. Each other committee so designated shall have such name as may be provided from time to time in the resolution or resolutions, shall serve at the pleasure of the board of directors and shall have, to the extent provided in such resolution or resolutions, all the authority of the board of directors except as otherwise provided by law.

Section 2. Acts and Proceedings: All acts done and power and authority conferred by the Executive Committee from time to time within the scope of its authority shall be, and may be deemed to be, and may be specified as being, the act and under the authority of the board of directors. The Executive Committee shall meet at such time and place and upon such notice as the Committee may from time to time determine. Meetings may also be called by the Chief Executive Officer and shall be held at such time and place as he shall determine. The Executive Committee and each other committee shall keep regular minutes of its proceedings and report its actions to the board of directors when required.

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

ARTICLE IV
Officers

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

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

Section 3. The Chief Executive Officer: The board of directors may from time to time designate one of the officers of the Corporation as Chief Executive Officer. The Chief Executive Officer shall, under the control of the board of directors and the Executive Committee, have the general management of the Corporation's business affairs and property and shall exercise general supervision over all activities of the Corporation and the other officers. The Chief Executive Officer shall have the power to appoint or hire, to remove, and to determine the compensation of, all employees of the Corporation who are not officers, and to delegate the foregoing powers from time to time in whole or in part. The Chief Executive Officer shall preside at all meetings of the stockholders and of the board of directors.

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

board of directors or the Executive Committee, or, in the absence of any such designation, by the Chief Executive Officer.

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

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

Section 6. Officers Holding Two or More Offices: Any two or more offices may be held by the same person, except the office of President and Secretary, but no officer shall execute or verify any instrument in more than one capacity if such instrument be required by law or otherwise to be executed or verified by two or more officers.

Section 7. Duties of Officers May be Delegated: In case of the absence or disability of any officer of the Corporation, or in case of a vacancy in any office or for any other reason that the board of directors may deem sufficient, the board of directors, except as otherwise

provided by law, may temporarily delegate the powers or duties of any officer to any other officer or to any director.

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

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

ARTICLE V
Indemnification of Directors and Officers

Section 1. Right of Indemnification: Each director and officer of the Corporation, whether or not then in office, and any person whose testator or intestate was such a director or officer, shall be indemnified by the Corporation for the defense of, or in connection with, any threatened, pending or completed actions or proceedings and appeals therein, whether civil, criminal, governmental, administrative or investigative, in accordance with and to the fullest extent permitted by the Business Corporation Law of the State of New York or other

applicable law, as such law now exists or may hereafter be amended; provided, however, that the Corporation shall provide indemnification in connection with an action or proceeding (or part thereof) initiated by such a director or officer only if such action or proceeding (or part thereof) was authorized by the board of directors.

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

Section 3. Availability and Interpretation: To the extent permitted under applicable law, the rights of indemnification and to the advancement of expenses provided in this Article V (a) shall be available with respect to events occurring prior to the adoption of this Article V, (b) shall continue to exist after any rescission or restrictive amendment of this Article V

with respect to events occurring prior to such rescission or amendment, (c) may be interpreted on the basis of applicable law in effect at the time of the occurrence of the event or events giving rise to the action or proceeding, or on the basis of applicable law in effect at the time such rights are claimed, and (d) are in the nature of contract rights which may be enforced in any court of competent jurisdiction as if the Corporation and the director or officer for whom such rights are sought were parties to a separate written agreement.

Section 4. Other Rights: The rights of indemnification and to the advancement of expenses provided in this Article V shall not be deemed exclusive of any other rights to which any such director, officer or other person may now or hereafter be otherwise entitled whether contained in the certificate of incorporation, these Bylaws, a resolution of stockholders, a resolution of the board of directors, or an agreement providing such indemnification, the creation of such other rights being hereby expressly authorized. Without limiting the generality of the foregoing, the rights of indemnification and to the advancement of expenses provided in this Article V shall not be deemed exclusive of any rights, pursuant to statute or otherwise, of any such director, officer or other person in any such action or proceeding to have assessed or allowed in his or her favor, against the Corporation or otherwise, his or her costs and expenses incurred therein or in connection therewith or any part thereof.

Section 5. Severability: If this Article V or any part hereof shall be held unenforceable in any respect by a court of competent jurisdiction, it shall be deemed modified to

the minimum extent necessary to make it enforceable, and the remainder of this Article V shall remain fully enforceable.

ARTICLE VI
Shares

Section 1. Certificate of Shares: The shares of the Corporation shall be represented by certificates which shall be numbered and shall be entered in the records of the Corporation as they are issued. Each share certificate shall when issued state upon the face thereof that the Corporation is formed under the laws of the State of New York, the name of the person or persons to whom issued, and the number and class of shares and the designation of the series, if any, which such certificate represents and shall be signed by the Chief Executive Officer or President and by the Secretary and shall be sealed with the seal of the Corporation or a facsimile thereof. The signatures of the officers upon a certificate may be a facsimile if the certificate is countersigned by a transfer agent or registered by a registrar other than the Corporation itself or its employee. In case any officer who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer at the date of issue. No certificate shall be valid until countersigned by a transfer agent if the Corporation has a transfer agent, or until registered by a registrar if the Corporation has a registrar.

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

Section 3. Fixing of Record Time: The board of directors may fix, in advance, a day and hour not more than 60 days nor less than 10 days before the date on which any meeting of the stockholders is to be held, as the time as of which stockholders entitled to notice of and to vote at such meeting and at all adjournments thereof shall be determined; and, in the event such record date and time are fixed by the board of directors, no one other than the holders of record on such date and time of shares entitled to notice of and to vote at such meeting shall be entitled to notice of or to vote at such meeting or any adjournment thereof. If a record date and time shall not be fixed by the board of directors for the determination of stockholders entitled to notice of and to vote at any meeting of the stockholders, stockholders of record at the close of business on the day next preceding the day on which notice of such meeting is given, and no others, shall be entitled to notice of and to vote at such meeting or any adjournment thereof; provided, however,

that if no notice of such meeting is given, stockholders of record at the close of business on the day next preceding the day on which such meeting is held, and no others, shall be entitled to vote at such meeting or any adjournment thereof.

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

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

Section 5. Lost Share Certificates: The board of directors may in its discretion cause a new certificate for shares to be issued by the Corporation in place of any certificate theretofore issued by it, alleged to have been lost or destroyed, and the board may require the owner of the lost or destroyed certificate, or his legal representative, to give the Corporation a

bond sufficient to indemnify the Corporation against any claim that may be made against it on account of the alleged loss or destruction of any such certificate or the issuance of any such new certificate; but the board of directors may in its discretion refuse to issue such new certificate save upon the order of the court having jurisdiction in such matters.

ARTICLE VII
Finances

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

Section 2. Fiscal Year: The fiscal year of the Corporation shall be the calendar year unless otherwise provided by the board of directors.

ARTICLE VIII
Corporate Seal

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

ARTICLE IX
Emergency Bylaw Provisions

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

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

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

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

ARTICLE X
Amendments

Section 1. Procedure for Amending Bylaws: Bylaws of the Corporation may be adopted, amended or repealed at any meeting of stockholders notice of which shall have

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

ARTICLE XI
Election Under Section 912 of the
New York Business Corporation Law

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

M&T BANK CORPORATION

BYLAWS

(as last amended on May 19, 1998)

M&T BANK CORPORATION
1983 STOCK OPTION PLAN
(COMPOSITE COPY AS OF JULY 21, 1998)

1. Definitions

In this Plan, except where the context otherwise indicates, the following definitions apply:

(a) "Agreement" means the written agreement implementing a grant of an Option and/or Right.

(b) "Board" means the Board of Directors of the Company.

(c) "Code" means the Internal Revenue Code of 1986, as amended.

(d) "Committee" means the committee of the Board meeting the standards of Rule 16b-3(d)(1) and Treasury Regulations ss. 1.162-27(c)(4), or any similar successor rules or regulations, appointed by the Board to administer this Plan. Unless otherwise determined by the Board, the Compensation Committee of the Board shall be the Committee.

(e) "Common Stock" means the authorized but unissued or reacquired Common Stock, par value \$5.00 per share, of the Company.

(f) "Company" means M&T Bank Corporation.

(g) "Date of Exercise" means the date on which the Company receives notice pursuant to Article 8 of the exercise of an Option or Right.

(h) "Date of Grant" means the date on which an Option or Right is granted by the action of the Committee or such later date as may be specified by the Committee in taking such action.

(i) "Director" means any person who is a director of the Company or any Subsidiary.

(j) "Employee" means any person determined by the Committee to be an employee of the Company or any Subsidiary.

(k) "Exchange Act" means the Securities and Exchange Act of 1934, as amended.

(l) "Fair Market Value" of a share of Common Stock means the amount equal to the closing price for a share of Common Stock on the New York Stock Exchange as reported by such source as the Committee may select, or, if such price quotation for a share of Common Stock is not

so reported, then the fair market value of such stock as determined by the Committee pursuant to a reasonable method adopted in good faith for such purpose, in each case subject to adjustment under Article 10.

(m) "Grant Price" means (i) in the case of a Right that is not a Related Right, the Fair Market Value per share on the Date of Grant of the Right, (ii) in the case of a Right that is a Related Right to a Nonstatutory Stock Option and not to another Right, either (A) the Option Price per share as provided in the Related Option or (B) the Fair Market Value per share on the Date of Grant of the Right, as designated by the Committee in the Agreement granting the Right, (iii) in the case of a Right that is a Related Right to an Incentive Stock Option, the Option Price per share as provided in the Related Option, (iv) in the case of a Right that is a Related Right to another Right and not to an Option, either (A) the Fair Market Value per share on the Date of Grant of the Right or (B) the Fair Market Value per share on the Date of Grant of its Related Right, as designated by the Committee in the Agreement granting the Right, or (v) in the case of a Right that is a Related Right both to a Nonstatutory Stock Option and to another Right, (A) the Option Price per share as provided in the Related Option, (B) the Fair Market Value per share on the Date of Grant of the Right, or (C) the Fair Market Value per share on the Date of Grant of its Related Right, as designated by the Committee in the Agreement granting the Right.

(n) "Incentive Stock Option" means an Option granted under the Plan that qualifies as an incentive stock option under section 422 of the Code and that the Company designates as such in the Agreement granting the Option.

(o) "Key Employee" means (i) an Employee who is an officer of the Company or a Subsidiary, or who is determined by the Committee to be in a managerial, professional, or other key position of the Company or a Subsidiary, or (ii) a former trustee or officer of The East New York Savings Bank who, upon closing of the acquisition by the Company of The East New York Savings Bank, was granted nonstatutory stock options under the Plan pursuant to the terms of Section 5(i) of the Merger Agreement by and between First Empire State Corporation, The East New York Savings Bank and the incorporators of West Interim Savings Bank.

(p) "Limited Right" means a limited stock appreciation right granted under the Plan.

(q) "Limited Right Period" means the period during which a Limited Right may be exercised as provided in Paragraph 7(h) hereof.

(r) "Nonlimited Right" means a nonlimited stock appreciation right granted under the Plan.

(s) "Nonlimited Right Period" means the period during which a Nonlimited Right may be exercised as provided in Paragraph 7(g) hereof.

(t) "Nonstatutory Stock Option" means an Option granted under the Plan which is not an Incentive Stock Option.

(u) "Offer" means any tender offer or exchange offer for the Company's Common Stock made by an Offeror which might, if consummated pursuant to its terms or pursuant to any power reserved in its terms, cause the Offeror to become the beneficial owner of twenty percent or more of the outstanding Common Stock. As used in this definition, "beneficial owner" shall have the meaning ascribed to it from time to time under the rules and regulations promulgated by the SEC under Section 13(d) of the Exchange Act, or in the event of the repeal or alteration of such section, such meaning as may from time to time be ascribed to "beneficial owner" under the rules and regulations promulgated by the SEC under any similar federal law.

(v) "Offer Price per Share" with respect to the exercise of a Limited Right means the greater of (i) the highest price per share of Common Stock paid in any Offer which Offer is in effect at any time during the period beginning on the ninetieth day prior to the Date of Exercise of such Limited Right and ending on the Date of Exercise of such Limited Right or (ii) the highest Fair Market Value per share of Common Stock during such period. Any securities or property that is part or all of the consideration paid for shares in the Offer shall be valued in determining the Offer Price per Share at the higher of (A) the valuation placed on such securities or property by the corporation, person or other entity making such Offer or (B) the valuation placed on such securities or property by the Committee.

(w) "Offeror" means any person, other than the Company or any of its Subsidiaries, who makes an Offer. As used in this definition, "person" shall include any natural person, corporation, partnership, trust, association, business entity, or any group of persons, whose ownership of Common Stock would be required to be reported collectively pursuant to Section 13(d) of the Exchange Act and the rules and regulations promulgated by the SEC thereunder, as from time to time in effect, or in the event of the repeal or alteration of such section, such reporting requirements as may from time to time be prescribed by any similar federal law.

(x) "Option" means an Incentive Stock Option or Nonstatutory Stock Option granted under the Plan.

(y) "Option Period" means the period during which an Option may be exercised.

(z) "Option Price" means the price per share at which an Option may be exercised. The Option Price shall be determined by the Committee, but in no event shall the Option Price be less than the greater of the Fair Market Value of the Common Stock determined as of the Date of Grant or the par value of the Common Stock, except that in connection with grants of Options to those Key Employees who were granted Options upon the closing of the Company's acquisition of The East New York Savings Bank as described in Section 1(o)(ii) hereof, the Option Price of Options granted upon closing of the acquisition may not be less than the price at which Common Stock was sold to the public pursuant to the underwritten offering in connection with the Company's acquisition of The

East New York Savings Bank.

(aa) "Optionee" means a Key Employee to whom an Option or Right has been granted.

(bb) "Plan" means the M&T Bank Corporation 1983 Stock Option Plan, as amended.

(cc) "Related Option" means an Option in connection with which, or by amendment to which, a specified Right is granted.

(dd) "Related Right" means a Right granted in connection with, or by amendment to, a specified Option or other Right.

(ee) "Right" means a Limited Right or Nonlimited Right granted under the Plan.

(ff) "Rule 16b-3" means Rule 16b-3 of the rules and regulations as promulgated and amended from time to time by the SEC under Section 16(b) of the Exchange Act.

(gg) "SEC" means the Securities and Exchange Commission.

(hh) "Subsidiary" means a corporation at least fifty percent of the total combined voting power of all classes of stock of which is owned by the Company, either directly or through one or more other Subsidiaries.

2. Purpose

This Plan is intended to aid in maintaining and developing strong management through encouraging the ownership of Common Stock by Key Employees and through stimulating their efforts by giving suitable recognition, in addition to their other remuneration, to the ability and industry which contribute materially to the success of the Company's business interests, and to provide an incentive to the continued service of such Key Employees.

3. Administration

This Plan shall be administered by the Committee. In addition to any other powers granted to the Committee, it shall have the following powers, subject to the express provisions of the Plan:

(a) subject to the provisions of Articles 4, 6 and 7, to determine in its discretion the Key Employees to whom Options or Rights shall be granted under the Plan, the number of shares to be subject to each Option or Right, and the terms upon which, the times at which, and the periods within which such Options or Rights may be acquired and exercised;

(b) to determine all other terms and provisions of each Agreement, which need not be identical;

(c) without limiting the foregoing, to provide in its discretion in an Agreement:

(i) for an agreement by the Optionee to render services to the Company or a Subsidiary upon such terms and conditions as may be specified in the Agreement, provided that the Committee shall not have the power to commit the Company or any Subsidiary to employ or otherwise retain any Optionee;

(ii) for restrictions on the transfer, sale or other disposition of the Common Stock issued to the Optionee upon the exercise of an Option or Right;

(iii) for an agreement by the Optionee to resell to the Company, under specified conditions, stock issued upon the exercise of an Option or Right; and

(iv) for the form of payment of the Option Price upon the exercise of an Option, including without limitation in cash, by delivery (including constructive delivery) of shares of Common Stock valued at Fair Market Value on the Date of Exercise of the Option, or by a combination of cash and Common Stock;

(d) to construe and interpret the Agreements and the Plan;

(e) to require, whether or not provided for in the pertinent Agreement, of any person exercising an Option or Right granted under the Plan, at the time of such exercise, the making of any representations or agreements which the Committee may deem necessary or advisable in order to comply with the securities laws of the United States or of any state;

(f) to provide for satisfaction of an Optionee's tax liabilities arising in connection with the Plan through, without limitation, retention by the Company of shares of Common Stock otherwise issuable on the exercise of a Nonstatutory Stock Option or Nonlimited Right or through delivery of shares of Common Stock to the Company by the Optionee under such terms and conditions as the Committee deems appropriate; and

(g) to make all other determinations and take all other actions necessary or advisable for the administration of the Plan.

Any determinations or actions made or taken by the Committee pursuant to this Article shall be binding and final.

4. Eligibility

Options and Rights may be granted only to Key Employees, provided, however, that the members of the Committee are not eligible to receive Options or Rights under the Plan. A Key Employee who has been granted an Option or Right may be granted additional Options and Rights.

5. Stock Subject to the Plan

(a) There is hereby reserved for issuance upon the exercise of Options and Rights granted under this Plan an aggregate of 2,500,000 shares of Common Stock, subject to the provisions of Article 10; provided, however, that no Key Employee shall be granted in any fiscal year of the Company Options and Rights (including Rights that may be exercised only for cash) for more than 50,000 shares, provided that a newly-hired Key Employee who will serve as an executive officer of the Company may receive an additional one-time grant of Options and/or Rights covering up to 50,000 shares of the Common Stock upon commencement of employment with the Company, and provided further that such limits shall be subject to such adjustment, if any, as the Committee deems appropriate to reflect such events as stock dividends, stock splits, recapitalizations, mergers, consolidations or reorganizations of or by the Company; and

(b) Shares of Common Stock available under this Plan shall be reduced by the sum of the aggregate number of shares of Common Stock which become subject to outstanding Options and Rights. To the extent that shares of Common Stock are not issued or delivered by reason of the settlement in cash (if permitted in the applicable Agreement, expiration, termination, cancellation or forfeiture of such Options or Rights, or by reason of the delivery or withholding of shares of Common Stock to pay all or a portion of the exercise price of an award, if any, or to satisfy all or a portion of the tax withholding obligations relating to an award, then such shares of Common Stock shall again be available under the Plan. The Committee is authorized to modify or amend this Section 5(b) in such manner as the Committee deems appropriate for the administration of the Plan.

6. Options

(a) Pursuant to the terms of the Plan, the Committee is hereby authorized to grant Nonstatutory Stock Options and Incentive Stock Options to Key Employees.

(b) All Agreements granting Options shall contain a statement that the Option is intended to be either (i) a Nonstatutory Stock Option or (ii) an Incentive Stock Option.

(c) The Option Period shall be determined by the Committee and specifically set forth in the Agreement, provided, however, that an Option shall not be exercisable after ten years from the Date of Grant in the case of an Incentive Stock Option and after ten years and one day from the Date of Grant in the case of a Nonstatutory Stock Option.

(d) The aggregate Fair Market Value (determined as of the date an Incentive Stock Option is granted) of the Common Stock with respect to which all Incentive Stock Options granted to any one person at any time (under all stock option plans of the person's employer corporation and its "parent" and "subsidiary" corporations) may first become exercisable in any calendar year shall not exceed \$100,000. For purposes of this Paragraph (d), the terms "parent" and "subsidiary" corporations shall have the respective meanings given to them in section 424 of the Code.

(e) All Incentive Stock Options granted under the Plan shall comply with the provisions of the Code governing incentive stock options and with all other applicable rules and regulations.

(f) All other terms of Options granted under this Plan shall be determined by the Committee in its sole discretion.

7. Rights

(a) Pursuant to the terms of the Plan, the Committee is hereby authorized to grant Rights.

(b) A Nonlimited Right may be granted under the Plan as follows:

(i) in connection with, and at the same time as, the grant of an Option or a Limited Right under the Plan;

(ii) by amendment of an outstanding Nonstatutory Stock Option or Limited Right granted under the Plan; or

(iii) independently of any Option or Limited Right granted under the Plan.

(c) A Limited Right may be granted under the Plan as follows:

(i) in connection with, and at the same time as, the grant of an Option or a Nonlimited Right under the Plan;

(ii) by amendment of an outstanding Nonstatutory Stock Option or nonlimited Right granted under the Plan; or

(iii) independently of any Option or Nonlimited Right granted under the Plan.

(d) A Related Right may apply, in the Committee's discretion, to all or a portion of the Common Stock subject to its Related Right or Related Option.

(e) A Nonlimited Right granted under the Plan may be exercised in whole or in part as provided in the Agreement and, subject to the provisions of the Agreement and Paragraph (l) of this Article, entitles its Optionee to receive, without any payment to the Company, either cash or that number of shares of Common Stock (up to the highest whole number of shares), or a combination thereof, in the amount of or having a Fair Market Value determined as of the Date of Exercise equal to the number of shares of Common Stock subject to the portion of the Nonlimited Right exercised multiplied by an amount equal to the excess of (i) the Fair Market Value per share on the Date of Exercise of the Nonlimited Right over (ii) the Grant Price of the Nonlimited Right.

(f) A Limited Right granted under the Plan may be exercised in whole or in part as provided in the Agreement and entitles its Optionee to receive, without any payment to the Company, cash in an amount equal to the number of shares of Common Stock subject to the portion of the Limited Right exercised multiplied by an amount equal to the excess of (i) in the case of a Limited Right that is not a Related Right to an Incentive Stock Option, (A) the Offer Price per Share over (B) the Grant Price of the Limited Right or (ii) in the case of a Limited Right that is a Related Right to an Incentive Stock Option, (A) the Fair Market Value per share on the Date of Exercise of such Limited Right over (B) the Grant Price of the Limited Right.

(g) Subject to the provisions of Paragraph (i) of this Article, the Nonlimited Right Period shall be determined by the Committee and set forth in the Agreement.

(h) Subject to the provisions of Paragraph (i) of this Article, the Limited Right Period shall be the period beginning on the first day following the date of the first purchase of shares of Common Stock pursuant to any Offer and ending on the date ninety days thereafter.

(i) Notwithstanding any other provision of this Plan or any provision of any Agreement, the following rules shall apply:

(i) a Right will expire no later than the earlier of (A) ten years from the Date of Grant or (B) in the case of a Related Right, the expiration of its Related Right or Related Option;

(ii) a Right may be exercised only when the Fair Market Value of a share of Common Stock on the Date of Exercise exceeds the Grant Price of the Right;

(iii) a Right that is a Related Right to an Incentive Stock Option may be exercised only when and to the extent the Related Option is exercisable; and

(iv) a Limited Right that is a Related Right to a Nonstatutory Stock Option or to a Nonlimited Right may be exercised with respect to all or any portion of the shares subject to the Limited Right whether or not its Related Right or Related Option is then exercisable to that extent.

(j) The Company intends that this Article shall comply with the requirements of Rule 16b-3 during the term of this Plan. Should any provision of this Article not be necessary to comply with the requirements of Rule 16b-3 or should any additional provisions be necessary for this Article to comply with the requirements of Rule 16b-3, the Board or the Committee may amend this Plan to delete, add to or modify the provisions of the Plan accordingly. The Company's failure for any reason whatsoever to comply with any requirements of Rule 16b-3, and any resultant unavailability of Rule 16b-3 to Optionees shall not impose any liability on the Company to any Optionee or to any other party.

