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

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 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	16-0968385
(State of incorporation)	(I.R.S. Employer Identification No.)
One M&T Plaza, Buffalo, New York	14203
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $5 par value	New York Stock Exchange
(Title of each class)	(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act:

8.234% Capital Securities of First Empire Capital Trust I
(and the Guarantee of M&T Bank Corporation with respect thereto)
(Title of class)
8.234% Junior Subordinated Debentures of
M&T Bank Corporation
(Title of class)
8.277% Capital Securities of First Empire Capital Trust II
(and the Guarantee of M&T Bank Corporation with respect thereto)
(Title of class)
8.277% Junior Subordinated Debentures of
M&T Bank Corporation
(Title of Class)

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, and (2) has been subject to such filing requirements for the past 90 days. Yes X No _

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Aggregate market value of the Common Stock, $5 par value, held by non-affiliates of the registrant, computed by reference to the closing price as of the close of business on March 1, 1999: $2,939,991,477.

Number of shares of the Common Stock, $5 par value, outstanding as of the close of business on March 1, 1999: 7,725,294 shares.

Documents Incorporated By Reference:

(1) Portions of the Proxy Statement for the 1999 Annual Meeting of Stockholders of M&T Bank Corporation in Part III.

M&T BANK CORPORATION

FORM 10-K

FOR THE YEAR ENDED DECEMBER 31, 1998

CROSS-REFERENCE SHEET

M&T BANK CORPORATION

FORM 10-K

FOR THE YEAR ENDED DECEMBER 31, 1998

CROSS-REFERENCE SHEET--continued

CROSS-REFERENCE SHEET--continued

PART I

Item 1. BUSINESS.

M&T Bank Corporation ("Registrant" or "M&T") is a New York business corporation which is registered as a bank holding company under the Bank Holding Company Act of 1956, as amended ("BHCA") and under Article III-A of the New York Banking Law ("Banking Law"). The principal executive offices of the Registrant are located at One M&T Plaza, Buffalo, New York 14203. The Registrant was incorporated in November 1969. The Registrant and its direct and indirect subsidiaries are collectively referred to herein as the "Company". As of December 31, 1998, the Company had consolidated total assets of $20.6 billion, deposits of $14.7 billion and stockholders' equity of $1.6 billion. The Company had 5,485 full-time and 982 part-time employees as of December 31, 1998.

At December 31, 1998, the Registrant had two wholly owned bank subsidiaries: Manufacturers and Traders Trust Company ("M&T Bank") and M&T Bank, National Association ("M&T Bank, N.A."). The banks collectively offer a wide range of commercial banking, trust and investment services to their customers. At December 31, 1998, M&T Bank represented 98% of consolidated assets of the Company.

On April 1, 1998, M&T completed the 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 M&T Bank. 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 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 possible credit losses	(27,905)
Loans and leases, net	2,942,401
Goodwill and core deposit intangible	562,533
Other assets	411,727
Total assets	$5,493,265
Liabilities	
Deposits	$3,767,729
Short-term borrowings	541,689
Long-term borrowings	268,617
Other liabilities	41,680
Total liabilities	$4,619,715

In connection with the acquisition, the Company recorded approximately $563 million of goodwill and core deposit intangible, and incurred nonrecurring expenses related to systems conversions and other costs of integrating and conforming the acquired operations with and into the operations of M&T Bank. Such expenses totaled $21.3 million ($14.0 million after-tax) during the year ended December 31, 1998.

On December 9, 1998, M&T entered into a definitive agreement with FNB Rochester Corp. ("FNB"), a bank holding company headquartered in Rochester, New York, providing for a merger between the two companies. FNB, with total assets of $588 million as of December 31, 1998, is the parent company of the First National Bank of Rochester, which has 19 offices in western and central New York State. Under the terms of the merger agreement, stockholders of FNB may elect to receive .06766 of a share of M&T common stock (and cash in lieu of any fractional share) or $33.00 in cash for each outstanding share of FNB common stock. Subject to certain adjustments set forth in the merger agreements, 50% of the 3,625,806 shares of FNB common stock outstanding on December 9, 1998 will be exchanged for shares of M&T common stock and the remaining shares will be converted for cash. The elections of FNB's stockholders will be subject to allocation and proration if either portion of the merger consideration is oversubscribed. The merger, which will be accounted for as a purchase, has been approved by the boards of directors of each company, and is subject to certain conditions, including regulatory approvals and approval of FNB's stockholders. It is anticipated that the merger will take place during the second quarter of 1999.

The Company from time to time considers acquiring banks, thrift institutions, branch offices or other businesses within markets currently served or in other nearby markets. The Company has pursued acquisition opportunities in the past, continues to review different opportunities, including the possibility of major acquisitions, and intends to continue this practice.

SUBSIDIARIES

Olympia Financial Corp. ("Olympia"), a wholly owned subsidiary of M&T, is a Delaware corporation that holds the stock of M&T Bank and is registered as a bank holding company under the Bank Holding Company Act. Its registered office is located at 1209 Orange Street, Wilmington, Delaware 19801.

M&T Bank is a banking corporation which is incorporated under the laws of the State of New York. M&T Bank is a member of the Federal Reserve System and the Federal Home Loan Bank System, and its deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") up to applicable limits. M&T acquired all of the issued and outstanding shares of the capital stock of M&T Bank in December 1969. The stock of M&T Bank represents a major asset of M&T. M&T Bank operates under a charter granted by the State of New York in 1892, and the continuity of its banking business is traced to the organization of the Manufacturers and Traders Bank in 1856. The principal executive offices of M&T Bank are located at One M&T Plaza, Buffalo, New York 14203. As of December 31, 1998, M&T Bank had 228 banking offices located throughout New York State, 19 offices in northeastern Pennsylvania, plus a branch in Nassau, The Bahamas. As of December 31, 1998, M&T Bank had consolidated total assets of $20.1 billion, deposits of $14.3 billion and stockholder's equity of $1.8 billion. The deposit liabilities of M&T Bank are insured by the FDIC through either its Bank Insurance Fund ("BIF") or its Savings Association Insurance Fund ("SAIF"). Of M&T Bank's $14.3 billion in assessable deposits at December 31, 1998, 84% were assessed as BIF-insured and the remainder as SAIF-insured deposits. As a commercial bank, M&T Bank offers a broad range of financial services to a diverse base of consumers, businesses, professional clients, governmental entities and financial institutions located in its markets. Lending is largely focused on consumers residing in New York State and northeastern Pennsylvania, and on small and medium-size businesses based in those areas. In addition, the Company conducts lending activities in other states through various subsidiaries. M&T Bank and certain of its subsidiaries also offer commercial mortgage loans secured by income producing properties or properties used by borrowers in a trade or business. Other financial services are also provided through operating subsidiaries.

M&T Bank, N.A., a national banking association and a member of the Federal Reserve System and the FDIC, commenced operations on October 2, 1995. The deposit liabilities of M&T Bank, N.A. are insured by the FDIC through the BIF. The main office of M&T Bank, N.A. is located at 48 Main Street, Oakfield, New York 14125. M&T Bank, N.A. offers selected deposit and loan products on a nationwide basis, primarily through direct mail and telephone marketing techniques. M&T Bank, N.A. is also a licensed insurance agency, and offers insurance products primarily through the banking offices of M&T Bank. As of December 31, 1998, M&T Bank, N.A. had total assets of $629 million, deposits of $421 million and stockholder's equity of $49 million.

M&T Capital Corporation ("M&T Capital"), a wholly owned subsidiary of M&T Bank, was incorporated as a New York business corporation in January 1968. M&T Capital is a federally-licensed small business investment company operating under the provisions of the Small Business Investment Act of 1958, as amended. During 1998, the Corporation's strategy was to continue the liquidation of its investments, while managing the remainder of its existing investment portfolio. Upon liquidation of its only significant remaining portfolio investment, it is the Company's current intention to surrender its license to the Small Business Administration. M&T Capital had assets and stockholder's equity of approximately $2 million as of December 31, 1998, and recorded approximately $65 thousand of revenues in 1998. The headquarters of M&T Capital are located at One M&T Plaza, Buffalo, New York 14203.

M&T Credit Corporation ("M&T Credit"), a wholly owned subsidiary of M&T Bank, was incorporated as a New York business corporation in April 1994. M&T Credit is a consumer credit company with headquarters at One M&T Plaza, Buffalo, New York 14203, and offices in Pennsylvania. As of December 31, 1998, M&T Credit had assets of $482 million and stockholder's equity of $25 million. M&T Credit recorded $30 million of revenues during 1998.

M&T Financial Corporation ("M&T Financial"), a New York business corporation, is a wholly owned subsidiary of M&T Bank which specializes in capital-equipment leasing. M&T Financial was formed in October 1985, had assets of $101 million and stockholder's equity of $18 million as of December 31, 1998, and recorded approximately $2 million of revenues in 1998. The headquarters of M&T Financial are located at One M&T Plaza, Buffalo, New York 14203.

M&T Mortgage Corporation ("M&T Mortgage"), the wholly owned mortgage banking subsidiary of M&T Bank, was incorporated as a New York business corporation in November 1991. M&T Mortgage's principal activities are comprised of the origination of residential mortgage loans and providing residential mortgage loan servicing to M&T Bank, M&T Bank, N.A. and others. M&T Mortgage operates throughout New York State, and also maintains branch offices in Arizona, Colorado, Idaho, Massachusetts, Ohio, Oregon, Pennsylvania, Utah and Washington. M&T Mortgage had assets of $711 million and stockholder's equity of $122 million as of December 31, 1998, and recorded approximately $113 million of revenues during 1998. Residential mortgage loans serviced by M&T Mortgage for non-affiliates totaled $7.3 billion at December 31, 1998. The headquarters of M&T Mortgage are located at M&T Center, One Fountain Plaza, Buffalo, New York 14203.

M&T Real Estate, Inc.("M&T Real Estate") is a subsidiary of M&T Bank which was incorporated as a New York business corporation in August 1995. M&T Bank owns all of the outstanding common stock and 87.5% of the preferred stock of M&T Real Estate. The remaining 12.5% of M&T Real Estate's preferred stock is owned by officers or former officers of the Company. M&T Real Estate engages in commercial real estate lending and servicing activities. As of December 31, 1998, M&T Real Estate had assets of $4.9 billion and stockholder's equity of $4.8 billion. M&T Real Estate recorded $393 million of revenues in 1998. The headquarters of M&T Real Estate are located at M&T Center, One Fountain Plaza, Buffalo, New York 14203.

M&T Securities, Inc. ("M&T Securities") is a wholly owned subsidiary of M&T Bank that was incorporated as a New York business corporation in November 1985. M&T Securities is registered as a broker/dealer under the Securities

Exchange Act of 1934, as amended, as an investment advisor under the Investment Advisors Act of 1940, as amended, and is licensed as an insurance agent. It provides securities brokerage, investment advisory, and insurance services. As of December 31, 1998, M&T Securities had assets of $9 million and stockholder's equity of $4 million. M&T Securities recorded $22 million of revenues during 1998. The headquarters of M&T Securities are located at One M&T Plaza, Buffalo, New York 14203.

Highland Lease Corporation ("Highland Lease"), a wholly owned subsidiary of M&T Bank, was incorporated as a New York business corporation in October 1994. Highland Lease is a consumer leasing company with headquarters at One M&T Plaza, Buffalo, New York 14240. As of December 31, 1998, Highland Lease had assets of $419 million and stockholder's equity of $37 million. Highland Lease recorded $23 million of revenues during 1998.

During 1997, the Company formed two Delaware business trusts and ONBANCorp formed one Delaware business trust to issue preferred capital securities ("Capital Securities"). First Empire Capital Trust I ("Trust I") issued $150 million of 8.234% Capital Securities on January 17, 1997, and First Empire Capital Trust II ("Trust II") issued $100 million of 8.277% Capital Securities on May 30, 1997. On February 4, 1997, OnBank Capital Trust I ("OnBank Trust I" and, together with Trust I and Trust II, the "Trusts") issued $60 million of 9.25% preferred capital securities. As a result of the ONBANCorp acquisition, the Company assumed responsibility for the ONBANCorp Capital Securities. The common securities ("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 are the only class of each Trust's securities possessing general voting powers. The Capital Securities represent preferred undivided interests in the assets of the corresponding Trust and are classified in the Company's consolidated balance sheet as long-term borrowings, with accumulated distributions on such securities included in interest expense. Under the Federal Reserve Board's current risk-based capital guidelines, the Capital Securities are includable in M&T's Tier 1 capital. The proceeds from the issuances of the Capital Securities and the Common Securities were used by the Trusts to purchase junior subordinated deferrable interest debentures issued by M&T in the case of Trust I and Trust II and Olympia in the case of OnBank Trust I. 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. As of December 31, 1998, Trust I had assets of $160 million and stockholders' equity of $155 million, and during 1998 Trust I recorded $13 million of revenues. Trust II had assets of $104 million and stockholders' equity of $103 million at December 31, 1998, and during 1998 Trust II recorded $9 million of revenues. OnBank Trust I had assets of $73 million and stockholders' equity of $62 million at December 31, 1998, and during 1998 OnBank Trust I recorded $4 million of revenues.

The Registrant and its banking subsidiaries have a number of other special-purpose or inactive subsidiaries. These other subsidiaries represented, individually and collectively, an insignificant portion of the Company's consolidated assets, net income and stockholders' equity at December 31, 1998.

SEGMENT INFORMATION, PRINCIPAL PRODUCTS/SERVICES AND FOREIGN OPERATIONS

Information about the Registrant's business segments is included in note 21 of Notes to Financial Statements filed herewith in Part II, Item 8, "Financial Statements and Supplementary Data" and is further discussed in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations". The Company's international activities are discussed in note 16 of Notes to Financial Statements filed herewith in Part II, Item 8, "Financial Statements and Supplementary Data".

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

The only activities that, as a class, contributed 10% or more of the sum of consolidated interest income and other income in each of the last three years were lending and investment securities transactions. The amount of income from such sources during those years is set forth on the Company's Consolidated Statement of Income filed herewith in Part II, Item 8, "Financial Statements and Supplementary Data".

SUPERVISION AND REGULATION

The banking industry is subject to extensive state and federal regulation and continues to undergo significant change. In 1991, the Federal Deposit Insurance Corporation Improvement Act ("FDICIA") was enacted. FDICIA substantially amended the Federal Deposit Insurance Act ("FDI Act") and certain other statutes. Since FDICIA's enactment, the federal bank regulatory agencies have adopted regulations to implement its statutory provisions.

The following discussion summarizes certain aspects of the banking laws and regulations that affect the Company. Proposals to change the laws and regulations governing the banking industry are frequently raised in Congress, in state legislatures, and before the various bank regulatory agencies. The likelihood and timing of any changes and the impact such changes might have on the Company are impossible to determine with any certainty. A change in applicable laws or regulations, or a change in the way such laws or regulations are interpreted by regulatory agencies or courts, may have a material impact on the business, operations and earnings of the Company. To the extent that the following information describes statutory or regulatory provisions, it is qualified entirely by reference to the particular statutory or regulatory provision.

BANK HOLDING COMPANY REGULATION

As a registered bank holding company, the Registrant and its nonbank subsidiaries are subject to supervision and regulation under the BHCA by the Board of Governors of the Federal Reserve System ("Federal Reserve Board") and the New York State Banking Superintendent ("Banking Superintendent"). The Federal Reserve Board requires regular reports from the Registrant and is authorized by the BHCA to make regular examinations of the Registrant and its subsidiaries.

Under the BHCA, the Registrant may not acquire direct or indirect ownership or control of more than 5% of the voting shares of any company, including a bank, without the prior approval of the Federal Reserve Board, except as specifically authorized under the BHCA. The Registrant is also subject to regulation under the Banking Law with respect to certain acquisitions of domestic banks. Under the BHCA, the Registrant, subject to the approval of the Federal Reserve Board, may acquire shares of non-banking corporations the activities of which are deemed by the Federal Reserve Board to be so closely related to banking or managing or controlling banks as to be a proper incident thereto.

The Federal Reserve Board has enforcement powers over bank holding companies and their non-banking subsidiaries, among other things, to interdict activities that represent unsafe or unsound practices or constitute violations of law, rule, regulation, administrative orders or written agreements with a federal bank regulator. These powers may be exercised through the issuance of cease-and-desist orders, civil money penalties or other actions.

Under the Federal Reserve Board's statement of policy with respect to bank holding company operations, a bank holding company is required to serve as a source of financial strength to its subsidiary depository institutions and to commit all available resources to support such institutions in circumstances where it might not do so absent such policy. Although this "source of strength" policy has been challenged in litigation, the Federal Reserve Board continues to take the position that it has authority to enforce it. For a discussion of circumstances under which a bank holding company may be required to guarantee the capital levels or performance of its subsidiary banks, SEE CAPITAL ADEQUACY, below. The Federal Reserve also has the authority to terminate any activity of a bank holding company that constitutes a serious risk to the financial soundness or stability of any subsidiary depository institution or to terminate its control of any bank or nonbank subsidiaries.

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, as amended (the "Interstate Banking Act") generally permits bank holding companies to acquire banks in any state, and preempts all state laws restricting the ownership by a bank holding company of banks in more than one state. The Interstate Banking Act also permits a bank to merge with an out-of-state bank and convert any offices into branches of the resulting bank if both states have not opted out of interstate branching; permits a bank to acquire branches from an out-of-state bank if the law of the state where the branches are located permits the interstate branch acquisition; and permits banks to establish and operate DE NOVO interstate branches whenever the host state opts-in to DE NOVO branching. Bank holding companies and banks seeking to engage in transactions authorized by the Interstate Banking Act must be adequately capitalized and managed. The 19 branches of Franklin First Savings Bank, a wholly owned subsidiary of ONBANCorp, were merged into M&T Bank on April 1, 1998 as a part of M&T's acquisition of ONBANCorp under the interstate banking authority of the Interstate Banking Act.

The Banking Law authorizes interstate branching by merger or acquisition on a reciprocal basis, and permits the acquisition of a single branch without restriction, but does not provide for DE NOVO interstate branching.

Bank holding companies and their subsidiary banks are also subject to the provisions of the Community Reinvestment Act of 1977 ("CRA"). Under the terms of the CRA, the Federal Reserve Board (or other appropriate bank regulatory agency) is required, in connection with its examination of a bank, to assess such bank's record in meeting the credit needs of the communities served by that bank, including low- and moderate-income neighborhoods. Furthermore, such assessment is also required of any bank that has applied, among other things, to merge or consolidate with or acquire the assets or assume the liabilities of a federally-regulated financial institution, or to open or relocate a branch office. In the case of a bank holding company applying for approval to acquire a bank or bank holding company, the Federal Reserve Board will assess the record of each subsidiary bank of the applicant bank holding company in considering the application. The Banking Law contains provisions similar to the CRA which are applicable to New York-chartered banks.

SUPERVISION AND REGULATION OF BANK SUBSIDIARIES

The Registrant's banking subsidiaries are subject to supervision and regulation, and are examined regularly, by various bank regulatory agencies: M&T Bank by the Federal Reserve Board and the Banking Superintendent; and M&T Bank, N.A. by the Comptroller of the Currency (the "OCC"). The Registrant and its direct non-banking subsidiaries are affiliates, within the meaning of the Federal Reserve Act, of the Registrant's subsidiary banks and their subsidiaries. As a result, the Registrant's subsidiary banks and their subsidiaries are subject to restrictions on loans or extensions of credit to, purchases of assets from, investments in, and transactions with the Registrant and its direct non-banking subsidiaries and on certain other transactions with them or involving their securities.

Under the "cross-guarantee" provisions of the FDI Act, insured depository institutions under common control are required to reimburse the FDIC for any loss suffered by either the BIF or SAIF of the FDIC as a result of the default of a commonly controlled insured depository institution or for any assistance provided by the FDIC to a commonly controlled insured depository institution in danger of default. Thus, any insured depository institution subsidiary of M&T could incur liability to the FDIC in the event of a default of another insured depository institution owned or controlled by M&T. The FDIC's claim under the cross-guarantee provisions is superior to claims of stockholders of the insured depository institution or its holding company and to most claims arising out of obligations or liabilities owed to affiliates of the institution, but is subordinate to claims of depositors, secured creditors and holders of subordinated debt (other than affiliates) of the commonly controlled insured depository institution. The FDIC may decline to enforce the cross-guarantee provisions if it determines that a waiver is in the best interest of the BIF or SAIF or both.

DIVIDENDS FROM BANK SUBSIDIARIES

M&T Bank and M&T Bank, N.A. are subject, under one or more of the banking laws, to restrictions on the amount and frequency (no more often than quarterly) of dividend declarations. Future dividend payments to the Registrant by its subsidiary banks will be dependent on a number of factors, including the earnings and financial condition of each such bank, and are subject to the limitations referred to in note 22 of Notes to Financial Statements filed herewith in Part II, Item 8, "Financial Statements and Supplementary Data," and to other statutory powers of bank regulatory agencies.

Under FDICIA, an insured depository institution is prohibited from making any capital distribution to its owner, including any dividend, if, after making such distribution, the depository institution fails to meet the required minimum level for any relevant capital measure, including the risk-based capital adequacy and leverage standards discussed below.

CAPITAL ADEQUACY

The Federal Reserve Board, the FDIC and the OCC have adopted risk-based capital adequacy guidelines for bank holding companies and banks under their supervision. Under these guidelines, the so-called "Tier 1 capital" and "Total capital" as a percentage of risk-weighted assets and certain off-balance sheet instruments must be at least 4% and 8%, respectively.

The Federal Reserve Board, the FDIC and the OCC have also imposed a leverage standard to supplement their risk-based ratios. This leverage standard focuses on a banking institution's ratio of Tier 1 capital to average total assets, adjusted for goodwill and certain other items. Under these guidelines, banking institutions that meet certain criteria, including excellent asset quality, high liquidity, low interest rate exposure and good earnings, and that have received the highest regulatory rating must maintain a ratio of Tier 1 capital to total adjusted average assets of at least 3%. Institutions not meeting these criteria, as well as institutions with supervisory, financial or operational weaknesses, along with those experiencing or anticipating significant growth are expected to maintain a

Tier 1 capital to total adjusted average assets ratio equal to at least 4 to 5%.

As reflected in the following table, the risk-based capital ratios and leverage ratios of the Registrant, M&T Bank and M&T Bank, N.A. as of December 31, 1998 exceeded the required capital ratios for classification as "well capitalized," the highest classification under the regulatory capital guidelines.

Capital Components and Ratios at December 31, 1998
(dollars in millions)

	Registrant (Consolidated)	M&T Bank	M&T Bank, N.A.
Capital Components			
Tier 1 capital	$ 1,372	$ 1,293	$ 46
Total capital	1,725	1,640	51
Risk-weighted assets and off-balance sheet instruments	$16,335	$16,032	$317
Risk-based Capital Ratio			
Tier 1 capital	8.40%	8.07%	14.54%
Total capital	10.56%	10.24%	16.25%
Leverage Ratio	7.02%	6.80%	7.81%

FDICIA required the federal banking agencies, including the Federal Reserve Board and the OCC, to revise their risk-based capital standards in order to ensure that those standards take adequate account of interest rate risk, concentration of credit risk and the risk of nontraditional activities, as well as reflect the actual performance and expected risk of loss on certain multifamily housing loans.

Bank regulators periodically propose amendments to the risk-based capital guidelines and related regulatory framework. While the Company's management studies such proposals, the timing of adoption, ultimate form and effect of any such proposed amendments on the Company's capital requirements and operations cannot be predicted. During 1998 the Federal Reserve and OCC amended their risk-based capital guidelines to permit the inclusion of up to 45% of unrealized gains on certain equity securities in Tier 2 capital, and raised the Tier 1 capital limitation for mortgage servicing assets from 50 to 100 percent of Tier 1 capital.

FDICIA requires the federal banking agencies to take "prompt corrective action" in respect of depository institutions and their bank holding companies that do not meet minimum capital requirements. FDICIA established five capital tiers: "well capitalized", "adequately capitalized", "undercapitalized", "significantly undercapitalized" and "critically undercapitalized". A depository institution's capital tier, or that of its bank holding company, depends upon where its capital levels are in relation to various relevant capital measures, including a risk-based capital measure and a leverage ratio capital measure, and certain other factors.

Under the implementing regulations adopted by the federal banking agencies, a bank holding company or bank is considered "well capitalized" if it has (i) a total risk-based capital ratio of 10% or greater, (ii) a Tier 1 risk-based capital ratio of 6% or greater, (iii) a leverage ratio of 5% or greater and

(iv) is not subject to any order or written directive to meet and maintain a specific capital level for any capital measure. An "adequately capitalized" bank holding company or bank is defined as one that has (i) a total risk-based capital ratio of 8% or greater, (ii) a Tier 1 risk-based capital ratio of 4% or greater and (iii) a leverage ratio of 4% or greater (or 3% or greater in the case of a bank with a composite CAMELS rating of 1). A bank holding company or bank is considered (A) "undercapitalized" if it has (i) a total risk-based capital ratio of less than 8%, (ii) a Tier 1 risk-based capital ratio of less than 4% or (iii) a leverage ratio of less than 4% (or 3% in the case of a bank with a composite CAMELS rating of 1); (B) "significantly undercapitalized" if the bank has (i) a total risk-based capital ratio of less than 6%, or (ii) a Tier 1 risk-based capital ratio of less than 3% or (iii) a leverage ratio of less than 3% and (C)"critically undercapitalized" if the bank has a ratio of tangible equity to total assets equal to or less than 2%. The Federal Reserve Board may reclassify a "well capitalized" bank holding company or bank as "adequately capitalized" or subject an "adequately capitalized" or "undercapitalized" institution to the supervisory actions applicable to the next lower capital category if it determines that the bank holding company or bank is in an unsafe or unsound condition or deems the bank holding company or bank to be engaged in an unsafe or unsound practice and not to have corrected the deficiency. M&T, Olympia, M&T Bank and M&T Bank, N.A. currently meet the definition of "well capitalized" institutions.

"Undercapitalized" depository institutions, among other things, are subject to growth limitations, are prohibited, with certain exceptions, from making capital distributions, are limited in their ability to obtain funding from a Federal Reserve Bank and are required to submit a capital restoration plan. The federal banking agencies may not accept a capital plan without determining, among other things, that the plan is based on realistic assumptions and is likely to succeed in restoring the depository institution's capital. In addition, for a capital restoration plan to be acceptable, the depository institution's parent holding company must guarantee that the institution will comply with such capital restoration plan and provide appropriate assurances of performance. If a depository institution fails to submit an acceptable plan, including if the holding company refuses or is unable to make the guarantee described in the previous sentence, it is treated as if it is "significantly undercapitalized". Failure to submit or implement an acceptable capital plan also is grounds for the appointment of a conservator or a receiver. "Significantly undercapitalized" depository institutions may be subject to a number of additional requirements and restrictions, including orders to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets and cessation of receipt of deposits from correspondent banks. Moreover, the parent holding company of a significantly undercapitalized depository institution may be ordered to divest itself of the institution or of nonbank subsidiaries of the holding company. "Critically undercapitalized" institutions, among other things, are prohibited from making any payments of principal and interest on subordinated debt, and are subject to the appointment of a receiver or conservator.