(k) The exercise, in whole or in part, of a Related Right shall cause a reduction in the number of shares of Common Stock subject to its Related Right or Related Option equal to the number of shares of Common Stock with respect to which the Right being exercised is exercised. Similarly, the exercise, in whole or in part, of a Related Option shall cause a reduction in the number of shares subject to the Related Right equal to the number of shares with respect to which the Related Option is exercised.

(l) Subject to the limitations of the Agreement and this Paragraph (l), an Optionee may (A) elect to receive cash upon exercise of a Right and exercise such Right or (B) exercise a Right exercisable only for cash, and upon such election and exercise or such exercise, the Company shall settle its obligations arising out of the exercise of the Right by the payment of cash in the amount set forth in Paragraph (e) of this Article if the Right is a Nonlimited Right, or in the amount set forth in Paragraph (f) of this Article if the Right is a Limited Right; provided, however, that the Committee shall have the sole discretion to consent to or to disapprove the election of any Optionee to receive cash in full or partial settlement of a Right.

Any election by an Optionee for settlement in cash must be made in the notice of exercise of the Right. In cases where an election of settlement in cash must be consented to by the Committee, the Committee may consent to, or disapprove, such election at any time after such election, or within such period for taking such action as is specified in the notice of exercise and election, and failure to give such consent shall be disapproval. Such consent may be given in whole or as to a portion of the Right surrendered by the Optionee. If such election to receive cash is disapproved in whole or in part, the Right shall be deemed to have been exercised for stock, or, if so specified in the notice of exercise and election, not to have been exercised, to the extent such election to receive cash is disapproved.

8. Exercise

An Option or Right may be exercised, subject to the provisions of the Agreement under which it was granted, in whole or in part by the delivery to the Company of written notice of the exercise, in such form as the Committee may prescribe, accompanied, in the case of an Option, by either (a) full payment for the Common Stock with respect to which the Option is exercised; (b) delivery of shares of Common Stock (including constructive delivery) having a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said option shall be exercised; or (c) a properly executed exercise notice and irrevocable instructions to a broker promptly to deliver to the Company cash equal to the exercise price.

9. Nontransferability

Except as otherwise provided in an Agreement, Options and Rights granted under the Plan shall not be transferable otherwise than by will or the laws of descent and distribution, and an Option or Right may be exercised, during the Optionee's lifetime, only by the Optionee or, in the event of the Optionee's legal disability, by the Optionee's legal representative. A Related Right is transferable

only when its Related Right or Related Option is transferable and only with its Related Right or Related Option and under the same conditions.

10. Capital Adjustments

The number, class and Fair Market Value of shares subject to each outstanding Option or Right, the Option Price and the aggregate number and class of shares for which grants thereafter may be made shall be subject to such adjustment, if any, as the Committee in its sole discretion deems appropriate to reflect such events as stock dividends, stock splits, recapitalizations, mergers, consolidations or reorganizations of or by the Company.

11. Termination or Amendment

The Board shall have the power to terminate the Plan and to amend it in any respect, provided that after the Plan has been approved by the stockholders of the Company, the Board may not amend the Plan, without the approval of the stockholders of the Company, if such amendment would be required to be approved by the stockholders of the Company under the laws of the State of New York, in order for the Plan to continue to satisfy the conditions of Rule 16b-3, in order for Incentive Stock Options to qualify as such under section 422 of the Code, or under the rules of any securities exchange on which shares of Common Stock are listed. No termination or amendment of the Plan shall affect adversely the rights or obligations of the holder of any Option or Right granted under the Plan without the holder's consent.

12. Modification, Extension and Renewal of Options and Rights

Subject to the terms and conditions and within the limitations of the Plan, the Committee may modify, extend or renew outstanding Options and Rights granted under the Plan; or may accept the surrender of outstanding Options and Rights (to the extent not exercised theretofore) granted under the Plan, or outstanding options and rights (to the extent not exercised theretofore) granted under any other stock option, stock purchase, stock appreciation rights, or other stock-related plan of the Company or of a company which has been merged or consolidated with the Company or a Subsidiary or which has become a Subsidiary through the acquisition by the Company or by a Subsidiary of stock or assets of the company, and authorize the granting of new Options and Rights pursuant to the Plan in substitution therefor (to the extent not exercised theretofore), and the substituted Options and Rights may specify terms different than the surrendered options and rights or have any other provisions which are authorized by the Plan; or may assume options and rights granted by such other company, and such options and rights shall not reduce the number of shares of Common Stock available for the grant of Options and Rights under this Plan, except to the extent that such options and rights are granted under this Plan pursuant to a provision of a plan or agreement of merger of such other company with the Company, and to the extent that such options and rights, if granted under this Plan, would reduce the number of shares of Common Stock available pursuant to the provisions of Article 5. The Company may grant options and rights otherwise than under the provisions of this Plan and may adopt other stock option plans or stock purchase, stock

appreciation rights, or other stock-related plans, and such options and rights and the options, rights, and stock granted or issued under such plans shall not reduce the number of shares of Common Stock available for the grant of Options and Rights under this Plan. Neither the adoption or amendment of this Plan nor the submission of the Plan or amendments for stockholder approval shall be deemed to impose any limitation on the powers of the Company to grant or assume options or rights otherwise than under this Plan or to adopt other stock option plans or stock purchase, stock appreciation rights, or other stock-related plans, nor shall they be deemed to impose any requirement of stockholder approval upon the same. Notwithstanding the foregoing, however, no modification of an Option or Right granted under the Plan shall alter or impair the rights or obligations of the holder of such Option or Right without the consent of the holder.

13. Effectiveness of the Plan

The Plan and any amendments which require stockholder approval pursuant to Article 11 are subject to approval by vote of the stockholders of the Company within twelve months after their adoption by the Board. Subject to such approval, the Plan and any amendments are effective on the date on which they are adopted by the Board. Options and Rights may be granted prior to stockholder approval of the Plan or amendments, but each such Option or Right granted shall be subject to the approval, if required, of the Plan or amendments by the stockholders. Except as otherwise required to satisfy the requirements of Rule 16b-3, the day on which any Option or Right granted prior to required stockholder approval of the Plan or amendments is granted shall be the Date of Grant for all purposes as if the Option or Right had not been subject to such approval. No Option or Right granted may be exercised prior to such required stockholder approval.

14. Term of the Plan

Unless sooner terminated by the Board pursuant to Article 11, the Plan shall terminate ten years from the date on which the Board approves the most recent amendment to the Plan that changes either the aggregate number of shares of Common Stock that may be issued under the Plan or the class of persons eligible to receive Options or Rights under the Plan, and which amendment subsequently is approved by the stockholders of the Company. No Options or Rights may be granted after termination. Termination of the Plan shall not affect the validity of any Option or Right outstanding on the date of termination.

15. Indemnification of Committee

In addition to such other rights of indemnification as they may have as Directors or as members of the Committee, the members of the Committee shall be indemnified by the Company against the reasonable expenses, including attorneys' fees, actually and reasonably incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan or any Option or Right granted hereunder, and against all amounts reasonably paid by them in settlement thereof or paid by them in satisfaction of a judgment

in any such action, suit or proceeding, if such members acted in good faith and in a manner which they believed to be in, and not opposed to, the best interests of the Company.

16. General Provisions

(a) The establishment of the Plan shall not confer upon any Employee or Key Employee any legal or equitable right against the Company, any Subsidiary or the Committee except as expressly provided in the Plan.

(b) The Plan does not constitute inducement or consideration for the employment of any Employee, nor is it a contract between the Company or any Subsidiary and any Employee or Key Employee. Participation in the Plan shall not give any Employee or Key Employee any right to be retained in the service or employ of the Company or any Subsidiary. The Company and its Subsidiaries retain the right to hire and discharge any Employee at any time, with or without cause, as if the Plan never had been adopted.

(c) The interests of any Optionee under the Plan are not subject to the claims of creditors and may not be assigned, alienated or encumbered in any way.

(d) The Plan shall be governed, construed and administered in accordance with the laws of the State of New York and the intention of the Company that Incentive Stock Options granted under the Plan qualify as such under section 422 of the Code.

M&T BANK CORPORATION

ANNUAL EXECUTIVE INCENTIVE PLAN

1. Objective

The objective of the M&T Bank Corporation Annual Executive Incentive Plan (the "Plan") is to promote the interests of M&T Bank Corporation by providing key executives with an additional incentive and reward to achieve excellence in management.

2. Administration of the Plan

The Plan shall be administered by the Compensation Committee (the "Committee") of the Board of Directors of M&T Bank Corporation. No member of the Committee while serving as such shall be eligible for participation in the Plan. The Committee has exclusive and final authority in all determinations affecting the Plan and its participants. The Committee shall have the authority to interpret the Plan, to set up and review the rules and regulations relating to the Plan, and to make any other determination that it believes necessary or advisable for the administration of the Plan.

3. Participation

Participation in the Plan shall be determined by the Committee and is limited to those executives who are members of the Management Group.

4. Bonus Pool

The bonus pool shall be established annually by the Committee. In doing so, the Committee shall consider M&T Bank Corporation's profitability as well as the number of potential participants. The Committee may establish a minimum threshold of after-tax profit in each year below which no bonus pool will be established. At year end, the Committee may increase the established bonus pool at its discretion in accordance with its views on management's contribution to profitability, provided such increase is no more than 50 percent.

5. Award

Payments awarded under the Plan will be determined by the Committee. Awards are determined on a discretionary basis which takes into account M&T Bank Corporation's overall performance, the performance of the strategic business units for which M&T Bank Corporation's executive officers are responsible and the executive officers' individual performances. It is not required that every Plan participant be awarded a bonus.

6. Payment

All payments awarded under the Plan will be paid in cash within a reasonable period after performance achievements have been finalized, reviewed and approved by the Committee, unless the participant has elected to defer part or all of the award.

7. Right to Payment of Award

A participant shall have no right to receive payment for any part of the award and the award shall be forfeited unless he/she remains an employee of M&T Bank Corporation or its subsidiaries at all times from his or her date of selection as a participant in any particular year through a date which is the earliest to occur of (a) December 31 of the year for which the award is granted, (b) normal retirement date, (c) death or (d) total disability. The Committee may, if in its opinion circumstances warrant such action, approve payment of any part or all of an award which would otherwise be forfeited as a result of a participant failing to remain an employee of M&T Bank Corporation or its subsidiaries for the required period.

8. Miscellaneous

(a) A participant's rights and interests under the Plan may not be assigned or transferred. In the case of a participant's death, any payment which may be awarded under the Plan shall be made to his/her designated beneficiary, or in the absence of such designation, shall be made to his/her estate.

(b) No employee or other person shall have any claim or right to be granted an award under the Plan. Neither this Plan nor any action taken hereunder shall be construed as giving any employee any right to be retained in the employ of M&T Bank Corporation or its subsidiaries. M&T Bank Corporation shall have the right to deduct from all awards any taxes required by law to be withheld with respect to such awards.

(c) As used in this Plan, "total disability" means complete and permanent inability by reason of illness or accident to perform the duties of the occupation at which a participant was employed by M&T Bank Corporation or its subsidiaries when such disability commenced. All determinations as to the date and extent of such disability shall be made by the Committee, upon the basis of such evidence as the Committee deems necessary and appropriate.

9. Amendment, Suspension and Termination

The Committee reserves the right at any time to amend, suspend or terminate the Plan, if in its sole judgement, such amendment, suspension or termination is deemed necessary or appropriate.

10. Effective Date of the Plan

The Plan shall be effective as of January 1, 1993, and together with any amendments thereto, shall continue from year to year until suspended or terminated by the Committee. The fiscal year of the Plan shall be January 1 through December 31.

M&T BANK CORPORATION
SUPPLEMENTAL PENSION PLAN

ARTICLE I
PURPOSE

1.1 The purpose of this M&T Bank Corporation Supplemental Pension Plan (the "Supplemental Pension Plan") is to provide for the payment of supplemental retirement benefits to select management and highly compensated employees of certain affiliates of M&T Bank Corporation (the "Employers"), whose benefits payable under the M&T Bank Corporation Pension Plan (the "Pension Plan") are subject to certain benefit limitations imposed by Section 401(a)(17) of the Internal Revenue Code, as amended (the "Code"). The Employers intend and desire that this Supplemental Pension Plan, together with the other elements of the Employers' compensation programs, will attract, retain and motivate eligible employees.

ARTICLE II
DEFINITIONS

All terms used herein with initial capital letters which are defined in the Pension Plan shall have the meanings assigned to them under the provisions of the Pension Plan unless otherwise specified herein or as otherwise qualified by the context in which the term is used in this Supplemental Pension Plan.

2.1 For the purposes of this Supplemental Pension Plan, the following words and phrases shall have the meanings indicated unless a different meaning is clearly required by the context. Any terms used herein in the masculine shall be read and construed in the feminine where they would so apply, and any terms used in the singular shall be read and construed in the plural if appropriate.

(a) "Committee" shall mean the Committee charged with the administration of this Supplemental Pension Plan under Article VI.

(b) "Company" shall mean Manufacturers and Traders Trust Company or any successor by merger, purchase or otherwise.

(c) "Compensation" shall mean the amount so defined in the Pension Plan, plus any amounts deferred by a Participant under the M&T Bank Corporation Supplemental Retirement Savings Plan.

(d) "Compensation Limitation" shall mean, for any given year beginning on and after

January 1, 1994, \$150,000, as adjusted to and including such given year of determination in the manner provided under Code Section 401(a)(17).

(e) "Employee" shall mean any common law employee of an Employer.

(f) "Employer" shall mean any affiliate of M&T Bank Corporation that participates in the Pension Plan.

(g) "Participant" shall mean an Employee who has become a Participant in accordance with Section 3.2. Participant shall also include a former Employee who had met the foregoing criteria as an Employee and who is, at the time of determination, receiving a benefit (or entitled to receive a benefit) from this Supplemental Pension Plan.

(h) "Supplemental Pension Plan" shall mean this M&T Bank Corporation Supplemental Pension Plan, as the same may be amended from time to time.

(i) "Supplemental Pension Plan Benefit" shall mean, to the extent applicable to any given Participant, the benefit determined under the provisions of Section 4.1.

ARTICLE III
ELIGIBILITY AND PARTICIPATION

3.1 Any Employee who is a member of a select group of management or highly compensated employees as designated by the Committee is eligible to participate in this Supplemental Pension Plan, provided, however, that any such Employee shall become a Participant hereunder only as provided under Section 3.2.

3.2 An Employee eligible to participate in this Supplemental Pension Plan under Section 3.1 shall become a Participant in this Supplemental Pension Plan as of the first day of the calendar year in which his benefit under the Pension Plan is first affected by the Compensation Limitation. The determination of whether and at which time an Employee is affected by the Compensation Limitation and is eligible for participation herein shall be made by the Committee. Notwithstanding the foregoing, a Participant (or his surviving spouse or beneficiary) may become eligible for a Supplemental Pension Plan Benefit only in the event that:

(a) such individual is entitled to receive a benefit under the Pension Plan; and

(b) payment of such Pension Plan benefit is restricted by the application of Code Section 401(a)(17), as in effect on or after January 1, 1994.

ARTICLE IV
CALCULATION OF SUPPLEMENTAL PENSION PLAN BENEFIT

4.1 The annual Supplemental Pension Plan Benefit to a Participant eligible therefor under Section 3.2 (or to his surviving spouse or beneficiary or beneficiaries), shall be the result obtained by subtracting (b) from (a), where:

(a) equals the annual benefit which would have been payable to such Participant, or, on his behalf, to his surviving spouse or other beneficiary or beneficiaries under the Pension Plan, if the provisions of the Pension Plan were administered without regard to the annual limitation on Compensation set forth in Code Section 401(a)(17), but with Compensation capped at \$235,840, and

(b) equals the annual benefit which is payable to such Participant, or, on his behalf, to his surviving spouse or other beneficiary or beneficiaries under the Pension Plan.

The Supplemental Pension Plan Benefit payable under this Supplemental Pension Plan to, or on behalf of, a Participant shall be computed in accordance with the foregoing and with the objective that the Participant, his surviving spouse or other beneficiary or beneficiaries, should receive under the Supplemental Pension Plan and the Pension Plan, the total amount which would otherwise have been payable to that recipient solely under the Pension Plan as of the date payment is made, had the provisions of Code Section 401(a)(17) not been applicable thereto and using Compensation capped in the amount set forth above.

4.2 Notwithstanding any provision of this Supplemental Pension Plan to the contrary, the Supplemental Pension Plan Benefits provided under Article IV shall be determined and coordinated by the Committee so as to prevent any duplication of benefits under this Plan or any duplication of benefits under this Plan and benefits under any individual executive or supplemental agreement.

ARTICLE V
COMMENCEMENT AND FORM OF SUPPLEMENTAL PENSION PLAN BENEFIT

5.1 Supplemental Pension Plan Benefits hereunder shall become payable to a Participant, surviving spouse or beneficiary as of the date upon which such Participant, spouse or beneficiary is to commence to receive benefit payments under the Pension Plan. Such Supplemental Pension Plan Benefits shall be payable in the form elected under the Pension Plan. The payment provided hereunder shall be the Actuarial Equivalent of the Participant's Supplemental Pension Plan Benefit determined under the form elected under the Pension Plan.

5.2 A Participant's designation of form of payment under the Pension Plan shall be subject to the

Committee's power, to be exercised at the Committee's discretion, to direct that any Supplemental Pension Plan Benefits payable to a Participant, surviving spouse or beneficiary be paid in a form of a lump sum payment as determined by the Committee.

- 5.3 The Supplemental Pension Plan Benefit payable hereunder to, or on behalf of, a Participant shall be paid by the Employer who last employed the Participant.

ARTICLE VI
ADMINISTRATION

- 6.1 The Committee shall be charged with the administration of this Supplemental Pension Plan. The members of the Committee shall be selected by the Company. The Committee shall have all such powers as may be necessary to discharge its duties relative to the administration of this Supplemental Pension Plan, including by way of illustration and not limitation, discretionary authority to interpret and construe this Supplemental Pension Plan, to decide any dispute arising hereunder, to determine the right of any Employee with respect to benefits payable hereunder and to adopt, alter and repeal such administrative rules, regulations and practices governing the operation of this Supplemental Pension Plan as it, in its sole discretion, may from time to time deem advisable. No member of the Committee shall be liable to any person for any action taken or omitted in connection with the interpretation and administration of this Supplemental Pension Plan unless attributable to willful misconduct or lack of good faith. The Committee shall be entitled to rely conclusively upon all tables, valuations, certificates, opinions and reports furnished by any actuary, accountant, controller, counsel or other person employed or engaged by the Committee or the Company with respect to this Supplemental Pension Plan. Members of the Committee shall not participate in any action or determination regarding solely their own benefits payable hereunder. Except as provided in Section 6.3, decisions of the Committee made in good faith shall be final, conclusive and binding upon all parties.

- 6.2 Whenever the Committee denies, in whole or in part, a claim for benefits filed by any person (hereinafter referred to as a "Claimant"), the Committee will provide a written notice setting forth, in a manner calculated to be understood by the Claimant, a statement of the specific reasons for the denial of the claim, references to the specific Supplemental Pension Plan provisions on which the denial is based, a description of any additional needed material or information and why such is necessary, and an explanation of the claims review procedure as set forth herein. In addition, such notice shall contain the date on which it was sent and a statement advising the Claimant that, within 90 days of the date of receipt of such notice, he may obtain review of the Committee's decision.

- 6.3 Within 90 days of the date on which the notice of denial of claim is received by the Claimant, the Claimant or his authorized representative may request that the claim denial be reviewed by filing with the Committee a written request therefor, which request shall contain the following information:

(a) the date on which the notice of denial of claim was received by the Claimant;

(b) the date on which the Claimant's request was filed with the Committee, provided, however, that the date on which the Claimant's request for review was in fact filed with the Committee shall control in the event that the date of the actual filing is later than the date stated by the Claimant pursuant to this clause (b);

(c) the specific portions of the denial of his claim which the Claimant requests the Committee to review;

(d) a statement by the Claimant setting forth the basis upon which he believes the Committee should reverse its previous denial of his claim for benefits and accept his claim as made; and

(e) any written material (included as exhibits) which the Claimant desires the Committee to examine in its consideration of his position as stated pursuant to clause (d).

Within 60 days of the date determined pursuant to clause (b) (or, if special circumstances require an extension of time, within 120 days of such date), the Committee shall conduct a full and fair review of the decision denying the Claimant's claim for benefits and shall deliver, to the Claimant in writing, its decision. Such written decision shall set forth, in a manner calculated to be understood by the Claimant, a statement of the specific reasons for its decision, including references to the specific provisions of this Supplemental Pension Plan which were relied upon. The decision will be final and binding on all persons concerned.

ARTICLE VII
AMENDMENT AND TERMINATION

7.1

The Employers expect to continue this Supplemental Pension Plan indefinitely, but reserve and delegate to the Company the right to amend or terminate this Supplemental Pension Plan at any time, if, in the Company's sole judgment, such amendment or termination is necessary or desirable. Any such amendment or termination shall be made in writing by the Board of Directors of the Company or its designee, if applicable, and shall be effective as of the date specified in such document. No amendment or termination of this Supplemental Pension Plan shall directly or indirectly deprive any Participant, surviving spouse or beneficiary of all or any portion of the Supplemental Pension Plan Benefits earned by the Participant as of the date of amendment or termination. In the event of a termination of this Supplemental Pension Plan, the Company (or any transferee, purchaser or successor entity) may elect, in its discretion, either to have the Employers make lump sum payments, at the time of such termination, equal to the Actuarial Equivalents of the Supplemental Pension Plan Benefits, accrued as of the date of such termination, to Participants, surviving spouses and beneficiaries or to have the Employers pay such benefits to such individuals at such time or

times as provided under the terms of this Supplemental Pension Plan.

- 7.2 This Supplemental Pension Plan shall not be automatically terminated by a transfer or sale of an Employer or by the merger or consolidation of an Employer into or with any other corporation or other entity, but this Supplemental Pension Plan shall be continued with respect to such Employer or its successor after such sale, merger or consolidation only if and to the extent that the transferee, purchaser or successor entity agrees to continue this Supplemental Pension Plan. In the event this Supplemental Pension Plan is not continued with respect to such Employer or its successor by the transferee, purchaser or successor entity, then this Supplemental Pension Plan shall terminate with respect to such Employer or its successor subject to the provisions of Section 7.1.

ARTICLE VIII
MISCELLANEOUS

- 8.1 No Effect on Employment Rights. Nothing contained herein will confer upon any Participant the right to be retained in the service of an Employer nor limit the right of an Employer to discharge or otherwise deal with Participants without regard to the existence of this Supplemental Pension Plan.
- 8.2 Plan Unfunded. Notwithstanding any provision herein to the contrary, the benefits offered hereunder shall constitute nothing more than unfunded, unsecured promises by each Employer to pay the benefits determined hereunder that such Employer is obligated to pay under Section 5.3. No provision shall at any time be made with respect to segregating any assets of any Employer for payment of any benefits hereunder. No Participant, beneficiary or any other person shall have any interest in any particular assets of the Employers by reason of the right to receive a benefit under this Supplemental Pension Plan, and any such Participant, beneficiary or other person shall have only the rights of a general unsecured creditor of the Employer by whom the Participant was last employed with respect to any rights under this Supplemental Pension Plan. Nothing contained in this Supplemental Pension Plan shall constitute a guaranty by the Employers or any other entity or person that the assets of any Employer will be sufficient to pay any benefit hereunder. All expenses and fees incurred in the administration of this Supplemental Pension Plan shall be paid by the Employers.
- 8.3 Binding on Employers, Employees and Their Successors. This Supplemental Pension Plan shall be binding upon and inure to the benefit of the Employers, their successors and assigns and each Participant and his heirs, executors, administrators and legal representatives. In the event of the merger or consolidation of an Employer with or into any other corporation, or in the event substantially all of the assets of an Employer shall be transferred to another corporation, the successor corporation resulting from the merger or consolidation, or the transferee of such assets, as the case may be, shall, as a condition to the consummation of the merger, consolidation or sale, assume the obligations of such Employer hereunder with

respect to benefits accrued as of the date of such merger, consolidation or transfer and shall be substituted for such Employer hereunder.