FDICIA directs, among other things, that each federal banking agency prescribe standards for depository institutions and depository institution holding companies relating to internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, a maximum ratio of classified assets to capital, minimum earnings sufficient to absorb losses, a minimum ratio of market value to book value for publicly traded shares and other standards as they deem appropriate. The Federal Reserve Board and OCC have adopted such standards.

FDICIA also contains a variety of other provisions that may affect the operations of the Company, including new reporting requirements, regulatory standards for real estate lending, "truth in savings" provisions, limitations on the amount of capitalized mortgage servicing rights and purchased credit card relationships includable in Tier 1 capital, and the requirement that a depository institution give prior notice to customers and regulatory authorities before closing any branch. FDICIA also contains a prohibition on the acceptance or renewal of brokered deposits by depository institutions that are not "well capitalized" or are "adequately capitalized" and have not received a waiver from the FDIC.

FDIC DEPOSIT INSURANCE ASSESSMENTS

As institutions with deposits insured by the BIF and the SAIF, M&T Bank and M&T Bank, N.A. are subject to FDIC deposit insurance assessments. Under current law the regular insurance assessments to be paid by BIF-insured and SAIF-insured institutions are specified in schedules issued by the FDIC that specify, at semiannual intervals, target reserve ratios designed to maintain the reserve ratios of each of those insurance funds at 1.25% of their estimated insured deposits. The FDIC is also authorized to impose one or more special assessments.

The FDIC has implemented a risk-based deposit premium assessment system under which each depository institution is placed in one of nine assessment categories based on the institution's capital classification under the prompt corrective action provisions described above, and whether such institution is considered by its supervisory agency to be financially sound or to have supervisory concerns. The adjusted assessment rates for both BIF-insured and SAIF-insured institutions under the current system range from .00% to .31% depending upon the assessment category into which the insured institution is placed. Neither of the Company's banking subsidiaries paid regular insurance assessments to the FDIC in 1998. However, the FDIC retains the ability to increase regular BIF and SAIF assessments and to levy special additional assessments.

In addition to deposit insurance fund assessments, beginning in 1997 the FDIC assessed BIF-assessable and SAIF-assessable deposits to fund the repayment of debt obligations of the Financing Corporation ("FICO"). FICO is a government agency-sponsored entity that was formed to borrow the money necessary to carry out the closing and ultimate disposition of failed thrift institutions by the Resolution Trust Corporation. The FDIC is required to set FICO assessments for BIF-assessable deposits at one-fifth the amount for SAIF-assessable deposits. The current annualized rates established by the FDIC for BIF-assessable and SAIF-assessable deposits are 1.22 basis points and 6.10 basis points, respectively.

Any significant increases in assessment rates or additional special assessments by the FDIC could have an adverse impact on the results of operations and capital of M&T Bank or M&T Bank, N.A.

GOVERNMENTAL POLICIES

The earnings of the Company are significantly affected by the monetary and fiscal policies of governmental authorities, including the Federal Reserve Board. Among the instruments of monetary policy used by the Federal Reserve Board to implement these objectives are open-market operations in U.S. Government securities and Federal funds, changes in the discount rate on member bank borrowings and changes in reserve requirements against member bank deposits. These instruments of monetary policy are used in varying combinations to influence the overall level of bank loans, investments and deposits, and the interest rates charged on loans and paid for deposits. The Federal Reserve Board frequently uses these instruments of monetary policy, especially its open-market operations and the discount rate, to influence the level of interest rates and to affect the strength of the economy, the level of inflation or the price of the dollar in foreign exchange markets. The monetary policies of the Federal Reserve Board have had a significant effect on the operating results of banking institutions in the past and are expected to continue to do so in the future. It is not possible to predict the nature of future changes in monetary and fiscal policies, or the effect which they may have on the Company's business and earnings.

COMPETITION

The Company competes in offering commercial and personal financial services with other banking institutions and with firms in a number of other industries, such as thrift institutions, credit unions, personal loan companies, sales finance companies, leasing companies, securities brokers and dealers, insurance companies and retail merchandising organizations. Furthermore, diversified financial services companies are able to offer a combination of these services to their customers on a nationwide basis. Compared to less extensively regulated financial services companies, the Company's operations are significantly impacted by state and federal regulations applicable to the banking industry. Moreover, the provisions of the Interstate Banking Act and the Banking Law may further ease entry into New York State by out-of-state banking institutions. As a result, the number of banking organizations with which the Registrant's subsidiary banks compete may grow in the future.

OTHER LEGISLATIVE INITIATIVES

From time to time, various proposals are introduced in the United States Congress and in the New York Legislature and before various bank regulatory authorities which would alter the powers of, and restrictions on, different types of banking organizations and which would restructure part or all of the existing regulatory framework for banks, bank holding companies and other financial institutions.

Moreover, a number of other bills have been introduced in Congress which would further regulate, deregulate or restructure the financial services industry. It is not possible to predict whether these or any other proposals will be enacted into law or, even if enacted, the effect which they may have on the Company's business and earnings.

STATISTICAL DISCLOSURE PURSUANT TO GUIDE 3

See cross-reference sheet for disclosures incorporated elsewhere in this Annual Report on Form 10-K. Additional information is included in the following tables.

M&T BANK CORPORATION AND SUBSIDIARIES

Item 1, Table 1

SELECTED CONSOLIDATED YEAR-END BALANCES

DOLLARS IN THOUSANDS	1998	1997	1996	1995	1994
Money-market assets					
Interest-bearing deposits at banks	$ 674	668	47,325	125,500	143
Federal funds sold and resell agreements	229,066	53,087	125,326	1,000	3,080
Trading account	173,122	57,291	37,317	9,709	5,438
Total money-market assets	402,862	111,046	209,968	136,209	8,661
Investment securities					
U.S. Treasury and federal agencies	1,321,000	1,081,247	1,023,038	1,087,005	999,407
Obligations of states and political subdivisions	73,789	38,018	41,445	35,250	55,787
Other	1,390,775	605,953	507,215	647,040	735,846
Total investment securities	2,785,564	1,725,218	1,571,698	1,769,295	1,791,040
Loans and leases					
Commercial, financial, leasing, etc	3,270,840	2,406,640	2,206,282	2,013,937	1,680,415
Real estate - construction	489,112	254,434	90,563	77,604	53,535
Real estate - mortgage	9,289,521	6,765,408	6,199,931	5,648,590	5,046,937
Consumer	2,956,228	2,339,051	2,623,445	2,133,592	1,666,230
Total loans and leases	16,005,701	11,765,533	11,120,221	9,873,723	8,447,117
Unearned discount	(214,171)	(268,965)	(398,098)	(317,874)	(229,824)
Allowance for possible credit losses	(306,347)	(274,656)	(270,466)	(262,344)	(243,332)
Loans and leases, net	15,485,183	11,221,912	10,451,657	9,293,505	7,973,961
Goodwill and core deposit intangible	546,036	17,288	18,923	28,234	23,514
Real estate and other assets owned	11,129	8,413	8,523	7,295	10,065
Total assets	20,583,891	14,002,935	12,943,915	11,955,902	10,528,644
Noninterest-bearing deposits	2,066,814	1,458,241	1,352,929	1,184,359	1,087,102
NOW accounts	509,307	346,795	334,787	768,559	748,199
Savings deposits	4,830,678	3,344,697	3,280,788	2,765,301	3,098,438
Time deposits	7,027,083	5,762,497	5,352,749	4,596,053	3,106,723
Deposits at foreign office	303,270	250,928	193,236	155,303	202,611
Total deposits	14,737,152	11,163,158	10,514,489	9,469,575	8,243,073
Short-term borrowings	2,229,976	1,050,918	1,127,900	1,270,022	1,363,161
Long-term borrowings	1,567,543	427,819	178,002	192,791	96,187
Total liabilities	18,981,525	12,972,669	12,038,256	11,109,649	9,807,648
Stockholders' equity	1,602,366	1,030,266	905,659	846,253	720,996

STOCKHOLDERS, EMPLOYEES AND OFFICES

NUMBER AT YEAR-END	1998	1997	1996	1995	1994
Stockholders	5,207	3,449	3,654	3,787	3,981
Employees	6,467	5,083	5,180	4,889	4,505
Offices	283	210	202	181	168

Item 1, Table 2

CONSOLIDATED EARNINGS

Dollars in thousands	1998	1997	1996	1995	1994
INTEREST INCOME					
Loans and leases, including fees	$1,190,983	952,436	881,002	794,181	633,077
Money-market assets					
Deposits at banks	400	2,475	2,413	8,181	2,212
Federal funds sold and resell agreements	8,293	2,989	2,985	3,007	4,751
Trading account	4,403	1,781	980	1,234	361
Investment securities					
Fully taxable	139,731	99,640	107,415	118,791	104,185
Exempt from federal taxes	7,984	5,640	2,637	2,760	2,760
Total interest income	1,351,794	1,064,961	997,432	928,154	747,346
INTEREST EXPENSE					
NOW accounts	4,851	3,455	9,430	11,902	11,286
Savings deposits	115,345	90,907	84,822	87,612	84,804
Time deposits	388,185	327,611	286,088	239,882	97,067
Deposits at foreign office	14,973	12,160	12,399	6,952	5,894
Short-term borrowings	105,582	44,341	59,442	84,225	73,868
Long-term borrowings	58,567	29,619	14,227	11,157	6,287
Total interest expense	687,503	508,093	466,408	441,730	279,206
NET INTEREST INCOME	664,291	556,868	531,024	486,424	468,140
Provision for possible credit losses	43,200	46,000	43,325	40,350	60,536
Net interest income after provision for possible credit losses	621,091	510,868	487,699	446,074	407,604
OTHER INCOME					
Mortgage banking revenues	65,646	51,547	44,484	37,142	16,002
Service charges on deposit accounts	57,357	43,377	40,659	38,290	35,016
Trust income	38,211	30,688	27,672	25,477	22,574
Merchant discount and other credit card fees	12,436	19,395	18,266	10,675	8,705
Trading account and foreign exchange gains	3,963	3,690	2,421	2,783	738
Gain (loss) on sales of bank investment securities	1,761	(280)	(37)	4,479	128
Gain on sales of venture capital investments	--	2,677	3,175	2,619	802
Other revenues from operations	91,221	41,973	33,608	28,073	39,774
Total other income	270,595	193,067	170,248	149,538	123,739
OTHER EXPENSE					
Salaries and employee benefits	259,487	220,017	208,342	188,222	161,221
Equipment and net occupancy	66,553	53,299	51,346	50,526	49,132
Printing, postage and supplies	17,603	13,747	15,167	14,442	13,516
Amortization of goodwill and core deposit intangible	34,487	7,291	6,292	6,293	358
Deposit insurance	2,710	1,935	9,337	14,675	16,442
Other costs of operations	185,283	125,487	118,494	100,281	96,193
Total other expense	566,123	421,776	408,978	374,439	336,862
Income before income taxes	325,563	282,159	248,969	221,173	194,481
Income taxes	117,589	105,918	97,866	90,137	77,186
NET INCOME	$ 207,974	176,241	151,103	131,036	117,295
DIVIDENDS DECLARED					
Common	$ 28,977	21,207	18,617	16,224	14,743
Preferred	--	--	900	3,600	3,600

Item 1, Table 3

COMMON SHAREHOLDER DATA

		1998	1997	1996	1995	1994
Per Share						
Net income						
Basic	$	27.30	26.60	22.54	19.61	16.90
Diluted		26.16	25.26	21.08	17.98	15.73
Cash dividends declared		3.80	3.20	2.80	2.50	2.20
Stockholders' equity at year-end		207.94	155.86	135.45	125.33	103.02
Tangible stockholders' equity at year-end		139.89	153.24	132.62	120.94	99.46
Dividend payout ratio		13.93 %	12.03 %	12.39 %	12.73 %	12.97 %

Item 1, Table 4

CHANGES IN INTEREST INCOME AND EXPENSE*

INCREASE (DECREASE) IN THOUSANDS	1998 COMPARED WITH 1997 TOTAL CHANGE	1998 RESULTING FROM CHANGES IN: VOLUME	1998 RESULTING FROM CHANGES IN: RATE	1997 COMPARED WITH 1996 TOTAL CHANGE	1997 RESULTING FROM CHANGES IN: VOLUME	1997 RESULTING FROM CHANGES IN: RATE
Interest income						
Loans and leases, including fees	$ 238,819	278,543	(39,724)	$ 71,264	74,326	(3,062)
Money-market assets						
Deposits at banks	(2,075)	(1,414)	(661)	62	200	(138)
Federal funds sold and agreements to resell securities	5,304	5,298	6	4	19	(15)
Trading account	2,587	2,723	(136)	837	700	137
Investment securities						
U.S. Treasury and federal agencies	17,062	19,964	(2,902)	(3,055)	(4,941)	1,886
Obligations of states and political subdivisions	1,734	1,878	(144)	154	137	17
Other	24,748	23,816	932	(384)	(1,980)	1,596
Total interest income	$ 288,179			$ 68,882		
Interest expense						
Interest-bearing deposits						
NOW accounts	$ 1,396	1,008	388	$ (5,975)	(5,416)	(559)
Savings deposits	24,438	26,516	(2,078)	6,085	12,622	(6,537)
Time deposits	60,574	66,505	(5,931)	41,523	38,400	3,123
Deposits at foreign office	2,813	3,023	(210)	(239)	(474)	235
Short-term borrowings	61,241	60,997	244	(15,101)	(16,846)	1,745
Long-term borrowings	28,948	32,764	(3,816)	15,392	14,534	858
Total interest expense	$ 179,410			$ 41,685		

* INTEREST INCOME DATA ARE ON A TAXABLE-EQUIVALENT BASIS. THE APPORTIONMENT OF CHANGES RESULTING FROM THE COMBINED EFFECT OF BOTH VOLUME AND RATE WAS BASED ON THE SEPARATELY DETERMINED VOLUME AND RATE CHANGES.

Item 2. PROPERTIES.

Both M&T and M&T Bank maintain their executive offices at One M&T Plaza in Buffalo, New York. This twenty-one story headquarters building, containing approximately 276,000 rentable square feet of space, is owned in fee by M&T Bank, and was completed in 1967 at a cost of approximately $17 million. M&T, M&T Bank and their subsidiaries occupy approximately 84% of the building and the remainder is leased to non-affiliated tenants. At December 31, 1998, the cost of this property, net of accumulated depreciation, was $9.6 million.

In September 1992, M&T Bank acquired an additional facility in Buffalo, New York with approximately 365,000 rentable square feet of space at a cost of approximately $12 million. Approximately 77% of this facility, known as M&T Center, is occupied by M&T Bank and its subsidiaries, with the remainder leased to non-affiliated tenants. At December 31, 1998, the cost of this building, including improvements made subsequent to acquisition and net of accumulated depreciation, was $15.3 million.

M&T Bank also owns and occupies two separate facilities in the Buffalo area which support certain back-office and operations functions of the Company. The total square footage of these facilities approximates 223,000 square feet and their combined cost, net of accumulated depreciation, was $13.6 million.

As a result of the April 1, 1998 ONBANCorp merger, M&T Bank acquired a facility in Syracuse, New York with approximately 136,000 rentable square feet of space. Approximately 49% of this facility is occupied by M&T Bank, with the remainder leased to non-affiliated tenants. At December 31, 1998, the cost of this building, net of accumulated depreciation, was $7.9 million.

The cost, net of accumulated depreciation and amortization, of the Company's premises and equipment is detailed in note 6 of Notes to Financial Statements filed herewith in Part II, Item 8, "Financial Statements and Supplementary Data". Of the 248 domestic banking offices of the Registrant's subsidiary banks, 84 are owned in fee and 164 are leased.

Item 3. 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 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

Information concerning the Registrant's executive officers is presented below as of March 1, 1999. Shown parenthetically is the year since which the officer has held the indicated position with the Registrant or its subsidiaries. In the case of each such corporation, officers' terms run until the first meeting of the board of directors after such corporation's annual meeting, and until their successors are elected and qualified.

Robert J. Bennett, age 57, is chairman of the board and a director (1998) of the Registrant. He is a vice chairman of the board and a director (1998) of M&T Bank and serves as chairman of the Directors Advisory Council-Syracuse Division. Mr. Bennett is also a director (1998) of M&T Bank, N.A. He served as chairman of the board, president, chief executive officer and a director of ONBANCorp from May 1989 until its merger with M&T on April 1, 1998.

Robert G. Wilmers, age 64, is president (1988), chief executive officer (1983) and a director (1982) of the Registrant. Prior to the acquisition of ONBANCorp, Mr. Wilmers held the additional position of chairman of the board of the Registrant from April 1994 through March 1998. He is chairman of the board, chief executive officer (1983) and a director (1982) of M&T Bank, and served as president of M&T Bank from March 1984 to June 1996. Mr. Wilmers is a director of M&T Financial (1983). He is chairman of the board and a director of M&T Bank, N.A.(1995).

Emerson L. Brumback, age 47, is an executive vice president (1997) of the Registrant and M&T Bank, and is in charge of the Company's Retail Banking Division. Mr. Brumback is president and a director of Highland Lease (1997) and executive vice president (1998) and a director of M&T Bank, N.A.(1997). He is a director of M&T Credit (1997), M&T Mortgage (1997) and M&T Securities (1997). Mr. Brumback was executive vice president, national retail distribution, at BancOne Corporation prior to joining the Company.

Atwood Collins, III, age 52, is an executive vice president of the Registrant (1997) and M&T Bank (1996) and is chairman of the Directors Advisory Council (1998) of M&T Bank's New York City Division. Previously, Mr. Collins served as president and chief executive officer of the New York City Division of M&T Bank (1997), and as president, chief executive officer and a director (1995) of The East New York Saving Bank, which had been a wholly owned subsidiary of the Registrant prior to its merger with and into M&T Bank on May 24, 1997. He is a director of M&T Real Estate (1995). Mr. Collins has responsibility for managing the Company's middle market, commercial real estate and business banking activities in Westchester, Putnam and Rockland counties of New York State and Connecticut, business banking in New York City and Investment banking, Institutional and Correspondent banking activities. He also manages the Company's Facilities Management and Services group.

Mark J. Czarnecki, age 43, is an executive vice president of the Registrant (1999) and M&T Bank (1997) and is in charge of the M&T Investment Group, which is comprised of M&T Securities, Inc., the Insurance Services Division of M&T Bank, N.A. and the Trust and Investment Services Division of M&T Bank. Mr. Czarnecki is president of M&T Securities, Inc. (1996) and an executive vice president of M&T Bank, N.A. (1997). Mr. Czarnecki has held a number of management positions with M&T Bank since 1977, most recently as senior vice president of the private client services group of the Trust and Investment Services Division (1994), and prior thereto as an administrative vice president and regional manager for the Retail Banking Division.

Brian E. Hickey, age 46, is an executive vice president of the Registrant (1997) and M&T Bank (1996) and is president and a member of the Directors Advisory Council (1994) of the Rochester Division of M&T Bank. Mr. Hickey is a director of M&T Financial (1996). In addition to managing all of M&T Bank's business segments in the Rochester market, Mr. Hickey has responsibility for managing the Company's Western New York Commercial Banking Division.

James L. Hoffman, age 59, is an executive vice president of the Registrant (1997) and M&T Bank (1996) and is president (1992) of the Hudson Valley Division of M&T Bank. Mr. Hoffman served as chairman of the board, president, chief executive officer and a director (1983) of The First National Bank of Highland, which had been a wholly owned subsidiary of the Registrant prior to its merger with and into M&T Bank on February 29, 1992.

Adam C. Kugler, age 41, is an executive vice president and treasurer (1997) of the Registrant and M&T Bank, and is in charge of the Company's Treasury Division. Mr. Kugler is a director of M&T Financial (1997), M&T Securities (1997) and is an executive vice president, Treasurer and a director of M&T Bank, N.A. (1997). Mr Kugler was previously a senior vice president in the Treasury Division of M&T Bank.

Ray E. Logan, age 61, is an executive vice president of M&T Bank (1999) and is in charge of the Company's Human Resources Division. Mr. Logan served as senior vice president of M&T Bank from 1986 to 1999.

John L. Pett, age 50, is an executive vice president (1997) and chief credit officer (1995) of the Registrant and is an executive vice president and chief credit officer of M&T Bank (1996). Mr. Pett is chairman of the board and a director of Highland Lease (1997) and M&T Credit (1997). He is an executive vice president (1998) and a director (1996) of M&T Bank, N.A. Mr. Pett served as senior vice president of the Registrant from 1991 to 1997.

Michael P. Pinto, age 43, is an executive vice president and chief financial officer of the Registrant (1997) and M&T Bank (1996), and is in charge of the Company's Finance Division and its Technology and Banking Operations Division. Mr. Pinto is chairman of the board, president and a director of Olympia Financial Corp. (1997), and a director of M&T Capital (1996), M&T Financial (1996), M&T Mortgage (1996) and M&T Real Estate (1996). He is an executive vice president and chief financial officer (1996) and a director (1998) of M&T Bank, N.A. Mr. Pinto served as senior vice president and controller of the Registrant from 1993 to 1997.

Robert E. Sadler, Jr., age 53, is an executive vice president (1990) and a director (1999) of the Registrant, president and a director of M&T Bank (1996), and is in charge of the Company's Commercial Banking Division. Mr. Sadler is chairman of the board (1987) and a director of M&T Capital (1983); chairman of the board (1989) and a director of M&T Financial (1985); chairman of the board and a director of M&T Mortgage (1991); chairman of the board and a director of M&T Securities (1994); president, chief executive officer and a director of M&T Bank, N.A.(1995); and chairman of the board, president and a director of M&T Real Estate (1995).

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS. The Registrant's common stock is traded under the symbol MTB on the New York Stock Exchange. See cross-reference sheet for disclosures incorporated elsewhere in this Annual Report on Form 10-K for market prices of the Registrant's common stock, approximate number of common stockholders at year-end, frequency and amounts of dividends on common stock and restrictions on the payment of dividends.

Item 6. SELECTED FINANCIAL DATA. See cross-reference sheet for disclosures incorporated elsewhere in this Annual Report on Form 10-K.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

CORPORATE PROFILE AND SIGNIFICANT DEVELOPMENTS

M&T Bank Corporation ("M&T") is a bank holding company headquartered in Buffalo, New York with consolidated assets of $20.6 billion at December 31, 1998. Formerly known as First Empire State Corporation, M&T changed its name effective May 29, 1998. M&T's common stock began trading on the New York Stock Exchange under the symbol "MTB" on June 1, 1998. Prior to that date, the common stock was traded on the American Stock Exchange under the symbol "FES." M&T and its consolidated subsidiaries are hereinafter referred to collectively as "the Company." M&T's wholly owned banking subsidiaries are Manufacturers and Traders Trust Company ("M&T Bank") and M&T Bank, National Association ("M&T Bank, N.A.").

M&T Bank, with total assets of $20.1 billion at December 31, 1998, is a New York-chartered commercial bank with 223 banking offices throughout New York State, 19 banking offices in northeastern Pennsylvania and an office in Nassau, The Bahamas. M&T Bank and its subsidiaries offer a broad range of financial services to a diverse base of consumers, businesses, professional clients, governmental entities and financial institutions located in its markets. Lending is largely focused on consumers residing in New York State and northeastern Pennsylvania, and on small and medium size businesses based in those areas. Certain lending activities are also conducted in other states through various subsidiaries. M&T Bank's subsidiaries include M&T Mortgage Corporation, a residential mortgage banking company; M&T Securities, Inc., a broker/dealer; M&T Real Estate, Inc., a commercial mortgage lender; M&T Financial Corporation, a commercial leasing company; M&T Capital Corporation, a venture capital company; M&T Credit Corporation, a consumer credit company; and Highland Lease Corporation, a consumer leasing company.

M&T Bank, N.A., with total assets of $629 million at December 31, 1998, is a national bank with an office in Oakfield, New York. M&T Bank, N.A. commenced operations on October 2, 1995 and offers selected deposit, loan and insurance products on a nationwide basis, primarily through telephone and direct mail marketing techniques. Insurance products are also offered by M&T Bank, N.A. through banking offices of M&T Bank.

On April 1, 1998, M&T completed the 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

M&T Bank. 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 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. The accompanying table provides a summary of assets acquired and liabilities assumed on April 1, 1998 in connection with the ONBANCorp transaction:

	(in thousands)
Assets	
Investment securities	$1,576,604
Loans and leases, net of unearned discount	2,970,306
Allowance for possible credit losses	(27,905)
Loans and leases, net	2,942,401
Goodwill and core deposit intangible	562,533
Other assets	411,727
Total assets	$5,493,265
Liabilities	
Deposits	$3,767,729
Short-term borrowings	541,689
Long-term borrowings	268,617
Other liabilities	41,680
Total liabilities	$4,619,715

In connection with the acquisition, the Company recorded approximately $563 million of goodwill and core deposit intangible, and incurred nonrecurring expenses related to systems conversions and other costs of integrating and conforming the acquired operations with and into the operations of M&T Bank. Such expenses totaled $21.3 million ($14.0 million after-tax) during the year ended December 31, 1998 and consisted largely of expenses for professional services and other temporary help fees associated with the conversion of systems and/or integration of operations; recruiting and other incentive compensation; initial marketing and promotion expenses designed to introduce M&T Bank to ONBANCorp customers; and printing, supplies and other costs of commencing operations in new market regions. Since the systems conversions and integration of operations is complete, the Company does not expect to incur a material amount of additional integration costs. In accordance with generally accepted accounting principles, included in the determination of goodwill were charges, net of applicable income taxes, of $16.8 million for severance of former ONBANCorp employees; investment banking, legal and other professional fees; and termination of ONBANCorp contracts for data processing and other services. As of December 31, 1998, the remaining unpaid portion of merger-related expenses and charges included in the determination of goodwill were $2.1 million and $1.1 million, respectively. The resolution of any preacquisition contingencies is not expected to have a material impact on the allocation of the purchase price or the amount of goodwill recorded as part of the acquisition.

On December 9, 1998, M&T entered into a definitive agreement with FNB Rochester Corp. ("FNB"), a bank holding company headquartered in Rochester, New York, providing for a merger between the two companies. FNB, with total assets of $588 million as of December 31, 1998, is the parent company of First National Bank of Rochester, which has 19 offices in western and central New York State. Under the terms of the merger agreement, stockholders of FNB may elect to receive .06766 of a share of M&T common stock (and cash in lieu of any fractional share) or $33.00 in cash for each outstanding share of FNB common stock. Subject to certain adjustments set forth in the merger agreements, 50% of the 3,625,806 shares of FNB common stock outstanding on

December 9, 1998 will be exchanged for shares of M&T common stock and the remaining shares will be converted for cash. The elections of FNB's stockholders will be subject to allocation and proration if either portion of the merger consideration is oversubscribed. The merger, which will be accounted for as a purchase, has been approved by the boards of directors of each company, and is subject to certain conditions, including regulatory approvals and approval of FNB's stockholders. It is anticipated that the merger will take place during the second quarter of 1999.

On July 31, 1998, M&T completed the sale of its retail credit card business, including outstanding balances of approximately $186 million on that date, and recognized a pre-tax gain of approximately $3.2 million. M&T continues to offer credit cards to its customers in the name of M&T Bank, but the cardholder accounts are owned and serviced by the purchaser of that business.

OVERVIEW

The Company's net income was $208.0 million or $26.16 of diluted earnings per common share in 1998, increases of 18% and 4%, respectively, from $176.2 million or $25.26 per diluted share in 1997. Basic earnings per share rose 3% to $27.30 in 1998 from $26.60 in 1997. In 1996, net income totaled $151.1 million while diluted and basic earnings per share were $21.08 and $22.54, respectively. The after-tax impact of nonrecurring expenses associated with merging the operations of ONBANCorp into the Company during 1998 was $14.0 million, representing $1.76 of diluted earnings per share and $1.84 of basic earnings per share.

Net income expressed as a rate of return on average assets in 1998 was 1.14%, compared with 1.32% in 1997 and 1.21% in 1996. The return on average common stockholders' equity was 13.86% in 1998, 18.49% in 1997 and 17.60% in 1996. Excluding the impact of merger-related expenses, the rates of return on average assets and average common equity in 1998 were 1.21% and 14.79%, respectively.

Growth in average loans outstanding, including the impact of the $3.0 billion of loans obtained on April 1, 1998 in the ONBANCorp acquisition, was the leading factor for a 19% increase in taxable-equivalent net interest income to $671 million in 1998 from $563 million in 1997. Average loans totaled $14.3 billion in 1998, up 30% from $11.0 billion in 1997. Similarly, average earning assets increased 32%, to $16.9 billion in 1998 from $12.8 billion in 1997. An 8% increase in average loans in 1997 was also the most significant factor for the rise in that year's net interest income from $536 million in 1996. Average loans and average earning assets in 1996 were $10.1 billion and $12.0 billion, respectively. Improvement in 1998's net interest income resulting from asset growth was partially offset by a reduction of the Company's net interest margin, or taxable-equivalent net interest income expressed as a percentage of average earning assets. Net interest margin in 1998 was 3.97%, compared with 4.40% in 1997 and 4.45% in 1996.

The provision for possible credit losses was $43.2 million in 1998, compared with $46.0 million in 1997 and $43.3 million in 1996. Net charge-offs in 1998 were $39.4 million, compared with $41.8 million in 1997 and $35.2 million in 1996. Included in net charge-offs were net consumer loan charge-offs totaling $31.5 million in 1998, $35.8 million in 1997 and $28.5 million in 1996. Net charge-offs of credit card balances included in the consumer loan amounts were $14.4 million in 1998, $19.0 million in 1997, and $15.9 million in 1996. As a percentage of average loans outstanding, net charge-offs declined to .28% in 1998, compared with .38% in 1997 and .35% in 1996.

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 incurred charitable contributions expense of $24.6 million and recognized tax-exempt other income of $15.3 million. 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, or $.09 per diluted share. Excluding the effect of this transfer, noninterest income totaled $255 million in 1998, 32% above the $193 million in 1997 and 50% above the $170 million in 1996. Approximately 40% of the increase from 1997 to 1998 was attributable to revenues related to operations and/or market areas associated with the ONBANCorp acquisition. Higher revenues from mortgage banking, trust activities and a bank-owned life insurance program also contributed to the increases from prior years. Excluding $24.6 million of expense related to the previously mentioned transfer of securities to an affiliated charitable foundation in 1998, noninterest expense was $542 million in 1998, up 28% from $422 million in 1997 and 32% from $409 million in 1996. A $27.2 million increase in amortization of goodwill and core deposit intangible, $21.3 million of nonrecurring merger-related expenses and operating expenses related to the acquired operations of ONBANCorp significantly contributed to the increase in expenses from 1997 to 1998. Expenses associated with expanding certain businesses providing loan and investment services contributed to the increase in expenses from 1996 and 1997.

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, the Company had recorded as assets at December 31, 1998 goodwill and core deposit intangible totaling $546 million. Since the amortization of goodwill and core deposit intangible does not result in a cash expense, M&T believes that supplemental reporting of its operating results on a "cash" (or "tangible") basis (which excludes the after-tax effect of amortization of goodwill and core deposit intangible and the related asset balances) presents a relevant measure of financial performance and better reflects the cash return on the investments made by M&T to improve and expand its franchise. The supplemental cash basis data presented herein do not exclude the effect of other non-cash operating expenses such as depreciation, provision for possible credit losses, or deferred income taxes associated with the results of operations.

Excluding nonrecurring merger-related expenses, cash net income was $251.9 million in 1998, up 38% from $182.4 million in 1997. On the same basis, diluted and basic earnings per share were $31.69 and $33.06, respectively, up 21% and 20%, respectively, from $26.14 and $27.53 in 1997. In 1996, cash net income was $156.7 million while diluted and basic cash earnings per share were $21.85 and $23.38, respectively.

Cash return on average tangible assets, excluding the impact of nonrecurring merger-related expenses, was 1.41% in 1998, compared with 1.37% in 1997 and 1.26% in 1996. Cash return on average tangible common equity, also before one-time expenses, was 23.08% in 1998, compared with 19.56% and 18.79% in 1997 and 1996, respectively.

NET INTEREST INCOME/LENDING AND FUNDING ACTIVITIES

Net interest income expressed on a taxable-equivalent basis increased 19% to $671 million in 1998 from $563 million in 1997. This increase resulted from growth in average earning assets, which rose $4.1 billion or 32% to $16.9 billion in 1998 from $12.8 billion in 1997. Taxable-equivalent net interest income and average earning assets in 1996 were $536 million and $12.0 billion, respectively. Growth in average earning assets in 1998 was largely attributable to higher average loans and leases outstanding, which totaled $14.3 billion in 1998, up 30% from $11.0 billion in 1997. The primary reason for the higher loan balances in 1998 was the $3.0 billion of loans obtained on April 1, 1998 from 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. Partially offsetting these increases in average loans and leases was the impact of the July 1998 sale of M&T's retail credit card business. Average credit card balances for 1998 were $136 million, compared with $268 million in 1997 and $258 million in 1996. Average loans in 1997 were 8% higher than the $10.1 billion in 1996. The accompanying table 4 summarizes average loans and leases outstanding in 1998 and percentage changes in the major components of the loan and lease portfolio over the past two years.

Loans secured by real estate, including outstanding home equity loans and lines of credit which are classified as consumer loans, represented approximately 66% of the loan and lease portfolio during 1998, up from 64% in 1997 and 1996. At December 31, 1998, the Company held approximately $5.5 billion of commercial real estate loans, $4.3 billion of consumer real estate mortgage loans secured by one-to-four family residential properties and $739 million of outstanding home equity loans and lines of credit, compared with $4.4 billion, $2.5 billion and $654 million, respectively, at December 31, 1997.

Commercial real estate loans originated by the Company are predominately secured by properties in the New York City metropolitan area, including areas in neighboring states generally considered to be within commuting distance of New York City, and Western New York, which includes Buffalo, Niagara Falls, Rochester and surrounding areas. Commercial real estate loans are also originated in the Syracuse, Albany, Hudson Valley and Southern Tier regions of New York State, as well as in northeastern Pennsylvania. Most commercial real estate loans in the Company's portfolio are either fixed-rate instruments with monthly payments and a balloon payment of the remaining principal at maturity, often five years after loan origination, or adjustable rate loans. For borrowers in good standing, the customer may extend the terms of the loan agreement for an additional five years at the then-current market rate of interest. In recent years, in response to customer needs, the Company has also originated fixed-rate commercial real estate loans with maturities of greater than five years. In general, these loans have original maturity terms of approximately ten years. The accompanying table 6 presents commercial real estate loans at December 31, 1998 by geographic area, type of collateral and size of the loans outstanding. Of the $2.7 billion of commercial real estate loans in the New York City metropolitan area, approximately 52% were secured by multi-family residential properties, 22% by retail space and 9% by office space. The Company's experience has been that office space and retail properties tend to demonstrate more volatile fluctuations in value through economic cycles and changing economic conditions than do multi-family residential properties. Approximately 61% of the aggregate dollar amount of New York City area loans were for $5 million or less, while loans of more than $10 million made up approximately 22% of the total. Commercial real estate loans secured by properties elsewhere in New York State tend to have a greater diversity of collateral types and include a significant amount of lending to customers who use the mortgaged property in their trade or business. Approximately 78% of the aggregate dollar amount of loans in this segment of the portfolio were for $5 million or less.

Commercial real estate loans secured by properties located outside of New York State and outside of areas of neighboring states considered to be part of the New York City metropolitan area comprised 8% of total commercial real estate loans.

Amounts presented as construction lending in the accompanying table represent commercial construction loans for which the Company has not committed to provide permanent financing. Such loans totaled $363 million, or 2% of total loans and leases at December 31, 1998.

Real estate loans secured by one-to-four family residential properties totaled $4.3 billion at December 31, 1998, including approximately 62% secured by properties located in New York State. At December 31, 1998, $445 million of residential real estate loans were held for sale by M&T Mortgage Corporation, the Company's mortgage banking subsidiary.

Consumer loans and leases represented approximately 19% of the average loan portfolio during 1998, compared with 21% in 1997 and 22% in 1996. Automobile loans and home equity loans and lines of credit represent the largest components of the consumer loan portfolio. At December 31, 1998, 52% of the automobile loan portfolio was to borrowers in New York State, while the remainder was largely to borrowers in Pennsylvania. Automobile loans and leases are generally originated through dealers, however, all applications submitted by dealers are subject to the Company's normal underwriting and loan approval procedures. Automobile loans and leases represented approximately 9% of the Company's average loan portfolio during 1998, while no other consumer loan product represented more than 5%. Due to poorer than expected results, during 1998 and 1997 the Company terminated all of its co-branded credit card programs and, as already discussed, sold its retail credit card business on July 31, 1998, including outstanding balances of approximately $186 million.

The Company's investment securities portfolio averaged $2.4 billion in 1998, $1.7 billion in 1997 and $1.8 billion in 1996. Investment securities obtained in the acquisition of ONBANCorp added approximately $800 million to the average balance during 1998. The size of the investment securities portfolio is influenced by such factors as demand for loans, which generally yield more than investment securities, ongoing repayments, the level of deposits, and management of balance sheet size and resulting capital ratios. The investment securities portfolio is largely comprised of mortgage-backed securities, collateralized mortgage obligations, and shorter-term U.S. Treasury notes. When purchasing investment securities, the Company considers its overall interest-rate risk profile as well as the adequacy of expected returns relative to prepayment and other risks assumed. The Company occasionally sells investment securities as a result of changes in interest rates, actual or anticipated prepayments, or credit risk associated with a particular security.

Money-market assets, which are comprised of interest-earning deposits at banks, interest-earning trading account assets, Federal funds sold and agreements to resell securities, averaged $230 million in 1998, compared with $123 million in 1997 and $110 million in 1996.

Core deposits represent the most significant source of funding to the Company and generally carry lower interest rates than wholesale funds of comparable maturities. Core deposits consist of noninterest-bearing deposits, interest-bearing transaction accounts, savings deposits and nonbrokered domestic time deposits under $100,000. The Company's branch network is its principal source of core deposits. Certificates of deposit under $100,000 generated on a nationwide basis by M&T Bank, N.A. are also included in core deposits. Average core deposits rose to $10.7 billion in 1998, up from $8.3 billion in 1997 and $8.0 billion in 1996. Core deposits obtained on April 1, 1998 in the acquisition of ONBANCorp totaled approximately $2.8 billion. Average core deposits of M&T Bank, N.A. were $401 million in 1998, $432 million in 1997 and $261 million in 1996. Funding provided by core deposits totaled 63% of average earning assets in 1998, compared with 65% in 1997 and 66% in 1996. An analysis of changes in the components of core deposits is presented in the accompanying table 7.

Domestic time deposits of $100,000 or more, deposits originated through the Company's offshore branch office, and brokered certificates of deposit also provide funding to the Company. Domestic time deposits over $100,000, excluding brokered certificates of deposit, averaged $1.3 billion in 1998, compared with $1.0 billion and $892 million in 1997 and 1996, respectively. Offshore branch deposits, comprised primarily of accounts with balances of $100,000 or more, averaged $288 million in 1998, compared with $230 million in 1997 and $239 million in 1996. Brokered deposits averaged $1.4 billion in 1998 and 1997 and $1.1 billion in 1996, and totaled $1.3 billion at December 31, 1998. Brokered deposits are used as an alternative to short-term borrowings to lengthen the average maturity of interest-bearing liabilities. The weighted-average remaining term to maturity of brokered deposits at December 31, 1998 was 2 years. However, certain of the deposits have provisions that allow early redemption. Nevertheless, in connection with the Company's management of interest rate risk, interest rate swaps have been entered into under which the Company receives a fixed rate of interest and pays a variable rate and that have notional amounts and terms substantially similar to the amounts and terms of the brokered deposits. Additional amounts of brokered deposits may be solicited in the future depending on market conditions and the cost of funds available from alternative sources at the time.

The Company also uses borrowings from banks, securities dealers, the Federal Home Loan Banks ("FHLB") and others as funding sources. Short-term borrowings averaged $1.9 billion in 1998, $812 million in 1997 and $1.1 billion in 1996. In general, short-term borrowings have been used to fund the Company's discretionary investments in money-market assets and investment securities, and, if necessary, to replace deposit outflows or provide funding for loan growth. Long-term borrowings averaged $835 million in 1998, $373 million in 1997 and $189 million in 1996. Long-term borrowings include $250 million of trust preferred securities issued by two special-purpose entities formed by M&T during the first half 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 entity formed by ONBANCorp. Further information regarding the trust preferred securities is provided in note 8 of Notes to Financial Statements. Average long-term borrowings included amounts borrowed from the FHLB of $343 million in 1998 and $2 million in 1997 and 1996, as well as $175 million of subordinated capital notes issued in prior years by M&T Bank. Information regarding contractual maturities of long-term borrowings is presented in note 8 of Notes to Financial Statements.

In addition to changes in the composition of the Company's earning assets and interest-bearing liabilities, as described herein, net interest income is also affected by changes in interest rates and spreads. The increase in net interest income resulting from growth in average earning assets in 1998 was partially offset by a narrowing of the net interest spread, or the difference between the yield on earning assets and the rate paid on interest-bearing liabilities. The net interest spread was 3.39% in 1998, compared with 3.71% in 1997. The yield on earning assets decreased 34 basis points (hundredths of one percent) to 8.03% in 1998 from 8.37% in 1997. Lower yielding residential real estate loans, consumer loans and investment securities acquired in the ONBANCorp transaction; the July 1998 sale of the Company's retail credit card business; and competitive pressure on interest rates charged for newly originated loans, particularly commercial loans and commercial real estate loans, contributed to the decline in yield. The rate paid on interest-bearing liabilities was 4.64% in 1998, compared with 4.66% in 1997. In 1996, the net interest spread was 3.80%, the yield on earning assets was 8.33% and the rate paid on interest-bearing liabilities was 4.53%.

Generally higher prevailing interest rates and the effect of the previously discussed issuances of $250 million of trust preferred securities during 1997 contributed to the increase in the rate paid on interest-bearing liabilities in 1997 from 1996.

Interest-free funds, consisting largely of noninterest-bearing deposits and stockholders' equity, contributed .58% to net interest margin in 1998, compared with .69% in 1997 and .65% in 1996. Average interest-free funds were $2.1 billion in 1998, $1.9 billion in 1997 and $1.7 billion in 1996. The decline in the contribution to net interest margin of interest-free funds in 1998 from 1997 and 1996 was due, in part, to the goodwill and core deposit intangible assets recorded in conjunction with the ONBANCorp acquisition, which averaged $413 million during 1998, and the cash surrender value of bank-owned life insurance, which averaged $314 million in 1998, compared with $41 million in 1997 and none in 1996. Increases in the cash surrender value of bank-owned life insurance are not included in interest income, but rather are recorded in "other revenues from operations." 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.

Future changes in market interest rates or spreads, as well as changes in the composition of the Company's portfolios of earning assets and interest-bearing liabilities that result in reductions in spreads could adversely impact the Company's net interest margin and net interest income. Management assesses the potential impact of future changes in interest rates and spreads by projecting net interest income under a number of different interest rate scenarios. As part of the management of interest rate risk, the Company utilizes interest rate swap agreements to modify the repricing characteristics of certain portions of the loan and deposit portfolios. Revenue and expense arising from these agreements are reflected in either the yields earned on assets or, as appropriate, the rates paid on interest-bearing liabilities. Excluding forward-starting swaps, the notional amount of interest rate swaps entered into for interest rate risk management purposes as of December 31, 1998 was approximately $2.4 billion. 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 terms of $82 million of swaps, the Company pays a fixed rate of interest and receives a variable rate. To help manage exposure resulting from changing interest rates in future years, as of December 31, 1998, the Company had also entered into forward-starting swaps with an aggregate notional amount of $391 million in which the Company will pay a fixed rate of interest and receive a variable rate. Such forward-starting swaps had no effect on the Company's net interest income through December 31, 1998. The average notional amounts of interest rate swaps entered into for interest rate risk management purposes and the related effect on net interest income and margin are presented in the accompanying table 8.

The Company estimates that as of December 31, 1998 it would have received approximately $23 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 reflected in the consolidated financial statements. Additional information about interest rate swaps is included in note 17 of Notes to Financial Statements.

PROVISION FOR POSSIBLE CREDIT LOSSES

The provision for possible credit losses was $43.2 million in 1998, compared with $46.0 million in 1997 and $43.3 million in 1996. 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 that reflects losses inherent in the loan portfolio as of the balance sheet date. Net charge-offs for 1998 were $39.4 million, compared with $41.8 million in 1997 and $35.2 million in 1996. Net charge-offs as a percentage of average loans outstanding were .28% in 1998, .38% in 1997 and .35% in 1996. Nonperforming loans totaled $117.0 million or .74% of loans outstanding at December 31, 1998, compared with $80.7 million or .70% of loans a year earlier and $97.9 million or .91% at December 31, 1996. Included in nonperforming loans at December 31, 1998 were $37.3 million of loans obtained in the acquisition of ONBANCorp. The allowance for possible credit losses was $306.3 million or 1.94% of net loans and leases at the end of 1998, compared with $274.7 million or 2.39% at December 31, 1997 and $270.5 million or 2.52% at December 31, 1996. The ratio of the allowance to nonperforming loans at year-end 1998, 1997 and 1996 was 262%, 341% and 276%, respectively.

The decline in the allowance as a percentage of total loans at December 31, 1998 as compared with prior years reflects management's evaluation of the loan and lease portfolio, the July 1998 sale of the retail credit card business, and other factors. Management regularly assesses the adequacy of the allowance by performing an ongoing evaluation of the loan and lease portfolio, including such factors as the differing economic risks associated with each loan category, the current financial condition of specific borrowers, the economic environment in which borrowers operate, the level of delinquent loans and the value of any collateral. Significant loans are individually analyzed, while other smaller balance loans are evaluated by loan category. Impacting the assessment as of December 31, 1998 was the effect that volatile economic conditions in foreign markets were having on the domestic economy. While the Company's direct international exposure is not significant, volatile conditions in foreign markets can cause instability in the domestic economy. Given the concentration of commercial real estate loans in the Company's loan portfolio, particularly the large concentration of loans secured by properties in New York State, in general, and in the New York City metropolitan area, in particular, coupled with the amount of commercial and industrial loans to businesses in areas of New York State outside of the New York City metropolitan area and significant growth in recent years in loans to individual consumers, management cautiously evaluated the impact of interest rates and overall economic conditions on the ability of borrowers to meet repayment obligations when assessing the adequacy of the Company's allowance for possible credit losses as of December 31, 1998. Based upon the results of such review, management believes that the allowance for possible credit losses at December 31, 1998 was adequate to absorb credit losses from existing loans and leases.

The accompanying table 10 presents a comparative allocation of the allowance for possible credit losses for each of the past five year-ends. Amounts were allocated to specific loan categories based upon management's classification of loans under the Company's internal loan grading system and assessment of near-term charge-offs and losses existing in specific larger balance loans that are reviewed in detail by the Company's internal loan review department and pools of other loans that are not individually analyzed. The unallocated portion of the allowance is intended to provide for probable losses that are not otherwise identifiable resulting from (i) comparatively poorer economic conditions and an unfavorable business climate in market regions served by the Company, in particular areas of New York State outside of the New York City metropolitan area that have not experienced the same degree of economic growth evident in much of the rest of the country in recent years, (ii) portfolio concentrations regarding loan type, collateral type and geographic location, in particular the large concentration of commercial real estate loans secured by properties in the New York City metropolitan area and other areas of New York State, (iii) the effect of expansion into new markets, including market areas of New York State and Pennsylvania entered through the acquisition of ONBANCorp, and/or new loan product types, including expansion of automobile loan and leasing activities in recent years, and, (iv) the possible use of imprecise estimates in determining the allocated portion of the allowance. Nevertheless, the allowance is general in nature and is available to absorb losses from any loan category. Accordingly, the amounts presented in the table do not necessarily indicate future losses within the individual loan categories.

Several factors influence the Company's credit loss experience, including overall economic conditions affecting businesses and consumers, in general, and, due to the size of the Company's commercial real estate loan portfolio, real estate valuations, in particular. Commercial real estate valuations include many assumptions and, as a result, can be highly subjective. Commercial real estate values can be significantly affected over relatively short periods of time by changes in business climate and economic conditions, and, in many cases, the results of operations of businesses and other occupants of the real property. Nonperforming commercial real estate loans totaled $17.8 million, $17.4 million and $27.1 million at December 31, 1998, 1997 and 1996, respectively. At December 31, 1998, $180 thousand of nonperforming commercial real estate loans were secured by properties located in the New York City metropolitan area, compared with $7.0 million and $10.3 million at December 31, 1997 and 1996, respectively. Net charge-offs of commercial real estate loans were $3.6 million in 1998, $.9 million in 1997 and $1.5 million in 1996. Included in these totals were net recoveries of $.2 million in 1998 and net charge-offs of $1.1 million and $.6 million in 1997 and 1996, respectively, for commercial real estate loans secured by properties in the New York City metropolitan area.

Net charge-offs of consumer loans totaled $31.5 million in 1998, or 1.13% of average consumer loans outstanding during the year, compared with $35.8 million or 1.55% in 1997 and $28.5 million or 1.30% in 1996. Charge-offs of credit card balances and indirect automobile loans represented the most significant types of consumer loans charged off during the past three years. Net credit card and indirect automobile loan charge-offs during 1998 were $14.4 million and $10.5 million, respectively, compared with $19.0 million and $11.2 million, respectively, in 1997 and $15.9 million and $9.6 million, respectively, in 1996. Higher levels of consumer bankruptcies in recent years were a contributing factor to the higher rate of consumer loan charge-offs experienced which, in general, was consistent with trends reported by other financial institutions. As previously noted, the Company sold its retail credit card business in July 1998. Nonperforming consumer loans totaled $25.8 million or .89% of outstanding consumer loans at December 31, 1998, compared with $21.9 million or .99% at December 31, 1997 and $17.6 million or .73% at December 31, 1996.

Commercial real estate loans secured by multi-family properties in the New York City metropolitan area represented 9% of loans outstanding at December 31, 1998. However, the Company had no concentrations of credit extended to any specific industry that exceeded 10% of total loans at December 31, 1998. Furthermore, the Company had no exposure to less developed countries, and only $25 million of foreign loans in total.

Assets acquired in settlement of defaulted loans totaled $11.1 million at December 31, 1998, compared with $8.4 million a year earlier and $8.5 million at the end of 1996.

OTHER INCOME

Other income in 1998 included $15.3 million of tax-exempt income resulting from the previously noted transfer of appreciated investment securities to an affiliated, tax-exempt charitable foundation. Excluding that income, other income rose 32% to $255 million in 1998 from $193 million in 1997. Approximately 40% of this increase was attributable to revenues related to operations and/or market areas associated with the former ONBANCorp. Other income was $170 million in 1996.

Mortgage banking revenues, which consist of residential mortgage loan servicing fee income, gains from sales of residential mortgage loans and loan servicing rights, and other residential mortgage loan-related fees, increased to $65.6 million in 1998 from $51.5 million in 1997 and $44.5 million in 1996. Revenues from servicing residential mortgage loans for others increased to $29.3 million in 1998, compared with $25.7 million in 1997 and $20.9 million in 1996. Gains from sales of residential mortgage loans and loan servicing rights totaled $32.4 million in 1998, $23.1 million in 1997 and $21.6 million in 1996. The Company maintains residential mortgage loan production offices in New York State, as well as in Arizona, Colorado, Idaho, Massachusetts, Ohio, Oregon, Pennsylvania, Utah and Washington. Due, in part, to generally favorable interest rates for borrowers, residential mortgage loans originated in 1998 increased to $3.8 billion, compared with $2.1 billion and $1.9 billion in 1997 and 1996, respectively. Residential mortgage loans serviced for others were $7.3 billion, $7.5 billion and $5.8 billion at December 31, 1998, 1997 and 1996, respectively. Capitalized servicing assets were $62 million at December 31, 1998, compared with $61 million at December 31, 1997 and $38 million at December 31, 1996.

Service charges on deposit accounts rose 32% to $57.4 million in 1998 from $43.4 million in 1997, and 41% from $40.7 million in 1996. Fees for services provided to customers in the areas formerly served by ONBANCorp contributed approximately three-fourths of the increase from 1997. Trust income increased 25% to $38.2 million in 1998 from $30.7 million in 1997 and 38% from $27.7 million in 1996. The increase from 1997 was due largely to higher revenues for investment management and personal trust services. Merchant discount and other credit card fees in 1998 totaled $12.4 million, compared with $19.4 million in 1997 and $18.3 million in 1996. As noted earlier, during 1997 and 1998 the Company terminated all of its co-branded credit card programs, and on July 31, 1998 sold its retail credit card business. Total credit card fees included in merchant discount and credit card fees in 1998 were approximately $9 million, compared with approximately $16 million in 1997 and $15 million in 1996. Through the date of sale, the results of operations of the retail credit card business in 1998, including internal allocations of the provision for possible credit losses, interest expense and other expenses, were essentially break-even. On the same basis, the Company's retail credit card business incurred losses of approximately $10 million in each of 1997 and 1996. Trading account and foreign exchange activity resulted in gains of $4.0 million in 1998, $3.7 million in 1997 and $2.4 million in 1996.