- 8.4 Spendthrift Provisions. No benefit payable under this Supplemental Pension Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge prior to actual receipt thereof by the payee; and any attempt so to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge prior to such receipt shall be void; and the Employers shall not be liable in any manner for or subject to the debts, contracts, liabilities, torts or engagements of any person entitled to any benefit under this Supplemental Pension Plan.
- 8.5 Disclosure. Each Participant shall receive a copy of this Supplemental Pension Plan, and the Committee will make available for inspection by any Participant a copy of the rules and regulations used by the Committee in administering this Supplemental Pension Plan.
- 8.6 State Law. This Supplemental Pension Plan is established under and will be construed according to the laws of the State of New York to the extent that such laws are not preempted by the Employee Retirement Income Security Act of 1974, as amended, and regulations promulgated thereunder.
- 8.7 Incapacity of Recipient. In the event a Participant, surviving spouse or beneficiary is declared incompetent and a guardian, conservator or other person legally charged with the care of his person or of his estate is appointed, any benefits under this Supplemental Pension Plan to which such Participant, spouse or beneficiary is entitled shall be paid to such guardian, conservator or other person legally charged with the care of his person or his estate. Except as provided herein, when the Committee, in its sole discretion, determines that a Participant, surviving spouse or beneficiary is unable to manage his financial affairs, the Committee may direct the Employer responsible for payment to make distributions to any person for the benefit of such Participant, spouse or beneficiary.
- 8.8 Unclaimed Benefit. Each Participant shall keep the Committee informed of his current address. The Committee shall not be obligated to search for the whereabouts of any person. If the location of a Participant is not made known to the Committee within three years after the date on which any payment of the Participant's benefit hereunder may be made, payment may be made as though the Participant had died at the end of the three-year period. If, within one additional year after such three-year period has elapsed, or, within three years after the actual death of a Participant, whichever occurs first, the Committee is unable to locate the spouse or any beneficiary of the Participant, the Participant and his surviving spouse or beneficiary shall forfeit all rights to any Supplemental Pension Plan Benefits.
- 8.9 Elections, Applications, Notices. Every direction, revocation or notice authorized or required hereunder shall be deemed delivered to the Employers or the Committee as the case may be: (a) on the date it is personally delivered to the Secretary of the Committee (with a copy to

the Company's General Counsel) at the Company's executive offices at Buffalo, New York or (b) three business days after it is sent by registered or certified mail, postage prepaid, addressed to the Secretary of the Committee (with a copy to the Company's General Counsel) at the offices indicated above, and shall be deemed delivered to a Participant, surviving spouse or beneficiary: (a) on the date it is personally delivered to such individual, or (b) three business days after it is sent by registered or certified mail, postage prepaid, addressed to such individual at the last address shown for him on the records of the Employers. Any notice required hereunder may be waived by the person entitled thereto.

8.10 Severability. In the event any provision of this Supplemental Pension Plan shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of this Supplemental Pension Plan. This Supplemental Pension Plan shall be construed and enforced as if such illegal or invalid provision had never been contained herein.

8.11 Headings. The headings of Sections of this Supplemental Pension Plan are for convenience of reference only and shall have no substantive effect on the provisions of this Supplemental Pension Plan.

M&T BANK CORPORATION
SUPPLEMENTAL RETIREMENT SAVINGS PLAN

ARTICLE I
PURPOSE

- 1.1 The purpose of this M&T Bank Corporation Supplemental Retirement Savings Plan (the "Supplemental Retirement Savings Plan") is to provide for the payment of supplemental benefits to select management and highly compensated employees of certain affiliates of M&T Bank Corporation (the "Employers"), contributions on whose behalf under the M&T Bank Corporation Retirement Savings Plan and Trust (the "RSP") are subject to certain limitations imposed by Section 401(a)(17) of the Internal Revenue Code, as amended (the "Code"). The Employers intend and desire that this Supplemental Retirement Savings Plan, together with the other elements of the Employers' compensation programs, will attract, retain and motivate eligible employees.

ARTICLE II
DEFINITIONS

All terms with initial capital letters which are used in the RSP shall have the meanings assigned to them under the provisions of the RSP unless otherwise specified herein or as otherwise qualified by the context in which the term is used herein.

- 2.1 For the purposes of this Supplemental Retirement Savings Plan, the following words and phrases shall have the meanings indicated unless a different meaning is clearly required by the context. Any terms used herein in the masculine shall be read and construed in the feminine where they would so apply, and any terms used in the singular shall be read and construed in the plural if appropriate.

(a) "Committee" shall mean the Committee charged with the administration of this Supplemental Retirement Savings Plan under Article VII.

(b) "Company" shall mean Manufacturers and Traders Trust Company or any successor by merger, purchase or otherwise.

(c) "Compensation" shall mean the amount so defined in the RSP, calculated without regard to the limitation contained in Code Section 401(a)(17).

(d) "Compensation Limitation" shall mean, for any given year beginning on and after January 1, 1994, \$150,000, as adjusted to and including such given year of determination in the manner provided under Code Section 401(a)(17).

(e) "Employee" shall mean any common law employee of an Employer.

(f) "Employer" shall mean any affiliate of M&T Bank Corporation that participates in the RSP.

(g) "Participant" shall mean an Employee who has become a Participant in accordance with Section 3.2. Participant shall also include a former Employee who had met the foregoing criteria as an Employee and who, at the time of determination, has an Account under this Supplemental Retirement Savings Plan.

(h) "Supplemental Retirement Savings Plan" shall mean this M&T Bank Corporation Supplemental Retirement Savings Plan, as the same may be amended from time to time.

(i) "Supplemental Retirement Savings Plan Account" or "Account" shall mean, to the extent applicable to any given Participant, the account maintained under the provisions of Section 4.1.

ARTICLE III
ELIGIBILITY AND PARTICIPATION

3.1 Any Employee who is a member of a select group of management or highly compensated employees as designated by the Committee is eligible to participate in this Supplemental Retirement Savings Plan, provided, however, that any such Employee shall become a Participant hereunder only as provided under Section 3.2.

3.2 An Employee eligible to participate in this Supplemental Retirement Savings Plan under Section 3.1 shall become a Participant in this Supplemental Retirement Savings Plan at such time as the Committee first determines that contributions on his behalf under the RSP will be affected by the Compensation Limitation. The determination of whether and at which time an Employee is affected by the Compensation Limitation and eligible for participation herein shall be made by the Committee. Notwithstanding the foregoing, a Participant may become eligible to have amounts credited to his Supplemental Retirement Savings Plan Account for a year only in the event that:

(a) such individual has elected to make Salary Reduction Contributions under the RSP for the year equal to at least six percent (6%) of his Compensation not in excess of the Compensation Limitation; and

(b) his Compensation for the year is in excess of the Compensation Limitation.

3.3 Upon becoming a Participant under this Supplemental Retirement Savings Plan, he shall make an irrevocable election to receive his benefit under this Supplemental Retirement

Savings Plan either in the form of a lump sum or in annual installments payable over 5, 10 or 15 years, and to begin to receive such benefit either:

(a) at a specific age, or

(b) at retirement under the M&T Bank Corporation Pension Plan, but not later than age 65 if the Participant terminates employment prior to eligibility for retirement under such plan.

ARTICLE IV
CALCULATION OF CREDITS TO SUPPLEMENTAL
RETIREMENT SAVINGS PLAN ACCOUNTS

- 4.1 There shall be credited to the Supplemental Retirement Savings Plan Account of a Participant eligible therefor under Section 3.2 the excess of (a) the amount which would have been contributed under Section 5.02 of the RSP on behalf of such Participant if the provisions of the RSP were administered without regard to the annual limitation on Compensation set forth in Code Section 401(a)(17), but with Compensation capped at \$235,840, over (b) the amount actually contributed under Section 5.02 of the RSP on his behalf. The credit to the Supplemental Retirement Savings Plan Account under this Section 4.1 on behalf of a Participant shall be computed in accordance with the foregoing and with the objective that the Participant should have credited to his accounts under this Supplemental Retirement Savings Plan and the RSP the total amount that would otherwise have been contributed on his behalf under Section 5.02 of the RSP as of the date of such credit, had the provisions of Code Section 401(a)(17) not been applicable thereto, but with Compensation capped at the amount set forth above.
- 4.2 In addition to any amount credited to his Account under Section 4.1, a Participant may elect to defer under this Plan a percentage of that portion of his Compensation in excess of the Compensation Limitation, but not in excess of \$235,840, equal to the percentage of his Compensation that he has elected to defer for the year under Section 5.01 of the RSP. Such election for a year must be made prior to the beginning of that year (except that the election for 1994 must be made prior to August 1, 1994, and the election for an individual who first becomes a Participant after the first day of a year must be made at the time he becomes a Participant) and shall be irrevocable.
- 4.3 Notwithstanding any provisions of this Supplemental Retirement Savings Plan to the contrary, the credits to the Supplemental Retirement Savings Plan Accounts provided under Article IV shall be determined and coordinated by the Committee so as to prevent any duplication of Supplemental Retirement Savings Plan and RSP benefits.

ARTICLE V
INDIVIDUAL ACCOUNTS, INVESTMENTS AND VALUATIONS

- 5.1 The provisions of the RSP concerning the creation and maintenance of individual accounts and concerning investment elections by Participants shall apply equally under this Supplemental Retirement Savings Plan.
- 5.2 Participant investment elections under the RSP for Salary Reduction Contributions shall apply with respect to amounts credited to Accounts under Article IV, and such amounts shall be treated as invested initially in the Investment Funds available under the RSP in the same proportion as reflected in such elections under the RSP. Accounts will be valued at the same time as RSP accounts, except that stock of M&T Bank Corporation will be stated in dollars instead of shares.
- 5.3 The deemed investment of amounts credited to a Participant's Account may be reallocated, at the Participant's election, among the available RSP Investment Funds on a quarterly basis. Such elections shall be independent of any reallocation election made under the RSP.
- 5.4 Accounts will be credited with the investment return reported by the Trust and Investment Services Division for the Investment Funds under the RSP in which the Accounts are treated as invested.

ARTICLE VI
COMMENCEMENT AND FORM OF SUPPLEMENTAL
RETIREMENT SAVINGS PLAN BENEFIT

- 6.1 Benefits hereunder shall become payable to a Participant as of the date and in the form he has specified under the provisions of Section 3.3. Participant elections may not be changed, except that, upon consideration of all facts in hardship situations, the Committee may approve the acceleration of payments to a Participant.
- 6.2 At the Committee's discretion, any benefits hereunder payable to a Participant or beneficiary (who shall be the Participant's beneficiary under the RSP) may be paid in a form of a lump sum payment as determined by the Committee.
- 6.3 In the event that a Participant is still employed by an Employer in the year he has elected to have payment of his benefits hereunder made or commence, payment of the amount in his Account as of the beginning of that year shall be made or commence (depending on his election under Section 3.3) in that year, and payment of amounts credited to his Account in that year and in subsequent years shall be made or commence (depending on his election under Section 3.3) in the January of the year following the year in which such amounts were credited to his Account.
- 6.4 Benefits payable hereunder to, or on behalf of, a Participant shall be paid by the Employer who last employed the Participant.

ARTICLE VII
ADMINISTRATION

- 7.1 The Committee shall be charged with the administration of this Supplemental Retirement Savings Plan. The members of the Committee shall be selected by the Company. The Committee shall have all such powers as may be necessary to discharge its duties relative to the administration of this Supplemental Retirement Savings Plan, including by way of illustration and not limitation, discretionary authority to interpret and construe this Supplemental Retirement Savings Plan, to decide any dispute arising hereunder, to determine the right of any Employee with respect to participation herein, to determine the right of any Participant with respect to benefits payable under this Supplemental Retirement Savings Plan and to adopt, alter and repeal such administrative rules, regulations and practices governing the operation of this Supplemental Retirement Savings Plan as it, in its sole discretion, may from time to time deem advisable. No member of the Committee shall be liable to any person for any action taken or omitted in connection with the interpretation and administration of this Supplemental Retirement Savings Plan unless attributable to willful misconduct or lack of good faith. The Committee shall be entitled to rely conclusively upon all tables, valuations, certificates, opinions and reports furnished by any actuary, accountant, controller, counsel or other person employed or engaged by the Committee or the Company with respect to this Supplemental Retirement Savings Plan. Members of the Committee shall not participate in any action or determination regarding solely their own benefits payable hereunder. Except as provided in Section 7.3, decisions of the Committee made in good faith shall be final, conclusive and binding upon all parties.
- 7.2 Whenever the Committee denies, in whole or in part, a claim for benefits filed by any person (hereinafter referred to as a "Claimant"), the Committee shall transmit a written notice setting forth, in a manner calculated to be understood by the Claimant, a statement of the specific reasons for the denial of the claim, references to the specific provisions of this Supplemental Retirement Savings Plan on which the denial is based, a description of any additional needed material or information and why such material or information is necessary, and an explanation of the claims review procedure as set forth herein. In addition, the written notice shall contain the date on which the notice was sent and a statement advising the Claimant that, within 90 days of the date on which such notice is received, he may obtain review of the Committee's decision.
- 7.3 Within 90 days of the date on which the notice of denial of claim is received by the Claimant, the Claimant or his authorized representative may request that the claim denial be reviewed by filing with the Committee a written request therefor, which request shall contain the following information:
- (a) the date on which the notice of denial of claim was received by the Claimant;
 - (b) the date on which the Claimant's request was filed with the Committee; provided,

however, that the date on which the Claimant's request for review was in fact filed with the Committee shall control in the event that the date of the actual filing is later than the date stated by the Claimant pursuant to this clause (b);

(c) the specific portions of the denial of his claim which the Claimant requests the Committee to review;

(d) a statement by the Claimant setting forth the basis upon which he believes the Committee should reverse its previous denial of his claim for benefits and accept his claim as made; and

(e) any written material (included as exhibits) which the Claimant desires the Committee to examine in its consideration of his position as stated pursuant to clause (d).

Within 60 days of the date determined pursuant to clause (b) (or, if special circumstances require an extension of time, within 120 days of such date), the Committee shall conduct a full and fair review of the decision denying the Claimant's claim for benefits and shall deliver, to the claimant in writing, its decision. Such written decision shall set forth, in a manner calculated to be understood by the Claimant, a statement of the specific reasons for its decision, including references to the specific provisions of this Supplemental Retirement Savings Plan which were relied upon. The decision will be final and binding on all persons concerned.

ARTICLE VIII
AMENDMENT AND TERMINATION

8.1 The Employers expect to continue this Supplemental Retirement Savings Plan indefinitely, but reserve and delegate to the Company the right to amend or terminate this Supplemental Retirement Savings Plan at any time, if, in the Company's sole judgment, such amendment or termination is necessary or desirable. Any such amendment or termination shall be made in writing by the Board of Directors of the Company or its designee, if applicable, and shall be effective as of the date specified in such document. No amendment or termination of this Supplemental Retirement Savings Plan shall directly or indirectly deprive any Participant, surviving spouse or beneficiary of all or any portion of the Supplemental Retirement Savings Plan benefits earned by the Participant as of the date of amendment or termination. In the event of a termination of this Supplemental Retirement Savings Plan, the Company (or any transferee, purchaser or successor entity) may elect, in its discretion, either to have the Employers make lump sum payments, at the time of such termination, of the Account balances on such date to Participants, surviving spouses and beneficiaries or to have the Employers make payments to such individuals at such time or times as provided under the terms of this Supplemental Retirement Savings Plan.

8.2 This Supplemental Retirement Savings Plan shall not be automatically terminated by a

transfer or sale of an Employer or by the merger or consolidation of an Employer into or with any other corporation or other entity, but it shall be continued with respect to such Employer or its successor after such sale, merger or consolidation only if and to the extent that the transferee, purchaser or successor entity agrees to continue this Supplemental Retirement Savings Plan. In the event this Supplemental Retirement Savings Plan is not continued with respect to such Employer or its successor by the transferee, purchaser or successor entity, then it shall terminate with respect to such Employer or its successor subject to the provisions of Section 8.1.

ARTICLE IX
MISCELLANEOUS

- 9.1 No Effect on Employment Rights. Nothing contained herein will confer upon any Participant the right to be retained in the service of an Employer nor limit the right of an Employer to discharge or otherwise deal with Participants without regard to the existence of this Supplemental Retirement Savings Plan.
- 9.2 Plan Unfunded. Notwithstanding any provision herein to the contrary, the benefits offered hereunder shall constitute nothing more than unfunded, unsecured promises by each Employer to pay the benefits determined hereunder that such Employer is obligated to pay under Section 6.4. No provision shall at any time be made with respect to segregating any assets of any Employer for payment of any benefits hereunder. No Participant, beneficiary or any other person shall have any interest in any particular assets of the Employers by reason of the right to receive a benefit under this Supplemental Retirement Savings Plan, and any such Participant, beneficiary or other person shall have only the rights of a general unsecured creditor of the Employer by whom the Participant was last employed with respect to any rights under this Supplemental Retirement Savings Plan. Nothing contained in this Supplemental Retirement Savings Plan shall constitute a guaranty by the Employers or any other entity or person that the assets of any Employer will be sufficient to pay any benefit hereunder. All expenses and fees incurred in the administration of this Supplemental Retirement Savings Plan shall be paid by the Employers.
- 9.3 Binding on Employers, Employees and Their Successors. This Supplemental Retirement Savings Plan shall be binding upon and inure to the benefit of the Employers, their successors and assigns and each Participant and his heirs, executors, administrators and legal representatives. In the event of the merger or consolidation of an Employer with or into any other corporation, or in the event substantially all of the assets of an Employer shall be transferred to another corporation, the successor corporation resulting from the merger or consolidation, or the transferee of such assets, as the case may be, shall, as a condition to the consummation of the merger, consolidation or sale, assume the accrued obligations of such Employer hereunder with respect to benefits accrued as of the date of such merger, consolidation or transfer and shall be substituted for such Employer hereunder.

- 9.4 Spendthrift Provisions. No benefit payable under this Supplemental Retirement Savings Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge prior to actual receipt thereof by the payee; and any attempt so to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge prior to such receipt shall be void; and the Employers shall not be liable in any manner for or subject to the debts, contracts, liabilities, torts or engagements of any person entitled to any benefit under this Supplemental Retirement Savings Plan.
- 9.5 Disclosure. Each Participant shall receive a copy of this Supplemental Retirement Savings Plan, and the Committee will make available for inspection by any Participant a copy of the rules and regulations used by the Committee in administering this Plan.
- 9.6 State Law. This Supplemental Retirement Savings Plan is established under and will be construed according to the laws of the State of New York to the extent that such laws are not preempted by the Employee Retirement Income Security Act of 1974, as amended, and regulations promulgated thereunder.
- 9.7 Incapacity of Recipient. In the event a Participant, surviving spouse or beneficiary is declared incompetent and a guardian, conservator or other person legally charged with the care of his person or of his estate is appointed, any benefits under this Supplemental Retirement Savings Plan to which such Participant, spouse or beneficiary is entitled shall be paid to such guardian, conservator or other person legally charged with the care of his person or his estate. Except as provided herein, when the Committee, in its sole discretion, determines that a Participant, surviving spouse or beneficiary is unable to manage his financial affairs, the Committee may direct the Employer responsible for payment to make distributions to any person for the benefit of such Participant, spouse or beneficiary.
- 9.8 Unclaimed Benefit. Each Participant shall keep the Committee informed of his current address. The Committee shall not be obligated to search for the whereabouts of any person. If the location of a Participant is not made known to the Committee within three years after the date on which any payment of the Participant's benefit hereunder may be made, payment may be made as though the Participant had died at the end of the three-year period. If, within one additional year after such three-year period has elapsed, or, within three years after the actual death of a Participant, whichever occurs first, the Committee is unable to locate the spouse or any beneficiary of the Participant, the Participant and his surviving spouse or beneficiary shall forfeit all rights to any Supplemental Retirement Savings Plan benefits.
- 9.9 Elections, Applications, Notices. Every direction, revocation or notice authorized or required hereunder shall be deemed delivered to the Employers or the Committee as the case may be: (a) on the date it is personally delivered to the Secretary of the Committee (with a copy to the Company's General Counsel) at the Company's executive offices at Buffalo, New York or (b) three business days after it is sent by registered or certified mail, postage prepaid, addressed to the Secretary of the Committee (with a copy to the Company's General Counsel)

at the offices indicated above, and shall be deemed delivered to a Participant, surviving spouse or beneficiary: (a) on the date it is personally delivered to such individual, or (b) three business days after it is sent by registered or certified mail, postage prepaid, addressed to such individual at the last address shown for him on the records of the Employers. Any notice required hereunder may be waived by the person entitled thereto.

9.10 Severability. In the event any provision of this Supplemental Retirement Savings Plan shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of this Supplemental Retirement Savings Plan. This Supplemental Retirement Savings Plan shall be construed and enforced as if such illegal or invalid provision had never been contained herein.

9.11 Headings. The headings of Sections of this Supplemental Retirement Savings Plan are for convenience of reference only and shall have no substantive effect on the provisions of this Supplemental Retirement Savings Plan.

M&T BANK CORPORATION
DEFERRED BONUS PLAN
(Amended and Restated effective May 29, 1998)

ARTICLE I

INTENT

This M&T Bank Corporation Deferred Bonus Plan was established, effective January 1, 1984, for the benefit of certain employees of certain affiliates of M&T Bank Corporation. The Plan is intended to qualify as a plan described in Section 201(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and is maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees.

ARTICLE II
DEFINITIONS

When used in this Plan, the following terms shall have the following meanings:

2.1 "Account" means the account maintained for a Participant pursuant to Article IV hereof.

2.2 "Beneficiary" means the person or persons designated by a Participant pursuant to Article VI hereof to receive any benefit payable pursuant to Section 5.1 hereof upon the Participant's death.

2.3 "Bank" means Manufacturers and Traders Trust Company and its successors by merger, sale of assets or otherwise.

2.4 "Board" means the board of directors of M&T Bank Corporation.

2.5 "Bonus" means an Eligible Employee's award under an Incentive Plan.

2.6 "Deemed Earnings" means the income earned or loss incurred with respect to a Participant's Deemed Investment Portfolio. The Deemed Earnings with respect to each investment option in a Deemed Investment Portfolio shall be determined on the basis of the total actual return on such investment option in the M&T Bank Corporation Retirement Savings Plan for the period in question or, in the case of a M&T Bank Corporation Stock Deemed Investment Account, on the basis of the number of shares of M&T Bank Corporation Common Stock that would represent reinvested dividends on the shares credited to such M&T Bank Corporation Stock Deemed Investment Account for the period in question.

2.7 "Deemed Investment Portfolio" means the hypothetical portfolio designated by a Participant from among (a) the investment options offered under the M&T Bank Corporation Retirement Savings Plan, excluding the M&T Bank Corporation Stock Fund offered thereunder, and (b) shares of M&T Bank Corporation Common Stock.

2.8 "Deferred Bonus Election" means an election made pursuant to Section 3.1(a) hereof.

2.9 "Deferred Bonus" means that portion of a Bonus the payment of which is deferred by a Participant under this Plan.

2.10 "Deferred Bonus Agreement" means the written agreement entered into between a Participant and his Employer pursuant to which the Participant elects to defer payment of a specified portion of his Bonus in accordance with the terms of this Plan and such agreement.

2.11 "Eligible Employee" means an individual who is an employee of an Employer, who is eligible to participate in an Incentive Plan and who is designated by the Plan Administrator as eligible to participate in this Plan.

2.12 "Employer" means M&T Bank Corporation and each of its affiliates, any of whose employees are eligible to participate in an Incentive Plan.

2.13 "Financial Hardship" means a financial hardship of a Participant.

2.14 "Incentive Plan" means the M&T Bank Corporation Annual Executive Incentive Plan and such other incentive plans of M&T Bank Corporation or its subsidiaries as the Plan Administrator may designate.

2.15 "M&T Bank Corporation Common Stock" means the Common Stock, par value \$5.00 per share, of M&T Bank Corporation.

2.16 "M&T Bank Corporation Stock Deemed Investment Account" means that portion of an Account consisting of hypothetical shares of M&T Bank Corporation Common Stock.

2.17 "Participant" means an Eligible Employee who has deferred a portion of his Bonus pursuant to a Deferred Compensation Agreement and the terms of this Plan.

2.18 "Plan" means this M&T Bank Corporation Deferred Bonus Plan, as set forth herein and amended from time to time.

2.19 "Plan Administrator" means such person or committee as may be designated by the Board to serve as such under this Plan.

2.20 "Retirement" means the earliest of a Participant's (a) normal retirement, early retirement or disability retirement under the M&T Bank Corporation Pension Plan, (b) death or

(c) 65th birthday.

2.21 "Revaluation Date" means the last day of each calendar quarter and such other dates as may be designated by the Plan Administrator.

ARTICLE III
DEFERRAL OF BONUS

3.1 Deferred Bonus Elections.

(a) An Eligible Employee, by executing a Deferred Bonus Agreement, may elect to defer all or any portion of his Bonus.

(b) An Eligible Employee must make his Deferral Election for a Bonus payable with respect to a calendar year on or before October 31 of that calendar year.

3.2 Deferred Bonus Agreements.

(a) A Deferred Bonus Election pursuant to this Plan shall be made pursuant to a written Deferred Bonus Agreement between the Eligible Employee and his Employer.

(b) A Participant's Deferred Bonus Agreement shall specify whether the Deferred Bonus thereunder (and Deemed Earnings thereon) shall be paid in a single lump-sum payment or in annual installments payable over five, ten or 20 years.

(c) A Participant's Deferred Bonus Agreement shall specify whether the Deferred Bonus thereunder (and Deemed Earnings thereon) shall be paid (or shall commence to be paid) at (i) Retirement or (ii) on a date selected by the Participant from among any one of the first 20 anniversaries of the date on which the Deferred Bonus would have been paid absent the Deferred Bonus Election.

ARTICLE IV

ACCOUNTS

4.1 Maintenance of Accounts. The Plan Administrator shall establish a bookkeeping account (an "Account") for each Participant. As of the first day of the month in which a Deferred Bonus would have been paid to the Participant absent a Deferred Bonus Election, the amount of such Deferred Bonus shall be credited to such Participant's Account.

4.2 Deemed Earnings. As of each Revaluation Date, a Participant's Account shall be adjusted for Deemed Earnings since the preceding Revaluation Date. Where a Deferred Bonus is credited to an Account other than on a Revaluation Date, Deemed Earnings on the amount of such Deferred Bonus for the period from the date of such credit until the next succeeding Revaluation Date shall be a pro rata portion of Deemed Earnings on an equivalent amount for the period between the Revaluation Dates immediately preceding and succeeding the date of such credit, calculated by reference to the number of days in each period, except that Deemed Earnings on a M&T Bank Corporation Stock Deemed Investment Account shall be based on the actual dates of dividend payments on M&T Bank Corporation Common Stock.

4.3 Deemed Investment Portfolio. In his Deferred Bonus Agreement, a Participant shall designate a Deemed Investment Portfolio, and shall allocate his Deferred Bonus among the investment options offered for inclusion in the Deemed Investment Portfolio in integral multiples of 5 percent. A Participant may change such allocation on a calendar quarterly basis by submitting a written form to the Plan Administrator prior to the first day of such calendar quarter; provided, however, that a Participant may not change a prior allocation to his M&T

Bank Corporation Stock Deemed Investment Account other than to add to such Account.

4.4 Separate Accounting. Within a Participant's Account, the Plan Administrator shall account separately for each of the Participant's Deferred Bonuses.

4.5 M&T Bank Corporation Stock Deemed Investment Account. A Participant's M&T Bank Corporation Stock Deemed Investment Account shall be credited with the number of hypothetical shares of M&T Bank Corporation Common Stock that equals the portion of the Deferred Bonus as to which the Participant elected a hypothetical investment in such shares, divided by the closing price of a share of M&T Bank Corporation Common Stock on the New York Stock Exchange (or such other principal securities exchange on which the shares of Common Stock are traded if such shares are no longer traded on the New York Stock Exchange) on the effective date of the deferral, which shall be the date on which the Deferred Bonus would have been paid had it not been deferred, plus Deemed Earnings thereon. In the event of any change in corporate capital capitalization, such as a stock split, or a corporate transaction, such as any merger, consolidation, separation, including a spin-off, or other distribution of stock or property of the Employer, any reorganization (whether or not such reorganization comes within the definition of such term in Internal Revenue Code Section 368) or any partial or complete liquidation of the Employer, such adjustment shall be made in the number and class of hypothetical shares of M&T Bank Corporation Common Stock held in a Participant's M&T Bank Corporation Stock Deemed Investment Account as may be determined to be appropriate and equitable by the Plan Administrator in its sole discretion.

ARTICLE V

PAYMENT OF BENEFITS

5.1 General Rule. Except as provided in the following sentence or in Section 5.2 hereof, a Participant (or, in the event of the Participant's death, his Beneficiary) shall receive (or begin to receive) payment of the amount standing to the Participant's Account as of the Revaluation Date or Dates next following the time or times elected in the Participant's Deferred Bonus Agreement or Agreements and shall receive such payment or payments in the form or forms elected in such Agreement or Agreements. If, however, a Participant terminates his employment with the Employer for any reason other than Retirement, the Plan Administrator, in its discretion, may direct that, rather than payment pursuant to the preceding sentence, a single payment shall be made of the amount standing to the Participant's Account as of any earlier Revaluation Date.

5.2 Hardship Withdrawals. In the event of Financial Hardship, a Participant may request a distribution of all or a portion of the amount standing to his Account. The determination of whether a Participant has incurred a Financial Hardship shall be made by the Plan Administrator. The Participant shall determine against which Deferred Bonus or Bonuses (and Deemed Earnings thereon) a withdrawal pursuant to this Section 5.2 shall be charged.

5.3 Payment. The payment to a Participant with respect to a Deferred Bonus (and Deemed Earnings thereon) shall be made in cash by the Participant's last Employer in the year with respect to which the Bonus deferred was payable; provided, however, that (a) if such Employer is owned directly or indirectly by a bank, the payment shall be made by such bank and

(b) payment from a Participant's M&T Bank Corporation Stock Deemed Investment Account shall be made in M&T Bank Corporation Common Stock (except to the extent that payment in M&T Bank Corporation Common Stock would result in a fractional share, in which case the amount that would constitute a fractional share shall be paid in cash, based on the closing price of a share of M&T Bank Corporation Common Stock on the New York Stock Exchange, or such other principal securities exchange on which the shares of Common Stock are traded if such shares are no longer traded on the New York Stock Exchange, on the Revaluation Date immediately preceding the date of payment). Payments of a Participant Account which (x) is not being paid in a single payment and (y) contains a M&T Bank Corporation Stock Deemed Investment Account as well as other amounts in the Account, shall be made in both cash and M&T Bank Corporation Common Stock pro rata in accordance with the values of the Participant's M&T Bank Corporation Stock Deemed Investment Account and the balance of the Participant's Account.

5.4 Tax Withholding. The Plan Administrator may make such provisions and take such steps as it may deem necessary or appropriate for the withholding by the Employers of all Federal, state, local or other taxes required by law to be withheld with respect to deferrals and payments under this Plan, including, without limitation, in the discretion of the Plan Administrator, (a) requiring the Participant (or Beneficiary, as the case may be) to pay, or provide for payment of, the amount of any such taxes, (b) deducting any such taxes from any amount otherwise payable to the Participant or Beneficiary in cash, including amounts payable under this Plan, or (c) reducing the number of shares of M&T Bank Corporation Common Stock

otherwise payable under this Plan by an amount (based on the closing price of such shares on the Revaluation Date immediately preceding the date the shares would otherwise have been paid) equal to the amount of any such taxes.

ARTICLE VI

BENEFICIARIES

Each Participant may designate from time to time any person or persons, natural or otherwise, as his Beneficiary or Beneficiaries to whom benefits under Section 5.1 are to be paid in the event of his death. Each Beneficiary designation shall be made either in the Deferred Bonus Agreement or on a form provided by the Plan Administrator and shall be effective only when filed with the Plan Administrator during the Participant's lifetime. Each Beneficiary designation filed with the Plan Administrator shall revoke all Beneficiary designations previously made by the Participant. The revocation of a Beneficiary designation shall not require the consent of any designated Beneficiary. Payment to a Beneficiary shall be made in the form or forms elected in the Participant's Deferred Bonus Agreement or Agreements, provided that such payment shall be made in a single payment if a request for such a single payment is made by the Beneficiary and approved by the Plan Administrator.

ARTICLE VII

ADMINISTRATION

7.1 General. The Plan Administrator shall be charged with the administration of this Plan. The Plan Administrator shall have all such powers as may be necessary to discharge its

duties relative to the administration of this Plan, including by way of illustration and not limitation, discretionary authority to interpret and construe this Plan, to decide any dispute arising hereunder, to determine the right of any individual with respect to participation herein, to determine the right of any Participant with respect to benefits payable under this Plan and to adopt, alter and repeal such administrative rules, regulations and practices governing the operation of this Plan as it, in its sole discretion, may from time to time deem advisable. The Plan Administrator shall not be liable to any person for any action taken or omitted in connection with the interpretation and administration of this Plan unless attributable to willful misconduct or lack of good faith. The Plan Administrator shall be entitled to rely conclusively upon all tables, valuations, certificates, opinions and reports furnished by any actuary, accountant, controller, counsel or other person employed or engaged by the Plan Administrator or an Employer with respect to this Plan. The Plan Administrator, if an individual, or the members thereof if the Plan Administrator is a Committee, shall not participate in any action or determination regarding solely his or their own benefits payable hereunder. Except as provided in Section 7.3 hereof, decisions of the Plan Administrator made in good faith shall be final, conclusive and binding upon all parties.

7.2 Claims Procedure. Whenever the Plan Administrator denies, in whole or in part, a claim for benefits filed by any person (hereinafter referred to as a "Claimant"), the Plan Administrator shall transmit a written notice setting forth, in a manner calculated to be understood by the Claimant, a statement of the specific reasons for the denial of the claim, references to the specific provisions of this Plan on which the denial is based, a description of

any additional needed material or information and why such material or information is necessary, and an explanation of the claims review procedure as set forth herein. In addition, the written notice shall contain the date on which the notice was sent and a statement advising the Claimant that, within 90 days of the date on which such notice is received, he may obtain review of the Plan Administrator's decision.

7.3 Review Procedure. Within 90 days of the date on which the notice of denial of claim is received by the Claimant, the Claimant or his authorized representative may request that the claim denial be reviewed by filing with the Plan Administrator a written request therefor, which request shall contain the following information:

(a) the date on which the notice of denial of claim was received by the Claimant;

(b) the date on which the Claimant's request was filed with the Plan Administrator; provided, however, that the date on which the Claimant's request for review was in fact filed with the Plan Administrator shall control in the event that the date of the actual filing is later than the date stated by the Claimant pursuant to this clause (b);

(c) the specific portions of the denial of his claim which the Claimant requests the Plan Administrator to review;

(d) a statement by the Claimant setting forth the basis upon which he believes the Plan Administrator should reverse its previous denial of his claim for benefits and accept his claim as made; and

(e) any written material (included as exhibits) which the Claimant desires the

Plan Administrator to examine in its consideration of his position as stated pursuant to clause (d). Within 60 days of the date determined pursuant to clause (b) (or, if special circumstances require an extension of time, within 120 days of such date), the Plan Administrator shall conduct a full and fair review of the decision denying the Claimant's claim for benefits and shall deliver, to the Claimant in writing, its decision. Such written decision shall set forth, in a manner calculated to be understood by the Claimant, a statement of the specific reasons for the decision, including references to the specific provisions of this Plan which were relied upon. The decision will be final and binding on all persons concerned.

ARTICLE VIII

AMENDMENT AND TERMINATION

8.1 Power to Amend or Terminate. M&T Bank Corporation expects to continue this Plan indefinitely, but reserves the right to amend or terminate this Plan at any time, if, in its sole judgment, such amendment or termination is necessary or desirable. Any such amendment or termination shall be made in writing by the Board or its designee, if applicable, and shall be effective as of the date specified in such document. No amendment or termination of this Plan shall directly or indirectly deprive any Participant or Beneficiary of all or any portion of the amounts previously credited to the Participant's Account. In the event of a termination of this Plan, M&T Bank Corporation (or any transferee, purchaser or successor entity) may elect, in its discretion, either to have the Employers make a single payment, at the time of such termination, of the Account balances on such date to Participants and Beneficiaries or to have the Employers make payments to such individuals at such time or times as provided under the terms of this

Plan.

8.2 Successor. This Plan shall not be automatically terminated by a transfer or sale of an Employer or by the merger or consolidation of an Employer into or with any other corporation or other entity, but it shall be continued with respect to such Employer or its successor after such sale, merger or consolidation only if and to the extent that the transferee, purchaser or successor entity agrees to continue this Plan. In the event this Plan is not continued with respect to such Employer or its successor by the transferee, purchaser or successor entity, then it shall terminate with respect to such Employer or its successor subject to the provisions of Section 8.1 hereof.

ARTICLE IX

MISCELLANEOUS

9.1 No Effect on Employment Rights. Nothing contained herein will confer upon any Participant the right to be retained in the service of an Employer nor limit the right of an Employer to discharge or otherwise deal with Participants without regard to the existence of this Plan.

9.2 Plan Unfunded. Notwithstanding any provision herein to the contrary, the benefits offered hereunder shall constitute nothing more than unfunded, unsecured promises by each Employer to pay the amounts that such Employer is obligated to pay under this Plan. No provision shall at any time be made with respect to segregating any assets of any Employer for payment of any amounts hereunder. No Participant, Beneficiary or any other person shall have any interest in any particular assets of the Employers by reason of the right to receive a benefit under this Plan, and any such Participant, Beneficiary or other person shall have only the rights

of a general unsecured creditor of the Employer obligated to make payments to the Participant under this Plan. Nothing contained in this Plan shall constitute a guaranty by the Employers or any other entity or person that the assets of any Employer will be sufficient to pay any amount hereunder. All expenses and fees incurred in the administration of this Plan shall be paid by the Employers.

9.3 Binding on Employers, Employees and Their Successors. This Plan shall be binding upon and inure to the benefit of the Employers, their successors and assigns and each Participant and his heirs, executors, administrators and legal representatives. In the event of the merger or consolidation of an Employer with or into any other corporation, or in the event substantially all of the assets of an Employer shall be transferred to another corporation, the successor corporation resulting from the merger or consolidation, or the transferee of such assets, as the case may be, shall, as a condition to the consummation of the merger, consolidation or sale, assume the obligations of such Employer hereunder as of the date of such merger, consolidation or transfer and shall be substituted for such Employer hereunder.

9.4 Spendthrift Provisions. No amount payable under this Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge prior to actual receipt thereof by the payee; and any attempt so to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge prior to such receipt shall be void; and the Employers shall not be liable in any manner for or subject to the debts, contracts, liabilities, torts or engagements of any person entitled to any benefit under this Plan.

9.5 Disclosure. Each Participant shall receive a copy of this Plan, and the Plan

Administrator will make available for inspection by any Participant a copy of the rules and regulations used by the Plan Administrator in administering this Plan.

9.6 State Law. This Plan is established under and will be construed according to the laws of the State of New York to the extent that such laws are not preempted by ERISA.

9.7 Incapacity of Recipient. In the event a Participant or Beneficiary is declared incompetent and a guardian, conservator or other person legally charged with the care of his person or of his estate is appointed, any amounts to which such Participant or Beneficiary is entitled under this Plan shall be paid to such guardian, conservator or other person legally charged with the care of his person or his estate. Except as provided herein, when the Plan Administrator, in its sole discretion, determines that a Participant or Beneficiary is unable to manage his financial affairs, the Plan Administrator may direct the Employer, or Employers responsible for payment to make payments to any person for the benefit of such Participant or Beneficiary.

9.8 Unclaimed Benefit. Each Participant shall keep the Plan Administrator informed of his current address. The Plan Administrator shall not be obligated to search for the whereabouts of any person. If the location of a Participant is not made known to the Plan Administrator within three years after the date on which any payment of the Participant's benefit hereunder may be made, payment may be made as though the Participant had died at the end of the three-year period. If, within one additional year after such three-year period has elapsed, or, within three years after the actual death of a Participant, whichever occurs first, the Plan Administrator is unable to locate the Beneficiary of the Participant, the Participant and his

Beneficiary shall forfeit all rights to any payments under this Plan.

9.9 Elections, Applications, Notices. Every direction, revocation or notice authorized or required hereunder shall be deemed delivered to the Employers or the Plan Administrator as the case may be: (a) on the date it is personally delivered to the Plan Administrator (with a copy to the Bank's General Counsel) at the Bank's executive offices at Buffalo, New York or (b) three business days after it is sent by registered or certified mail, postage prepaid, addressed to the Plan Administrator (with a copy to the Bank's General Counsel) at the offices indicated above, and shall be deemed delivered to a Participant or Beneficiary: (a) on the date it is personally delivered to such individual, or (b) three business days after it is sent by registered or certified mail, postage prepaid, addressed to such individual at the last address shown for him on the records of the Employers. Any notice required hereunder may be waived by the person entitled thereto.

9.10 Severability. In the event any provision of this Plan shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of this Plan. This Plan shall be construed and enforced as if such illegal or invalid provision had never been contained herein.

9.11 Headings. The headings of Sections of this Plan are for convenience of reference only and shall have no substantive effect on the provisions of this Plan.

M&T BANK CORPORATION DIRECTORS' STOCK PLAN

1. Name:

This plan shall be known as the M&T Bank Corporation Directors' Stock Plan (the "Plan").

2. Purpose and Intent:

The purpose of the Plan is to enable M&T Bank Corporation, a New York corporation (the "Corporation"), to attract and retain persons of exceptional ability to serve as directors of the Corporation and its subsidiaries and to further align the interests of directors and stockholders in enhancing the value of the Corporation's common stock (the "Common Stock"). The Plan provides for the payment in Common Stock of a portion of the Annual Compensation paid to each Non-employee Director. The Plan is effective as of January 1, 1998 (the "Effective Date"), and shall continue in effect unless and until terminated by the Board in accordance with Section 10 below.

3. Definitions:

For purposes of the Plan, the following terms shall have the following meanings:

(a) "Annual Compensation" means the total annual compensation payable to a Non-employee Director under the Corporation's compensation policies for directors in effect from time to time.

(b) "Board" means the Board of Directors of the Corporation or any subsidiary thereof.

(c) "Compensation Committee" means the Compensation Committee of the Board of Directors of the Corporation.

(d) "Fair Market Value" of a share of Common Stock means the closing price on the date immediately preceding the Payment Date of a share of Common Stock on the New York Stock Exchange (or such other principal securities exchange on which the shares of the Common Stock are traded if such shares are no longer traded on the New York Stock Exchange).

(e) "Non-employee Director" means an individual who is a member of the Board, but who is not a salaried officer of the Corporation or any of its subsidiaries.

(f) "Payment Date" of Annual Compensation in any calendar year means the last business day of a calendar quarter on which the Fair Market Value of shares of the Common Stock are quoted on the New York Stock Exchange (or such other principal securities exchange on which the shares of the Common Stock are traded if such shares are no longer traded on the New York Stock Exchange).

4. Administration:

The Compensation Committee shall be responsible for administering the Plan. The Compensation Committee shall have all of the powers necessary to enable it to properly carry out its duties under the Plan. Not in limitation of the foregoing, the Compensation Committee shall have the power to construe and interpret the Plan and to determine all questions that shall arise thereunder. The Compensation Committee shall have such other and further specified duties, powers, authority and discretion as are elsewhere in the Plan either expressly or by necessary implication conferred upon it. The Compensation Committee may authorize such agents as it may deem necessary for the effective performance of its duties, and may delegate to such agents such powers and duties as the Compensation Committee may deem expedient or appropriate that are not inconsistent with the intent of the Plan. The decision of the Compensation Committee upon all matters within its scope of authority shall be final and conclusive on all persons, except to the extent otherwise provided by law.

5. Shares Available:

Shares issued under the Plan shall be issued out of the authorized but unissued shares of Common Stock or treasury shares, as the Compensation Committee shall determine.

6. Shares for Annual Compensation:

The Annual Compensation payable to a Non-employee Director on or after the Effective Date shall be paid fifty percent (50%) in cash and fifty percent (50%) in shares of Common Stock. The total number of shares of Common Stock to be paid under this Section to a Non-employee Director with respect to Annual Compensation shall be determined by dividing the amount of such Annual Compensation payable in shares of Common Stock by the Fair Market Value of the Common Stock on the applicable Payment Date. In no event shall the Corporation be obligated to issue fractional shares under this Section, but instead shall pay the amount that would constitute a fractional share in cash based on the Fair Market Value of the Common Stock on the Payment Date.

7. Adjustments in Authorized Shares:

In the event of any change in corporate capitalization, such as a stock split, or a corporate transaction, such as any merger, consolidation, separation, including a spin-off, or other distribution of stock or property of the Corporation, any reorganization (whether or not such reorganization comes within the definition of such term in Internal Revenue Code Section 368) or any partial or complete liquidation of the Corporation, such adjustment shall be made in the number and class of shares which may be paid under the Plan, as may be determined to be appropriate and equitable by the Compensation Committee in its sole discretion.

8. Resales of Shares:

The Corporation may impose such restrictions on the sale or other disposition of shares paid under this Plan as the Compensation Committee deems necessary to comply with applicable securities laws. Certificates for shares paid under this Plan may bear such legends as the Corporation deems necessary to give notice of such restrictions.

9. Compliance with Law and Other Conditions:

No shares shall be paid under this Plan prior to compliance by the Corporation, to the satisfaction of its counsel, with any applicable laws. The Corporation shall not be obligated to (but may in its discretion) take any action under applicable federal or state securities laws (including registration or qualification of the Plan or the Common Stock) necessary for compliance therewith in order to permit the payment of shares hereunder, except for actions (other than registration or qualification) that may be taken by the Corporation without unreasonable effort or expense and without the incurrence of any material exposure to liability.

10. Amendment, Modification and Termination of the Plan:

The Board of Directors of the Corporation shall have the right and power at any time and from time to time to amend the Plan in whole or in part and at any time to terminate the Plan; provided, however, that the provisions of Section 6 of the Plan cannot be amended more than once every six (6) months to the extent such restriction is necessary to insure that awards of Common Stock paid under the Plan are exempt from the short-swing profit recovery rules of Section 16(b) of the Securities Exchange Act of 1934.