Excluding the effect of the contribution of securities to the affiliated foundation, other revenues from operations increased to $75.9 million in 1998, compared with $44.7 million in 1997 and $36.8 million in 1996. Such amounts include $17.6 million and $2.3 million in 1998 and 1997, respectively, from tax-exempt income earned from increases in the cash surrender value of bank-owned life insurance. There was no such income in 1996. Also included in other revenues from operations were revenues from the sales of mutual funds and annuities of $18.0 million, $15.3 million and $13.0 million in 1998, 1997 and 1996, respectively. Other items contributing to the increase in 1998 as compared with 1997 include a $3.2 million gain from the sale of the retail credit card business and higher revenues for automated teller machine service fees and for credit and other services provided to borrowers and other customers. Income earned from venture capital and other investments in 1997 also contributed to the increase in other revenues from operations as compared with 1996.

OTHER EXPENSE

Excluding $21.3 million of nonrecurring merger-related expenses in 1998; amortization of goodwill and core deposit intangible of $34.5 million in 1998, $7.3 million in 1997 and $6.3 million in 1996; and $24.6 million of expense related to the previously discussed transfer of securities to an affiliated charitable foundation in 1998, other expense totaled $486 million in 1998, 17% higher than $414 million in 1997 and 21% higher than $403 million in 1996. Expenses related to the acquired operations of ONBANCorp significantly contributed to the higher expense level in 1998. However, since all operating systems and support operations of ONBANCorp have been converted to or combined with those of the Company, the Company's operating expenses cannot be precisely divided between or attributed directly to operations acquired from ONBANCorp or to the Company as it existed prior to the merger.

Salaries and employee benefits expense was $259 million in 1998, 18% higher than the $220 million in 1997 and 25% higher than the $208 million in 1996. Salaries and employee benefits relating to the operations acquired from ONBANCorp largely contributed to the increased expense level in 1998 over 1997. Merit salary increases and expenses associated with incentive compensation plans also contributed to the increase. Partially offsetting the impact of these higher expenses was a $6.3 million decrease in 1998 from 1997 for expense associated with stock appreciation rights. Factors contributing to the higher expenses from 1996 to 1997 were higher incentive-based compensation arrangements, including stock appreciation rights, and merit salary increases. The number of full-time equivalent employees was 6,044 at December 31, 1998, compared with 4,781 at December 31, 1997 and 4,832 at December 31, 1996.

Excluding one time merger-related expenses and the already discussed charitable contributions expense in 1998, and amortization of goodwill and core deposit intangible, nonpersonnel expense totaled $228 million in 1998, 17% higher than $194 million in each of 1997 and 1996. The increases from 1997 were largely the result of expenses related to the acquired operations of ONBANCorp plus an increase in amortization of capitalized servicing rights. Including $3.7 million of amortization of residential mortgage servicing rights obtained in the ONBANCorp acquisition, amortization of capitalized servicing rights increased to $19.7 million in 1998 from $14.4 million in 1997. Partially offsetting these increases in 1998 was a decline in co-branded credit card rebate and other operating expenses based on card usage of $8.1 million. Excluding a $7 million charge in 1996 for a special assessment by the Federal Deposit Insurance Corporation to recapitalize the Savings Association Insurance Fund, nonpersonnel expense increased 4% from 1996 to 1997. Higher costs associated with the Company's mortgage banking business, including amortization of capitalized servicing rights, contributed to the increase.

Income Taxes

The provision for income taxes in 1998 was $117.6 million, up from $105.9 million in 1997 and $97.9 million in 1996. The effective tax rates were 36% in 1998, 38% in 1997 and 39% in 1996. A reconciliation of income tax expense to the amount computed by applying the statutory federal income tax rate to pre-tax income is provided in note 12 of Notes to Financial Statements.

INTERNATIONAL ACTIVITIES

The Company's net investment in international assets was $33 million and $12 million at December 31, 1998 and 1997, respectively. Total offshore deposits were $303 million at December 31, 1998 and $251 million at December 31, 1997.

LIQUIDITY, MARKET RISK, AND INTEREST RATE SENSITIVITY

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

Historically, the Company's core deposits have provided a significant source of funds. Such deposits are generated from a large base of consumer, corporate and institutional customers, which over the past several years has become more geographically diverse as a result of acquisitions and expansion of the Company's businesses. Nevertheless, in recent years the Company has faced increased competition in offering services and products from a large array of financial market participants, including banks, thrifts, mutual funds, securities dealers and others. As a result, and consistent with banking industry experience in general, the Company has experienced a reduction in the percentage of earning assets funded by core deposits. Core deposits financed 62% of the Company's earning assets at December 31, 1998, compared with 64% and 65% at December 31, 1997 and 1996, respectively.

Funding from core deposits is supplemented by the Company with various wholesale borrowings, including Federal funds purchased and securities sold under agreements to repurchase, and brokered certificates of deposit. Additionally, M&T Bank has a credit facility with the FHLB aggregating $1.6 billion of which borrowings outstanding at December 31, 1998 and 1997 totaled $1.5 billion and $22 million, respectively. Such borrowings are secured by loans and investment securities. Although informal and sometimes reciprocal, sources of funding are available to the Company through various arrangements for unsecured short-term borrowings from a wide group of banks and other financial institutions. In addition to deposits and borrowings, other sources of liquidity include maturities of money-market assets and investment securities, repayments of loans and investment securities, and cash generated from operations, such as fees collected for services.

M&T's primary source of funds to pay for operating expenses, stockholder dividends and treasury stock repurchases has historically been the receipt of dividends from its banking subsidiaries, which are subject to various regulatory limitations. However, during 1997 M&T issued junior subordinated debt to two special purpose subsidiaries which provided a substantial portion of M&T's funding needs during 1998 and 1997. Additional information regarding the junior subordinated debt is included in note 8 of Notes to Financial Statements. M&T also maintains a $25 million line of credit with an unaffiliated commercial bank, all of which was available for borrowing at December 31, 1998.

The Company expects to have access to sufficient liquid assets to fund the cash portion of the previously discussed acquisition of FNB and, accordingly, 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 primary market risk the Company is exposed to is interest rate risk. The core banking activities of lending and deposit-taking expose the Company to interest rate risk. Interest rate risk occurs when assets and liabilities reprice at different times as interest rates change. As a result 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 in future years under various interest rate scenarios using projected balances for earning assets, interest-bearing liabilities and off-balance sheet financial instruments. Management's philosophy toward positioning the Company for interest rate movements is to attempt to limit the variability of net interest income. The balances of both on- and off-balance sheet financial instruments used in the projections are based on expected growth from forecasted business opportunities, anticipated prepayments of mortgage-related assets and expected maturities of investment securities, loans and deposits. Management supplements the modeling technique described above with analyses of market values of the Company's financial instruments. The Company has entered into interest rate swap agreements to help manage exposure to interest rate risk. At December 31, 1998, the aggregate notional amount of interest rate swaps entered into for interest rate risk management purposes was approximately $2.8 billion, including approximately $391 million of forward starting swaps. Information about interest rate swaps entered into for interest rate risk management purposes is included herein under "Net Interest Income/Lending and Funding Activities" and in note 17 of Notes to Financial Statements.

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

The accompanying table 14 as of December 31, 1998 and 1997 displays the estimated impact on net interest income from non-trading financial instruments resulting from changes in interest rates during the first modeling year. 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 rates of 100 and 200 basis points up and down during a twelve-month period. As these assumptions are inherently uncertain, 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.

In accordance with industry practice, cumulative totals of net assets (liabilities) repricing on a contractual basis within the specified time frames, as adjusted for the impact of interest rate swap agreements entered into for interest rate risk management purposes, are presented in the accompanying table 15. Management believes this measure does not appropriately depict interest rate risk since changes in interest rates do not necessarily affect all categories of earning assets and interest-bearing liabilities equally nor, as assumed in the table, on the contractual maturity or repricing date. Furthermore, this static presentation of interest rate risk fails to consider the effect of ongoing lending and deposit gathering activities, projected changes in balance sheet composition or any subsequent interest rate risk management activities the Company is likely to implement.

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

The notional amounts of interest rate and foreign currency trading contracts totaled $.4 billion and $2.0 billion, respectively, at December 31, 1998 and $1.4 billion and $2.1 billion, respectively, at December 31, 1997. The notional amounts of these trading contracts are not recorded in the consolidated balance sheet. However, the fair values of all financial instruments used for trading activities are recorded in the consolidated balance sheet. The fair values of all trading account assets and liabilities were $173 million and $51 million, respectively, at December 31, 1998 and $57 million and $58 million, respectively, at December 31, 1997. Given the Company's policies, limits and positions, management believes that the potential loss exposure to the Company resulting from trading activities was not material as of December 31, 1998 and 1997. Additional information related to trading derivative contracts is included in note 17 of Notes to Financial Statements.

CAPITAL

Stockholders' equity at December 31, 1998 was $1.6 billion or 7.78% of total assets, compared with $1.0 billion or 7.36% at December 31, 1997 and $906 million or 7.00% at December 31, 1996. Stockholders' equity per share was $207.94 at December 31, 1998, an increase of 33% from $155.86 at December 31, 1997 and 54% from $135.45 at December 31, 1996. Excluding goodwill and core deposit intangible, net of applicable tax effect, tangible equity per share was $139.89 at December 31, 1998, compared with $153.24 at December 31, 1997 and $132.62 at December 31, 1996. The ratio of average total stockholders' equity to average total assets was 8.20%, 7.16% and 6.92% in 1998, 1997 and 1996, respectively. 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 December 31, 1998 reflected a gain of $2.9 million, or $.37 per share, for the net after-tax impact of unrealized gains on investment securities classified as available for sale, compared with unrealized gains of $12.0 million, or $1.82 per common share, at December 31, 1997 and a reduction for unrealized losses of $2.5 million, or $.37 per common share, at December 31, 1996. The unrealized gains at December 31, 1998 represent the amount by which the fair value of investment securities classified as available for sale exceeded amortized cost, net of applicable income taxes. 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.

Cash dividends on M&T's common stock of $29.0 million were paid in 1998, compared with $21.2 million in 1997 and $18.6 million in 1996. In the second quarter of 1998 M&T's quarterly common stock dividend rate was increased to $1.00 per share from $.80 per share. In total, dividends per common share increased to $3.80 in 1998 from $3.20 in 1997 and $2.80 in 1996.

In October 1998, M&T announced a plan to repurchase and hold as treasury stock up to 200,674 shares of common stock for reissuance upon the possible future exercise of outstanding stock options. As of December 31, 1998, M&T had repurchased 199,093 common shares pursuant to such plan at an average cost of $480.40 per share. Including prior repurchase plans completed in 1998 and 1997, M&T repurchased common shares totaling 479,532 in 1998, 207,073 in 1997 and 336,220 in 1996. The total cost of these common stock repurchases was $231.8 million, $67.8 million and $80.8 million in 1998, 1997 and 1996, respectively.

Federal regulators generally require banking institutions to maintain "core capital" and "total capital" ratios of at least 4% and 8%, respectively, of risk-adjusted total assets. In addition to the risk-based measures, Federal bank regulators have also implemented a minimum "leverage" ratio guideline of 3% of the quarterly average of total assets. Core capital includes the $250 million of trust preferred securities issued by two special-purpose entities formed by M&T during 1997 and similar securities having a carrying value of $69 million issued by a special-purpose entity formed by ONBANCorp. As of December 31, 1998 total capital further included $145 million of the subordinated notes issued by M&T Bank in prior years. The capital ratios of the Company and its banking subsidiaries, M&T Bank and M&T Bank, N.A., as of December 31, 1998 and 1997 are presented in note 22 of Notes to Financial Statements.

The rate of internal capital generation, or net income (excluding the after-tax effect of gains or losses from sales of bank investment securities) less dividends paid expressed as a percentage of average total stockholders' equity, was 11.86% in 1998, 16.28% in 1997 and 15.25% in 1996.

YEAR 2000 INITIATIVES

The "Year 2000" problem relates to the ability of computer systems, including those in non-information technology equipment and systems ("Computer Systems"), to distinguish date data between the twentieth and twenty-first centuries. 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 adequately completed in time for its own Computer Systems and/or for those of 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 Computer Systems that have date sensitive functions. As part of this process, the Company has identified those of its Computer Systems which, if uncorrected, would have a material adverse impact on the Company's customers, the Company's compliance with applicable regulations, or the Company's financial statements ("Mission Critical Systems"). Management believes that approximately seventy-five percent of all of the Company's

Mission Critical Systems are Year 2000 compliant. Management anticipates that testing of Year 2000 renovations related to the Company's remaining Mission Critical Systems will be substantially complete by March 31, 1999. The Company also expects that its remaining Computer Systems will be Year 2000 compliant before the new millennium.

The Company could also be adversely affected if its vendors, customers and other third parties that supply or rely on data processing systems are not Year 2000 compliant prior to the end of 1999. The Company, therefore, is working with its data processing vendors and providing information to its commercial customers regarding Year 2000 issues. Specifically, lending officers have been trained to address Year 2000 issues with customers, including assessing customer needs for Year 2000 compliance. The Company is also addressing the Year 2000 risks posed by other third parties such as its funds providers and capital market/asset management counterparties. Lack of corrective measures by government agencies or service providers which the Company either receives data from or provides data to could also have a negative impact on the Company's operations. Notwithstanding the Company's efforts, a risk remains due to the uncertainty that such third parties will be Year 2000 compliant before the new millennium. As a result, it is possible that if all aspects of Year 2000 issues are not adequately resolved by each of the third parties referred to above, the Company's future business operations, financial position and results of operations could be adversely impacted. 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.

Management is monitoring the Company's progress regarding Year 2000 issues. The Company has established a Year 2000 Steering Committee consisting of senior members of management to oversee all Year 2000 activities. In conjunction with its assessment of the Company's Year 2000 remediation plans and the remediation efforts of third parties such as those described in the preceding paragraph, management is in the process of developing appropriate contingency plans to mitigate risks associated with critical Year 2000 issues that could arise during the period leading up to and after January 1, 2000. These contingency plans, which are expected to be complete by the end of the second quarter of 1999, will include business resumption contingency plans.

Through December 31, 1998, the Company has spent approximately $5 million (including approximately $4 million during 1998) in addressing its potential Year 2000 problems. Management believes that the Company is continuing to devote appropriate financial and human resources to resolve its Year 2000 issues in a timely manner, and currently estimates that it will expend an additional $4 to $6 million in order to address Year 2000 issues. A majority of the Company's past and future Year 2000 costs relate to internal costs and constitute resources that would otherwise have been reallocated within the Company. Such reallocation has not had a material adverse impact on the Company's financial condition or results of operations, nor is it expected to have a material adverse impact in future periods. Costs associated with Year 2000 issues are recognized in expense as incurred.

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

FOURTH QUARTER RESULTS

Net income in the fourth quarter of 1998 was $57.8 million, an increase of 25% from the final quarter of 1997 when net income was $46.3 million.

Diluted earnings per share increased 7% to $7.14 from $6.66 earned in the year-earlier quarter. Basic earnings per share increased 6% to $7.44 in the fourth quarter of 1998 from $7.01 in the comparable 1997 quarter. Net income for the recent quarter expressed as an annualized rate of return on average assets was 1.14% compared with 1.33% in the year-earlier quarter. The annualized rate of return on average common stockholders' equity was 14.20% compared with 18.25% in 1997's fourth quarter. Cash net income in the fourth quarter was $67.3 million, an increase of 41% from the final quarter of 1997 when cash net income was $47.8 million. Diluted cash earnings per share increased 21% to $8.31 in 1998's final quarter from $6.88 in the comparable period in 1997. Cash return on average tangible assets was an annualized 1.36% in the recent quarter, compared with 1.38% in the year-earlier quarter. Cash return on average tangible common equity rose to an annualized 24.57% in the fourth quarter of 1998 from 19.20% in the comparable 1997 quarter.

Taxable-equivalent net interest income increased to $175 million in the fourth quarter of 1998, up $31 million or 22% from $144 million in the corresponding 1997 quarter. Growth in average loans outstanding was the primary factor contributing to the improvement in net interest income. Average loans for the fourth quarter of 1998 totaled $15.4 billion, a 36% increase from the $11.3 billion average during the fourth quarter of 1997, largely due to the $3.0 billion of loans obtained on April 1, 1998 from the ONBANCorp acquisition. In total, earning assets averaged $18.4 billion in the final quarter of 1998, up 40% from $13.1 billion in the corresponding 1997 quarter. The yield on earning assets decreased to 7.73% in the final 1998 quarter from 8.36% in the year-earlier period due, in part, to lower yielding loans and investment securities acquired in the ONBANCorp transaction. The impact of lower interest rates in the fourth quarter of 1998 as compared with the corresponding period in 1997, coupled with competitive pressure on interest rates charged for newly originated loans during much of 1998, particularly commercial loans and commercial real estate loans, also contributed to the decline in yield. The rate paid on interest-bearing liabilities decreased to 4.50% in 1998's final quarter from 4.72% in the year-earlier period due to generally lower market interest rates that resulted following actions taken by the Federal Reserve to lower interest rates in the third and fourth quarters of 1998. The resulting net interest spread was 3.23% in the recent quarter, compared with 3.64% in the fourth quarter of 1997. Similarly, net interest margin decreased to 3.77% in the fourth quarter of 1998 from 4.34% in the year-earlier quarter. Although not necessarily indicative of future results, the Company's net interest spread and margin declined in the last three quarters of 1998. As a result, the net interest spread and margin in the fourth quarter of 1998 were below those achieved in any other quarter of 1998.

The provision for possible credit losses was $7.5 million in the fourth quarter of 1998, compared with $12.0 million in the year-earlier quarter. Net charge-offs totaled $10.7 million in 1998's fourth quarter, compared with $9.7 million in the corresponding 1997 quarter. Net charge-offs as an annualized percentage of average loans and leases were .28% in the recent quarter, down from .34% in the corresponding 1997 quarter. Including the impact of the ONBANCorp acquisition, other income rose 27% to $67.2 million in the fourth quarter of 1998 from $53.0 million in the year-earlier quarter, largely due to increases of $3.5 million in the change in cash surrender value associated with bank-owned life insurance, $4.6 million in service charges on deposit accounts, and $2.4 million in mortgage banking revenues. Other expense was $138.8 million in the fourth quarter of 1998, up 25% from $110.7 million in the fourth quarter of 1997, due largely to a $9.1 million increase in amortization of goodwill and core deposit intangible and higher operating expense levels resulting from combining ONBANCorp with the Company.

SEGMENT INFORMATION

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information," in 1998. The Company's reportable segments have been determined in accordance with the provisions of SFAS No. 131 and are based upon the Company's internal profitability reporting system, which is organized by strategic business unit. Certain strategic business units have been combined for segment information reporting purposes where the nature of the products and services, the type of customer and the distribution of those products and services are similar. The reportable segments are Commercial Banking, Commercial Real Estate, Discretionary Portfolio, Residential Mortgage Banking and Retail Banking. The financial information of the Company's segments was compiled utilizing the accounting policies described in note 21 of Notes to Financial Statements.

The management accounting policies and processes utilized in compiling segment financial information are highly subjective and, unlike financial accounting, are not based on authoritative guidance similar to generally accepted accounting principles. As a result, reported segment results are not necessarily comparable with similar information reported by other financial institutions. Furthermore, changes in management structure or allocation methodologies and procedures may result in changes in reported segment financial data. Financial information about the Company's segments is presented in note 21 of Notes to Financial Statements.

The Commercial Banking segment provides a wide range of credit products and banking services for middle-market and large commercial customers, largely within the markets the Company serves. Among the services provided by this segment are commercial lending and leasing, deposit products, and cash management services. The Commercial Banking segment's earnings rose 24% to $67.4 million in 1998 from $54.3 million in 1997. Commercial loans obtained from ONBANCorp and loan growth in most of the markets already served by the Company were the leading factors contributing to the increase. Net income in 1996 was $44.4 million. The higher net income from 1996 to 1997 resulted largely from an $11.6 million increase in net interest income resulting from a 13% increase in average loans outstanding.

The Commercial Real Estate segment provides credit and deposit services to its customers. Loans are largely secured by properties in the New York City metropolitan area and in Western New York, however, loans are also originated in the other regions in New York State and Pennsylvania. Commercial real estate loans may be secured by apartment/multifamily buildings, office space, retail space, industrial space or other types of collateral. In 1998, the Commercial Real Estate segment reported net income of $57.3 million, up 8% from $53.0 million earned a year earlier, due in part to the commercial real estate loans added to the Company's portfolio in the ONBANCorp transaction. An increase in fees for credit and other services also contributed to the growth in this segment's net income from 1997 to 1998. The Commercial Real Estate segment earned $51.4 million in 1996. The increase in net income from 1996 to 1997 was due largely to an increase in net interest income of $3.5 million resulting from a 9% increase in average loans outstanding.

The Discretionary Portfolio segment includes securities, residential mortgage loans and other assets; short-term and long-term borrowed funds; brokered certificates of deposit and interest rate swaps related thereto; and offshore branch deposits. This segment also provides services to commercial customers and consumers which include foreign exchange, securities trading and municipal bond underwriting and sales. In 1998, this segment contributed net income of $31.7 million, compared with $18.5 million in 1997 and $19.2 million in 1996. Noninterest income increased $16.9 million from 1997 to

1998 largely due to tax-exempt income earned from increases in the cash surrender value of bank-owned life insurance. In addition, the ONBANCorp acquisition added approximately $0.9 billion of residential mortgage loans and $0.8 billion of investment securities to the average balance of the Company's discretionary portfolio. The decline in net income from 1996 to 1997 was due, in part, to a reduction in net interest income resulting from lower average balances of money-market assets and investment securities in 1997.

The Residential Mortgage Banking segment originates and services residential mortgage loans for consumers and sells substantially all of those loans in the secondary market to investors or to banking subsidiaries of M&T. The Company maintains mortgage loan production offices in New York State, as well as Arizona, Colorado, Idaho, Massachusetts, Ohio, Oregon, Pennsylvania, Utah and Washington. The Company also periodically purchases the rights to service residential mortgage loans. Residential mortgage loans held for sale are included in this segment. The Residential Mortgage Banking segment had net income of $19.5 million in 1998, an increase of 77% from $11.0 million in 1997, largely the result of an 81% increase in residential mortgage loans originated and a 14% increase to $10.9 billion in loans serviced, including $3.6 billion of loans serviced for the Company as of December 31, 1998. A favorable interest rate environment during 1998 was the primary factor leading to the increase in origination volume and the related increase in net income for this segment when compared to 1997. In 1996, net income for the mortgage banking segment was $7.8 million. Higher servicing fee income was the leading factor in the increase from 1996 to 1997.

The Retail Banking segment offers a variety of consumer and small business services through several delivery channels which include traditional and "in-store" banking offices, automated teller machines, telephone banking and personal computer banking. The Company has banking offices throughout New York State and in northeastern Pennsylvania. The Retail Banking segment also offers certain deposit and loan products on a nationwide basis through M&T Bank, N.A. Credit services offered by this segment include consumer installment loans, student loans, automobile loans and leases (both directly and indirectly through dealers), home equity loans and lines of credit, and loans and leases to small businesses. The financial results of Retail Banking also include the results of the Company's retail credit card business and, in 1998, the $3.2 million gain that resulted from the sale of that business. The segment also offers to its customers deposit products, including demand, savings and time accounts; investment products, including mutual funds and annuities; and other services. Retail Banking earned $100.1 million in 1998, up 52% from $65.7 million in 1997. The increase was largely the result of the April 1, 1998 acquisition of ONBANCorp and a $16.3 million decrease in the provision for credit losses. The decrease in the provision was largely due to the July 1998 sale of the Company's retail credit card business and the 1997 and 1998 termination of all of the Company's co-branded credit card programs. In 1996, Retail Banking had net income of $53.1 million. The 24% increase in earnings from 1996 to 1997 was due in part to higher net interest income earned in 1997, largely the result of an 7% increase in average loans outstanding and a 5% increase in average deposits.

RECENTLY ISSUED ACCOUNTING STANDARDS NOT YET ADOPTED

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 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 began after issuance of the statement. SFAS No. 133 should not be applied retroactively to financial statements of prior periods.

The Company intends to adopt SFAS No. 133 as of January 1, 2000; however, it has not yet quantified the financial statement impact of adoption, nor has the method of adoption been determined. The Company anticipates that adoption of SFAS No. 133 could increase the volatility of reported earnings and stockholders' equity and could result in the modification of certain data processing systems and hedging practices.

In October 1998, the FASB issued SFAS No. 134, "Accounting for Mortgage-Backed Securities Retained after the Securitization of Mortgage Loans Held for Sale by a Mortgage Banking Enterprise." SFAS No. 134 revises current accounting and reporting standards to require that after the securitization of mortgage loans held for sale, an entity engaged in mortgage banking activities classify the resulting mortgage-backed securities or other retained interests based on its ability and intent to sell or hold those investments. SFAS No. 134 is effective for the first fiscal quarter beginning after December 15, 1998. The Company will adopt the provisions of SFAS No. 134 on January 1, 1999. When adopted, SFAS No. 134 is not expected to have a material impact on the Company.

In March 1998, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." SOP 98-1 requires the capitalization of certain costs incurred in connection with developing or obtaining internal-use computer software. SOP 98-1 is effective for financial statements for fiscal years beginning after December 15, 1998 and should be applied to internal-use software costs incurred in the year of adoption, including costs relating to those projects in progress upon initial application of the SOP. The Company intends to adopt SOP 98-1 on January 1, 1999. When adopted, SOP 98-1 is not expected to have a material impact on the Company's results of operations or financial condition.

FORWARD-LOOKING STATEMENTS

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

Future Factors include changes in interest rates, spreads on earning assets and interest-bearing liabilities, and interest rate sensitivity; credit losses; sources of liquidity; 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

Table 1

FINANCIAL HIGHLIGHTS

		1998	1997	Change
FOR THE YEAR				
PERFORMANCE				
Net income (thousands)	$	207,974	176,241	+ 18%
Return on				
Average assets		1.14 %	1.32 %	
Average common equity		13.86 %	18.49 %	
Net interest margin		3.97 %	4.40 %	
Net charge-offs/average loans		.28 %	.38 %	
Efficiency ratio (a)		56.24 %	55.79 %	
PER COMMON SHARE DATA				
Basic earnings	$	27.30	26.60	+ 3%
Diluted earnings		26.16	25.26	+ 4%
Cash dividends		3.80	3.20	+ 19%
Cash (tangible) operating results (b)				
Net income (thousands) (c)	$	251,922	182,387	+ 38%
Diluted earnings per common share (c)		31.69	26.14	+ 21%
Return on				
Average tangible assets		1.41 %	1.37 %	
Average tangible common equity		23.08 %	19.56 %	
Efficiency ratio (a)		52.51 %	54.82 %	
AT DECEMBER 31				
BALANCE SHEET DATA (MILLIONS)				
Loans and leases,				
net of unearned discount	$	15,792	11,497	+ 37%
Total assets		20,584	14,003	+ 47%
Deposits		14,737	11,163	+ 32%
Stockholders' equity		1,602	1,030	+ 56%
LOAN QUALITY				
Allowance for credit losses/net loans		1.94 %	2.39 %	
Nonperforming assets ratio		.81 %	.77 %	
CAPITAL				
Tier 1 risk-based capital ratio		8.40 %	10.69 %	
Total risk-based capital ratio		10.56 %	13.32 %	
Leverage ratio		7.02 %	9.09 %	
Common equity/total assets		7.78 %	7.36 %	
Common equity (book value) per share	$	207.94	155.86	+ 33%
Tangible common equity per share		139.89	153.24	- 9%
Market price per share:				
Closing		518.94	465.00	+ 12%
High		582.00	468.00	
Low		400.00	281.00	

(a) Excludes impact of nonrecurring merger-related expenses, net securities transactions and contribution of appreciated investment securities to affiliated, tax-exempt charitable foundation in 1998.
(b) Excludes amortization and balances related to goodwill and core deposit intangible and nonrecurring merger-related expenses which, except in the calculation of the efficiency ratio, are net of applicable income tax effects.
(c) Cash net income excludes the after-tax impact of nonrecurring merger-related expenses of $14.0 million or $1.76 per diluted share in 1998.

Table 2

QUARTERLY TRENDS

	1998 Quarters				1997 Quarters			
	Fourth	Third	Second	First	Fourth	Third	Second	First
EARNINGS AND DIVIDENDS								
AMOUNTS IN THOUSANDS, EXCEPT PER SHARE								
Interest income (taxable-equivalent basis)	$358,335	359,339	363,503	277,803	277,166	271,305	265,301	257,029
Interest expense	183,424	184,850	184,644	134,585	133,270	129,768	125,734	119,321
Net interest income	174,911	174,489	178,859	143,218	143,896	141,537	139,567	137,708
Less: provision for possible credit losses	7,500	10,500	13,200	12,000	12,000	12,000	11,000	11,000
Other income	67,221	66,568	66,410	70,396	52,979	50,182	43,983	45,923
Less: other expense	138,756	138,490	155,004	133,873	110,716	104,706	102,070	104,284
Income before income taxes	95,876	92,067	77,065	67,741	74,159	75,013	70,480	68,347
Applicable income taxes	36,064	33,693	30,587	17,245	26,246	27,518	26,329	25,825
Taxable-equivalent adjustment	1,969	1,897	1,779	1,541	1,613	1,604	1,360	1,263
Net income	$ 57,843	56,477	44,699	48,955	46,300	45,891	42,791	41,259
Per common share data								
Net income								
Basic	$ 7.44	7.09	5.55	7.34	7.01	6.96	6.46	6.17
Diluted	7.14	6.81	5.32	7.01	6.66	6.62	6.17	5.81
Cash dividends	$ 1.00	1.00	1.00	.80	.80	.80	.80	.80
Average common shares outstanding								
Basic	7,778	7,966	8,051	6,666	6,599	6,592	6,627	6,685
Diluted	8,105	8,288	8,409	6,981	6,955	6,927	6,928	7,100
PERFORMANCE RATIOS, ANNUALIZED								
Return on								
Average assets	1.14%	1.15%	.92%	1.41%	1.33%	1.36%	1.31%	1.30%
Average common stockholders' equity	14.20%	13.48%	10.77%	18.86%	18.25%	18.92%	18.55%	18.24%
Net interest margin on average earning assets (taxable-equivalent basis)	3.77%	3.87%	3.99%	4.35%	4.34%	4.35%	4.41%	4.50%
Nonperforming assets to total assets, at end of quarter	.62%	.67%	.69%	.53%	.64%	.69%	.79%	.81%
CASH (TANGIBLE) OPERATING RESULTS (1)								
Net income (in thousands)	$ 67,326	67,703	65,445	51,448	47,837	47,428	44,350	42,773
Diluted net income per common share	8.31	8.17	7.78	7.37	6.88	6.85	6.40	6.02
Annualized return on								
Average tangible assets	1.36%	1.42%	1.38%	1.49%	1.38%	1.40%	1.36%	1.35%
Average tangible common stockholders' equity	24.57%	23.90%	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	$ 20,101	19,455	19,547	14,055	13,785	13,424	13,148	12,866
Earning assets	18,401	17,881	17,992	13,357	13,148	12,905	12,700	12,420
Investment securities	2,617	2,533	2,858	1,614	1,721	1,747	1,715	1,611
Loans and leases, net of unearned discount	15,389	15,124	14,978	11,602	11,327	11,002	10,842	10,715
Deposits	14,617	14,552	14,726	10,988	11,261	11,170	10,914	10,454
Stockholders' equity	1,616	1,662	1,664	1,053	1,007	962	925	917
At end of quarter								
Total assets	$ 20,584	19,478	20,138	14,570	14,003	13,675	13,441	13,122
Earning assets	18,926	17,905	18,419	13,778	13,333	13,100	12,903	12,621
Investment securities	2,786	2,446	2,707	1,530	1,725	1,752	1,708	1,693
Loans and leases, net of unearned discount	15,792	15,163	15,245	12,033	11,497	11,271	10,980	10,803
Deposits	14,737	14,394	14,813	11,085	11,163	11,205	11,186	10,533
Stockholders' equity	1,602	1,649	1,659	1,069	1,030	982	951	912
Equity per common share	207.94	209.03	207.18	160.06	155.86	149.31	143.64	137.33
Tangible equity per common share	139.89	141.43	139.37	157.75	153.24	146.40	140.43	133.84
MARKET PRICE PER COMMON SHARE								
High	$539 1/2	582	554	504	468	415	343 1/2	336
Low	400	410	480	429	401	335	303	281
Closing	518 15/16	461	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.

Table 3

EARNINGS SUMMARY
DOLLARS IN MILLIONS

Increase (decrease)* 1997 to 1998 Amount	1997 to 1998 %	1996 to 1997 Amount	1996 to 1997 %		1998	1997	1996	1995	1994	Compound growth rate 5 years 1993 to 1998
$ 288.2	27	$ 68.9	7	Interest income**	$ 1,359.0	1,070.8	1,001.9	932.8	751.4	13%
179.4	35	41.7	9	Interest expense	687.5	508.1	466.4	441.7	279.2	21
108.8	19	27.2	5	Net interest income**	671.5	562.7	535.5	491.1	472.2	7
(2.8)	(6)	2.7	6	Less: provision for possible credit losses	43.2	46.0	43.3	40.4	60.5	(12)
2.1	-	(.3)	-	Gain (loss) on sales of bank investment securities	1.8	(.3)	-	4.5	.1	-
75.5	39	23.1	14	Other income	268.8	193.3	170.3	145.1	123.6	20
				Less:						
39.5	18	11.7	6	Salaries and employee benefits	259.5	220.0	208.3	188.2	161.2	11
104.8	52	1.1	1	Other expense	306.6	201.8	200.7	186.3	175.6	12
44.9	16	34.5	14	Income before income taxes	332.8	287.9	253.5	225.8	198.6	13
				Less:						
1.4	24	1.3	30	Taxable-equivalent adjustment**	7.2	5.8	4.5	4.7	4.1	-
11.7	11	8.1	8	Income taxes	117.6	105.9	97.9	90.1	77.2	10
$ 31.8	18	$ 25.1	17	Net income	$ 208.0	176.2	151.1	131.0	117.3	15%

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* CHANGES WERE CALCULATED FROM UNROUNDED AMOUNTS.

** INTEREST INCOME DATA ARE ON A TAXABLE-EQUIVALENT BASIS. THE TAXABLE-EQUIVALENT ADJUSTMENT REPRESENTS ADDITIONAL INCOME TAXES THAT WOULD BE DUE IF ALL INTEREST INCOME WERE SUBJECT TO INCOME TAXES. THIS ADJUSTMENT IS PRIMARILY TO INTEREST RECEIVED ON QUALIFIED MUNICIPAL SECURITIES AND INDUSTRIAL REVENUE FINANCINGS AND IS BASED ON A COMPOSITE INCOME TAX RATE OF APPROXIMATELY 41% FOR 1998 AND 1997, 42% FOR 1996 AND 1995, AND 43% FOR 1994.

Table 4

AVERAGE LOANS AND LEASES
(NET OF UNEARNED DISCOUNT)

DOLLARS IN MILLIONS	1998	Percent increase (decrease) from 1997 to 1998	1996 to 1997
Commercial, financial, etc.	$2,831	25 %	11 %
Real estate - commercial	4,999	20	11
Real estate - consumer	3,683	65	5
Consumer			
Automobile	1,301	25	3
Home equity	722	12	6
Credit cards	136	(49)	4
Other	614	73	14
Total consumer	2,773	20	5
Total	$14,286	30 %	8 %

Table 5

AVERAGE BALANCE SHEETS AND TAXABLE-EQUIVALENT RATES

AVERAGE BALANCE IN MILLIONS; INTEREST IN THOUSANDS	1998 Average balance	1998 Interest	1998 Average rate	1997 Average balance
Assets				
Earning assets				
Loans and leases, net of unearned discount*				
Commercial, financial, etc.	$ 2,831	$ 235,027	8.30 %	2,257
Real estate	8,682	709,133	8.17	6,408
Consumer	2,773	249,045	8.98	2,308
Total loans and leases, net	14,286	1,193,205	8.35	10,973
Money-market assets				
Interest-bearing deposits at banks	10	400	3.86	42
Federal funds sold and agreements to resell securities	153	8,293	5.43	55
Trading account	67	4,524	6.79	26
Total money-market assets	230	13,217	5.75	123
Investment securities**				
U.S. Treasury and federal agencies	1,448	88,030	6.08	1,122
Obligations of states and political subdivisions	73	4,566	6.29	43
Other	887	59,962	6.76	534
Total investment securities	2,408	152,558	6.33	1,699
Total earning assets	16,924	1,358,980	8.03	12,795
Allowance for possible credit losses	(302)			(273)
Cash and due from banks	394			308
Other assets	1,293			479
Total assets	$ 18,309			13,309
Liabilities and stockholders' equity				
Interest-bearing liabilities				
Interest-bearing deposits				
NOW accounts	$ 327	4,851	1.48	257
Savings deposits	4,430	115,345	2.60	3,420
Time deposits	7,022	388,185	5.53	5,818
Deposits at foreign office	288	14,973	5.20	230
Total interest-bearing deposits	12,067	523,354	4.34	9,725
Short-term borrowings	1,923	105,582	5.49	812
Long-term borrowings	835	58,567	7.02	373
Total interest-bearing liabilities	14,825	687,503	4.64	10,910
Noninterest-bearing deposits	1,666			1,228
Other liabilities	317			218
Total liabilities	16,808			12,356
Stockholders' equity	1,501			953
Total liabilities and stockholders' equity	$ 18,309			13,309
Net interest spread			3.39	
Contribution of interest-free funds			.58	
Net interest income/margin on earning assets		$ 671,477	3.97 %	

Table 5

AVERAGE BALANCE IN MILLIONS; INTEREST IN THOUSANDS	1997		1996		
	Interest	Average rate	Average balance	Interest	Average rate
Assets					
Earning assets					
Loans and leases, net of unearned discount*					
Commercial, financial, etc.	189,455	8.39 %	2,031	166,022	8.17 %
Real estate	550,989	8.60	5,893	512,269	8.69
Consumer	213,942	9.27	2,190	204,831	9.35
Total loans and leases, net	954,386	8.70	10,114	883,122	8.73
Money-market assets					
Interest-bearing deposits at banks	2,475	5.95	38	2,413	6.30
Federal funds sold and agreements to resell securities	2,989	5.42	55	2,985	5.45
Trading account	1,937	7.27	17	1,100	6.53
Total money-market assets	7,401	6.00	110	6,498	5.91
Investment securities**					
U.S. Treasury and federal agencies	70,968	6.33	1,200	74,023	6.17
Obligations of states and political subdivisions	2,832	6.61	41	2,678	6.57
Other	35,214	6.59	565	35,598	6.30
Total investment securities	109,014	6.42	1,806	112,299	6.22
Total earning assets	1,070,801	8.37	12,030	1,001,919	8.33
Allowance for possible credit losses			(269)		
Cash and due from banks			334		
Other assets			384		
Total assets			12,479		
Liabilities and stockholders' equity					
Interest-bearing liabilities					
Interest-bearing deposits					
NOW accounts	3,455	1.34	659	9,430	1.43
Savings deposits	90,907	2.66	2,956	84,822	2.87
Time deposits	327,611	5.63	5,137	286,088	5.57
Deposits at foreign office	12,160	5.29	239	12,399	5.19
Total interest-bearing deposits	434,133	4.46	8,991	392,739	4.37
Short-term borrowings	44,341	5.46	1,121	59,442	5.30
Long-term borrowings	29,619	7.94	189	14,227	7.51
Total interest-bearing liabilities	508,093	4.66	10,301	466,408	4.53
Noninterest-bearing deposits			1,169		
Other liabilities			146		
Total liabilities			11,616		
Stockholders' equity			863		
Total liabilities and stockholders' equity			12,479		
Net interest spread		3.71			3.80
Contribution of interest-free funds		.69			.65
Net interest income/margin on earning assets	562,708	4.40 %		535,511	4.45%

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

(continued)

M&T BANK CORPORATION AND SUBSIDIARIES

Table 5 (continued)

AVERAGE BALANCE SHEETS AND TAXABLE-EQUIVALENT RATES

	1995			1994		
AVERAGE BALANCE IN MILLIONS; INTEREST IN THOUSANDS	Average balance	Interest	Average rate	Average balance	Interest	Average rate
Assets						
Earning assets						
Loans and leases, net of unearned discount*						
Commercial, financial, etc.	$ 1,804	$ 155,750	8.63 %	1,487	116,479	7.84 %
Real estate	5,301	471,714	8.90	4,562	390,681	8.56
Consumer	1,752	169,149	9.65	1,378	128,117	9.30
Total loans and leases, net	8,857	796,613	8.99	7,427	635,277	8.55
Money-market assets						
Interest-bearing deposits at banks	110	8,181	7.44	48	2,212	4.58
Federal funds sold and agreements to resell securities	48	3,007	6.29	109	4,751	4.35
Trading account	20	1,339	6.82	7	499	7.11
Total money-market assets	178	12,527	7.06	164	7,462	4.54
Investment securities**						
U.S. Treasury and federal agencies	1,242	74,248	5.98	1,167	56,685	4.86
Obligations of states and political subdivisions	50	3,420	6.90	53	3,072	5.77
Other	743	45,988	6.19	852	48,933	5.74
Total investment securities	2,035	123,656	6.08	2,072	108,690	5.24
Total earning assets	11,070	932,796	8.43	9,663	751,429	7.78
Allowance for possible credit losses	(254)			(223)		
Cash and due from banks	326			307		
Other assets	343			278		
Total assets	$ 11,485			10,025		
Liabilities and stockholders' equity						
Interest-bearing liabilities						
Interest-bearing deposits						
NOW accounts	$ 761	11,902	1.56	746	11,286	1.51
Savings deposits	2,922	87,612	3.00	3,274	84,804	2.59
Time deposits	4,112	239,882	5.83	2,179	97,067	4.45
Deposits at foreign office	133	6,952	5.23	156	5,894	3.79
Total interest-bearing deposits	7,928	346,348	4.37	6,355	199,051	3.13
Short-term borrowings	1,423	84,225	5.92	1,772	73,868	4.17
Long-term borrowings	146	11,157	7.64	77	6,287	8.13
Total interest-bearing liabilities	9,497	441,730	4.65	8,204	279,206	3.40
Noninterest-bearing deposits	1,093			1,011		
Other liabilities	112			87		
Total liabilities	10,702			9,302		
Stockholders' equity	783			723		
Total liabilities and stockholders' equity	$ 11,485			10,025		
Net interest spread			3.78			4.38
Contribution of interest-free funds			.66			.51
Net interest income/margin on earning assets		$ 491,066	4.44 %		472,223	4.89 %

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

Table 6

COMMERCIAL REAL ESTATE LOANS
(NET OF UNEARNED DISCOUNT)
DECEMBER 31, 1998

DOLLARS IN MILLIONS		Outstandings	Percent of dollars outstanding by loan size $0-1	$1-5	$5-10	$10+
Metropolitan New York City						
Apartments/ Multifamily	$	1,393.1	11 %	24 %	8 %	9 %
Office		238.0	1	3	2	3
Retail		594.7	3	11	3	5
Construction		106.4	-	2	-	2
Industrial		42.7	-	1	-	-
Other		325.3	1	4	4	3
Total Metropolitan New York City	$	2,700.2	16 %	45 %	17 %	22 %
Other New York State						
Apartments/ Multifamily	$	330.5	5 %	7 %	2 %	- %
Office		699.0	8	15	6	1
Retail		243.3	5	5	1	-
Construction		237.6	1	3	2	4
Industrial		198.2	4	4	1	-
Other		595.4	10	11	3	2
Total other New York State	$	2,304.0	33 %	45 %	15 %	7 %
Other						
Apartments/ Multifamily	$	137.3	4 %	21 %	2 %	3 %
Office		13.4	1	2	-	-
Retail		103.7	1	10	5	7
Construction		18.8	-	2	2	-
Industrial		52.5	1	8	3	-
Other		129.0	5	10	3	10
Total other	$	454.7	12 %	53 %	15 %	20 %
Total commercial real estate loans	$	5,458.9	23 %	45 %	16 %	16 %

Table 7

AVERAGE CORE DEPOSITS

Dollars in millions	1998	Percent increase (decrease) from 1997 to 1998	1996 to 1997
NOW accounts	$ 327	27 %	(61)%
Savings deposits	4,430	30	16
Time deposits under $100,000	4,305	25	8
Noninterest-bearing deposits	1,666	36	5
Total	$ 10,728	29 %	5 %

Table 8

INTEREST RATE SWAPS

	Year ended December 31					
	1998		1997		1996	
DOLLARS IN THOUSANDS	Amount	Rate*	Amount	Rate*	Amount	Rate*
Increase (decrease) in:						
Interest income	$ 3,378	.02 %	$ (142)	--- %	$ (34)	--- %
Interest expense	(12,778)	(.09)	(14,231)	(.13)	(15,488)	(.15)
Net interest income/margin	$ 16,156	.10 %	$ 14,089	.11 %	$ 15,454	.13 %
Average notional amount**	$ 2,521,426		$ 2,691,638		$ 2,410,547	
Rate received***		6.70 %		6.68 %		6.66 %
Rate paid***		6.06 %		6.16 %		6.02 %

* COMPUTED AS AN ANNUALIZED PERCENTAGE OF AVERAGE EARNING ASSETS OR INTEREST-BEARING LIABILITIES.

** EXCLUDES FORWARD-STARTING INTEREST RATE SWAPS.

*** WEIGHTED-AVERAGE RATE PAID OR RECEIVED ON INTEREST RATE SWAPS IN EFFECT DURING YEAR.

Table 9

LOAN CHARGE-OFFS, PROVISION AND ALLOWANCE FOR POSSIBLE CREDIT LOSSES

DOLLARS IN THOUSANDS	1998	1997	1996	1995	1994
Allowance for possible credit losses beginning balance	$ 274,656	270,466	262,344	243,332	195,878
Charge-offs during year					
Commercial, financial, agricultural, etc.	5,457	4,539	6,120	5,475	5,505
Real estate - construction	950	-	-	-	-
Real estate - mortgage	7,210	9,910	7,389	10,750	17,957
Consumer	42,684	44,880	36,037	14,982	8,981
Total charge-offs	56,301	59,329	49,546	31,207	32,443
Recoveries during year					
Commercial, financial, agricultural, etc.	2,783	2,609	3,671	3,967	7,877
Real estate - construction	-	-	50	87	13
Real estate - mortgage	2,894	5,869	3,049	2,137	4,515
Consumer	11,210	9,041	7,573	3,678	3,418
Total recoveries	16,887	17,519	14,343	9,869	15,823
Net charge-offs	39,414	41,810	35,203	21,338	16,620
Provision for possible credit losses	43,200	46,000	43,325	40,350	60,536
Allowance for possible credit losses acquired during the year	27,905	-	-	-	3,538
Allowance for possible credit losses ending balance	$ 306,347	274,656	270,466	262,344	243,332
Net charge-offs as a percent of:					
Provision for possible credit losses	91.24 %	90.89 %	81.25 %	52.88 %	27.45 %
Average loans and leases, net of unearned discount	.28 %	.38 %	.35 %	.24 %	.22 %
Allowance for possible credit losses as a percent of loans and leases, net of unearned discount, at year-end	1.94 %	2.39 %	2.52 %	2.75 %	2.96 %

Table 10

ALLOCATION OF THE ALLOWANCE FOR POSSIBLE CREDIT LOSSES TO LOAN CATEGORIES

DOLLARS IN THOUSANDS		December 31 1998	1997	1996	1995	1994
Commercial, financial, agricultural, etc.	$	57,744	42,816	39,556	36,793	44,092
Real estate - mortgage		91,692	70,354	73,879	75,894	72,285
Consumer		45,356	57,757	34,224	23,385	17,532
Unallocated		111,555	103,729	122,807	126,272	109,423
Total	$	306,347	274,656	270,466	262,344	243,332
As a percentage of gross loans and leases outstanding						
Commercial, financial, agricultural, etc.		1.76 %	1.78 %	1.79 %	1.83 %	2.62 %
Real estate - mortgage		.99	1.04	1.19	1.34	1.43
Consumer		1.53	2.47	1.30	1.10	1.05

Table 11

NONPERFORMING ASSETS
DOLLARS IN THOUSANDS

December 31		1998	1997	1996	1995	1994
Nonaccrual loans	$	70,999	38,588	58,232	75,224	62,787
Loans past due 90 days or more		37,784	30,402	39,652	17,842	11,754
Renegotiated loans		8,262	11,660	-	-	2,994
Total nonperforming loans		117,045	80,650	97,884	93,066	77,535
Real estate and other assets owned		11,129	8,413	8,523	7,295	10,065
Total nonperforming assets	$	128,174	89,063	106,407	100,361	87,600
Government guaranteed nonperforming loans*	$	14,316	17,712	25,847	7,779	7,883
Nonperforming loans to total loans and leases, net of unearned discount		.74 %	.70 %	.91 %	.97 %	.94 %
Nonperforming assets to total net loans and leases and real estate and other assets owned		.81 %	.77 %	.99 %	1.05 %	1.06 %

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* INCLUDED IN TOTAL NONPERFORMING LOANS.

Table 12

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

DOLLARS IN THOUSANDS		December 31, 1998
Under 3 months	$	983,582
3 to 6 months		420,650
6 to 12 months		313,235
Over 12 months		1,012,576
Total	$	2,730,043

Table 13

MATURITY DISTRIBUTION OF LOANS*
DOLLARS IN THOUSANDS

December 31, 1998	Demand	1999	2000 - 2003	After 2003
Commercial, financial, agricultural, etc.	$ 1,940,014	461,540	492,148	187,336
Real estate - construction	113,340	282,708	87,146	3,756
Total	$ 2,053,354	744,248	579,294	191,092
Floating or adjustable interest rates			$ 454,517	133,074
Fixed or predetermined interest rates			124,777	58,018
Total			$ 579,294	191,092

*The data do not include nonaccrual loans.

Table 14

Sensitivity of Net Interest Income to Changes in Interest Rates
(dollars in thousands)

Changes in Interest Rates		Calculated increase (decrease) in projected net interest income December 31 1998	1997
+200 basis points	$	(7,668)	(4,914)
+100 basis points		335	748
- -100 basis points		5,161	2,434
- -200 basis points		4,498	3,768

Table 15

CONTRACTUAL REPRICING DATA
Dollars in thousands by repricing date

December 31, 1998	Three months or less	Four to twelve months	One to five years	After five years	Total
Loans and leases, net	$ 5,594,140	1,629,962	4,630,286	3,937,142	15,791,530
Money-market assets	293,735	54,703	--	--	348,438
Investment securities	868,275	398,554	380,895	1,137,840	2,785,564
Total earning assets	6,756,150	2,083,219	5,011,181	5,074,982	18,925,532
NOW accounts	$ 509,307	--	--	--	509,307
Savings deposits	4,830,678	--	--	--	4,830,678
Time deposits	1,980,026	3,049,602	1,699,913	297,542	7,027,083
Deposits at foreign office	303,270	--	--	--	303,270
Total interest-bearing deposits	7,623,281	3,049,602	1,699,913	297,542	12,670,338
Short-term borrowings	2,165,508	129	64,339	--	2,229,976
Long-term borrowings	63	160,580	855,727	551,173	1,567,543
Total interest-bearing liabilities	9,788,852	3,210,311	2,619,979	848,715	16,467,857
Interest rate swaps	$(1,604,730)	565,743	1,390,378	(351,391)	--
Periodic gap	$(4,637,432)	(561,349)	3,781,580	3,874,876	
Cumulative gap	(4,637,432)	(5,198,781)	(1,417,201)	2,457,675	
Cumulative gap as a % of total earning assets	(24.5)%	(27.5)%	(7.5)%	13.0 %	

Table 16

MATURITY AND TAXABLE-EQUIVALENT YIELD OF INVESTMENT SECURITIES
DOLLARS IN THOUSANDS

December 31, 1998	One year or less	One to five years	Five to ten years	Over ten years	Total
INVESTMENT SECURITIES AVAILABLE FOR SALE*					
U.S. Treasury and federal agencies					
Carrying value	$ 318,520	133,173	--	--	451,693
Yield	5.89 %	4.65 %	--	--	5.52 %
Mortgage-backed securities**					
Government issued or guaranteed					
Carrying value	61,034	168,167	162,820	477,286	869,307
Yield	5.97 %	6.15 %	6.37 %	5.99 %	6.09 %
Privately issued					
Carrying value	137,381	289,772	221,219	305,751	954,123
Yield	5.97 %	5.88 %	5.82 %	6.43 %	6.06 %
Other debt securities					
Carrying value	100	15,146	--	144,098	159,344
Yield	7.23 %	6.48 %	--	5.64 %	5.72 %
Equity securities					
Carrying value	--	--	--	--	149,273
Yield	--	--	--	--	8.14 %
Total investment securities available for sale					
Carrying value	$ 517,035	606,258	384,039	927,135	2,583,740
Yield	5.92 %	5.70 %	6.06 %	6.08 %	6.07 %
INVESTMENT SECURITIES HELD TO MATURITY					
U.S. Treasury and federal agencies					
Carrying value	$ --	--	--	--	--
Yield	--	--	--	--	--
Obligations of states and political subdivisions					
Carrying value	50,455	20,836	2,498	--	73,789
Yield	5.58 %	6.53 %	7.03 %	--	5.90 %
Other debt securities					
Carrying value	--	--	13,493	--	13,493
Yield	--	--	10.92 %	--	10.92 %
Total investment securities held to maturity					
Carrying value	$ 50,455	20,836	15,991	--	87,282
Yield	5.58 %	6.53 %	10.31 %	--	6.68 %
OTHER INVESTMENT SECURITIES	--	--	--	--	114,542
Total investment securities					
Carrying value	$ 567,490	627,094	400,030	927,135	2,785,564
Yield	5.89 %	5.72 %	6.23 %	6.08 %	5.84 %

* INVESTMENT SECURITIES AVAILABLE FOR SALE ARE PRESENTED AT ESTIMATED FAIR VALUE. YIELDS ON SUCH SECURITIES ARE BASED ON AMORTIZED COST.