11. Miscellaneous:

The Plan shall be construed, administered, regulated and governed in all respects under and by the laws of the United States to the extent applicable, and to the extent such laws are not applicable, by the laws of the state of New York. The Plan shall be binding on the Corporation and any successor in interest of the Corporation.

PLAN DESCRIPTION

Restated 1987 Stock Option and Appreciation Rights Plan of ONBANC Corp,
Inc.

Preamble

Pursuant to an Agreement and Plan of Reorganization dated as of January 31, 1989, Onondaga Savings Bank and ONBANC Corp, Inc. ("ONBANC Corp") agreed to a reorganization whereby ONBANC Corp, Inc. would become the holder of all the outstanding stock of Onondaga Savings Bank and the holders of Onondaga Savings Bank common stock immediately prior to the reorganization would become the owners of all the issued and outstanding common stock of ONBANC Corp, Inc.

Section 4.2 of the Agreement and Plan of Reorganization provided that, at the time of reorganization, the 1987 Stock Option and Appreciation Rights Plan of Onondaga Savings Bank (1987 ONBANK Stock Option Plan) would be continued and become a Stock Option Plan of ONBANC Corp, Inc. (1987 ONBANC Corp Stock Option Plan).

The 1987 ONBANK Stock Option Plan was approved by the shareholders of the Bank on April 19, 1988. Pursuant to regulations applicable to the Bank, the Superintendent of Banks of the New York State Banking Department also approved the 1987 ONBANK Stock Option and all subsequent amendments. The shareholders of the Bank and the Superintendent of Banks of the New York State Banking Department approved the Agreement and Plan of Reorganization on April 18, 1989 and July 13, 1989, respectively. This contained the above referenced section 4.2 providing for the transfer of the stock option plan to the Corporation. Effective upon the reorganization, dated September 18, 1989, the stock option plan was amended as approved by action of the Board of the Corporation which directed the appropriate officers to amend the stock option plan to reflect the reorganization. Accordingly, the 1987 ONBANC Corp Stock Option Plan (formerly 1987 ONBANK Stock Option Plan) is hereby restated and shall hereafter be construed to reflect the fact that it is the Restated 1987 Stock Option and Appreciation Rights Plan of ONBANC Corp, Inc.

ARTICLE I--Purpose

1.1 General Purpose of the Plan

The purpose of the plan is to promote the growth and profitability of the Corporation and to provide certain key executives of the Corporation with an incentive to achieve corporate objectives, to attract and retain key executives of outstanding competence and to provide such executives with an equity interest in the Corporation.

ARTICLE II--Definitions

The following definitions shall apply for purposes of the Plan, unless a different meaning is plainly indicated by the context:

2.1 Appreciation Right ("SAR") means a right granted pursuant to section 5.1.

- 2.2 Board of Directors means the Board of Directors of ONBANCorp.
- 2.3 Code means the Internal Revenue Code of 1986 (including the corresponding provisions of any succeeding law).
- 2.4 Committee means the Committee described in section 3.1.
- 2.5 Conversion Price means, with respect to a Share, the price per Share at which Shares were offered for sale to the depositors of Onodaga in the subscription offering of such Shares that was made in connection with the conversion of Onodaga from a New York mutual savings bank to a New York stock-form savings bank.
- 2.6 Corporation means ONBANCorp, its wholly owned subsidiary Onodaga, and any other subsidiary of ONBANCorp, which, with the prior approval of the Board of Directors and subject to such terms and conditions as the Board of Directors may impose, shall adopt this Plan.
- 2.7 Disability means a condition of total incapacity, mental or physical, to engage in any substantial gainful activity which the Committee shall have determined, on the basis of competent medical evidence, is likely to be permanent, is likely to result in death or has lasted, or can be expected to last, for a continuous period of at least twelve months.
- 2.8 Eligible Board Member means a member of the Board of Directors who is not currently and has not at any time during the immediately preceding one-year period been an Eligible Employee and is a "Disinterested Person" as such term is defined in Rule 16b-3 of the Securities Exchange Act of 1934.
- 2.9 Eligible Employee means an officer or an employee of the Corporation, including a member of the Board of Directors of the Corporation who is an officer or an employee of the Corporation, whom the Committee determines to be in a key executive position in the Corporation.
- 2.10 Exercise Price means the price per Share at which Shares subject to an Option may be purchased upon exercise of the Option, determined in accordance with section 4.4.
- 2.11 Fair Market Value means, with respect to a Share on a specified date:
- (a) the average of the high and low quoted sales prices on the date in question (or, if there is no reported sale on such date, on the last preceding date on which any reported sale occurred) on the principal United States securities exchange on which the Shares are listed or admitted to trading; or
 - (b) if the Shares are not listed or admitted to trading on any such exchange, the closing bid quotation with respect to a Share on such date on the National Association of Securities Dealers, Inc., Automated Quotation System, or, if no such quotation is provided, on another similar system, selected by the Committee, then in use, or
 - (c) if sections 2.11(a) or (b) are not applicable, the Fair Market Value of a

Share as the Committee may determine, taking into account, among other things, the difference between the market value and the book value of the shares of common stock of financial institutions comparable to the Corporation and the trend of the Corporation's earnings and its book capital account.

- 2.12 Incentive Stock Options means a right to purchase Shares that is granted pursuant to section 4.1 that is designated by the Committee to be an Incentive Stock Option and is intended to satisfy the requirements of section 422A of the Code.
- 2.13 Non-Qualified Stock Option means a right to purchase Shares that is granted pursuant to section 4.1 that is designated by the Committee to a Non-Qualified Stock Option and is not intended to satisfy the requirements of section 422A of the Code.
- 2.14 ONBANCorp means ONBANCorp, Inc. and any successor thereto.
- 2.15 Onondaga means Onondaga Savings Bank ("OnBank") and any successor thereto.
- 2.16 Option means either an Incentive Stock Option or a Non-Qualified Stock Option.
- 2.17 Option Period means the period during which an Option or an Appreciation Right may be exercised, determined in accordance with section 4.5.
- 2.18 Plan means the Restated 1987 Stock Option and Appreciation Rights Plan of ONBANCorp. Inc.
- 2.19 Share shall mean a share of common stock of ONBANCorp.

ARTICLE III--Administration

- 3.1 Committee. The Plan shall be administered by a Committee consisting of the members of the Compensation and Stock Option Committee ("Compensation Committee" or "Committee") of the Board of Directors who are Eligible Board Members (e.g. "Disinterested Persons" as such term is defined in Rule 16b-3 of the Securities Exchange Act of 1934). If fewer than five members of the Compensation Committee are Eligible Board Members, then the Board of Directors shall appoint to the Committee such additional Eligible Board Members as shall be necessary to provide for a Committee consisting of at least five Eligible Board Members.
- 3.2 Committee Action. The Committee shall hold meetings, at least annually, and make such administrative rules and regulations as it may deem proper. The greater of (a) five members of the Committee or (b) a majority of the members of the Committee shall constitute a quorum, and the action of two-thirds of the members of the Committee present at a meeting at which a quorum is present, as well as actions taken pursuant to the unanimous written consent of all of the members of the Committee without holding a meeting shall be deemed to be actions of the Committee. All actions of the Committee shall be final and conclusive and shall be binding upon the Corporation

and all other interested parties. Any person dealing with the Committee shall be fully protected in relying upon any written notice, instructions, direction or other communication signed by the secretary of the Committee and one member of the Committee, by two members of the Committee or by a representative of the Committee authorized to sign the same in its behalf.

3.3 Committee Responsibilities. Subject to the terms and conditions of the Plan, the Committee shall be responsible for the overall management and administration of the Plan and shall have such authority as shall be necessary or appropriate in order to carry out its responsibilities, including, without limitation, the authority:

(a) to interpret and construe the Plan, and to determine all questions that may arise under the Plan as to eligibility for participation in the Plan, the amount of Options and Appreciation Rights, if any, to be granted, and the terms and conditions thereof;

(b) to adopt rules and regulations and to prescribe forms for the operation and administration of the Plan; and

(c) to take any other action not inconsistent with the provisions of the Plan that it may deem necessary or appropriate.

ARTICLE IV--Stock Options

4.1 In General. Subject to the limitations of the Plan, the Committee may, in its discretion, grant to an Eligible Employee an Option to purchase Shares. Any such Option shall be evidenced by a written agreement (the "Option Agreement") which shall:

(a) designate the Option as either an Incentive Stock Option or a Non-Qualified Stock Option;

(b) specify the number of Shares covered by the Option;

(c) specify the Exercise Price, determined in accordance with section 4.4, for the Shares subject to the Option;

(d) specify the Option Period, determined in accordance with section 4.5, for the Option;

(e) set forth specifically or incorporate by reference the applicable provisions of the Plan; and

(f) contain such other terms and conditions not inconsistent with the Plan as the Committee may, in its discretion, prescribe.

The Committee may grant pursuant to this Plan Options which would satisfy awards earned by Eligible Employees under the 1991 Long Term Incentive Plan of ONBANCORP, Inc. The Option Agreement shall specify whether the Options granted are to satisfy such awards.

4.2 Available Shares. Subject to section 6.3, the maximum aggregate number of Shares with respect to which Options may be granted at any time shall be equal to the excess of:

(a) 700,000 shares; over

(b) the sum of:

(i) the number of Shares with respect to which previously granted Options may then or may in the future be exercised; plus

(ii) the number of Shares with respect to which previously granted Options have been exercised.

For purposes of this section 4.2, an Option shall not be considered as having been exercised to the extent that such Option terminates by reason other than the purchase of the related Shares.

4.3 Size of Option. Subject to sections 4.2, 4.7 and 4.8, and such limitations as the Board of Directors may from time to time impose, the number of Shares as to which an Eligible Employee may be granted Options shall be determined by the Committee in its discretion.

4.4 Exercise Price. The price per Share at which an Option may be exercised shall be determined by the Committee, in its discretion; provided, however, that the Exercise Price established for any Option shall not be less than:

(a) the Fair Market Value of a Share on the date on which the Option is granted; or

(b) if less and such Option is granted no later than the date of the first meeting of the Board of Directors held following the conversion of Onondaga from a New York mutual savings bank to a New York stock-form savings bank, the Convention Price.

4.5 Option Period. The Option Period during which an Option may be exercised shall commence one year after the date on which the Option is granted and shall expire on the earliest of:

(a) the date specified by the Committee in the Option Agreement;

(b) in the case of an Incentive Stock Option, the last day of the three-month period commencing on the date of the Option holder's termination of employment with the Bank other than on account of death or Disability;

(c) in the case of an Incentive Stock Option, the last day of the one-year period commencing on the date of the Option holder's death or Disability; and

(d) the last day of the ten-year period commencing on the date on which the Option was granted.

4.6 Method of Exercise

(a) Subject to the limitations of the plan and the Option Agreement, an Option holder may, at any time during the Option Period, exercise his right to purchase all or any part of the Shares to which the Option relates; provided, however, that the minimum number of Shares which may be purchased shall be twenty (20), or, if less, the total number of Shares relating to the Option which are then available for purchase. An Option holder shall exercise an Option to purchase Shares by:

(i) giving written notice to the Committee or its designate, in such form and manner as the Committee may prescribe, of his intent to exercise the Option;

(ii) delivering, to the Committee or its designate full payment for the Shares as to which the Option is to be exercised; and

(iii) satisfying such other conditions as may be prescribed in the Option agreement.

Payment shall be made (1) in United States dollars in cash or by certified check, money order or bank draft drawn payable to the order of ONBANCorp, or (2) by delivering a certificate or certificates evidencing the Option holder's ownership in Shares having a Fair Market Value equaling the Exercise Price of the Shares to be acquired.

(b) When the requirements of section 4.6(a) have been satisfied, the Committee or its designate shall take such action as is necessary to cause ONBANCorp to issue a stock certificate evidencing the Option holder's ownership of such Shares. The person exercising the Option shall have no right to vote or to receive dividends, nor have any other rights with respect to the Shares, prior to the date as of which such Shares are transferred to such person on the stock transfer records of ONBANCorp, and no adjustments shall be made for any dividends or other rights for which the record date is prior to the date as of which such transfer is effected, excepted, except as may be required under section 6.3.

4.7 Limitations on Options

(a) Shares acquired in connection with the exercise of an Option shall not be assignable or transferable, other than by will or by the laws of descent and distribution, during the six-month period commencing on the date of acquisition.

(b) An Option by its terms shall not be assignable or transferable by the Option holder other than by will or by the laws of descent and distribution, and shall be exercisable, during the lifetime of the Option holder, only by the Option holder.

(c) No person shall be granted an Option to the extent that the number of Shares subject to such Option, when added to the total number of Shares subject to other Options then outstanding to him and the number of Shares owned by him, represent more than 10%

of the total combined voting power of all classes of stock of ONBANCorp.

(d) The Corporation's obligation to deliver Shares with respect to an Option shall, if the Committee so requests, be conditioned upon the receipt of a representation as to the investment intention of the Option holder to whom such Shares are to be delivered, in such form as the Committee shall determine to be necessary or advisable to comply with the provisions of applicable federal, state or local law. It may be provided that any such representation shall become inoperative upon a registration of the Shares or upon the occurrence of any other event eliminating the necessity of such representation. The Corporation shall not be required to deliver any Shares under the Plan prior to (i) the admission of such Shares to listing on any stock exchange on which Shares may then be listed, or (ii) the completion of such registration or other qualification under any state or federal law, rule or regulation as the Committee shall determine to be necessary or advisable.

4.8 Additional Restrictions on Incentive Stock Options. In addition to the limitations of section 4.7, an Option designated by the Committee to be an Incentive Stock Option shall be subject to the following limitations:

(a) no Incentive Stock Option shall provide any person with a right to purchase Shares that first becomes exercisable during a prescribed calendar year if the sum of:

(i) the Fair Market Value (determined as of the date of grant) of the Shares subject to such Incentive Stock Option which first become available for purchase during such calendar year, plus

(ii) the Fair Market Value (determined as of the date of grant) of all Shares subject to other Incentive Stock Options previously granted to such person (pursuant to this Plan or any other plan of the Corporation) which first become available for purchase during such calendar year; exceeds \$100,000.

ARTICLE V--Appreciation Rights

5.1 In General. If the Committee grants to an Eligible Employee an Incentive Stock Option or a Non-Qualified Stock Option, it may, in its discretion, simultaneously or thereafter grant to such Eligible Employee an Appreciation Right ("SAR") relating to all or any portion of the Shares relating to such Option. Any such stock Appreciation Right shall be evidenced by a written agreement which shall:

(a) identify the Option to which the Appreciation Right relates;

(b) specify the number of Shares covered by the Appreciation Right;

(c) specify the Exercise Price at which the Appreciation Right may be exercised; and

(d) contain such other terms and conditions not inconsistent with the Plan as the

Committee may, in its discretion, prescribe.

Except as provided otherwise in this Article V, Appreciation Rights shall be exercisable in accordance with and subject to the terms and conditions imposed under the Plan and the relevant Option Agreement.

5.2 Exercise of Appreciation Rights. A holder of an Appreciation Right who desires to exercise such Appreciation Right shall do so by delivering to the Committee or its designate advance written notice, in the form and manner which may be prescribed by the Committee, of his intent to exercise the Appreciation Right and of the proposed date of exercise. On the date of exercise or as soon thereafter as is practicable, the Corporation shall pay to the person exercising the Appreciation Right an amount equivalent to the excess of (a) the Fair Market Value of the Shares on the date of exercise, over (b) the Exercise Price of such Shares. Payment may, in the Committee's discretion, be made in cash (including check, bank draft or money order), in Shares equivalent in value to the excess of such Fair Market Value over such Exercise Price, or in a combination of cash and Shares which, together, are equivalent in value to the excess of such Fair Market Value over such Exercise Price.

5.3 Limitations on Exercise. In the discretion of the Committee, an Appreciation Right may not be exercisable, and the written agreement governing such Appreciation Right may provide that such Appreciation Right shall not be exercised, except in the event of a "change in control" of ONBANCorp. For purposes of this section 5.3, the term "change in control" of ONBANCorp shall mean:

(a) the reorganization, merger or consolidation of ONBANCorp with one or more banks, savings banks, savings and loan associations or other financial institutions, other than a transaction as a result of which at least 51% of the ownership interests of the institutions resulting from such transaction are owned by individuals, who, prior to such transaction, owned at least 51% of the outstanding voting shares of ONBANCorp;

(b) the acquisition of substantially all of the assets of ONBANCorp or of more than 35% of the voting shares of ONBANCorp by any person or entity, or by any persons or entities acting in concert; or

(c) if at any time during a period of twenty-four (24) consecutive months, individuals who at the beginning of such period constitute the Board of Directors cease for any reason to constitute at least the majority thereof unless the election, or the nomination for election by ONBANCorp's stockholders, of each new director was approved by a vote of at least two-thirds (2/3) of the directors still in office who were directors at the beginning of such twenty-four (24) month period except if the approval of the election or nomination for election of such new director was in connection with an actual or threatened election contest.

5.4 Automatic Cancellation of Option(s) or Appreciation Right(s).

(a) Upon the exercise of an Appreciation Right granted in connection with an Option, the Option shall be cancelled to the extent of the number of shares as to which the Appreciation Right is exercised, and conversely,

(b) upon the exercise of an Option granted in connection with an Appreciation Right, the Appreciation Right shall be cancelled to the extent of the number of shares as to which the Option is exercised.

ARTICLE VI--Amendments and Termination

6.1 Termination. Subject to section 6.4, the Board of Directors may suspend or terminate the Plan in whole or in part at any time prior to April 30, 1997 by giving written notice of such suspension or termination to the Committee. Unless sooner terminated, the Plan shall terminate automatically on April 30, 1997.

6.2 Amendment. Subject to section 6.4, the Board of Directors may amend or revise the Plan in whole or in part at any time: provided, however, that, subject to section 6.3, the following amendments or revisions shall be subject to approval by the holders of at least a majority of the outstanding voting stock of ONBANCorp:

(a) an increase in the number of Shares as to which Options may be granted;

(b) a decrease in the Exercisable Price for an Option previously granted;

(c) an extension of the term of the Plan or an extension of the Option Period beyond the last day of the ten-year period commencing on the date on which the Option was granted for an Option previously granted;

(d) a change in the class of employees eligible to be granted Options;

(e) any other amendment which would materially increase the benefits accruing to participants in the Plan within the meaning of section 16b-3 of the Securities Exchange Act of 1934; and any change which requires an amendment of ONBANCorp's certificate of organization.

6.3 Adjustments in the Event of Reorganization or Recapitalization.

(a) In the event of any merger, consolidation, or other business reorganization in which ONBANCorp is the surviving entity, and in the event of any stock split, stock dividend or other event generally affecting the Shares held by each person who is then a holder of record of Shares, the Committee shall determine the appropriate adjustments, if any, to the maximum number of Shares with respect to which Options or Appreciation Rights may be granted under the Plan. the number of Shares as to which Options or Appreciation Rights have been granted under the Plan, and the Exercise Price therefor, if applicable, to preserve but not to increase the benefits under the plan.

(b) In the event of any merger, consolidation, or other business reorganization in which ONBANCorp is not the surviving entity:

(i) Any Option or Appreciation Rights granted under the Plan which remain outstanding may be cancelled by the Board upon written notice to each Option holder given at least 30 days in advance of the effective date of such merger, consolidation, business reorganization, liquidation or sale; and

(ii) Any Option or Appreciation Rights which are not cancelled pursuant to section 6.3(b)(i) shall be adjusted in such manner as the Committee shall deem appropriate to account for such merger, consolidation or other business reorganization.

6.4 Consent of Grantee. No amendment, suspension or termination of the plan shall be made that would materially adversely affect any grant previously made under the Plan without the consent of the grantee.

ARTICLE VII--Miscellaneous Provisions

7.1 Status as an Employee Benefit Plan. This Plan is not intended to satisfy the requirements for qualification under section 401(a) of the Code or to satisfy the definitional requirements for an "employee benefit plan" under section 3(3) of the Employee Retirement Income Security Act of 1974, as amended. It is intended to be a non-qualified incentive compensation program that is exempt from the regulatory requirements of the Employee Retirement Income Security Act of 1974, as amended. The Plan shall be construed and administered so as to effectuate this intent.

7.2 No Right to Continued Employment. Neither the establishment of the Plan nor any provisions of the Plan nor any action of the Board of Directors or the Committee with respect to the Plan shall be held or construed to confer upon any Eligible Employee any right to a continuation of employment by the Corporation. The Corporation reserves the right to dismiss any Eligible Employee or otherwise deal with any Eligible Employee to the same extent as though the Plan had not been adopted.

7.3 Construction of Language. Whenever appropriate in the Plan, words used in the singular

may be read in the plural, words used in the plural may be read in the singular, and words importing the masculine gender may read as referring equally to the feminine or the neuter. Any reference to an article or section number shall refer to an article or section of this Plan, unless otherwise indicated.

- 7.4 Governing Law. The Plan shall be construed and enforced in accordance with the laws of the State of Delaware, except to the extent that such laws are preempted by the federal laws of the United States of America.
- 7.5 Headings. The headings of articles and sections are included solely for convenience of reference. If there is any conflict between such headings and the text of the Plan, the text shall control.
- 7.6 Non-Alienation of Benefits. The right to receive a benefit under the Plan shall not be subject in any manner to anticipation, alienation or assignment, nor shall such right be liable for or subject to debts, contracts, liabilities, engagements or torts.
- 7.7 Taxes. The Corporation shall have the right to deduct from all amounts paid by the Corporation in cash with respect to an Option or an Appreciation Right under the Plan any taxes required by law to be withheld with respect to such Option or Appreciation Right. Where any persons is entitle to receive Shares pursuant to the exercise of an Option, the Corporation shall have the right to require such person to pay the Corporation the amount of any tax which the Corporation is required to withhold with respect to such Shares, or, in lieu thereof, to retain, or to sell without notice, a sufficient number of Shares to cover the amount required to be withheld.
- 7.8 Notices. Any notice required or permitted to be given to a party under the Plan shall be deemed given if personally delivered or if mailed. postage pre-paid, by certified mail. return receipt requested, to the party at the address listed below, or at such other address as one such party may be written notice specify to the other:
- (a) if to the Committee:
ONBANCorp, Inc.
101 South Salina Street
Syracuse, New York 13202
Attention: Treasurer of the Corporation
 - (b) If to an Option holder, to the Option holder's address as shown in the Corporation's personnel records.
- 7.9 Effective Date. The effective date of this Plan shall be August 6, 1987.

1992 ONBANCORP DIRECTORS' STOCK OPTION PLAN

Adopted December 23, 1991

1. Purpose

The purpose of the 1992 ONBANCORP Directors' Stock Option Plan is to secure for the Company and its stockholders the benefits of the incentive inherent in increased common stock ownership of non-employee Directors of the Company, and to encourage the highest level of performance by such directors by granting them non-qualified stock options to purchase common stock of the Company that will increase their proprietary interest in the Company's success and progress and their identification with the interests of the Company's stockholders.

2. Definitions

The following definitions shall apply for purposes of the Plan, unless a different meaning is plainly indicated by the context:

- (a) Board means the Board of Directors of ONBANCORP, Inc.
- (b) Certificate means an official stock certificate evidencing ownership of one or more shares of ONBANCORP, Inc. Common Stock.
- (c) Code means the Internal Revenue Code of 1986 (including the corresponding provisions of any succeeding law).
- (d) Committee means the Compensation & Stock Option Committee of the Board.
- (e) Company means ONBANCORP, Inc.
- (f) Disability means a condition of total incapacity, mental or physical, to engage in any substantial gainful activity which the Committee shall have determined, on the basis of competent medical evidence, is likely to be permanent, is likely to result in death or has lasted, or can be expected to last, for a continuous period of at least twelve months.
- (g) Exercise Price means the price per Share at which Shares subject to an Option may be purchased upon exercise of the Option, determined in accordance with Paragraph 6(a).
- (h) Fair Market Value means, with respect to a Share on a specified date:
 - (i) the average of the high and low quoted sales prices on the date in question (or, if there is no reported sale on such date, on the last preceding date on which any reported sale occurred) on the principal United States securities

exchange on which the Shares are listed or admitted to trading; or

- (ii) if the Shares are not listed or admitted to trading on any such exchange, the closing bid quotation with respect to a Share on such date on the National Association of Securities Dealers, Inc., Automated Quotation System, or, if no such quotation is provided, on another similar system, selected by the Committee, then in use; or
 - (iii) if Paragraphs 2(h)(i) and (ii) are not applicable, the Fair Market Value of a Share as the Committee may determine, taking into account, among other things, the difference between the market value and the book value of the shares of common stock of financial institutions comparable to the Company and the trend of the Company's earnings and its book capital account.
- (i) Non-Qualified Stock Option means a right to purchase Shares that is granted pursuant to section 6(b).
 - (j) ONBANC Corp means ONBANC Corp, Inc.
 - (k) Option means a Non-Qualified Stock Option.
 - (l) Option Agreement means a written agreement which specifies the number of shares covered by the Option, specifies the Exercise Price, incorporates by reference the entire Plan, and contains such other terms and conditions not inconsistent with the Plan as the Committee may in its discretion prescribe.
 - (m) Option Period means the period during which an Option may be exercised, determined in accordance with section 7.
 - (n) Plan means the 1992 ONBANC Corp Directors' Stock Option Plan.
 - (o) Retirement means the termination of a Directors' status as a Director as a result of:
 - (i) such Director having attained the maximum age limitation for a Director set forth in the Company's By-Laws;
 - (ii) such Director not being re-elected to the Board at the expiration of his/her term; or
 - (iii) such Director resigning voluntarily as a Director or at the request of the Board for any reason other than for cause.
 - (p) Share means a share of common stock of ONBANC Corp.

3. Administration

The Plan shall be administered by the Compensation and Stock Option Committee. The Committee shall have the powers vested in it by the terms of the Plan, such powers to include authority (within the limitations described herein) to prescribe the form of the agreement embodying awards of Options made under the Plan. The Committee shall, subject to the provisions of the Plan, grant Options under the Plan and shall have the power to construe the Plan, to determine all questions arising thereunder and to adopt and amend such rules and regulations for the administration of the Plan as it may deem desirable. Any decision of the Committee in the administration of the Plan, as described herein, shall be final and conclusive. The Committee may act only by a majority of its members in office, except that the members thereof may authorize any one or more of their number or the Treasurer or any other officer of the Company to execute and deliver documents on behalf of the Committee. No member of the Committee shall be liable for anything done or omitted to be done by such member or by any other member of the Committee in connection with the Plan, except for such member's own willful misconduct or as expressly provided by statute.

4. Amount of Shares

The Shares which may be issued and sold under the Plan will be the Common Stock (par value \$1.00 per share) of the Company, of a total number not exceeding 100,000 shares, subject to adjustment as provided in Paragraph 8(c) below. The stock to be issued may be either authorized and unissued shares or issued Shares acquired by the Company. In the event that Options granted under the Plan shall terminate or expire without being exercised in whole or in part, new Options may be granted covering the Shares not purchased under such lapsed Options.

5. Eligibility

Each member of the Board of the Company who is not an employee of the Company or any of its subsidiaries (a "Non-Employee Director") shall be eligible to receive an Option in accordance with Paragraph 6 below. The adoption of this Plan shall be not deemed to give any director any right to be granted an option to purchase Common Stock of the Company, other than in accordance with the terms of this Plan.

6. Terms and Conditions of Options

Each Option granted under the Plan shall be evidenced by an agreement in such form as the Board shall prescribe from time to time in accordance with the Plan and shall comply with the following terms and conditions:

- (a) The Option Exercise Price shall be the Fair Market Value of the Shares subject to such Option on the date the Option is granted.

- (b) Each year, as of the date of the Annual Meeting of Stockholders of the Company, each Non-Employee Director who has been elected or re-elected or who is continuing as a member of the Board as of the adjournment of the Annual Meeting and who has not previously been granted Options pursuant to this Plan shall automatically receive an Option for 3,000 Shares.
- (c) Subject to the limitations of the Plan and the Option Agreement, an Option holder may, at any time during the Option Period, exercise his/her right to purchase all or any part of the Shares to which the Option relates; provided, however, that the minimum number of Shares which may be purchased shall be twenty (20), or, if less, the total number of Shares relating to the Option which are then available for purchase and the maximum number of Shares which may be purchased shall be limited by Paragraph 7(b). An Option holder shall exercise an Option to purchase Shares by:
 - (i) giving written notice to the Committee or its designate, in such form and manner as the Committee may prescribe, of his/her intent to exercise the Option;
 - (ii) delivering to the Committee or its designate full payment for the Shares as to which the Option is to be exercised; and
 - (iii) satisfying such other conditions as may be prescribed in the Option Agreement.

Payment shall be made (1) in United States dollars in cash or by certified check, money order or bank draft drawn payable to the order of ONBANCORP, Inc., or (2) by delivering a certificate or certificates evidencing the Option holder's ownership in Shares valued at their Fair Market Value, or (3) through the withholding of Shares issuable upon exercise of the Option valued at their Fair Market Value on the date of exercise or (4) by a combination of the methods set forth in (1), (2) and (3). ONBANCORP may also enter into any arrangement permitted under applicable laws (including Section 16(c) of the Securities Exchange Act of 1934) to permit the "cashless" exercise of any Option.

- (d) When the requirements of Paragraph 6(c) have been satisfied, the Committee or its designate shall take such action as is necessary to cause ONBANCORP to issue a Certificate evidencing the Option holder's ownership of such Shares. The person exercising the Option shall have no right to vote or to receive dividends, nor have any other rights with respect to the Shares, prior to the date as of which such Shares are transferred to such person on the stock transfer records of ONBANCORP, and no adjustments shall be made for any dividends or other rights for which the record date is prior to the date as of which such transfer is effected, except as may be required under Paragraph 8(c).

- (e) Shares acquired in connection with the exercise of an Option shall not be assignable or transferable, other than by will or by the laws of descent and distribution, during any period which would cause such sale to be in violation of Section 16(b) of the Securities Exchange Act of 1934.
- (f) An Option by its terms shall not be assignable or transferable by the Option holder other than by will or by the laws of descent and distribution, and shall be exercisable, during the lifetime of the Option holder, only by the Option holder or his/her legally appointed guardian.
- (g) The Company's obligation to deliver Shares with respect to an Option shall, if the Committee so requests, be conditioned upon the receipt of a representation as to the investment intention of the Option holder to whom such Shares are to be delivered, in such form as the Committee shall determine to be necessary or advisable to comply with the provisions of applicable Federal, state or local law. It may be provided that any such representation shall become inoperative upon a registration of the Shares or upon the occurrence of any other event eliminating the necessity of such representation. The Company shall not be required to deliver any Shares under the Plan prior to (i) the admission of such Shares to listing on any stock exchange on which Shares may then be listed, or (ii) the completion of such registration or other qualification under any state or Federal law, rule or regulation as the Committee shall determine to be necessary or advisable.

7. Option Period

- (a) The Option Period during which any portion of an Option may be exercised shall commence one year after the date on which the Option is granted and shall expire on the earlier of:
 - (i) The last day of the one-year period commencing on the date of the Option holder's Retirement, death or Disability; or
 - (ii) The last day of the ten-year period commencing on the date on which the Option was first exercisable.
- (b) The Option shall become exercisable with respect to one-third (33-1/3%) of the total number of shares to the nearest whole Share of Common Stock covered by the Option beginning one year after the date on which the Option is granted; thereafter it shall become exercisable with respect to an additional one-third (33-1/3%) of the total number of shares to the nearest whole Share of Common Stock covered by the Option on each subsequent anniversary date of the grant of the Option until on the third anniversary date of the grant of the Option it shall become exercisable with respect to the total number of shares of Common Stock covered by the Option. In

the event the Non-Employee Director ceases to be a Non-Employee Director by reason of Retirement, death or Disability, all Options then held by such individual under this Plan shall then become immediately exercisable and shall expire as set forth in Paragraph 7(a).

8. Amendments and Termination

- (a) Termination. Subject to Paragraph 8(d), the Board of Directors may suspend or terminate the Plan in whole or in part at any time prior to April 30, 2002 by giving written notice of such suspension or termination to the Committee. Unless sooner terminated, the Plan shall terminate automatically on April 30, 2002.
- (b) Amendment. Subject to Paragraph 8(d), the Board of Directors may amend or revise the Plan in whole or in part at any time; provided, however, that it shall not be amended more than once every six (6) months other than to comply with the Internal Revenue Code of 1986, as amended, or the Employee Retirement Income Security Act of 1974, as amended, or the rules and regulations promulgated under such laws, and further provided that, subject to Paragraph 8(c), the following amendments or revisions shall be subject to approval by the holders of at least a majority of the outstanding voting stock of ONBANCorp:
 - (i) an increase of more than ten percent (10%) in the number of Shares as to which Options may be granted;
 - (ii) a decrease in the Exercise Price for an Option previously granted;
 - (iii) an extension of the term of the Plan or an extension of the Option Period beyond the last day of the ten-year period commencing on the date on which the Option was fully exercisable for an Option previously granted;
 - (iv) any other amendment which would materially increase the benefits accruing to participants in the Plan within the meaning of Section 16b-3 of the Securities Exchange Act of 1934; and
 - (v) any change which requires an amendment of ONBANCorp's certificate of organization.

(c) Adjustments in the Event of Reorganization or Recapitalization.

(i) in the event of any merger, consolidation, or other business reorganization in which ONBANCorp is the surviving entity, and in the event of any stock split, stock dividend or other event generally affecting the Shares held by each person who is then a holder of record of Shares, the Committee shall determine the appropriate adjustments, if any, to the maximum number of Shares with respect to which Options may be granted under the Plan, the number of Shares as to which Options have been granted under the Plan, and the Exercise Price therefor, if applicable, to preserve but not to increase the benefits under the Plan.

(ii) in the event of any merger, consolidation, or other business reorganization in which ONBANCorp is not the surviving entity:

(1) any Options granted under the Plan which remain outstanding may be cancelled by the Board upon written notice to each Option holder given at least 30 days in advance of the effective date of such merger, consolidation, business reorganization, liquidation or sale; and

(2) any Options which are not cancelled pursuant to Paragraph 8(c)(ii)(1) shall be adjusted in such manner as the Committee shall deem appropriate to account for such merger, consolidation or other business reorganization.

(d) Consent of Grantee. No amendment, suspension or termination of the Plan shall be made that would materially adversely affect any grant previously made under the Plan without the prior written consent of the grantee.

9. Miscellaneous Provisions

(a) No Right to Continued Directorship. Neither the establishment of the Plan nor any provisions of the Plan nor any action of the Board of Directors or the Committee with respect to the Plan shall be held or construed to confer upon any Director any right to a continuation of his/her status as a Director of the Company. The Board and Shareholders reserve the right to terminate any Director or otherwise deal with any Director to the same extent as though the Plan had not been adopted.

(b) Construction of Language. Whenever appropriate in the Plan, words used in the singular may be read in the plural, words used in the plural may be read in the singular, and words importing the masculine gender may read as referring equally to the feminine or the neuter. Any reference to an article or section number shall refer to an article or section of this Plan, unless otherwise indicated.

- (c) Governing Law. The Plan shall be constructed and enforced in accordance with the laws of the State of Delaware, except to the extent that such laws are preempted by the Federal laws of the United States of America.
- (d) Headings. The headings of articles and sections are included solely for convenience of reference. If there is any conflict between such headings and the text of the Plan, the text shall control.
- (e) Non-Alienation of Benefits. The right to receive a benefit under the Plan shall not be subject in any manner to anticipation, alienation or assignment, nor shall such right be liable for or subject to debts, contracts, liabilities, engagements or torts.
- (f) Taxes. Where any Person is entitled to receive Shares pursuant to the exercise of an Option, the Corporation shall have the right to require such person to pay the Corporation the amount of any tax which the Corporation is required to withhold with respect to such Shares, or, in lieu thereof, to retain, or to sell without notice, a sufficient number of Shares to cover the amount required to be withheld.
- (g) Notices. Any notice required or permitted to be given to a party under the Plan shall be deemed given if personally delivered or if mailed, postage pre-paid, by certified mail, return receipt requested, to the party at the address listed below, or at such other address as one such party may by written notice specify to the other:
 - (i) If to the Committee:
ONBANCorp, Inc.
Attention: Treasurer of the Company
101 South Salina Street
P.O. Box 4983
Syracuse, New York 13221

or, if different, to ONBANCorp's then existing corporate headquarters;
 - (ii) If to an Option holder, to the Option holder's address as shown in the Company's personnel records.
- (h) Effective Date. The Plan shall become effective as of April 21, 1992 or such later date as the Board may determine, provided that the Company's stockholders shall have adopted the Plan at the Company's 1992 Annual Meeting of Stockholders.

FRANKLIN FIRST FINANCIAL CORP.
1988 STOCK INCENTIVE PLAN

Adopted May 19, 1988
Amended July 5, 1988

1. Definitions. As used herein, the following terms have the meanings hereinafter set forth.

(a) "Affiliate" shall mean a corporation which is a parent corporation or a subsidiary corporation with respect to the Company within the meaning of section 425(e) or 425(f) of the Code.

(b) "Award" shall mean a transfer of Common Stock subject to conditions of forfeiture (or the right to purchase Common Stock subject to conditions of forfeiture) made pursuant to Sections 3 and 10 of the Plan.

(c) "Award Agreement" shall mean the agreement between the Company and a Grantee with respect to an Award made pursuant to the Plan.

(d) "Board" shall mean the Board of Directors of the Company or of an Affiliate; "Company's Board" shall mean the Board of Directors of Franklin First Financial Corp.

(e) "Code" shall mean the Internal Revenue Code of 1986, as amended, and the same as may be further amended from time to time.

(f) "Committee" shall mean the Company's Board, subject to the right of the Board of Directors to designate by unanimous vote some other committee to make recommendations to it for the grant of Options and Awards and/or to assume other designated responsibilities in the administration of the Plan. Until another committee is so designated, the Operations Committee of the Company's Board is designated to make recommendations to the Committee regarding the granting of Options and Awards.

(g) "Common Stock" shall mean the Company's common stock, par value \$0.01 per share.

(h) "Company" shall mean Franklin First Financial Corp., a Pennsylvania business corporation.

(i) "Grantee" shall mean a person to whom an Award has been granted pursuant to the Plan.

(j) "Incentive Stock Option" or "ISO" shall mean an Option granted pursuant to the Plan, which is intended to constitute an incentive stock option within the

meaning of section 42 A(b) of the Code.

(k) "Option" shall mean the right to purchase Common Stock granted pursuant to Sections 3 and 7 of the Plan.

(l) "Option Agreement" shall mean the agreement between the Company and the Optionee under which the Optionee may purchase Common Stock pursuant to the Plan.

(m) "Optionee" shall mean a person to whom an Option has been granted pursuant to the Plan.

(n) "Plan" shall mean the Franklin First Financial Corp. 1988 Stock Incentive Plan, as set forth herein, and the same as may be amended from time to time.

(o) "Stock Appreciation Right" or "SAR" shall mean the right granted pursuant to the Plan in connection with an Option to surrender the Option and receive in exchange therefor an amount equal to the excess of the fair market value of the Common Stock subject to the Option so surrendered over the exercise price of the Option.

2. Purpose. The Plan is intended as an additional incentive to key employees and non-employee members of the Board to enter into or remain in the employ of the Company or any Affiliate or to serve on the Board and to devote themselves to the Company's success and to reward past service of such persons by providing them with an opportunity to acquire or increase a proprietary interest in the Company through receipt of Awards and/or Options.

3. Administration. The Plan shall be administered by the Committee.

(a) Meetings. The Committee shall hold meetings at such times and places as it may determine. Acts approved at a meeting by a majority of the members of the Committee or acts approved in writing by the unanimous consent of the members of the Committee shall be the valid acts of the Committee.

(b) Grants. The Committee shall from time to time at its discretion grant Awards and Options pursuant to the terms of the Plan. Subject to Section 4, the Committee shall have plenary authority to determine the persons to whom and the times at which Awards or Options shall be granted, the number of shares of Common Stock to be covered thereby and the price and other terms and conditions thereof, including in the case of an Option a specification with respect to whether or not the Option is intended to be an ISO and/or to include an SAR. In making such determinations the Committee may take into account the nature of the person's services and responsibilities, the person's present and potential contribution to the Company's success and such other factors as it may deem relevant. The interpretation and construction by the Committee of any provision of the Plan or of any Award or Option granted under it shall be final, binding

and conclusive.

(c) Exculpation. Each member of the Committee shall be exculpated from personal liability for services in connection with the Plan to the same extent that directors of the Company would be exculpated from liability for their services on the Board pursuant to any applicable provision of law or the terms of the Company's Articles of Incorporation or By-laws.

(d) Indemnification. Each member of the Board or of the Committee shall be entitled without further act on his part to indemnity from the Company to the fullest extent provided by applicable law and the Company's Articles of Incorporation or By-laws in connection with or arising out of any action, suit or proceeding with respect to the administration of the Plan or the granting of Awards or Options under it in which he may be involved by reason of his being or having been a member of the Board or the Committee, whether or not he continues to be such member of the Board or the Committee at the time of the action, suit or proceeding.

4. Eligibility.

(a) Key Employees. All key employees of the Company or an Affiliate (including members of the Board who are key employees) shall be eligible to receive Awards or Options hereunder. The Committee, in its sole discretion, shall determine whether an individual qualifies as a key employee.

(b) Current Outside Directors. On the date this Plan becomes effective under subsection 6(a), each person then serving on the Board who is not an employee of the Company or an Affiliate shall be granted an Option to purchase 5,000 shares of Common Stock at an exercise price equal to the initial offering price of the Common Stock. Except as provided in this subsection, no non-employee director of the Company or an Affiliate on the date this Plan becomes effective shall be eligible to be granted Options or Awards under this Plan.

(c) Future Outside Directors. Each person who begins his initial service on the Board after the date this Plan becomes effective shall be eligible to receive Options but not Awards hereunder; however, any Option shall not be an ISO unless such person is also an employee of the Company or an Affiliate. The Committee shall specify at the time of grant of an Option whether such Option includes a SAR.

5. Shares. The aggregate maximum number of shares of the Common Stock for which Awards or Options may be issued under the Plan is 517,500 shares, adjusted as provided in Section 11. Shares shall be issued from authorized and unissued Common Stock or Common Stock held in or hereafter acquired for the treasury of the Company. If any outstanding Option granted under the Plan expires, lapses or is terminated for any reason or if any shares which are subject to an Award are forfeited for any reason, the Shares allocable thereto may again be the subject of an Award or Option granted pursuant

to the Plan.

6. Effective Date and Term of the Plan.

(a) Effective Date. The Plan shall be effective as of the date of the commencement of the Company's initial underwritten public offering of its Common Stock. If the Plan is not approved within one year after such effective date by a majority of the outstanding voting stock of the Company voting either in person or by proxy, at a duly called meeting of the shareholders, then no Option granted pursuant to the Plan shall be an ISO and all ISOs previously granted under the Plan shall remain outstanding but shall not be treated as ISOs.

(b) Term. This Plan shall terminate on May 18, 1998, and no Option or Award shall be granted hereunder after May 18, 1998.

7. Terms and Conditions of Options. Options granted pursuant to the Plan shall be evidenced by written Option Agreements in such form as the Committee shall from time to time approve, which Option Agreements shall comply with and be subject to the following terms and conditions and such other terms and conditions which the Committee shall from time to time require which are not inconsistent with the terms of the Plan.

(a) Number of Shares. Each Option Agreement shall state the number of shares to which it pertains.

(b) Exercise Price. Each Option Agreement shall state the exercise price at which shares covered by the Option may be purchased. In the case of an ISO, the exercise price shall be at least 100% of the fair market value of the Common Stock on the date the ISO is granted and, in the case of an Option that is not an ISO, the exercise price shall be at least 85% of the fair market value of the Common Stock on the date such Option is granted, as fair market value determined by the Committee; provided, however, if an ISO is granted to an Optionee who then owns, directly or by attribution under section 425(d) of the Code, shares possessing more than ten percent of the total combined voting power of all classes of stock of the Company or an Affiliate, then the exercise price shall be at least 110% of the fair market value of the shares on the date the Option is granted. If the Common Stock is traded in a public market, then the fair market value per share shall be the mean between the closing "bid" and "asked" prices thereof or the mean between the highest and lowest quoted selling prices thereof, as applicable, as the Committee determines, on the day the Option is granted as reported in customary financial reporting services.

(c) Medium of Payment. An Optionee shall pay for shares (i) in cash, (ii) by certified check payable to the order of the Company, or (iii) by such other mode of payment as the Committee may approve. Furthermore, the Committee may provide in an Option Agreement that payment may be made all or in part in shares of the Common

Stock held by the Optionee. If payment is made in whole or in part in shares of the Common Stock, then the Optionee shall deliver to the Company certificates registered in the name of such Optionee representing shares of Common Stock owned by such Optionee, free of all liens, claims and encumbrances of every kind, accompanied by stock powers duly endorsed in blank by the Optionee. For purposes of determining the amount of payment, shares of Common Stock tendered as payment by the Optionee shall be valued at fair market value (as determined by the Committee under subsection 6(b)) on the date of exercise (as determined under Section 9). Notwithstanding the foregoing, the Committee, in its sole discretion, may refuse to accept shares of Common Stock in payment of the exercise price. In that event, any certificates representing shares of Common Stock which were delivered to the Company shall be returned to the Optionee with notice of the refusal of the Committee to accept such shares in payment of the exercise price. The Committee may impose from time to time such limitations and prohibitions on the use of shares of the Common Stock to exercise an Option as it deems appropriate.

(d) Termination of Options. No Option shall be exercisable after the first to occur of the following:

(i) Expiration of the term specified in the Option Agreement, which shall not exceed (A) ten years from the date of grant, or (B) five years from the date of grant with respect to an ISO if the Optionee on the date of grant owns, directly or by attribution under section 425(d) of the Code, shares possessing more than ten percent of the total combined voting power of all classes of stock of the Company or of an Affiliate;

(ii) Termination of the Optionee's employment or service with the Company and its Affiliates, subject to such additional periods not to exceed one year as the Committee shall determine, which periods may vary with the reason for termination including, without limitation, the Optionee's death, disability or retirement;

(iii) The date set by the Committee to be an accelerated expiration date in the event of dissolution or liquidation of the Company or consummation of any acquisition or business combination transaction in which the Company is not the surviving or acquiring entity or in which the Company becomes an 80% or more owned subsidiary of another person or company, in which case the Committee may take whatever other action with respect to the Option, including acceleration of any exercise provisions, it deems necessary or desirable; or

(iv) A finding by the Committee, after full consideration of the facts presented on behalf of both the Company and the Optionee, that the Optionee has breached his employment or service contract with the Company or an Affiliate, or has been engaged in any sort of disloyalty to the Company or an Affiliate, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty in the course of his employment or service or has disclosed trade secrets or confidential

information of the Company or an Affiliate. In such event, in addition to immediate termination of the Option, the Optionee, upon a determination by the Committee, shall automatically forfeit all shares for which the Company has not yet delivered the share certificates upon refund by the Company of the exercise price.