** MATURITIES ARE REFLECTED BASED UPON CONTRACTUAL PAYMENTS DUE. ACTUAL MATURITIES ARE EXPECTED TO BE SIGNIFICANTLY SHORTER AS A RESULT OF LOAN REPAYMENTS IN THE UNDERLYING MORTGAGE POOLS.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK. Incorporated by reference to the discussion contained under the captions "Liquidity, Market Risk, and Interest Rate Sensitivity" and "Capital," and Table 13.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA. Financial Statements and Supplementary Data consist of the financial statements as indexed and presented below and table 2 "Quarterly Trends" presented in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheet of M&T Bank Corporation and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of income, cash flows and changes in stockholders' equity for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements audited by us present fairly, in all material respects, the financial position of M&T Bank Corporation and subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

/s/ PRICEWATERHOUSECOOPERS LLP

Buffalo, New York
January 11, 1999

CONSOLIDATED BALANCE SHEET

DOLLARS IN THOUSANDS, EXCEPT PER SHARE		December 31 1998	December 31 1997
Assets	Cash and due from banks	$ 493,792	333,805
	Money-market assets		
	Interest-bearing deposits at banks	674	668
	Federal funds sold and agreements to resell securities	229,066	53,087
	Trading account	173,122	57,291
	Total money-market assets	402,862	111,046
	Investment securities		
	Available for sale (cost: $2,578,940 in 1998; $1,563,055 in 1997)	2,583,740	1,583,273
	Held to maturity (market value: $87,365 in 1998; $84,176 in 1997)	87,282	83,665
	Other (market value: $114,542 in 1998; $58,280 in 1997)	114,542	58,280
	Total investment securities	2,785,564	1,725,218
	Loans and leases	16,005,701	11,765,533
	Unearned discount	(214,171)	(268,965)
	Allowance for possible credit losses	(306,347)	(274,656)
	Loans and leases, net	15,485,183	11,221,912
	Premises and equipment	162,842	121,984
	Goodwill and core deposit intangible	546,036	17,288
	Accrued interest and other assets	707,612	471,682
	Total assets	$ 20,583,891	14,002,935
Liabilities	Noninterest-bearing deposits	$ 2,066,814	1,458,241
	NOW accounts	509,307	346,795
	Savings deposits	4,830,678	3,344,697
	Time deposits	7,027,083	5,762,497
	Deposits at foreign office	303,270	250,928
	Total deposits	14,737,152	11,163,158
	Federal funds purchased and agreements to repurchase securities	1,746,078	930,775
	Other short-term borrowings	483,898	120,143
	Accrued interest and other liabilities	446,854	330,774
	Long-term borrowings	1,567,543	427,819
	Total liabilities	18,981,525	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 in 1998; 8,097,472 shares issued in 1997	40,508	40,487
	Common stock issuable, 8,028 shares in 1998	3,752	-
	Additional paid-in capital	480,014	103,233
	Retained earnings	1,271,071	1,092,106
	Accumulated other comprehensive income, net	2,869	12,016
	Treasury stock - common, at cost - 403,769 shares in 1998; 1,487,123 shares in 1997	(195,848)	(217,576)
	Total stockholders' equity	1,602,366	1,030,266
	Total liabilities and stockholders' equity	$ 20,583,891	14,002,935

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENT OF INCOME

IN THOUSANDS, EXCEPT PER SHARE		Year ended December 31 1998	1997	1996
Interest income	Loans and leases, including fees	$ 1,190,983	952,436	881,002
	Money-market assets			
	Deposits at banks	400	2,475	2,413
	Federal funds sold and agreements to resell securities	8,293	2,989	2,985
	Trading account	4,403	1,781	980
	Investment securities			
	Fully taxable	139,731	99,640	107,415
	Exempt from federal taxes	7,984	5,640	2,637
	Total interest income	1,351,794	1,064,961	997,432
Interest expense	NOW accounts	4,851	3,455	9,430
	Savings deposits	115,345	90,907	84,822
	Time deposits	388,185	327,611	286,088
	Deposits at foreign office	14,973	12,160	12,399
	Short-term borrowings	105,582	44,341	59,442
	Long-term borrowings	58,567	29,619	14,227
	Total interest expense	687,503	508,093	466,408
	NET INTEREST INCOME	664,291	556,868	531,024
	Provision for possible credit losses	43,200	46,000	43,325
	Net interest income after provision for possible credit losses	621,091	510,868	487,699
Other income	Mortgage banking revenues	65,646	51,547	44,484
	Service charges on deposit accounts	57,357	43,377	40,659
	Trust income	38,211	30,688	27,672
	Merchant discount and other credit card fees	12,436	19,395	18,266
	Trading account and foreign exchange gains	3,963	3,690	2,421
	Gain (loss) on sales of bank investment securities	1,761	(280)	(37)
	Other revenues from operations	91,221	44,650	36,783
	Total other income	270,595	193,067	170,248
Other expense	Salaries and employee benefits	259,487	220,017	208,342
	Equipment and net occupancy	66,553	53,299	51,346
	Printing, postage and supplies	17,603	13,747	15,167
	Amortization of goodwill and core deposit intangible	34,487	7,291	6,292
	Deposit insurance	2,710	1,935	9,337
	Other costs of operations	185,283	125,487	118,494
	Total other expense	566,123	421,776	408,978
	Income before income taxes	325,563	282,159	248,969
	Income taxes	117,589	105,918	97,866
	NET INCOME	$ 207,974	176,241	151,103
	NET INCOME PER COMMON SHARE			
	Basic	$ 27.30	26.60	22.54
	Diluted	26.16	25.26	21.08

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENT OF CASH FLOWS

IN THOUSANDS		Year ended December 31 1998	1997	1996
Cash flows from operating activities	Net income	$ 207,974	176,241	151,103
	Adjustments to reconcile net income to net cash provided by operating activities			
	Provision for possible credit losses	43,200	46,000	43,325
	Depreciation and amortization of premises and equipment	25,432	20,745	19,457
	Amortization of capitalized servicing rights	19,650	14,366	10,509
	Amortization of goodwill and core deposit intangible	34,487	7,291	6,292
	Provision for deferred income taxes	(2,965)	(7,331)	(3,901)
	Asset write-downs	3,905	1,501	1,043
	Net gain on sales of assets	(4,607)	(1,002)	(1,539)
	Net change in accrued interest receivable, payable	13,991	11,806	1,248
	Net change in other accrued income and expense	71,914	80,439	23,808
	Net change in loans held for sale	(255,791)	4,234	(8,662)
	Net change in trading account assets and liabilities	(120,542)	5,094	(8,508)
	Net cash provided by operating activities	36,648	359,384	234,175
Cash flows from investing activities	Proceeds from sales of investment securities			
	Available for sale	223,929	217,221	275,627
	Other	3,976	-	-
	Proceeds from maturities of investment securities			
	Available for sale	1,071,889	255,498	390,563
	Held to maturity	91,060	89,161	125,480
	Other	7,930	-	721
	Purchases of investment securities			
	Available for sale	(846,020)	(628,168)	(532,106)
	Held to maturity	(42,930)	(54,218)	(58,274)
	Other	(21,872)	(3,936)	(2,776)
	Net (increase) decrease in interest-bearing deposits at banks	(6)	46,657	78,175
	Additions to capitalized servicing rights	(16,741)	(29,818)	(14,846)
	Net increase in loans and leases	(1,299,195)	(820,335)	(1,189,033)
	Proceeds from sale of retail credit card business	189,818	-	-
	Capital expenditures, net	(16,785)	(13,270)	(20,333)
	Acquisitions, net of cash acquired:			
	ONBANCorp, Inc.	20,790	-	-
	Deposits and banking offices	-	123,043	-
	Purchases of bank owned life insurance	(150,000)	(200,000)	-
	Other, net	(2,137)	(356)	19,278
	Net cash used by investing activities	(786,294)	(1,018,521)	(927,524)
Cash flows from financing activities	Net increase (decrease) in deposits	(190,445)	508,930	1,042,108
	Net increase (decrease) in short-term borrowings	648,784	(77,931)	(145,281)
	Proceeds from long-term borrowings	875,000	250,000	-
	Payments on long-term borrowings	(3,136)	(189)	(14,900)
	Purchases of treasury stock	(231,779)	(67,771)	(80,810)
	Dividends paid - common	(28,977)	(21,207)	(18,617)
	Dividends paid - preferred	-	-	(900)
	Other, net	16,165	4,212	(2,385)
	Net cash provided by financing activities	1,085,612	596,044	779,215
	Net increase (decrease) in cash and cash equivalents	$ 335,966	(63,093)	85,866
	Cash and cash equivalents at beginning of year	386,892	449,985	364,119
	Cash and cash equivalents at end of year	$ 722,858	386,892	449,985
Supplemental disclosure of cash flow information	Interest received during the year	$ 1,357,583	1,051,556	985,287
	Interest paid during the year	683,467	487,576	459,963
	Income taxes paid during the year	47,188	43,562	83,929
Supplemental schedule of noncash investing and financing activities	Real estate acquired in settlement of loans	$ 8,503	9,142	8,214
	Conversion of preferred stock to common stock	-	-	40,000
	Acquisition of ONBANCorp, Inc:			
	Common stock issued	587,819	-	-
	Fair value of:			
	Assets acquired (noncash)	5,206,168	-	-
	Liabilities assumed	4,619,715	-	-
	Stock options	19,424	-	-

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	DOLLARS IN THOUSANDS, EXCEPT PER SHARE	Preferred stock	Common stock	Common stock issuable	Additional paid-in capital
1996	Balance - January 1, 1996	$ 40,000	40,487	--	98,657
	Comprehensive income:				
	Net income	--	--	--	--
	Other comprehensive income, net of tax:				
	Unrealized gains on investment securities, net of reclassification adjustment	--	--	--	--
	Purchases of treasury stock	--	--	--	--
	Exercise of stock options	--	--	--	4,474
	Common stock cash dividends - $2.80 per share	--	--	--	--
	Preferred stock cash dividends	--	--	--	--
	Conversion of preferred stock into 506,930 shares of common stock	(40,000)	--	--	(6,534)
	Balance - December 31, 1996	$ --	40,487	--	96,597
1997	Comprehensive income:				
	Net income	--	--	--	--
	Other comprehensive income, net of tax:				
	Unrealized gains on investment securities, net of reclassification adjustment	--	--	--	--
	Purchases of treasury stock	--	--	--	--
	Exercise of stock options	--	--	--	6,636
	Common stock cash dividends - $3.20 per share	--	--	--	--
	Balance - December 31, 1997	$ --	40,487	--	103,233
1998	Comprehensive income:				
	Net income	--	--	--	--
	Other comprehensive income, net of tax:				
	Unrealized losses on investment securities, net of reclassification adjustment	--	--	--	--
	Purchases of treasury stock	--	--	--	--
	Acquisition of ONBANCorp:				
	Common stock issued	--	10	--	364,427
	Fair value of stock options	--	--	--	19,424
	Stock-based compensation plans:				
	Exercise of stock options	--	11	--	(7,114)
	Directors' stock plan	--	--	--	49
	Deferred bonus plan, net, including dividend equivalents	--	--	3,752	(5)
	Common stock cash dividends - $3.80 per share	--	--	--	--
	Balance - December 31, 1998	$ --	40,508	3,752	480,014

		Retained earnings	Accumulated other comprehensive income, net	Treasury stock	Total
1996	Balance - January 1, 1996	805,486	(3,155)	(135,222)	846,253
	Comprehensive income:				
	Net income	151,103	--	--	151,103
	Other comprehensive income, net of tax:				
	Unrealized gains on investment securities, net of reclassification adjustment	--	670	--	670
					151,773
	Purchases of treasury stock	--	--	(80,810)	(80,810)
	Exercise of stock options	--	--	3,486	7,960
	Common stock cash dividends - $2.80 per share	(18,617)	--	--	(18,617)
	Preferred stock cash dividends	(900)	--	--	(900)
	Conversion of preferred stock into 506,930 shares of common stock	--	--	46,534	--
	Balance - December 31, 1996	937,072	(2,485)	(166,012)	905,659
1997	Comprehensive income:				

	Net income	176,241	--	--	176,241
	Other comprehensive income, net of tax:				
	Unrealized gains on investment securities, net of reclassification adjustment	--	14,501	--	14,501
					190,742
	Purchases of treasury stock	--	--	(67,771)	(67,771)
	Exercise of stock options	--	--	16,207	22,843
	Common stock cash dividends - $3.20 per share	(21,207)	--	--	(21,207)
	Balance - December 31, 1997	1,092,106	12,016	(217,576)	1,030,266
1998	Comprehensive income:				
	Net income	207,974	--	--	207,974
	Other comprehensive income, net of tax:				
	Unrealized losses on investment securities, net of reclassification adjustment	--	(9,147)	--	(9,147)
					198,827
	Purchases of treasury stock	--	--	(231,779)	(231,779)
	Acquisition of ONBANCorp:				
	Common stock issued	--	--	223,382	587,819
	Fair value of stock options	--	--	--	19,424
	Stock-based compensation plans:				
	Exercise of stock options	--	--	29,788	22,685
	Directors' stock plan	--	--	177	226
	Deferred bonus plan, net, including dividend equivalents	(32)	--	160	3,875
	Common stock cash dividends - $3.80 per share	(28,977)	--	--	(28,977)
	Balance - December 31, 1998	1,271,071	2,869	(195,848)	1,602,366

See accompanying notes to financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

In May 1998, First Empire State Corporation changed its name to M&T Bank Corporation ("M&T"). M&T is a bank holding company headquartered in Buffalo, New York. Through subsidiaries, M&T provides individuals, corporations and other businesses, and institutions with commercial and retail banking services, including loans and deposits, trust, mortgage banking, asset management and other financial services. Banking activities are largely focused on consumers residing in New York State and northeastern Pennsylvania and on small and medium-size businesses based in those areas. Certain subsidiaries also conduct activities in other states.

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

Consolidation

The consolidated financial statements include M&T and all of its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The financial statements of M&T included in note 23 report investments in subsidiaries under the equity method.

Consolidated Statement of Cash Flows

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

Trading account

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

Investment securities

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

Other securities are stated at cost and include stock of the Federal Reserve Bank of New York and the Federal Home Loan Bank of New York and Federal Home Loan Bank of Pittsburgh (together, the "Federal Home Loan Banks").

Amortization of premiums and accretion of discounts for investment securities available for sale and held to maturity are included in interest

1. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investment securities, CONTINUED

income. The cost basis of individual securities is written down to estimated fair value through a charge to earnings when declines in value below amortized cost are considered to be other than temporary. Realized gains and losses on the sales of investment securities are determined using the specific identification method.

Loans

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

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

Allowance for possible credit losses

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

Premises and equipment

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

1. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Capitalized servicing rights

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

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

Goodwill and core deposit intangible

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

Stock-based compensation

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

1. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Income taxes

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

Financial futures

Outstanding financial futures contracts represent future commitments and are not included in the Consolidated Balance Sheet. Futures contracts used in trading activities are marked to market and the resulting gains or losses are recognized in trading account and foreign exchange gains. On occasion the Company uses interest rate futures contracts as part of its management of interest rate risk. Gains and losses on futures contracts designated as hedges are amortized as an adjustment to interest income or expense over the life of the item hedged.

Interest rate swap agreements

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

Earnings per common share

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

1. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Treasury stock

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

2. ACQUISITIONS

On 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 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 amount of goodwill may change as certain estimates and contingencies are finalized, although any adjustments are not expected to be significant. The goodwill is being amortized on a straight-line basis over twenty years and the core deposit intangible is being amortized on an accelerated basis over ten years. The Company incurred expenses related to systems conversions and other costs of integrating and conforming the acquired operations with and into the Company of approximately $21.3 million ($14.0 million net of applicable income taxes) during 1998. Since the systems conversions and integration of operations is complete, the Company does not expect to incur a material amount of additional integration costs. Expenses related to systems conversions and other costs of integration are included in the consolidated statement of income for the year ended December 31, 1998 as follows:

	(in thousands)
Salaries and employee benefits	$ 2,141
Equipment and net occupancy	875
Printing, postage and supplies	1,079
Other costs of operations	17,250
	$21,345

2. ACQUISITIONS, CONTINUED

The $21.3 million of expenses consisted largely of professional services and other temporary help fees associated with the conversion of systems and/or integration of operations; recruiting and other incentive compensation; initial marketing and promotion expenses to introduce the Company to ONBANCorp customers; and printing, supplies and other costs of commencing operations in new market regions.

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 Year ended December 31	
	1998	1997
	(in thousands, except per share)	
Interest income	$1,436,327	1,418,606
Other income	277,663	235,346
Net income	202,219	183,494
Diluted earnings per common share	$ 24.34	21.77

On December 9, 1998, M&T entered into a definitive agreement with FNB Rochester Corp. ("FNB"), a bank holding company headquartered in Rochester, New York, providing for a merger between the two companies. FNB had total assets of $588 million as of December 31, 1998. The merger, which will be accounted for as a purchase, has been approved by the boards of directors of each company, and is subject to certain conditions, including regulatory approvals and approval of FNB's stockholders. It is anticipated that the merger will take place during the second quarter of 1999. Under the terms of the merger agreement, stockholders of FNB may elect to receive .06766 of a share of M&T common stock (and cash in lieu of any fractional share) or $33.00 in cash for each outstanding share of FNB common stock. Subject to certain adjustments set forth in the merger agreements, 50% of the 3,625,806 shares of FNB common stock outstanding on December 9, 1998 will be exchanged for shares of M&T common stock and the remaining shares will be converted for cash. The elections of FNB's stockholders will be subject to allocation and proration if either portion of the merger consideration is oversubscribed. At December 31, 1998, FNB had 3,628,618 shares of common stock issued and outstanding.

3. INVESTMENT SECURITIES

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

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
	(in thousands)			
December 31, 1998				
Investment securities available for sale:				
U.S. Treasury and federal agencies	$ 452,524	--	831	451,693
Mortgage-backed securities				
Government issued or guaranteed	867,065	8,121	5,879	869,307
Privately issued	952,298	3,445	1,620	954,123
Other debt securities	162,748	1,183	4,587	159,344
Equity securities	144,305	4,992	24	149,273
	2,578,940	17,741	12,941	2,583,740
Investment securities held to maturity:				
Obligations of states and political subdivisions	73,789	811	--	74,600
Other debt securities	13,493	--	728	12,765
	87,282	811	728	87,365
Other securities	114,542	--	--	114,542
Total	$2,780,764	18,552	13,669	2,785,647
December 31, 1997				
Investment securities available for sale:				
U.S. Treasury and federal agencies	$ 408,462	595	--	409,057
Mortgage-backed securities				
Government issued or guaranteed	641,266	8,805	9,766	640,305
Privately issued	234,144	922	346	234,720
Other debt securities	157,568	326	1,678	156,216
Equity securities	121,615	21,460	100	142,975
	1,563,055	32,108	11,890	1,583,273
Investment securities held to maturity:				
U.S. Treasury and federal agencies	31,885	139	--	32,024
Obligations of states and political subdivisions	38,018	289	16	38,291
Other debt securities	13,762	99	--	13,861
	83,665	527	16	84,176
Other securities	58,280	--	--	58,280
Total	$1,705,000	32,635	11,906	1,725,729

3. INVESTMENT SECURITIES, CONTINUED

No investment in securities of a single non-U.S. Government or government agency issuer exceeded ten percent of stockholders' equity at December 31, 1998.

As of December 31, 1998, the latest available investment ratings of all privately issued mortgage-backed securities were A or better.

Investment securities issued by U.S. Treasury and federal agencies and classified as held to maturity at December 31, 1997 consisted of structured notes issued by the Federal Home Loan Banks.

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

	December 31 1998	1997
	(in thousands)	
Amortized cost	$1,265,588	284,943
Estimated fair value	1,265,487	278,588

Gross realized gains on the sale of investment securities were $1,808,000 in 1998, $1,179,000 in 1997 and $820,000 in 1996. Gross realized losses on the sale of investment securities were $47,000 in 1998, $1,459,000 in 1997 and $857,000 in 1996.

At December 31, 1998, the amortized cost and estimated fair value of debt securities by contractual maturity were as follows:

	Amortized cost	Estimated fair value
	(in thousands)	
Debt securities available for sale:		
Due in one year or less	$ 318,279	318,620
Due after one year through five years	148,308	148,319
Due after five years through ten years	-	-
Due after ten years	148,685	144,098
	615,272	611,037
Mortgage-backed securities available for sale	1,819,363	1,823,430
	$2,434,635	2,434,467
Debt securities held to maturity:		
Due in one year or less	$ 50,455	50,766
Due after one year through five years	20,836	21,208
Due after five years through ten years	15,991	15,391
Due after ten years	--	--
	$ 87,282	87,365

At December 31, 1998, investment securities with a carrying value of $1,960,999,000, including $1,928,837,000 of investment securities available for sale, were pledged to secure demand notes issued to the U.S. Treasury, borrowings from the Federal Home Loan Banks, repurchase agreements, governmental deposits and interest rate swap agreements.

4. LOANS AND LEASES

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

	December 31 1998	December 31 1997
	(in thousands)	
Loans		
Commercial, financial, agricultural, etc.	$ 3,101,016	2,318,468
Real estate:		
Residential	4,163,818	2,457,508
Commercial	5,125,703	4,307,900
Construction	489,112	254,434
Consumer	2,569,726	2,203,890
Total loans	15,449,375	11,542,200
Leases		
Commercial	169,824	88,172
Consumer	386,502	135,161
Total leases	556,326	223,333
Total loans and leases	$16,005,701	11,765,533

One-to-four family residential mortgage loans held for sale were $445.0 million at December 31, 1998 and $189.4 million at December 31, 1997. One-to-four family residential mortgage loans serviced for others totaled approximately $7.3 billion and $7.5 billion at December 31, 1998 and 1997, respectively. As of December 31, 1998, approximately $33.1 million of one-to-four family residential mortgage loans serviced for others have been sold with recourse. The total credit loss exposure resulting from loans sold with recourse was considered negligible.

Included in the preceding table are nonperforming loans (loans on which interest was not being accrued, or which were ninety days or more past due or had been renegotiated at below-market interest rates) of $117,045,000 at December 31, 1998 and $80,650,000 at December 31, 1997. If nonaccrual and renegotiated loans had been accruing interest at their originally contracted terms, interest income on these loans would have amounted to $7,806,000 in 1998 and $7,264,000 in 1997. The actual amount included in interest income during 1998 and 1997 on these loans was $2,367,000 and $2,445,000, respectively.

The recorded investment in loans considered impaired was $47,248,000 and $32,772,000 at December 31, 1998 and 1997, respectively. The recorded investment in loans for which there was a related valuation allowance for possible impairment included in the allowance for possible credit losses and the amount of such impairment allowance were $20,470,000 and $6,758,000, respectively, at December 31, 1998 and $23,963,000 and $3,095,000, respectively, at December 31, 1997. The recorded investment in loans considered impaired for which there was no related valuation allowance for possible impairment was $26,778,000 and $8,809,000 at December 31, 1998 and 1997, respectively. The average recorded investment in impaired loans during 1998, 1997 and 1996 was $42,485,000, $37,732,000 and $48,146,000, respectively. Interest income recognized on impaired loans totaled $2,351,000, $2,051,000 and $1,571,000 for the years ended December 31, 1998, 1997 and 1996, respectively.

4. LOANS AND LEASES, CONTINUED

Borrowings by directors and certain officers of M&T and its banking subsidiaries, and by associates of such persons, exclusive of loans aggregating less than $60,000, amounted to $22,115,000 and $29,870,000 at December 31, 1998 and 1997, respectively. During 1998, new borrowings by such persons amounted to $10,387,000 (including borrowings of new directors or officers that were outstanding at the time of their election) and repayments and other reductions equaled $18,142,000.

At December 31, 1998, approximately $1.4 billion of one-to-four family residential mortgage loans were pledged to secure borrowings.

5. ALLOWANCE FOR POSSIBLE CREDIT LOSSES

Changes in the allowance for possible credit losses were as follows:

	1998	1997	1996
		(in thousands)	
Beginning balance	$274,656	270,466	262,344
Provision for possible credit losses	43,200	46,000	43,325
Allowance obtained through acquisitions	27,905	--	--
Net charge-offs			
Charge-offs	(56,301)	(59,329)	(49,546)
Recoveries	16,887	17,519	14,343
Net charge-offs	(39,414)	(41,810)	(35,203)
Ending balance	$306,347	274,656	270,466

6. PREMISES AND EQUIPMENT

The detail of premises and equipment was as follows:

	December 31 1998	1997
	(in thousands)	
Land	$ 15,467	12,050
Buildings-owned	118,132	91,486
Buildings-capital leases	1,773	1,773
Leasehold improvements	39,800	31,103
Furniture and equipment-owned	152,301	127,687
Furniture and equipment-capital leases	429	429
	327,902	264,528
Less: accumulated depreciation and amortization		
Owned assets	163,074	140,644
Capital leases	1,986	1,900
	165,060	142,544
Premises and equipment, net	$162,842	121,984

Net lease expense for all operating leases totaled $20,607,000 in 1998, $16,983,000 in 1997 and $12,223,000 in 1996. The Company occupies certain banking offices and uses certain equipment under noncancellable operating lease agreements expiring at various dates over the next 22 years. Minimum

6. PREMISES AND EQUIPMENT, CONTINUED

lease payments under noncancellable operating leases are summarized as follows:

Year ending December 31:	(in thousands)
1999	$ 13,216
2000	12,950
2001	11,077
2002	8,756
2003	8,093
Later years	48,884
Total minimum lease payments	$102,976

Payments required under capital leases are not material.

7. CAPITALIZED SERVICING ASSETS

Changes in capitalized servicing assets were as follows:

	Year ended December 31		
	1998	1997	1996
	(in thousands)		
Beginning balance	$ 61,877	38,890	35,588
Originations	12,276	7,819	11,060
Purchases	16,014	26,262	3,786
Amortization	(19,650)	(14,366)	(10,509)
Sales	(6,522)	--	(1,035)
Write-downs	--	(802)	--
Reclassification of excess servicing receivables	--	4,074	--
	63,995	61,877	38,890
Valuation allowance	(1,798)	(798)	(1,100)
Ending balance, net	$ 62,197	61,079	37,790

As a result of impairment of certain strata of capitalized servicing assets, additions to the valuation allowance totaling $1,000,000 and $500,000 were recorded during 1998 and 1997, respectively. During 1997, the valuation allowance was reduced by $802,000 to reflect the write-down of the recorded value of certain capitalized servicing assets related to loans that had been repaid by borrowers. The estimated fair value of capitalized servicing rights was approximately $80 million at December 31, 1998 and $84 million at December 31, 1997. Such amounts were estimated using discounted cash flows that reflect current prepayment and discount rate assumptions as of each year-end.

The Company adopted SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities," on January 1, 1997. Among other things, SFAS No. 125 required that for each servicing contract in existence before January 1, 1997 previously recognized servicing rights and excess servicing receivables that did not exceed contractually specified servicing fees be combined. The carrying value of such excess servicing receivables at January 1, 1997 was $4,074,000. Retroactive application of the provisions of SFAS No. 125 to years prior to 1997 was not permitted.

8. BORROWINGS

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

	Federal funds purchased and repurchase agreements	Other short-term borrowings	Total
	(dollars in thousands)		
At December 31, 1998			
Amount outstanding	$1,746,078	483,898	2,229,976
Weighted-average interest rate	5.41%	5.55%	5.44%
For the year ended December 31, 1998			
Highest amount at a month-end	$2,177,388	509,457	
Daily-average amount outstanding	1,616,431	307,016	1,923,447
Weighted-average interest rate	5.48%	5.56%	5.49%
At December 31, 1997			
Amount outstanding	$ 930,775	120,143	1,050,918
Weighted-average interest rate	6.51%	5.41%	6.38%
For the year ended December 31, 1997			
Highest amount at a month-end	$ 930,775	344,363	
Daily-average amount outstanding	611,689	200,324	812,013
Weighted-average interest rate	5.43%	5.55%	5.46%
At December 31, 1996			
Amount outstanding	$1,015,408	112,492	1,127,900
Weighted-average interest rate	7.03%	4.66%	6.79%
For the year ended December 31, 1996			
Highest amount at a month-end	$1,550,880	337,168	
Daily-average amount outstanding	1,014,923	106,545	1,121,468
Weighted-average interest rate	5.29%	5.40%	5.30%

8. BORROWINGS, CONTINUED

In general, Federal funds purchased and repurchase agreements outstanding at December 31, 1998 mature within four days following year-end. Other short-term borrowings consisted of interest-bearing trading account liabilities and borrowings from the U.S. Treasury, the Federal Home Loan Banks and others having original maturities of one year or less.

At December 31, 1998, M&T and M&T Bank had lines of credit under formal agreements as follows:

	M&T	M&T Bank
	(in thousands)	
Outstanding borrowings	$ --	1,506,106
Unused	25,000	140,964

Long-term borrowings were as follows:

	December 31 1998	1997
	(in thousands)	
Subordinated notes of M&T Bank:		
8 1/8% due 2002	$ 75,000	75,000
7% due 2005	100,000	100,000
Preferred capital securities:		
First Empire Capital Trust I - 8.234%	150,000	150,000
First Empire Capital Trust II - 8.277%	100,000	100,000
OnBank Trust I - 9.25%	69,128	--
Advances from Federal Home Loan Banks		
- variable rates	825,000	--
- fixed rates	231,094	2,375
Other	17,321	444
	$1,567,543	427,819

The subordinated notes of M&T Bank are unsecured and are subordinate to the claims of depositors and other creditors of M&T Bank. Long-term variable rate advances from the Federal Home Loan Banks had contractual rates that ranged from 5.19% to 5.44%. The weighted average contractual interest rate was 5.29% at December 31, 1998. Long-term fixed-rate advances from the Federal Home Loan Banks had contractual rates of interest ranging from 4.05% to 8.45% at December 31, 1998 and from 7.72% to 8.45% at December 31, 1997. The weighted average contractual interest rates payable were 6.23% and 8.05% at December 31, 1998 and 1997, respectively. Advances from the Federal Home Loan Banks mature at various dates through 2006 and are secured by residential mortgage loans.

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

8. BORROWINGS, CONTINUED

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

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

The common securities of Trust I and 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 M&T's Tier 1 capital.

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

8. BORROWINGS, CONTINUED

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 or 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 Capital Securities will be deferred for a comparable period. During an extended interest period, M&T and/or Olympia may not pay dividends or distributions on, or repurchase, redeem or acquire any shares of the respective company's capital stock. The agreements governing the Capital Securities, in the aggregate, provide a full, irrevocable and unconditional guarantee by M&T in the case of Trust I or Trust II, or Olympia, in the case of 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 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

8. BORROWINGS, CONTINUED

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.

Long-term borrowings at December 31, 1998 mature as follows:

Year ending December 31:	(in thousands)
1999	$ 161,059
2000	30,981
2001	256,493
2002	78,959
2003	492,540
Later years	547,511
	$1,567,543

9. PREFERRED STOCK

On March 29, 1996, the holder of all of the then outstanding shares of M&T's 9% convertible preferred stock converted such shares into 506,930 shares of M&T common stock at a contractual conversion price of $78.90625 per common share. Dividends paid on the 40,000 shares of preferred stock, which had been issued on March 15, 1991 for $40 million, were deducted from net income in calculating basic earnings per share. Calculations of diluted earnings per common share for periods prior to the conversion reflect the assumption that the preferred stock had been converted to 506,930 shares of common stock at issuance and that no preferred stock dividends were paid.

10. STOCK-BASED COMPENSATION PLANS

Stock option plan

The stock option plan allows the grant of stock options and stock appreciation rights (either in tandem with options or independently) at prices which may not be less than the fair market value of the common stock on the date of grant. Awards granted under the stock option plan generally vest over four years and are exercisable over terms not exceeding ten years and one day. When exercisable, the stock appreciation rights issued in tandem with stock options entitle grantees to receive cash, stock or a combination equal to the amount of stock appreciation between the dates of grant and exercise. Stock appreciation rights issued independently of stock options contain similar terms as the stock options, although upon exercise the holder is only entitled to receive cash instead of purchasing shares of M&T's common stock. Of the stock options outstanding at December 31, 1998, 783,224 were granted with limited stock appreciation rights attached thereto. A summary of related activity follows:

10. STOCK-BASED COMPENSATION PLANS, CONTINUED

Stock option plan, continued

	Stock options outstanding	Cash-only appreciation rights outstanding	Weighted-average exercise price: Stock options	Weighted-average exercise price: Cash-only appreciation rights
1996				
Beginning balance	719,997	61,600	$107.96	$59.93
Granted	173,246	--	211.42	--
Exercised	(115,378)	(6,650)	109.14	56.48
Canceled	(8,650)	--	155.86	--
At year-end	769,215	54,950	130.54	60.34
1997				
Granted	151,077	--	297.37	--
Exercised	(138,723)	(8,500)	87.66	57.00
Canceled	(4,375)	--	221.65	--
At year-end	777,194	46,450	170.11	60.95
1998				
Granted	144,459	--	445.26	--
Acquired (note 2)	61,772	--	185.56	--
Exercised	(148,467)	(11,050)	105.57	59.52
Canceled	(25,045)	--	250.86	--
At year-end	809,913	35,400	229.70	61.40
Exercisable at:				
December 31, 1998	384,494	35,400	144.97	61.40
December 31, 1997	344,757	46,450	110.39	60.95
December 31, 1996	352,571	54,950	86.17	60.34

At December 31, 1998 and 1997, respectively, there were 489,302 and 170,488 shares available for future grant. During 1998, the number of shares authorized for issuance under the stock option plan was increased to 2,500,000 shares from 2,000,000.

A summary of stock options at December 31, 1998 follows:

Range of exercise price	Stock options outstanding	Weighted average: Exercise price	Weighted average: Life (in years)	Stock options exercisable	Weighted average exercise price
$ 53.00 to $121.12	92,696	$ 86.04	2.5	92,696	$ 86.04
133.88 to 198.76	269,491	141.81	5.3	217,261	140.92
211.00 to 290.00	289,917	245.99	7.4	72,592	226.74
310.00 to 554.13	157,809	434.27	9.0	1,945	355.06
	809,913	$229.70	6.4	384,494	$144.97

The Company used a binomial option pricing model to estimate the grant date present value of stock options granted in 1998, 1997 and 1996. The estimated value per option was $114.60 in 1998, $79.26 in 1997 and $49.75 in 1996. The values were calculated using the following assumptions: an option term of 6.5 years (representing the estimated period between grant date and exercise date based on historical data since inception of the plan), a risk-free interest rate of 5.53% in 1998, 6.37% in 1997 and 5.48% in 1996

10. STOCK-BASED COMPENSATION PLANS, CONTINUED

Stock option plan, continued

(representing the yield on a U.S. Treasury security with a remaining term equal to the expected option term), expected volatility of 14% in 1998 and 1997 and 15% in 1996, and estimated dividend yields of .72% in 1998, .97% in 1997 and 1.28% in 1996 (representing the approximate annualized cash dividend rate paid with respect to a share of common stock at or near the grant date). The Company also deducted 10% to reflect an estimate of the probability of forfeiture prior to vesting. The estimated forfeiture rate was based on historical data since inception of the stock option plan.

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for the stock option plan. Accordingly, no compensation expense was recognized in 1998, 1997 and 1996 for stock option awards since the exercise price of stock options granted under the stock option plan was not less than the fair market value of the common stock at date of grant. Compensation expense recognized for cash-only stock appreciation rights was $2,238,000 in 1998, $8,510,000 in 1997 and $3,974,000 in 1996. Had compensation expense for stock option awards granted since January 1, 1995 been determined consistent with SFAS No. 123, net income and earnings per share would be reduced to the pro forma amounts indicated below:

	Year ended December 31		
	1998	1997	1996
		(in thousands, except per share)	
Net income:			
As reported	$207,974	176,241	151,103
Pro forma	198,323	169,432	146,394
Basic earnings per share:			
As reported	$27.30	26.60	22.54
Pro forma	26.03	25.57	21.83
Diluted earnings per share:			
As reported	$26.16	25.26	21.08
Pro forma	25.02	24.40	20.53

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

Deferred bonus plan

The Company provides a deferred bonus plan to eligible employees which allows such employees to elect to defer all or a portion of their current annual incentive compensation awards and allocate such awards to several investment options, including M&T common stock. Participants may elect the timing of distributions from the plan. Such distributions are payable in cash with the exception of balances allocated to M&T common stock, which effective January 1, 1998, are distributable in the form of M&T common stock. As of December 31, 1998, 8,028 shares of M&T common stock were distributable pursuant to the terms of the deferred bonus plan. In connection with the deferred bonus

10. STOCK-BASED COMPENSATION PLANS, CONTINUED

Deferred bonus plan, continued

plan, 15,000 shares of M&T common stock were authorized for issuance, of which 334 shares were issued in 1998.

Directors' stock plan

Effective January 1, 1998, the Company initiated a compensation plan for non-employee directors which provides that annual compensation payable to such directors shall be paid fifty percent in cash and fifty percent in shares of M&T common stock. In connection with the directors' stock plan, 5,000 shares of M&T common stock were authorized for issuance, of which 451 shares were issued in 1998.

11. PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS

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

Net periodic pension expense consisted of the following:

	1998	1997	1996
		(in thousands)	
Service cost	$ 7,021	5,014	4,434
Interest cost on projected benefit obligation	8,135	6,786	6,610
Expected return on plan assets	(12,396)	(9,723)	(8,076)
Amortization of prior service cost	(24)	(24)	(25)
Amortization of initial net asset	(344)	(858)	(858)
Recognized net actuarial gain	(38)	(47)	(22)
Settlements and curtailments	218	-	-
Net periodic pension expense	$ 2,572	1,148	2,063

Net postretirement benefits expense consisted of the following:

	1998	1997	1996
		(in thousands)	
Service cost	$ 288	146	147
Interest cost on projected benefit obligation	1,141	996	1,062
Expected return on plan assets	(226)	(288)	(293)
Amortization of prior service cost	(18)	(204)	(204)
Recognized net actuarial (gain) loss	25	(7)	87
Net postretirement benefits expense	$ 1,210	643	799

11. PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS, CONTINUED

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

	Pension Benefits		Postretirement Benefits	
	1998	1997	1998	1997
	(in thousands)			
Change in benefit obligation:				
Benefit obligation at beginning of year	$107,035	95,461	13,933	15,344
Service cost	7,021	5,014	288	146
Interest cost	8,135	6,786	1,141	996
Plan participants'contributions	-	-	119	-
Amendments	20	-	2,356	-
Actuarial (gain) loss	5,864	4,253	1,119	(1,211)
Business combination	15,027	-	499	-
Benefits paid	(6,389)	(4,479)	(1,432)	(1,342)
Settlements and curtailments	218	-	-	-
Benefit obligation at end of year	$136,931	107,035	18,023	13,933
Change in plan assets:				
Fair value of plan assets at beginning of year	$144,894	120,856	5,147	6,325
Actual return on plan assets	6,669	28,497	292	34
Employer contribution	-	20	-	-
Plan participants'contributions	-	-	269	130
Business combination	22,441	-	-	-
Benefits and other payments	(4,787)	(4,479)	(1,432)	(1,342)
Settlements	(1,748)	-	-	-
Fair value of plan assets at end of year	$167,469	144,894	4,276	5,147
Funded status	$ 30,538	37,859	(13,747)	(8,786)
Unrecognized net actuarial (gain) loss	(18,318)	(30,142)	2,229	1,202
Unrecognized prior service cost	(259)	(304)	336	(2,039)
Unrecognized initial net asset	-	(344)	-	-
Prepaid (accrued) benefit cost	$ 11,961	7,069	(11,182)	(9,623)
Amounts recognized in the consolidated balance sheet were:				
Prepaid benefit cost (asset)	$ 14,489	9,453	-	-
Accrued benefit cost (liability)	(2,528)	(2,384)	(11,182)	(9,623)
	$ 11,961	7,069	(11,182)	(9,623)

The Company has an unfunded supplemental pension plan for key executives. The projected benefit obligation and accumulated benefit obligation included in the preceding data related to such plan were $2,356,000 and $1,863,000, respectively, as of December 31, 1998 and $1,992,000 and $1,495,000, respectively, as of December 31, 1997.

11. PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS, CONTINUED

The assumed rates used in the actuarial computations were:

	Pension Benefits		Postretirement Benefits	
	1998	1997	1998	1997
Discount rate	6.75%	7.00%	6.75%	7.00%
Long-term rate of return on plan assets	9.00%	9.00%	8.00%	8.00%
Rate of increase in future compensation levels	5.10%	5.10%	-	-

For measurement purposes, a 7.5% annual rate of increase in the cost of covered health care benefits was assumed for 1999. The rate was assumed to decrease gradually to 5% over 6 years. A one-percentage point change in assumed health care cost trend rates would have the following effects:

	+1%	-1%
Increase (decrease) in:	(in thousands)	
Service and interest cost	$ 52	(47)
Accumulated postretirement benefit obligation	857	(767)

Pension plan assets included common stock of M&T with a fair value of $14,674,000 and $13,072,000 at December 31, 1998 and 1997, respectively.

The Company has a retirement savings plan ("Savings Plan") that is a defined contribution plan in which eligible employees of the Company may defer up to 15% of qualified compensation via contributions to the plan. The Company makes an employer matching contribution in an amount equal to 75% of an employee's contribution, up to 4.5% of the employee's qualified compensation. Employees' accounts, including employee contributions, employer matching contributions and accumulated earnings thereon, are at all times fully vested and nonforfeitable. The Company's contributions to the Savings Plan totaled $6,085,000, $5,221,000 and $4,724,000 in 1998, 1997 and 1996, respectively.

12. INCOME TAXES

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

	1998	1997	1996
	(in thousands)		
Current			
Federal	$105,751	96,819	85,220
State and city	14,803	16,430	16,547
Total current	120,554	113,249	101,767
Deferred			
Federal	(2,309)	(5,334)	(3,155)
State and city	(656)	(1,997)	(746)
Total deferred	(2,965)	(7,331)	(3,901)
Total income taxes applicable to pre-tax income	$117,589	105,918	97,866

12. INCOME TAXES, CONTINUED

The Company files a consolidated federal income tax return reflecting taxable income earned by all subsidiaries. In prior years, applicable federal tax law allowed certain financial institutions the option of deducting as bad debt expense for tax purposes amounts in excess of actual losses. In accordance with generally accepted accounting principles, such financial institutions were not required to provide deferred income taxes on such excess. Recapture of the excess tax bad debt reserve established under the previously allowed method will result in taxable income if M&T Bank fails to maintain bank status as defined in the Internal Revenue Code or charges are made to the reserve for other than bad debt losses. At December 31, 1998 M&T Bank's tax bad debt reserve for which no federal income taxes have been provided was $74,021,000, including $27,304,000 obtained in the acquisition of ONBANCorp. No actions are planned that would cause this reserve to become wholly or partially taxable.

The portion of income taxes attributable to gains or losses on sales of bank investment securities was an expense of $718,000 in 1998 and a benefit of $114,000 in 1997. The effect on income taxes from sales of bank investment securities was insignificant in 1996. No alternative minimum tax expense was recognized in 1998, 1997 or 1996.

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

	1998	1997	1996
		(in thousands)	
Income taxes at statutory rate	$113,947	98,756	87,139
Increase (decrease) in taxes:			
Tax-exempt income	(15,266)	(3,794)	(2,000)
State and city income taxes, net of federal income tax effect	9,196	9,381	10,271
Amortization of goodwill	8,158	1,571	1,593
Other	1,554	4	863
	$117,589	105,918	97,866

12. INCOME TAXES, CONTINUED

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

	1998	1997	1996
		(in thousands)	
Interest on loans	$ -	5,165	5,603
Depreciation and amortization	10,489	8,130	7,900
Losses on loans and other assets	120,422	105,190	105,338
Postretirement and other supplemental employee benefits	5,316	7,163	7,434
Incentive compensation plans	20,395	12,302	9,090
Unrealized investment losses	-	-	1,819
Other	3,140	11,140	10,060
Gross deferred tax assets	159,762	149,090	147,244
Interest on loans	(5,025)	-	-
Retirement benefits	(1,969)	(3,459)	(4,457)
Leasing transactions	(107,187)	(83,347)	(81,300)
Restructured interest rate swap agreements	(181)	(3,999)	(8,564)
Capitalized servicing rights	(6,868)	(7,448)	(7,597)
Unrealized investment gains	(1,931)	(8,202)	-
Other	(504)	(45)	(46)
Gross deferred tax liabilities	(123,665)	(106,500)	(101,964)
Net deferred tax asset	$ 36,097	42,590	45,280

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

The income tax credits shown in the statement of income of M&T in note 23 arise principally from operating losses before dividends from subsidiaries.

13. EARNINGS PER SHARE

The computations of basic earnings per share follow:

	Year ended December 31 1998	1997	1996
	(in thousands, except per share)		
Net income	$207,974	176,241	151,103
Less: preferred stock dividends	-	-	(900)
Income available to common stockholders	207,974	176,241	150,203
Weighted-average shares outstanding (including common stock issuable)	7,619	6,625	6,663
Basic earnings per share	$ 27.30	26.60	22.54

The computations of diluted earnings per share follow:

	Year ended December 31 1998	1997	1996
	(in thousands, except per share)		
Income available to common stockholders	$207,974	176,241	150,203
Plus: preferred stock dividends	-	-	900
Income available to common stockholders plus assumed conversion	207,974	176,241	151,103
Weighted-average shares outstanding	7,619	6,625	6,663
Plus: incremental shares from assumed conversions of			
- stock options	331	352	385
- preferred stock	-	-	122
Adjusted weighted-average shares outstanding	7,950	6,977	7,170
Diluted earnings per share	$ 26.16	25.26	21.08

14. COMPREHENSIVE INCOME

The Company adopted SFAS No. 130, "Reporting Comprehensive Income," in the first quarter of 1998. SFAS No. 130 established standards for reporting and displaying comprehensive income and its components. Adoption of SFAS No. 130 had no impact on the Company's results of operations or its financial position. Financial statements presented for periods prior to 1998 were required to be reclassified to reflect application of the provisions of SFAS No. 130.

14. COMPREHENSIVE INCOME, CONTINUED

The following table displays the components of other comprehensive income:

	Year ended December 31, 1998		
	Before-tax amount	Income taxes	Net
	(in thousands)		
Unrealized losses on investment securities:			
Unrealized holding losses(a)	$(13,657)	(5,553)	(8,104)
Reclassification adjustment for gains realized in net income	1,761	718	1,043
Net unrealized losses	$(15,418)	(6,271)	(9,147)

(a) Including the effect of the contribution of appreciated investment securities described in note 15.

	Year ended December 31, 1997		
	Before-tax amount	Income taxes	Net
	(in thousands)		
Unrealized gains on investment securities:			
Unrealized holding gains	$24,242	(9,907)	14,335
Reclassification adjustment for losses realized in net income	(280)	(114)	(166)
Net unrealized gains	$24,522	10,021	14,501

	Year ended December 31, 1996		
	Before-tax amount	Income taxes	Net
	(in thousands)		
Unrealized gains on investment securities:			
Unrealized holding gains	$ 1,157	524	633
Reclassification adjustment for losses realized in net income	(37)	-	(37)
Net unrealized gains	$ 1,194	524	670

15. OTHER INCOME AND OTHER EXPENSE

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

	1998	1997	1996
		(in thousands)	
Other income:			
Mutual fund and annuity sales	$17,974	15,336	13,000
Change in cash surrender value of bank-owned life insurance	17,629		
Other expense:			
Professional services	30,537	22,845	20,402
Advertising			11,933
Non-cash charitable contribution(a)	24,585		

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

16. INTERNATIONAL ACTIVITIES

The Company engages in certain international activities consisting largely of collecting Eurodollar deposits, engaging in foreign currency trading and providing credit to support the international activities of domestic companies. Net assets identified with international activities amounted to $32,891,000 and $11,514,000 at December 31, 1998 and 1997, respectively.

17. DERIVATIVE FINANCIAL INSTRUMENTS

As part of managing interest rate risk, the Company has entered into several interest rate swap agreements. The swaps modify the repricing characteristics of certain portions of the Company's loan and deposit portfolios. Under terms of most of the agreements the Company receives a fixed rate of interest and pays a variable rate based on London Inter-Bank Offered Rates ("LIBOR"). Interest rate swap agreements are generally entered into with counterparties that meet established credit standards and most contain collateral provisions protecting the at-risk party. The Company considers the credit risk inherent in these contracts to be negligible. Information about interest rate swaps entered into for interest rate risk management purposes summarized by type of financial instrument the swaps were intended to modify follows:

17. DERIVATIVE FINANCIAL INSTRUMENTS, CONTINUED

	Notional Amount (in thousands)	Average Maturity (in years)	Weighted-Average Rate Fixed	Weighted-Average Rate Variable	Estimated Fair Value-Gain(Loss) (in thousands)
DECEMBER 31, 1998					
Fixed rate investment securities:					
Non-amortizing(a)	$ 50,000	9.1	5.26%	5.55%	$ 445
Variable rate loans:					
Non-amortizing	1,060,000	1.0	6.10%	5.28%	10,907
Fixed rate loans:					
Amortizing(a)	32,209	8.7	7.17%	5.55%	(3,875)
Amortizing-forward starting(b)	390,800	8.6	5.95%	5.64%	(8,380)
Fixed rate time deposits:					
Non-amortizing	1,154,000	2.0	6.59%	5.21%	22,533
Fixed rate borrowings:					
Non-amortizing	125,000	2.1	5.75%	5.28%	1,360
	$2,812,009	2.7	6.26%	5.31%	$22,990
DECEMBER 31, 1997					
Variable rate loans:					
Amortizing	$ 99,287	.2	5.82%	5.75%	$ 28
Non-amortizing	1,147,731	1.7	6.00%	5.84%	2,888
	1,247,018	1.6	5.99%	5.83%	2,916
Fixed rate loans:					
Amortizing(a)	33,061	9.5	7.17%	5.97%	(2,394)
Fixed rate time deposits:					
Non-amortizing	1,439,500	2.8	6.69%	5.73%	15,915
	$2,719,579	2.3	6.37%	5.78%	$16,437

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

(a) Under the terms of this swap, the Company receives interest at a variable rate and pays at a fixed rate.

(b) Under the terms of these forward-starting swaps the Company will receive interest at a variable rate and pay at a fixed rate beginning in the years indicated below.

17. DERIVATIVE FINANCIAL INSTRUMENTS, CONTINUED

Year	Notional Amount
	(in thousands)
1999	$ 18,000
2000	186,044
2001	186,756
	$390,800

The estimated fair value of interest rate swap agreements represents the amount the Company would have expected to receive (pay) to terminate such contracts. Since these swaps have been entered into for interest rate risk management purposes, the estimated market appreciation or depreciation should be considered in the context of the entire balance sheet of the Company. The estimated fair value of interest rate swaps entered into for interest rate risk management purposes is not recognized in the consolidated financial statements.

The notional amount of the amortizing swaps linked to fixed rate loans declines by the amount of scheduled principal payments of the loans. The notional amounts of other amortizing swaps may, following an initial lock-out period, vary depending on the level of interest rates or the repayment behavior of mortgage-backed securities to which individual swaps are indexed. The notional amount of a non-amortizing swap does not change during the term of an agreement.

At December 31, 1998 the notional amount of interest rate swaps outstanding mature as follows:

	Amortizing	Non-Amortizing
	(in thousands)	
Year ending December 31:		
1999	$ 930	804,000
2000	1,868	920,000
2001	8,184	263,000
2002	8,908	172,000
2003	10,693	105,000
Later years	392,426	125,000
	$423,009	2,389,000

The net effect of interest rate swaps was to increase net interest income by $16,156,000 in 1998, $14,089,000 in 1997 and $15,454,000 in 1996. Excluding forward-starting swaps, the average notional amount of interest rate swaps impacting net interest income which were entered into for interest rate risk management purposes were $2,521,426,000 in 1998, $2,691,638,000 in 1997 and $2,410,547,000 in 1996.

During 1995 and 1994, the Company restructured several interest rate swap agreements with notional amounts of $260 million and $500 million, respectively, from amortizing to non-amortizing. The purpose of the restructurings was to enhance the effectiveness of the swaps in managing the Company's exposure to changing interest rates in future years. Losses resulting from the early termination of the amortizing swaps and equal amounts of purchase discount received on the restructured non-amortizing swaps were recognized as a result of these transactions and included in the carrying amount of loans which the swaps modified. The deferred losses and

17. DERIVATIVE FINANCIAL INSTRUMENTS, CONTINUED

purchase discounts totaled $.3 million and $6.7 million, respectively, at December 31, 1998 and $9.5 million and $15.8 million, respectively, at December 31, 1997. The deferred losses are being amortized and the purchase discounts accreted to interest income over the remaining terms of the original swaps and restructured swaps, respectively. Such amortization and accretion were $9.2 million and $9.1 million, respectively, in 1998, $11.3 million and $9.6 million, respectively, in 1997 and $12.1 million and $9.8 million, respectively, in 1996. Net purchase discounts related to the restructured swaps remaining at December 31, 1998 were $6,363,000, of which $5,960,000 will accrete to interest income in 1999.