(e) Transfers. No Option granted under the Plan may be transferred, except by will or by the laws of descent and distribution. During the lifetime of the person to whom an Option is granted, such Option may be exercised only by him or his legal representative in the event of his incompetence.

(f) Other Provisions. The Option Agreements shall contain such other provisions including, without limitation, additional restrictions upon the exercise of the Option or additional limitations upon the term of the Option, as the Committee shall deem advisable.

(g) Amendment. The Committee shall have the right to amend Option Agreements issued to an Optionee subject to his consent, except that the consent of the Optionee shall not be required for any amendment made under subsection 7(d) (iii).

8. Stock Appreciation Rights (SARs).

(a) In General. Subject to the terms and conditions of the Plan, the Committee may, in its sole and absolute discretion, grant to an Optionee in connection with an Option rights to surrender to the Company, in whole or in part, an Option, and to receive in exchange therefor payment by the Company of an amount equal to the excess of the fair market value of the shares of Common Stock subject to such Option, or portion thereof, so surrendered (determined in the manner described in subsection 7(b) as of the date the SARs are exercised) over the exercise price to acquire such shares. Such payment may be made, as determined by the Committee in accordance with subsection 8(c) below and set forth in the Option Agreement, either in shares of Common Stock or in cash or in any combination thereof.

(b) Grant. Each SAR shall relate to a specific Option granted under the Plan and shall be granted to the Optionee concurrently with the grant of such Option by inclusion of appropriate provisions in the Option Agreement pertaining thereto. The number of SARs granted to an Optionee shall not exceed the number of shares of Common Stock which such Optionee is entitled to purchase pursuant to the related Option. The number of SARs held by an Optionee shall be reduced by (i) the number of SARs exercised under the provisions of the Option Agreement pertaining to the related Option, and (ii) the number of shares of Common Stock purchased pursuant to the exercise of the related Option.

(c) Payment. The Committee shall have sole discretion to determine whether, and shall set forth in the Option Agreement pertaining to the related Option the circumstances under which, payment in respect of SARs granted to any Optionee shall be

made in shares of Common Stock, or in cash, or in a combination thereof. If payment is made in Common Stock, the number of shares of Common Stock which shall be issued pursuant to the exercise of SARs shall be determined by dividing (i) the total number of SARs being exercised, multiplied by the amount by which the fair market value (as determined under subsection 7(b)) of a share of Common Stock on the exercise date exceeds the exercise price for shares covered by the related Option, by (ii) the fair market value of a share of Common Stock on the exercise date of the SARs. No fractional share of Common Stock shall be issued on exercise of an SAR; cash shall be paid by the Company to the individual exercising an SAR in lieu of any such fractional share. If payment on exercise of an SAR is to be made in cash, the individual exercising the SAR shall receive in respect of each share to which exercise relates an amount of money equal to the difference between the fair market value of a share of Common Stock on the exercise date and the exercise price for shares covered by the related Option.

(d) Limitations. SARs shall be exercisable at such times and under such terms and conditions as the Committee, in its sole and absolute discretion, shall determine and set forth in the Option Agreements pertaining to the related Options; provided, however, that an SAR may be exercised only at such times and by such individuals as the related Option under the Plan and the Option Agreement may be exercised.

9. Exercise. No Option or SAR associated therewith shall be deemed to have been exercised prior to the receipt by the Company of written notice of such exercise and, in the case of an Option exercise, of payment in full of the exercise price for the shares to be purchased. The date on which the Company receives such notice, together with payment of the exercise price and all information or acknowledgements required herein, shall be the exercise date of the Option or SAR. Each such notice shall specify the number of shares to which the exercise pertains and, in the case of an Option, shall (unless the shares are covered by a then current registration statement or a Notification under Regulation A under the Securities Act of 1933, as amended (the "Act")), contain the Optionee's acknowledgment in form and substance satisfactory to the Company that (a) such shares are being purchased for investment and not for distribution or resale (other than a distribution or resale which, in the opinion of counsel satisfactory to the Company, may be made without violating the registration provisions of the Act), (b) the Optionee has been advised and understands that (i) the shares have not been registered under the Act and are "restricted securities" within the meaning of Rule 144 under the Act and are subject to restrictions on transfer and (ii) the Company is under no obligation to register the shares under the Act or to take any action which would make available to the Optionee any exemption from such registration, (c) such shares may not be transferred without compliance with all applicable federal and state securities laws, and (d) an appropriate legend referring to the foregoing restrictions on transfer may be endorsed on the certificates. Notwithstanding the above, should the Company be advised by counsel that issuance of shares should be delayed pending (A) registration under federal or state securities laws or (B) the receipt of an opinion that an appropriate exemption therefrom is

available, the Company may defer exercise of any Option granted hereunder until either such event in (A) or (B) has occurred.

10. Terms and Conditions of Awards. Awards granted pursuant to the Plan shall be evidenced by written Award Agreements in such form as the Committee shall from time to time approve, which Award Agreements shall comply with and be subject to the following terms and conditions and such other terms and conditions which the Committee shall from time to time require which are not inconsistent with the terms of the Plan.

(a) Number of Shares. Each Award Agreement shall state the number of shares of Common Stock to which it pertains.

(b) Purchase Price. Each Award Agreement shall specify the purchase price, if any, which applies to the Award. If the Board specifies a purchase price, the Grantee shall be required to make payment on or before the date specified in the Award Agreement, which date shall not be more than 30 days from the date the Award is made. Grantee shall pay for shares (i) in cash, (ii) by certified check payable to the order of the Company, or (iii) by such other mode of payment as the Committee may approve.

(c) Transfer. In the case of an Award which provides for a transfer of shares without any payment by the Grantee, the transfer shall take place on the date specified in the Award Agreement. In the case of an Award which provides for a payment, the transfer shall take place on the date payment is delivered to the Company. Stock certificates evidencing shares transferred pursuant to an Award shall be issued in the sole name of the Grantee. Notwithstanding the foregoing, as a precondition to a transfer, the Company may require an acknowledgement by the Grantee as required under Section 9.

(d) Forfeiture Conditions. The Committee shall specify in an Award Agreement the conditions under which the Grantee of that Award shall be required to convey to the Company the shares covered by the Award. Upon the occurrence of any such specified condition, the Grantee shall forthwith surrender and deliver to the Company the certificates evidencing such shares as well as completely executed instruments of conveyance. The Committee, in its discretion, may provide that certificates for shares transferred pursuant to an Award be held in escrow by the Company or an appropriate officer of the Company until such time as each and every forfeiture condition has lapsed and that the Grantee be required, as a condition of the transfer, to deliver to such escrow agent stock powers covering the transferred shares duly endorsed by the Grantee. Stock certificates evidencing shares subject to forfeiture shall bear a legend to the effect that the Common Stock evidenced thereby is subject to repurchase or conveyance to the Company in accordance with an Award made under the Plan and that the shares may not be sold or otherwise transferred.

(e) Lapse of Conditions. Upon termination or lapse of each and every

forfeiture condition, the Company shall cause certificates without the legend referring to the Company's repurchase right (but with any other legends that may be appropriate) evidencing the shares covered by the Award to be issued to the Grantee upon the Grantee's surrender of the legended certificates held by him to the Company.

(f) Rights as Shareholder. Upon payment of the purchase price, if any, for shares covered by an Award and compliance with the acknowledgement requirement of subsection 10(c), the Grantee shall have all of the rights of a shareholder with respect to the shares of Common Stock covered thereby, including the right to vote the shares and receive all dividends and other distributions paid or made with respect thereto.

11. Adjustments on Changes in Capitalization. The aggregate number of shares and class of shares as to which Awards or Options may be granted hereunder, the number of shares covered by each outstanding Option and the exercise price thereof, and the number of shares subject to forfeiture with respect to each Award shall be appropriately adjusted in the event of a stock dividend, stock split, recapitalization or other change in the number or class of issued and outstanding equity securities of the Company resulting from a subdivision or consolidation of the Common Stock and/or other outstanding equity security or a recapitalization or other capital adjustment (not including the issuance of Common Stock on the conversion of other securities of the Company which are convertible into Common Stock) affecting the Common Stock which is effected without receipt of consideration by the Company. In the event of any adjustment relating to shares covered by an Award and still subject to forfeiture, the foregoing provisions and the provisions of subsection 10(d) shall apply to the certificates issued in connection with the adjustment. The Committee shall have authority to determine the adjustments to be made under this Section and any such determination by the Committee shall be final, binding and conclusive; provided, however, that no adjustment shall be made which will cause an ISO to lose its status as such without the consent of the Optionee.

12. Amendment of the Plan. The Company's Board may amend the Plan from time to time in such manner as it may deem advisable. Nevertheless, the Company's Board may not, without obtaining approval by vote of a majority of the outstanding voting stock of the Company, within twelve months before or after such action, change the class of individuals eligible to receive an ISO, extend the expiration date of the Plan or increase the maximum number of shares as to which Awards or Options may be granted, except as provided in Section 11 hereof. No amendment to the Plan shall adversely affect any outstanding Option or Award, however, without the consent of its holder.

13. Continued Employment. The grant of an Award or Option pursuant to the Plan shall not be construed to imply or to constitute evidence of any agreement, express or implied, on the part of the Company or any Affiliate to retain an Optionee or Grantee in the employ of the Company or an Affiliate or as a member of the Board or in any other capacity.

14. Withholding of Taxes. Whenever the Company proposes or is required to deliver or transfer shares or cash in connection with the exercise of an Option, SAR or Award, the company shall have the right to (a) require the intended transferee to remit or otherwise make available to the Company an amount sufficient to satisfy any federal, state and/or local withholding tax requirements prior to the delivery or transfer of any certificate or certificates for such shares or (b) take whatever action it deems necessary to protect its interests with respect to tax liabilities, including, without limitation, withholding a portion of any shares or cash otherwise deliverable pursuant to the Plan. The Company's obligation to make any delivery or transfer of shares under the Plan shall be conditioned on the Optionee's or Grantee's compliance with any withholding requirement to the satisfaction of the Company.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement"), made and entered into as of the Effective Date (as hereinafter defined), between First Empire State Corporation, a New York corporation (the "Company"), and Robert J. Bennett (the "Executive");

WHEREAS, the Executive is employed by ONBANCorp, Inc. ("OBC") as Chief Executive Officer and the Executive possesses intimate knowledge of the business and affairs of OBC and has acquired certain confidential information and data with respect to OBC;

WHEREAS, pursuant to the Agreement and Plan of Reorganization, dated as of October 28, 1997 among the Company, OBC and a subsidiary of the Company ("Merger Sub") (the "Merger Agreement"), Merger Sub will merge into OBC (the "Merger");

WHEREAS, the Company desires to secure the continued employment of the Executive in accordance herewith, effective upon the date of the consummation of the Merger pursuant to the Merger Agreement (the "Effective Date");

WHEREAS, the Executive is a party to the Employment Agreement with OBC and OnBank & Trust Co., dated as of September 1, 1996 (the "Prior Agreement");

WHEREAS, the Executive would be entitled to receive certain severance payments and benefits pursuant to the Prior Agreement upon termination of employment with OBC following the Effective Date;

WHEREAS, the Executive intends to forego the right to receive such payments and benefits by entering into this Agreement;

WHEREAS, in addition to the Company's desire to secure the continued employment of the Executive during the Employment Period (as defined below), the Company has determined that it is of the utmost importance to assure itself of retaining the Executive's services during the critical period following the Merger to assist in the integration of the operations of the Company and OBC;

WHEREAS, the parties now desire to enter into an agreement setting forth the terms and conditions of the employment relationship of the Executive with the Company and to provide for termination of the Prior Agreement;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements hereinafter set forth, it is hereby agreed as follows:

1. Definitions.

(a) "Board" shall mean the Board of Directors of the Company.

(b) "Cause" shall mean (i) the engaging by the Executive in intentional conduct not taken in good faith which has caused demonstrable and serious financial injury to the Company, as evidenced by a determination in a binding and final judgment, order or decree against the Executive of a court or administrative agency of competent jurisdiction, in effect after exhaustion or lapse of all rights of appeal; (ii) the Executive's conviction of a felony (as evidenced by a binding and final judgment, order or decree of a court of competent jurisdiction, in effect after exhaustion of all rights of appeal); or (iii) continuing willful and unreasonable refusal by the Executive to perform the Executive's duties or responsibilities (unless significantly changed without the Executive's written consent).

(c) "Code" shall mean the Internal Revenue Code of 1986, including any amendments thereto or successor tax codes thereof.

(d) "Company Retirement Plan" shall mean the Retirement Plan of ONBANCorp, Inc. or any replacement or successor plan.

(e) "Good Reason" shall mean any breach of this Agreement by the Company, including without limitation:

(i) the removal of the Executive from his position as, or any failure to reelect or reappoint the Executive as, the Chairman of the Company and Vice Chairman of the Manufacturers and Traders Trust Company (the "Bank"), except in the event that such removal or failure to reelect or reappoint relates to the termination by the Company of the Executive's employment for Cause or by reason of disability pursuant to Section 10 hereof; or

(ii) failure by the Company to obtain the assumption of this Agreement as contemplated by Section 18(a) hereof.

(f) "Management Group" shall mean the committee of executive officers responsible for the management of the business and affairs of the Company and the Bank.

(g) "Termination Date" shall mean (i) if the Executive's employment is terminated by the Executive's death, the date of death; (ii) if the Executive's employment is terminated for purposes of this Agreement by reason of disability pursuant to Section 10 hereof, the earlier of thirty days after the Notice of Termination is given or one day prior to the end of the Employment Period; (iii) if the Executive's employment is terminated by the Executive voluntarily (other than for Good Rea-

son), the date the Notice of Termination is given; and (iv) if the Executive's employment is terminated by the Company, whether or not for Cause, (other than by reason of disability pursuant to Section 10 hereof) or by the Executive for Good Reason, the earlier of thirty days after the Notice of Termination is given or one day prior to the end of the Employment Period.

2. Employment; Employment Period.

(a) On the Effective Date, the Company shall employ the Executive, and the Executive will be employed by the Company, in accordance with the terms of this Agreement for the period set forth below (the "Employment Period").

(b) The Employment Period shall commence as of the Effective Date and shall continue until July 1, 2001; provided, however, that if the Merger Agreement is terminated in accordance with its terms, then, at the time of such termination, this Agreement shall terminate and be of no force or effect. This Agreement shall be of no force and effect unless and until the Effective Date occurs.

(c) The Prior Agreement shall terminate, without any consideration paid thereunder, effective as of the Effective Date, and from and after such date the

Prior Agreement shall be void and of no force and effect. In consideration for such cancellation of the Prior Agreement, the Company shall pay to the Executive \$2,000,000 (the "Special Payment") in a lump sum cash payment which shall be paid to the Executive on the Effective Date. It is understood and agreed that this Section 2 constitutes a waiver, modification and discharge of the Prior Agreement for purposes of Section 7 thereof.

3. Duties. During the Employment Period, the Executive shall serve as the Chairman of the Company and Vice Chairman of the Bank and shall devote the Executive's business time, attention and skill exclusively to the business and affairs of the Company and its subsidiaries, as such business and affairs now exist and as they may hereafter be conducted. The Company agrees to sponsor the Executive's election and reelection to the Board and the Board of Directors of the Bank during the Employment Period. During the Employment Period, the Executive shall also serve in such other capacities as the Executive and the Company shall mutually agree. The services which are to be performed by the Executive hereunder are to be rendered in the same metropolitan area in which the Executive was employed immediately

prior to the Effective Date unless otherwise mutually agreed upon; provided, however, that, notwithstanding the foregoing, the Executive shall attend the meetings of the Management Group, of the Boards of Directors of the Company and the Bank and of those committees of such boards on which the Executive serves, at whatever shall be the normal locations for such meetings.

4. Compensation. During the Employment Period, the Executive shall be compensated as follows:

(a) The Executive shall receive, in accordance with the Company's standard payroll policies, an annual base salary of not less than \$550,000.

(b) The Executive shall receive fringe benefits at least equal in value in the aggregate to those provided for the Executive immediately prior to the Effective Date and shall be provided with use of an automobile and club memberships at least on the same basis as immediately prior to the Effective Date.

(c) The Executive shall receive annual bonuses (each, an "Annual Bonus"), each of which shall be at least equal to 100% of the annual bonus awarded to the most highly compensated member of the Management Group (the "Most Highly Compensated Officer") and the Executive shall be eligible to receive other non-equity-based and

equity-based bonuses and awards (each, a "Long-Term Award") which shall be at least equal to 70% of the Long-Term Awards made to the Most Highly Compensated Officer. The Annual Bonus and the Long-Term Award shall each be paid at a time and in a manner consistent with the time and manner in which each Annual Bonus and the Long-Term Award are paid to the Most Highly Compensated Officer in accordance with the terms of such plans. For purposes of this paragraph (c), compensation shall be measured as the aggregate of annual base salary and any bonus awarded under the First Empire State Corporation Executive Incentive Compensation Plan.

(d) The Executive shall be entitled to participate in all of the employee benefit plans and arrangements made available by the Company to members of the Management Group, subject to and on a basis consistent with the terms, conditions and overall administration of such plans and arrangements; provided, however, that the Executive shall be entitled to participate in such plans and arrangements only to the extent that the benefits provided thereunder do not duplicate, in type, the benefits provided under Sections 4(b) and (c).

(e) The Executive shall annually be entitled to not less than the amount of paid vacation and not

fewer than the number of paid holidays to which the Executive was entitled annually immediately prior to the Effective Date or such greater amount of paid vacation and number of paid holidays as may be made available annually to other members of the Management Group.

5. Retention Bonus. The Company shall pay to the Executive a retention bonus of \$1,000,000 (the "Retention Bonus") on the first anniversary of the Effective Date.

6. Termination For Cause or Without Good Reason. If the Executive's employment is terminated during the Employment Period by the Company for Cause, then the Executive shall be entitled to receive the Accrued Benefits pursuant to Section 8, the total amount of the Retention Bonus (if not previously paid) and shall not receive any compensation pursuant to Section 4 with respect to periods following the Termination Date. If the Executive's employment is terminated during the Employment Period due to the Executive's voluntarily terminating his employment other than for Good Reason (any such termination to be subject to the procedures set forth in Section 11 hereof), then the Executive shall be entitled to receive the Accrued Benefits pursuant to Section 8 and shall not receive any compensation pursuant

to Section 4 with respect to periods following the Termination Date.

7. Termination for Good Reason or Without Cause.

If the Executive's employment is terminated (A) during the Employment Period by the Executive for Good Reason or (B) during the Employment Period by the Company other than by reason of (i) death, (ii) disability pursuant to Section 10 hereof, or (iii) Cause (any such terminations to be subject to the procedures set forth in Section 11 hereof), then the Executive shall be entitled to receive, and the Company shall promptly pay, Accrued Benefits and (in lieu of any compensation pursuant to Section 4 with respect to periods following the Termination Date), as liquidated damages and additional severance pay, the following additional payments and benefits:

(i) No later than five days following the Termination Date, the Company shall pay to the Executive the total amount of the Retention Bonus (if not previously paid);

(ii) No later than five days following the Termination Date, the Company shall pay to the Executive the total amount of base salary and Annual Bonus (at a rate equal to 100% of the annual bonus of the Most Highly Compensated Officer with respect to the year immediately

prior to the year in which the Termination Date occurred) that would have been payable to him with respect to the remainder of the Employment Period;

(iii) Until the earlier of the end of the Employment Period or such time as the Executive has obtained new employment and is covered by benefits which in the aggregate are at least equal in value to the following benefits, the Executive shall continue to be covered, at the expense of the Company, by the same or equivalent life insurance, hospitalization, medical and dental coverage as was required hereunder with respect to the Executive immediately prior to the date the Notice of Termination is given;

(iv) For the remainder of the Employment Period, the Executive shall receive professional outplacement counseling and executive placement services, at the expense of the Company, at a cost not to exceed 20% of the Executive's annual base salary as of the date immediately prior to the date the Notice of Termination is given;

(v) In addition to the retirement benefits to which the Executive is entitled under the Company Retirement Plan and the Executive's Supplemental Executive Retirement Plan (collectively, the "Pension Plans") or any successor plans thereto, the Company shall pay the Executive

an amount, payable in a single lump sum payment by no later than five days following the Termination Date, equal to (i) the actuarial equivalent of the retirement pension (determined as a straight life annuity commencing at the date as of which the actuarial equivalent of such annuity is greatest) which the Executive would have accrued under the terms of the Pension Plans, determined as if (A) the Executive were fully vested thereunder and had accumulated after the Termination Date additional months of service credit thereunder equal to the number of months remaining in the Employment Period and (B) the Executive had been credited under the Pension Plans during such period with compensation equal to the Executive's highest rate of salary achieved during the period of his employment with the Company and OBC, minus (ii) the actuarial equivalent of the retirement pension (determined as a straight life annuity commencing at the date (but in no event earlier than the Termination Date) as of which the actuarial equivalent of such annuity is greatest) which the Executive had accrued pursuant to the provisions of the Pension Plans as of the Termination Date. For purposes of this Section 7(v), "actuarial equivalent" shall be determined using the same assump-

tions utilized under the Company Retirement Plan immediately prior to the Termination Date.

8. Accrued Benefits. For purposes of this Agreement, the Executive's "Accrued Benefits" shall include the following amounts, payable as described herein: (i) all base salary for the time period ending with the Termination Date; (ii) reimbursement for any and all monies advanced in connection with the Executive's employment for reasonable and necessary expenses incurred by the Executive on behalf of the Company for the time period ending with the Termination Date; (iii) a lump sum payment of the bonus or incentive compensation otherwise payable to the Executive with respect to the year in which termination occurs under all bonus or incentive compensation plan or plans in which the Executive is a participant; and (iv) all other payments and benefits to which the Executive (or in the event of the Executive's death, the Executive's surviving spouse or other beneficiary) may be entitled as compensatory fringe benefits or under the terms of any benefit plan of the Company. Payment of Accrued Benefits shall be made promptly in accordance with the Company's prevailing practice with respect to Subsections (i) and (ii) or, with respect to

Subsections (iii) and (iv), pursuant to the terms of the benefit plan or practice establishing such benefits.

9. Death. In the event of the Executive's death during the Employment Period, the Executive's estate, heirs and beneficiaries shall receive all the Executive's Accrued Benefits, the total amount of the Retention Bonus (if not previously paid) and shall not receive any compensation pursuant to Section 4 with respect to periods following the Termination Date.

10. Termination for Disability. If, during the Employment Period, as a result of the Executive's disability due to physical or mental illness or injury (regardless of whether such illness or injury is job-related), the Executive shall have been absent from the Executive's duties hereunder on a full-time basis for a period of six consecutive months and, within thirty days after the Company notifies the Executive in writing that it intends to terminate the Executive's employment (which notice shall not constitute the Notice of Termination contemplated below), the Executive shall not have returned to the performance of the Executive's duties hereunder, the Company may terminate the Executive's employment for purposes of this Agreement pursuant to a Notice of Termination given in accordance with Section 11

hereof. If the Executive's employment is terminated on account of the Executive's disability in accordance with this Section, the Executive shall receive Accrued Benefits and the Retention Bonus (if not previously paid) and the Executive shall not receive any compensation pursuant to Section 4 with respect to periods following the Termination Date; provided, however, that the Executive shall remain eligible for all benefits provided by any long term disability programs of the Company in effect at the time of such termination.

11. Termination Notice and Procedure. Any termination by the Company or the Executive during the Employment Period shall be communicated by written Notice of Termination to the Executive, if such Notice is given by the Company, and to the Company, if such Notice is given by the Executive, all in accordance with the following procedures and those set forth in Section 25 hereof. Any Notice of Termination by the Company shall have been approved, prior to the giving thereof to the Executive, by a resolution duly adopted by a majority of the directors of the Company (or any successor corporation) then in office.

The Executive shall have sixty days to cure any conduct or act, if curable, alleged to provide grounds

for termination of the Executive's employment for Cause under this Agreement pursuant to Subsection 1(b)(iii) hereof.

12. Tax Indemnity.

(a) If the Executive becomes subject to the excise tax (the "Excise Tax") pursuant to Section 4999 of the Code, on "excess parachute payments" as defined in Section 280G of the Code, the Company shall promptly (and in any case before the due date for filing of any tax return by the Executive relating to such payments) pay Executive the amount or amounts (a "Gross-Up Payment") that are necessary to place the Executive in the same after-tax (taking into account federal, state, local and other taxes) financial position that he would have been in if he had not incurred any tax liability under Section 4999 of the Code, to the extent the Excise Tax results in a payment to the Internal Revenue Service.

(b) Each party will notify the other in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after such party is informed in writing of such a claim and such party shall appraise the other party of

the nature of such claim and the date on which such claim is requested to be paid.

(c) The Company shall bear and pay directly all costs and expenses (including legal fees and additional interest and penalties) incurred in connection with any such claim or proceeding, to the extent related to the Excise Tax, and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses.

13. Option to Purchase Automobile. In the event of any termination of Executive's employment with the Company (including by reason of expiration of the Employment Period hereunder), the Executive shall have the right and option to purchase, in accordance with the provisions of this section 13, the automobile then being provided to him by the Company. In the event the Company or one of its subsidiaries holds title to the automobile, the Executive may purchase the automobile from the Company or such subsidiary at "book value" (or such other value as the Executive and the Company may mutually agree upon), provided he gives the Company written notice of his intention to so purchase within thirty (30) days follow-

ing the termination of employment and he proceeds to complete the purchase within thirty (30) days thereafter. In the event the Company is the lessee of the automobile, the Executive may purchase the automobile in accordance with any right the Company may have to purchase it under the subject lease.

14. Noncompetition. If the Executive's employment is terminated by the Executive without Good Reason during the Employment Period and after the first anniversary of the Effective Date, then for a period ending on the earlier of (i) the date two (2) years following the date of such termination or (ii) July 1, 2002, the Executive shall not, directly or indirectly, accept a position as an officer, or otherwise participate or be connected in any manner with the management or operation, of any savings bank, savings and loan association, savings and loan holding company, bank or bank holding company based primarily or headquartered in any city or county in upstate New York State which is situated north of Westchester County. In the event of the Executive's actual or threatened breach of this section 14, the Company shall be entitled to injunctive relief restraining the Executive therefrom; provided, however, nothing shall prohibit the Company from pursuing any other avail-

able remedies for such breach or threatened breach, including, without limitation, the recovery of damages.

15. Confidentiality. During and following the Executive's employment by the Company, the Executive shall hold in confidence and not directly or indirectly disclose or use or copy or make lists of any confidential information or proprietary data of the Company, except to the extent authorized in writing by the Board or required by any court or administrative agency, other than to an employee of the Company or a person to whom disclosure is reasonably necessary or appropriate in connection with the performance by the Executive of duties as an executive of the Company. Confidential information shall not include any information known generally to the public or any information of a type not otherwise considered confidential by persons engaged in the same business or a business similar to that of the Company. All records, files, documents and materials, or copies thereof, relating to the business of the Company which the Executive shall prepare, or use, or come into contact with, shall be and remain the sole property of the Company and shall be promptly returned to the Company upon termination of employment with the Company.

16. Expenses and Interest. The Company also shall pay to the Executive all legal fees and expenses incurred by the Executive (i) in disputing any issue hereunder relating to the termination of the Executive's employment or in seeking to obtain or enforce any benefit or right provided by this Agreement (in each case, unless the Executive is acting in bad faith) or (ii) in connection with any tax audit or proceeding to the extent attributable to the application of section 4999 of the Code to any payment or benefit provided hereunder. Such payments shall be made within five (5) business days after delivery of the Executive's written requests for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require.

17. Payment Obligations Absolute. The Company's obligation during and after the Employment Period to pay the Executive the amounts and to make the benefit and other arrangements provided herein shall be absolute and unconditional and shall not be affected by any circumstances, including, without limitation, any setoff, counterclaim, recoupment, defense or other right which the Company may have against him or anyone else. Except as provided in Section 16 of this Agreement, all amounts payable by the Company hereunder shall be paid without

notice or demand. Each and every payment made hereunder by the Company shall be final, and the Company will not seek to recover all or any part of such payment from the Executive, or from whomsoever may be entitled thereto, for any reason whatsoever.

18. Successors. (a) If the Company sells, assigns or transfers all or substantially all of its business and assets to any person or if the Company merges into or consolidates or otherwise combines (where the Company does not survive such combination) with any person (any such event, a "Sale of Business"), then the Company shall cause such person, by written agreement in form and substance reasonably satisfactory to the Executive, to expressly assume and agree to perform from and after the date of such Sale of Business all of the terms, conditions and provisions imposed by this Agreement upon the Company, and from and after such Sale of Business all references to the "Company" in this Agreement shall refer to such person. Failure of the Company to obtain such agreement prior to the effective date of such Sale of Business shall be a breach of this Agreement constituting "Good Reason" hereunder. The Executive shall, in his discretion, be entitled to proceed against any or all of such persons, any person which theretofore was such a

successor to the Company (as defined in the first paragraph of this Agreement) and the Company (as so defined) in any action to enforce any rights of the Executive hereunder. This Agreement shall not be assignable by the Company except to any party to a Sale of Business that expressly assumes this Agreement as provided herein. This Agreement shall not be terminated by the voluntary or involuntary dissolution of the Company.

(b) This Agreement and all rights of the Executive shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, heirs and beneficiaries. All amounts payable to the Executive under the Agreement if the Executive had lived shall be paid, in the event of the Executive's death, to the Executive's estate, heirs and representatives; provided, however, that the foregoing shall not be construed to modify any terms of any benefit plan of the Company that expressly govern benefits under such plan in the event of the Executive's death.

19. Severability. The provisions of this Agreement shall be regarded as divisible, and if any of said provisions or any part hereof are declared invalid or unenforceable by a court of competent jurisdiction, the

validity and enforceability of the remainder of such provisions or parts hereof and the applicability thereof shall not be affected thereby.

20. Entire Agreement. This Agreement constitutes the whole agreement of the Company and the Executive. No agreements or representation, oral or otherwise, express or implied, with respect to the subject matter of this Agreement have been made by either party which are not expressly set forth in this Agreement.

21. Amendment. This Agreement may not be amended or modified at any time except by written instrument executed by the Company and the Executive.

22. Withholding. The Company shall be entitled to withhold from amounts to be paid to the Executive hereunder any federal, state or local withholding or other taxes or charges which it is from time to time required to withhold.

23. Certain Rules of Construction. No party shall be considered as being responsible for the drafting of this Agreement for the purpose of applying any rule construing ambiguities against the drafter or otherwise. No draft of this Agreement shall be taken into account in construing this Agreement. Any provision of this Agreement which requires an agreement in writing shall be

deemed to require that the writing in question be signed by the Executive and an authorized representative of the Company.

24. Governing Law; Resolution of Disputes. This Agreement and the rights and obligations hereunder shall be governed by and construed in accordance with the laws of the State of New York. Any dispute arising out of this Agreement shall be determined by arbitration under the rules of the American Arbitration Association then in effect and both parties shall be bound by the arbitration award. The venue for the arbitration shall be New York, New York.

25. Notice. Notices given pursuant to this Agreement shall be in writing and shall be deemed given when actually received by the Executive or actually received by the Company's Secretary. If mailed, such notices shall be mailed by United States registered or certified mail, return receipt requested, addressee only, postage prepaid, if to the Company, to the Secretary of the Company at its headquarters offices (currently located at One M&T Plaza, Buffalo, New York 14240) or if the Executive, at the address set forth below the Executive's signature to this Agreement, or to such other address as

the party to be notified shall have theretofore given to the other party in writing.

26. No Waiver. No waiver by either party at any time of any breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by the other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same time or any prior or subsequent time.

27. Headings. The headings herein contained are for reference only and shall not affect the meaning or interpretation of any provision of this Agreement.

28. Counterparts. This Agreement may be executed in counterparts all of which shall be considered the same hereunder.

29. Survival. The obligations of the parties set forth in Sections 6, 7, 8, 9, 10, 12, 13, 14, 15, 16, 22, 23, 24, 25 and 29 shall survive the termination of the Employment Period and of this Agreement.

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

First Empire State Corporation

Robert J. Bennett
101 Marville Road
Fayetteville
New York 13066-1019

By: /s/ Robert E. Sadler, Jr.

Robert E. Sadler, Jr.

Title: Executive Vice President

/s/ Robert J. Bennett
Robert J. Bennett

ONBANCorp, Inc. and OnBank & Trust Co. hereby agree to Section 2(c) of this Agreement.

ONBANCorp, Inc.

OnBank & Trust Co.

By:/s/David M. Dembowski

By:/s/ David M. Dembowski

Title: EVP and Secretary

Title: EVP and Secretary

SERP ASSUMPTION AGREEMENT

THIS AGREEMENT, is made and entered into as of the 15th day of January 1993 by and between OnBank, a stock-form savings bank, organized and existing under the laws of the State of New York, OnBank & Trust Co., a New York trust company ("O&T") and ONBANCORP, Inc. ("ONBANCORP"), a Delaware corporation, and ROBERT J. BENNETT, residing at 8407 Pewter Lane, Manlius, New York 13104 ("Mr. Bennett").

WHEREAS, pursuant to a Stock Purchase Agreement, dated February 21, 1992, between Midlantic Corporation and ONBANCORP and a Plan of Conversion, dated March 26, 1992, ONBANCORP became the owner, effective as of January 1, 1993, of one hundred percent (100%) of the outstanding stock of O&T; and

WHEREAS, OnBank and O&T have reorganized pursuant to a Plan of Reorganization dated as of January 15, 1993, ("Reorganization"); and

WHEREAS, prior to the Reorganization, Mr. Bennett was employed by OnBank and ONBANCORP as Chairman, President and Chief Executive Officer of each corporation; and

WHEREAS, subsequent to the reorganization Mr. Bennett also became employed by O&T as Chairman, President and Chief Executive Officer; and

WHEREAS, pursuant to our agreement dated January 1, 1991, a copy of which is attached hereto and made a part hereof ("SERP Agreement") ONBANCORP and OnBank agreed to provide Mr. Bennett certain supplemental employee retirement benefits on his retirement; and

WHEREAS, it is the intention of the parties hereto that, as a result of the Acquisition and Reorganization, Mr. Bennett's duties would be expanded to include services as Chairman, President and Chief Executive Officer of O&T, and that his rights under the SERP Agreement on termination of employment would not be diminished.

NOW, THEREFORE, in consideration of the promises and mutual covenants and obligations hereinafter set forth, it is agreed as follows:

1. Assumption of OnBank's Obligations. O&T hereby assumes all obligations of OnBank under the SERP Agreement.

2. Terms and Conditions of Assumed Agreement. In reading the SERP Agreement subsequent to its assumption by O&T for the purposes of determining the rights and obligations between Mr. Bennett, O&T and ONBANCORP concerning Mr. Bennett's rights to a supplemental payment on retirement, the term "Bank or OnBank" when used in the SERP Agreement for the purpose of determining the benefits thereunder and for all other purposes shall mean "O&T" and/or "OnBank".

3. Joint and Several Liability. ONBANCORP, OnBank and O&T shall be jointly and severally liable for payments due to Mr. Bennett under the SERP Agreement provided, however, neither ONBANCORP nor O&T shall be liable to pay any amount or provide any benefit to the extent Mr. Bennett has received payment for such amount or been provided the benefit by the other party.

4. Binding Effect. This Agreement shall inure to the benefit of and be binding upon Mr. Bennett, his legal representatives and testate or intestate distributees and upon OnBank, O&T and ONBANCORP and the successors and assigns, including any and all successors by merger or by consolidation or a statutory receiver or any other person or firm or corporation to which all or substantially all of the assets and business of OnBank or ONBANCORP may be sold or otherwise transferred.

5. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York.

6. Headings. The headings on the sections in this Agreement are for convenience of reference only, and are not intended to qualify the meaning of any section.

7. Entire Agreement/Modifications. This Agreement and the SERP Agreement contain the entire agreement of the parties relating to the subject matter hereof and supersede in its entirety any and all prior agreements, understandings or representations relating to the subject matter hereof. No modifications of this Agreement shall be valid unless made in writing and signed by the parties hereto.

IN WITNESS WHEREOF, OnBank, O&T and ONBANCorp have caused this Agreement to be executed, and Mr. Bennett has hereunto set his hand all as of the day and year first above first written.

/s/ Robert J. Bennett
Robert J. Bennett

OnBank
By: /s/ William F. Allyn
Chairman Compensation Committee

Onbank & Trust Co.
By: /s/ William F. Allyn
Chairman Compensation Committee

ONBANCorp, Inc.
By: /s/ William F. Allyn
Chairman Compensation Committee

SUPPLEMENTAL EMPLOYEE RETIREMENT AGREEMENT

THIS SUPPLEMENTAL EMPLOYEE RETIREMENT AGREEMENT ("Agreement") is made and entered into as of the 1st day of January 1991, by and between ONONDAGA SAVINGS BANK, a stock-form savings bank organized and existing under the laws of the State of New York and having its executive offices at 101 South Salina Street, Syracuse, New York 13202 ("Bank" or "OnBank"), ONBANCORP, Inc., a corporation organized and existing under the laws of the State of Delaware ("BANCORP" or "ONBANCORP") and ROBERT J. BENNETT, with an address at 8407 Pewter Lane, Manlius, New York 13104 ("Mr. Bennett").

WHEREAS, on June 29, 1987, the Board of Trustees of the Bank elected Mr. Bennett to serve as President and Chief Operating Officer of the Bank; and

WHEREAS, Mr. Bennett had been previously employed by Boatmen's Bancshares, Inc. of St. Louis, Missouri ("Boatmen's") since 1975; and

WHEREAS, the Bank was reorganized pursuant to an Agreement and Plan of Reorganization dated as of January 31, 1989, the sole purpose of which was to establish the Bank as a wholly owned subsidiary of BANCORP; and

WHEREAS, in accordance with the terms and conditions of an employment agreement effective as of September 1, 1990 between Bank, BANCORP and Mr. Bennett ("Employment Agreement"), Mr. Bennett has

agreed to continue in the service of the Bank and BANCORP; and

WHEREAS, the Bank and BANCORP recognize that Mr. Bennett, by agreeing to leave Boatmen's and enter the service of the Bank and BANCORP, forfeited the accrual of any further retirement benefits payable to him under Boatmen's Bancshares, Inc. Retirement Plan for Employees ("Boatmen's Retirement Plan"); and

WHEREAS, Mr. Bennett will be eligible to participate in the Retirement Plan of ONBANCORP, Inc. in RSI Retirement Trust on the basis of years of service credits he accumulates with the Bank only and without regard to his years of service credits at Boatmen's; and

WHEREAS, Sections 415 and 401(a)(17) of the Internal Revenue Code Limit the retirement benefit payable to Mr. Bennett to a lower percentage of the average of his highest three years of compensation than is payable to lower compensated employees; and

WHEREAS, the Bank wishes to compensate Mr. Bennett for any reduction in retirement benefits he might experience resulting from his break in service between Boatmen's and the Bank and the limits imposed by Internal Revenue Code Sections 415 and 401(a)(17);

NOW, THEREFORE, in consideration of the promises and the mutual covenants and obligations hereinafter set forth, the Bank, BANCORP and Mr. Bennett hereby agree as follows:

1. Supplemental Benefits. In the event Mr. Bennett becomes eligible to receive a Normal Retirement Benefit pursuant to the Retirement Plan of ONBANCORP, Inc. in RSI Retirement Trust or any

successor retirement plan ("Qualified Plan"), he shall be eligible to receive a Supplemental Normal Retirement Benefit pursuant to section 2 of this Agreement. In the event Mr. Bennett is entitled to a death benefit pursuant to the Qualified Plan and is survived by a spouse, his surviving spouse shall be entitled to receive a Supplemental Death Benefit pursuant to section 3 of this Agreement.

2. Supplemental Normal Retirement Benefit.

2.1 Amount. The Supplemental Normal Retirement Benefit payable to Mr. Bennett hereunder shall be in the form of a straight life annuity over the lifetime of Mr. Bennett only and shall be a monthly amount equal to the following:

- A. The monthly amount of the Normal Retirement Benefit which Mr. Bennett would have been entitled to under the Qualified Plan, if such benefit were computed using Mr. Bennett's twelve (12) years of service with Boatmen's and his initial year of service with OnBank in addition to his creditable years of service with the Bank and/or BANCorp in determining the amount of such Normal Retirement Benefit and without giving effect to the limitations on benefits imposed by Internal Revenue Code Sections 415 and 401(a)(17); less
- B. The sum of (1) the monthly amount of the Normal Retirement Benefit actually payable to Mr. Bennett under the Qualified Plan, plus (2) the amount of the monthly retirement benefit payable to Mr. Bennett as a straight life annuity commencing at age 65 under Boatmen's Retirement Plan or any successor plan.

2.2 Liability for Payment. Bank and BANCorp shall be jointly and severally liable for payments due to Mr. Bennett under this Agreement, provided, however, neither the Bank or BANCorp shall

be liable to pay any amount to the extent Mr. Bennett has received payment for such amount by the other party.

2.3 Form of Benefit. The Supplemental Normal Retirement Benefit payable to Mr. Bennett shall be paid at the same time and in the same form under which the Normal Retirement Benefit under the Qualified Plan is payable to Mr. Bennett. Mr. Bennett's election under the Qualified Plan of any optional form of payment of his Normal Retirement Benefit (with the valid consent of his surviving spouse, where required under the Qualified Plan) shall also be applicable to the payment of his Supplemental Normal Retirement Benefit.

2.4 Commencement of Benefit. Payment of the Supplemental Retirement Benefit shall commence on the same date as payment of the Normal Retirement Benefit under the Qualified Plan. Any election under the Qualified Plan made by Mr. Bennett with respect to the commencement of payment of the Normal Retirement Benefit will also be applicable with respect to the commencement of payment of his Supplemental Normal Retirement Benefit.

2.5 Actuarial Equivalent. A Supplemental Normal Retirement Benefit which is payable in any form other than a straight life annuity over the lifetime of Mr. Bennett, commencing at age 65, shall be the actuarial equivalent of the Supplemental Normal Retirement Benefit set forth in section 2.1 of this Agreement as determined by the same actuarial adjustments as those specified in the Qualified Plan with respect to the determination of the amount of the Normal

Retirement Benefit on the date of commencement for payment hereunder.

3. Supplemental Death Benefit. The Supplemental Death Benefit payable to Mr. Bennett's surviving spouse shall be a monthly amount equal to fifty (50%) percent of the monthly benefit determined under Section 2.1 of this Agreement as though his employment with the Bank terminated on his date of death. This benefit will be payable for the remaining life of his surviving spouse.

4. Vesting. Mr. Bennett's contractual rights to the payments pursuant to Sections 2.1 and 3 of this Agreement shall vest at the rate of twenty (20%) percent per year of service, which years of service shall be computed in accordance with the rules set forth in the Qualified Plan. Notwithstanding the foregoing, should Mr. Bennett's employment with the Bank and BANCorp terminate in such a manner that it qualifies as a Termination of Employment with Additional Bank and BANCorp Liability under section 10 of the Employment Agreement, Mr. Bennett shall have an immediate and fully vested contractual right to the Supplemental Normal Retirement Benefit pursuant to Section 2.1 of this Agreement.

5. Miscellaneous.

5.1 Rights to Employment. Notwithstanding anything to the contrary, nothing herein shall confer Mr. Bennett with any right to continued employment with the Bank, nor shall it interfere in any way with the rights of the parties to terminate the employment relationship.

5.2 Withholding. Taxes shall be withheld and paid over to a fiscal authority or authorities within or without the United States in accordance with the applicable laws in effect at the time of the payment of benefits.

5.3 Funding. The Bank reserves the rights in its discretion to establish or not establish a separate account or other vehicle to fund the benefits hereunder. In the event the Bank should set aside funds to cover its obligations under this contract, Mr. Bennett and his wife shall have no rights to such funds other than those of a general creditor of the Bank. No rights under this contract shall be transferable other than by will or the laws of descent and distribution.

5.4 Binding Effect. This agreement shall inure to the benefit of and be binding upon Mr. Bennett and the Bank and/or BANCorp, their successors and assigns, including any and all successors by merger or consolidation or a statutory receiver or any other person or firm or corporation to which all or substantially all of the assets and business of the Bank and/or BANCorp may be sold or otherwise transferred.

5.5 Applicable Law. This contract shall be governed by and construed in accordance with the laws of the State of New York without reference to its principle of conflict of laws.

IN WITNESS WHEREOF, the Bank and BANCORP has caused this Agreement to be executed and Mr. Bennett has hereunto set his hand, all as of the day and year first above written.

/s/ Robert J. Bennett
Robert J. Bennett

ATTEST: ONONDAGA SAVINGS BANK (OnBank)

By /s/ David M. Dembowski
Secretary

By /s/ William J. Donlon
William J. Donlon, Chairman
Compensation and Stock
Option Committee

[Seal]

ATTEST:
By /s/ David M. Dembowski
Secretary

By /s/ William J. Donlon
William J. Donlon, Chairman
Compensation and Stock
Option Committee

[Seal]

STATE OF NEW YORK)
) ss:
COUNTY OF ONONDAGA)

On this 28th day of January, 1991, before me personally came ROBERT J. BENNETT, to me known, and known to me to be the individual described in the foregoing instrument, who, being by me duly sworn, did depose and say that he resides at 8407 Pewter Lane, Manlius, New York and that he signed his name to the foregoing instrument.

/s/ Clayton H. Hale
Notary Public

STATE OF NEW YORK)
) ss:
COUNTY OF ONONDAGA)

On this 28th day of January, 1991, before me personally came William J. Donlon, to me known, who, being by me duly sworn, did depose to say that he resides at 4824 Cavalry Green Drive, Fayetteville, New York; that he is Chairman, Compensation and Stock Option Committee of ONONDAGA SAVINGS BANK (OnBank), the savings bank

described in and which executed the foregoing instrument; that he knows the seal of said savings bank; that the seal affixed to said instrument is such seal; that it was so affixed by order of the Board of Directors of said savings bank; and that he signed his name thereto by like order.

/s/ Clayton H. Hale
Notary Public

STATE OF NEW YORK)
) ss:
COUNTY OF ONONDAGA)

On this 28th day of January, 1991, before me personally came William J. Donlon, to me known, who, being by me duly sworn, did depose and say that he resides at 4824 Cavalry Green Drive, Fayetteville, New York; that he is Chairman, Compensation and Stock Option Committee of ONBANCorp, Inc., the corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such seal; that it was so affixed by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

/s/ Clayton H. Hale
Notary Public

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