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

	1998	1997
December 31:	(in thousands)	
Gross unrealized gains	$54,424	46,343
Gross unrealized losses	49,833	46,405
Year ended December 31:		
Average gross unrealized gains	$42,174	41,701
Average gross unrealized losses	39,083	41,302

Net gains arising from derivative financial instruments used for trading purposes were $2,648,000 in 1998, $2,072,000 in 1997 and $2,689,000 in 1996.

18. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," requires disclosure of the estimated "fair value" of financial instruments. "Fair value" is generally defined as the price a willing buyer and a willing seller would exchange for a financial instrument in other than a distressed sale situation. Disclosures related to fair value presented herein are as of December 31, 1998 and 1997.

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

The estimated fair values of investments in readily marketable debt and equity securities were based on quoted market prices at the respective year-end. In arriving at estimated fair value of other financial instruments, the Company generally used calculations based upon discounted cash flows of the related financial instruments. In general, discount rates used for loan

18. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED

products were based on the Company's pricing at the respective year-end. A higher discount rate was assumed with respect to estimated cash flows associated with nonaccrual loans.

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

	Carrying Value	Estimated Fair value
	(in thousands)	
December 31		
1998	$2,785,564	2,785,647
1997	1,725,218	1,725,729

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

	Carrying Value	Calculated Estimate
	(in thousands)	
December 31, 1998		
Commercial loans and leases	$ 3,174,778	3,181,096
Commercial real estate loans	5,458,876	5,520,305
Residential real estate loans	4,261,555	4,320,221
Consumer loans and leases	2,896,321	2,925,269
	$15,791,530	15,946,891
December 31, 1997		
Commercial loans and leases	$ 2,378,827	2,378,248
Commercial real estate loans	4,436,014	4,487,740
Residential real estate loans	2,462,945	2,484,377
Consumer loans and leases	2,218,782	2,207,609
	$11,496,568	11,557,974

The allowance for possible credit losses represented the Company's assessment of the overall level of credit risk inherent in the loan and lease portfolio and totaled $306,347,000 and $274,656,000 at December 31, 1998 and 1997, respectively.

As described in note 19, in the normal course of business, various commitments and contingent liabilities are outstanding, such as loan commitments, credit guarantees and letters of credit. The Company's pricing of such financial instruments is based largely on credit quality and relationship, probability of funding and other requirements. Commitments generally have fixed expiration dates and contain termination and other clauses which provide for relief from funding in the event of significant deterioration in the credit quality of the customer. The rates and terms of the Company's loan commitments, credit guarantees and letters of credit are competitive with other financial institutions operating in markets served by the Company. The Company believes that the carrying amounts are reasonable estimates of the fair value of these financial instruments. Such carrying amounts, comprised principally of unamortized fee income, are included in other liabilities and totaled $7,630,000 and $4,911,000 at December 31, 1998 and 1997, respectively.

18. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED

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

The following summarizes the results of these calculations:

	Carrying Value	Calculated Estimate
	(in thousands)	
December 31, 1998		
Noninterest-bearing deposits	$2,066,814	2,066,814
Savings deposits and NOW accounts	5,339,985	5,339,985
Time deposits	7,027,083	7,091,792
Deposits at foreign office	303,270	303,270
December 31, 1997		
Noninterest-bearing deposits	$1,458,241	1,458,241
Savings deposits and NOW accounts	3,691,492	3,691,492
Time deposits	5,762,497	5,792,345
Deposits at foreign office	250,928	250,928

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

As more fully described in note 17, the Company had entered into interest rate swap agreements for purposes of managing the Company's exposure to changing interest rates. The estimated fair value of interest rate swap agreements represents the amount the Company would have expected to receive or pay to terminate such swaps. The following table includes information about the estimated fair value of interest rate swaps entered into for interest rate risk management purposes:

	Notional Amount	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value - Gain
		(in thousands)		
December 31				
1998	$2,812,009	35,640	(12,650)	22,990
1997	2,719,579	22,060	(5,623)	16,437

As described in note 17, the Company also uses certain derivative financial instruments as part of its trading activities. Interest rate contracts entered into for trading purposes had notional values and estimated fair value gains of $436 million and $723,000, respectively, at December 31, 1998 and notional values and estimated fair value losses of $1.4 billion and $24,000, respectively, at December 31, 1997. The Company also entered into

18. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED

foreign exchange and other option and futures contracts totaling approximately $2.0 billion and $2.1 billion at December 31, 1998 and 1997, respectively. Such contracts were valued at gains of $3,868,000 at December 31, 1998 and losses of $38,000 at December 31, 1997. All trading account assets and liabilities are recorded in the consolidated balance sheet at estimated fair value.

Due to the near maturity of other money-market assets and short-term borrowings, the Company estimates that the carrying value of such instruments approximates estimated fair value. The carrying value and estimated fair value of long-term borrowings were $1,567,543,000 and $1,613,040,000, respectively, at December 31, 1998 and $427,819,000 and $453,113,000, respectively, at December 31, 1997.

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

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

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

19. COMMITMENTS AND CONTINGENCIES

In the normal course of business, various commitments and contingent liabilities are outstanding, such as commitments to extend credit guarantees and "standby" letters of credit (approximately $410,357,000 and $193,838,000 at December 31, 1998 and 1997, respectively) which are not reflected in the consolidated financial statements. No material losses are expected as a result of these transactions. Additionally, the Company had outstanding loan commitments of approximately $3.5 billion and $2.9 billion at December 31, 1998 and 1997, respectively. Because many loan commitments and almost all credit guarantees and "standby" letters of credit expire without being funded in whole or part, the contract amounts are not estimates of future cash flows. Commitments to sell one-to-four family residential mortgage loans totaled $695,444,000 at December 31, 1998 and $266,145,000 at December 31, 1997.

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

20. REVOLVING CREDIT AGREEMENT OF M&T

M&T has a revolving credit agreement with an unaffiliated commercial bank whereby M&T may borrow up to $25,000,000 at its discretion through November 23, 1999. The agreement provides for a facility fee assessed on the entire amount of the commitment (whether or not utilized) ranging from .08% to .187% depending on the credit rating of the subordinated notes of M&T Bank. A usage fee equal to .10% per annum is assessed whenever the balance of outstanding loans exceeds 50% of the commitment amount during any quarter. Under the revolving credit agreement, M&T may borrow at either a variable rate based upon the higher of the Federal funds rate plus 1/2 of 1% or the lender's prime rate, or a fixed rate based upon a premium over LIBOR ranging from .15% to .30% depending on the credit rating of the subordinated notes of M&T Bank. At December 31, 1998 and 1997 there were no outstanding balances under such agreement.

21. SEGMENT INFORMATION

In 1998, the Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 131 supersedes SFAS No. 14, "Financial Reporting for Segments of a Business Enterprise," replacing the "industry segment" approach with the "management" approach. The management approach focuses on internal financial information that is used by management to assess performance and to make operating decisions. SFAS No. 131 also requires disclosures about products, services, geographic areas, and major customers. The adoption of SFAS No. 131 had no affect on the Company's results of operations or financial position.

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

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

21. SEGMENT INFORMATION, CONTINUED

based on the Company's marginal statutory tax rate adjusted for any tax-exempt income or non-deductible expenses. Equity is allocated to the segments based on regulatory capital requirements and in proportion to an assessment of the inherent risks associated with the business of the segment (including interest, credit and operating risk).

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

21. SEGMENT INFORMATION, CONTINUED

In Thousands, Except Total Assets	Commercial Banking	Commercial Real Estate	Discretionary Portfolio	Residential Mortgage Banking	Retail Banking	All Other	Total
FOR THE YEAR ENDED DECEMBER 31, 1998							
Net interest income (a)	$139,053	103,033	40,611	23,797	338,664	19,133	664,291
Noninterest income (b)	21,195	10,454	20,726	111,283	80,237	26,700	270,595
	160,248	113,487	61,337	135,080	418,901	45,833	934,886
Provision for credit losses	2,964	1,243	2,330	(3)	19,557	17,109	43,200
Amortization of goodwill and core deposit intangible	-	-	-	810	-	33,677	34,487
Depreciation and other amortization	467	352	97	21,400	11,007	11,759	45,082
Other noninterest expense (b)	42,100	12,336	17,477	84,237	219,050	111,354	486,554
Income (loss) before taxes	114,717	99,556	41,433	28,636	169,287	(128,066)	325,563
Income tax expense (benefit)(b)	47,276	42,240	9,749	9,089	69,142	(59,907)	117,589
Net income (loss)(b)	$ 67,441	57,316	31,684	19,547	100,145	(68,159)	207,974
Average total assets (in millions)	$ 3,653	3,527	6,025	581	3,781	742	18,309
Capital expenditures (in millions)	$ -	-	-	1	7	9	17
FOR THE YEAR ENDED DECEMBER 31, 1997							
Net interest income (a)	$112,460	99,736	43,898	17,847	279,800	3,127	556,868
Noninterest income	16,397	5,107	3,824	76,837	64,906	25,996	193,067
	128,857	104,843	47,722	94,684	344,706	29,123	749,935
Provision for credit losses	549	116	2,939	(19)	35,866	6,549	46,000
Amortization of goodwill and core deposit intangible	-	-	-	810	-	6,481	7,291
Depreciation and other amortization	410	407	107	16,357	7,231	10,599	35,111
Other noninterest expense	35,443	12,158	15,355	62,069	190,002	64,347	379,374
Income (loss) before taxes	92,455	92,162	29,321	15,467	111,607	(58,853)	282,159
Income tax expense (benefit)	38,194	39,204	10,856	4,453	45,876	(32,665)	105,918
Net income (loss)	$ 54,261	52,958	18,465	11,014	65,731	(26,188)	176,241
Average total assets (in millions)	$ 2,777	3,151	3,883	360	3,066	72	13,309
Capital expenditures (in millions)	$ -	-	-	1	5	7	13

21. SEGMENT INFORMATION, CONTINUED

In thousands, except total assets	Commercial Banking	Commercial Real Estate	Discretionary Portfolio	Residential Mortgage Banking	Retail Banking	All Other	Total
For the year ended December 31, 1996							
Net interest income (a)	$100,864	96,262	51,491	14,438	263,989	3,980	531,024
Noninterest income	14,701	5,177	958	66,666	59,491	23,255	170,248
	115,565	101,439	52,449	81,104	323,480	27,235	701,272
Provision for credit losses	4,287	(104)	2,062	16	32,968	4,096	43,325
Amortization of goodwill and core deposit intangible	-	-	-	826	-	5,466	6,292
Depreciation and other amortization	356	290	107	12,240	6,310	10,663	29,966
Other noninterest expense	33,890	12,098	15,876	57,914	190,911	62,031	372,720
Income (loss) before taxes	77,032	89,155	34,404	10,108	93,291	(55,021)	248,969
Income tax expense (benefit)	32,663	37,794	15,203	2,281	40,204	(30,279)	97,866
Net income (loss)	$ 44,369	51,361	19,201	7,827	53,087	(24,742)	151,103
Average total assets (in millions)	$ 2,445	2,904	3,978	361	2,872	(81)	12,479
Capital expenditures (in millions)	$ -	-	-	1	7	12	20

(a) Net interest income is the difference between actual taxable-equivalent interest earned on assets and interest paid on liabilities owned by a segment and a funding charge (credit) based on the Company's internal funds transfer pricing methodology. Segments are charged a cost to fund any assets (e.g., loans) and are paid a funding credit for any funds provided (e.g., deposits). The taxable-equivalent adjustment aggregated $7,186,000 in 1998, $5,840,000 in 1997 and $4,487,000 in 1996 and is eliminated in "All Other" net interest income and income tax expense (benefit).

(b) Including the impact in 1998 on the "All Other" category of the contribution of appreciated investment securities described in note 15 and nonrecurring merger-related expenses described in note 2.

21. SEGMENT INFORMATION, CONTINUED

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

	Year ended December 31,		
In Thousands	1998	1997	1996
Revenues	$(52,137)	(31,023)	(26,420)
Expenses	(19,916)	(14,302)	(14,857)
Income taxes (benefit)	(13,111)	(6,804)	(4,705)
Net income (loss)	(19,110)	(9,917)	(6,858)

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

22. REGULATORY MATTERS

Payment of dividends by M&T's banking subsidiaries is restricted by various legal and regulatory limitations. Dividends from any banking subsidiary to M&T are limited by the amount of earnings of the banking subsidiary in the current year and the preceding two years. For purposes of this test, at December 31, 1998, approximately $318,161,000 was available for payment of dividends to M&T from banking subsidiaries without prior regulatory approval.

22. REGULATORY MATTERS, CONTINUED

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

The banking subsidiaries are required to maintain noninterest-earning reserves against certain deposit liabilities. During the maintenance periods that included December 31, 1998 and 1997, cash and due from banks included a daily average of $158,696,000 and $124,132,000, respectively, for such purpose.

Federal regulators have adopted capital adequacy guidelines for bank holding companies and banks. Failure to meet minimum capital requirements can result in certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a material effect on the Company's financial statements. Under the capital adequacy guidelines, the so-called "Tier 1 capital" and "Total capital" as a percentage of risk-weighted assets and certain off-balance sheet financial instruments must be at least 4% and 8%, respectively. In addition to these risk-based measures, regulators also require banking institutions that meet certain qualitative criteria to maintain a minimum "leverage" ratio of "Tier 1 capital" to average total assets, adjusted for goodwill and certain other items, of at least 3% to be considered adequately capitalized. As of December 31, 1998, M&T and each of its banking subsidiaries exceeded all applicable capital adequacy requirements.

As of December 31, 1998 and 1997, the most recent notifications from federal regulators categorized each of M&T's banking subsidiaries as well capitalized under the regulatory framework for prompt corrective action. To be considered well capitalized, a banking institution must maintain Tier 1 risk-based capital, total risk-based capital and leverage ratios of at least 6%, 10% and 5%, respectively. Management is unaware of any conditions or events since the latest notifications from federal regulators that have changed the capital adequacy category of M&T's banking subsidiaries.

22. REGULATORY MATTERS, CONTINUED

The capital ratios and amounts of the Company and its banking subsidiaries as of December 31, 1998 and 1997 are presented below:

	M&T (Consolidated)	M&T Bank	M&T Bank, N.A.
	(dollars in thousands)		
As of December 31, 1998:			
TIER 1 CAPITAL			
Amount	$1,372,333	1,292,611	46,089
Ratio(a)	8.40%	8.07%	14.54%
Minimum required amount(b)	653,408	640,897	12,680
TOTAL CAPITAL			
Amount	1,725,020	1,639,940	51,499
Ratio(a)	10.56%	10.24%	16.25%
Minimum required amount(b)	1,306,816	1,281,795	25,360
LEVERAGE			
Amount	1,372,333	1,292,611	46,089
Ratio(c)	7.02%	6.80%	7.81%
Minimum required amount(b)	586,468	570,226	17,704
As of December 31, 1997:			
TIER 1 CAPITAL			
Amount	$1,250,330	1,000,963	50,771
Ratio(a)	10.69%	8.81%	14.73%
Minimum required amount(b)	467,942	454,353	13,787
TOTAL CAPITAL			
Amount	1,558,147	1,304,528	55,084
Ratio(a)	13.32%	11.48%	15.98%
Minimum required amount(b)	935,884	908,705	27,574
LEVERAGE			
Amount	1,250,330	1,000,963	50,771
Ratio(c)	9.09%	7.63%	7.11%
Minimum required amount(b)	412,649	393,602	21,429

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

23. PARENT COMPANY FINANCIAL STATEMENTS SEE OTHER NOTES TO FINANCIAL STATEMENTS.

CONDENSED BALANCE SHEET

Dollars in thousands	December 31 1998	1997
ASSETS		
Cash		
In subsidiary bank	$ 4,583	1,015
Other	20	19
Total cash	4,603	1,034
Due from subsidiaries		
Money-market assets	4,335	172,237
Current income tax receivable	4,757	12,927
Total due from subsidiaries	9,092	185,164
Investments in subsidiaries		
Banks and bank holding company	1,830,222	1,071,258
Other	7,734	7,736
Other assets	14,817	34,887
Total assets	$ 1,866,468	1,300,079
LIABILITIES		
Accrued expenses and other liabilities	6,369	12,080
Long-term borrowings	257,733	257,733
Total liabilities	264,102	269,813
STOCKHOLDERS' EQUITY	1,602,366	1,030,266
Total Liabilities and stockholders' equity	$ 1,866,468	1,300,079

CONDENSED STATEMENT OF INCOME

Dollars in thousands, except per share	Year ended December 31 1998	1997	1996
INCOME			
Dividends from bank and bank holding company subsidiaries	$ 121,500	192	116,038
Other income	20,222	8,558	933
Total income	141,722	8,750	116,971
EXPENSE			
Interest on short-term borrowings	-	-	242
Interest on long-term borrowings	21,516	16,762	-
Other expense	27,168	2,710	1,968
Total expense	48,684	19,472	2,210
Income (loss) before income taxes and equity in undistributed income of subsidiaries	93,038	(10,722)	114,761
Income tax credits	17,541	4,496	552
INCOME (LOSS) BEFORE EQUITY IN UNDISTRIBUTED INCOME OF SUBSIDIARIES	110,579	(6,226)	115,313
EQUITY IN UNDISTRIBUTED INCOME OF SUBSIDIARIES			
Net income			
Banks and bank holding company subsidiaries	218,895	182,659	151,724
Other subsidiaries	-	-	104
Less: dividends received	(121,500)	(192)	(116,038)
EQUITY IN UNDISTRIBUTED INCOME OF SUBSIDIARIES	97,395	182,467	35,790
Net income	$ 207,974	176,241	151,103

NET INCOME PER COMMON SHARE				
BASIC	$	27.30	26.60	22.54
DILUTED	$	26.16	25.26	21.08

23. PARENT COMPANY FINANCIAL STATEMENTS, CONTINUED

CONDENSED STATEMENT OF CASH FLOWS

	Year ended December 31		
Dollars in thousands	1998	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 207,974	176,241	151,103
Adjustments to reconcile net income to net cash provided by operating activities			
Equity in undistributed income of subsidiaries	(97,395)	(182,467)	(35,790)
Dividend-in-kind from subsidiary	-	(83)	(1,538)
Provision for deferred income taxes	793	810	(153)
Net change in accrued income and expense	3,558	(327)	530
Transfer of noncash assets to charitable foundation	9,272	-	-
Net cash provided (used) by operating activities	124,202	(5,826)	114,152
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in subsidiary	(60,000)	(19,734)	(7,000)
Other, net	(808)	(767)	(39)
Net cash used by investing activities	(60,808)	(20,501)	(7,039)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of junior subordinated debt to subsidiaries	-	257,733	-
Purchases of treasury stock	(231,779)	(67,771)	(80,810)
Dividends paid - common	(28,977)	(21,207)	(18,617)
Dividends paid - preferred	-	-	(900)
Other, net	33,029	12,334	4,329
Net cash provided (used) by financing activities	(227,727)	181,089	(95,998)
Net increase (decrease) in cash and cash equivalents	$ (164,333)	154,762	11,115
Cash and cash equivalents at beginning of year	173,271	18,509	7,394
Cash and cash equivalents at end of year	$ 8,938	173,271	18,509
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Interest received during the year	$ 2,496	4,743	686
Interest paid during the year	21,516	10,550	242
Income taxes received during the year	40,208	2,027	507

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE. None.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT. The term in office of Wilfred J. Larson as a director of the Registrant will end on April 20, 1999, and he will not be a nominee for reelection to the Board of Directors at the 1999 Annual Meeting of Stockholders.

The identification of the Registrant's directors is incorporated by reference to the caption "NOMINEES FOR DIRECTOR" contained in the Registrant's definitive Proxy Statement for its 1999 Annual Meeting of Stockholders, which was filed with the Securities and Exchange Commission on March 11, 1999. The identification of the Registrant's executive officers is presented under the caption "Executive Officers of the Registrant" contained in Part I of this Annual Report on Form 10-K.

Disclosure of compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended, by the Registrant's directors and executive officers, and persons who are the beneficial owners of more than 10% of the Registrant's common stock, is incorporated by reference to the caption "Section 16(a) Beneficial Ownership Reporting Compliance" contained in the Registrant's definitive Proxy Statement for its 1999 Annual Meeting of Stockholders which was filed with the Securities and Exchange Commission on March 11, 1999.

Item 11. EXECUTIVE COMPENSATION. Incorporated by reference to the Registrant's definitive Proxy Statement for its 1999 Annual Meeting of Stockholders, which was filed with the Securities and Exchange Commission on March 11, 1999.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT. Incorporated by reference to the Registrant's definitive Proxy Statement for its 1999 Annual Meeting of Stockholders, which was filed with the Securities and Exchange Commission on March 11, 1999.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS. Incorporated by reference to the Registrant's definitive Proxy Statement for its 1999 Annual Meeting of Stockholders, which was filed with the Securities and Exchange Commission on March 11, 1999.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) Financial statements and financial statement schedules filed as part of this Annual Report on Form 10-K. See Part II, Item 8. "Financial Statements and Supplementary Data."

Financial statement schedules are not required or are inapplicable, and therefore have been omitted.

(b) Reports on Form 8-K.

On December 17, 1998, the Registrant filed a Current Report on Form 8-K dated December 9, 1998, reporting on its December 9, 1998 public announcement that the Registrant would acquire FNB Rochester Corp.

(c) Exhibits required by Item 601 of Regulation S-K.

The exhibits listed on the Exhibit Index on pages 114 through 116 of this Annual Report on Form 10-K have been previously filed, are filed herewith or are incorporated herein by reference to other filings.

(d) Additional financial statement schedules.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on the 12th day of March, 1999.

M&T BANK CORPORATION

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
Principal Executive Officer:		
/s/ Robert G. Wilmers Robert G. Wilmers	President and Chief Executive Officer	March 12, 1999
Principal Financial Officer:		
/s/ Michael P. Pinto Michael P. Pinto	Executive Vice President and Chief Financial Officer	March 12, 1999
Principal Accounting Officer:		
/s/ Michael R. Spychala Michael R. Spychala	Senior Vice President and Controller	March 12, 1999

A majority of the board of directors:

/s/ William F. Allyn	March 12, 1999
William F. Allyn	
/s/ Brent D. Baird	March 12, 1999
Brent D. Baird	
/s/ John H. Benisch	March 12, 1999
John H. Benisch	
/s/ Robert J. Bennett	March 12, 1999
Robert J. Bennett	
/s/ C. Angela Bontempo	March 12, 1999
C. Angela Bontempo	
/s/ Robert T. Brady	March 12, 1999
Robert T. Brady	
/s/ Patrick J. Callan	March 12, 1999
Patrick J. Callan	
/s/ Richard E. Garman	March 12, 1999
Richard E. Garman	
/s/ James V. Glynn	March 12, 1999
James V. Glynn	
Roy M. Goodman	
/s/ Patrick W.E. Hodgson	March 12, 1999
Patrick W.E. Hodgson	
Samuel T. Hubbard, Jr.	
/s/ Russell A. King	March 12, 1999
Russell A. King	
/s/ Lambros J. Lambros	March 12, 1999
Lambros J. Lambros	
/s/ Wilfred J. Larson	March 12, 1999
Wilfred J. Larson	

/s/ Reginald B. Newman, II	March 12, 1999
Reginald B. Newman, II	
/s/ Peter J. O'Donnell, Jr.	March 12, 1999
Peter J. O'Donnell, Jr.	
/s/ Jorge G. Pereira	March 12, 1999
Jorge G. Pereira	
/s/ Robert E. Sadler, Jr.	March 12, 1999
Robert E. Sadler, Jr.	
/s/ John L. Vensel	March 12, 1999
John L. Vensel	
/s/ Herbert L. Washington	March 12, 1999
Herbert L. Washington	
/s/ John L. Wehle, Jr.	March 12, 1999
John L. Wehle, Jr.	
/s/ Robert G. Wilmers	March 12, 1999
Robert G. Wilmers	

EXHIBIT INDEX

2.1	Agreement and Plan of Reorganization dated as of December 9, 1998, by and among M&T Bank Corporation, Olympia Financial Corp. and FNB Rochester Corp. Incorporated by reference to Exhibit No. 99.1 to the Form 8-K dated December 9, 1998 (File No. 1-9861).
	2.2 Stock Option Agreement dated as of December 9, 1998 by and between M&T Bank Corporation and FNB Rochester Corp. Incorporated by reference to Exhibit No. 99.2 to the Form 8-K dated December 9, 1998 (File No. 1-9861).
2.3	Form of Voting Agreement between the directors of FNB Rochester Corp. and M&T Bank Corporation, dated as of December 9, 1998. Incorporated by reference to Exhibit No. 99.3 to the Form 8-K dated December 9, 1998 (File No. 1-9861).
3.1	Restated Certificate of Incorporation of M&T Bank Corporation dated May 29, 1998. Incorporated by reference to Exhibit No. 3.1 to the Form 10-Q for the quarter ended June 30, 1998 (File No. 1-9861).
3.2	Bylaws of M&T Bank Corporation as last amended on February 16, 1999. Filed herewith.
4.1	Instruments defining the rights of security holders, including indentures. Incorporated by reference to Exhibit Nos. 3.1, 3.2, 10.1, 10.2 and 10.3 hereof.
4.2	Amended and Restated Trust Agreement dated as of January 31, 1997 by and among First Empire State Corporation, Bankers Trust Company, Bankers Trust (Delaware), and the Administrators named therein. Incorporated by reference to Exhibit No. 4.1 to the Form 8-K dated January 31, 1997 (File No. 1-9861).
4.3	Junior Subordinated Indenture dated as of January 31, 1997 by and between First Empire State Corporation and Bankers Trust Company. Incorporated by reference to Exhibit No. 4.2 to the Form 8-K dated January 31, 1997 (File No. 1-9861).
4.4	Guarantee Agreement dated as of January 31, 1997 by and between First Empire State Corporation and Bankers Trust Company. Incorporated by reference to Exhibit No. 4.3 to Form 8-K dated January 31, 1997 (File No. 1-9861).
4.5	Amended and Restated Trust Agreement dated as of June 6, 1997 by and among First Empire State Corporation, Bankers Trust Company, Bankers Trust (Delaware), and the Administrators named therein. Incorporated by reference to Exhibit No. 4.1 to the Form 8-K dated June 6, 1997 (File No. 1-9861).
4.6	Junior Subordinated Indenture dated as of June 6, 1997 by and between First Empire State Corporation and Bankers Trust Company. Incorporated by reference to Exhibit No. 4.2 to the Form 8-K dated June 6, 1997 (File No. 1-9861).
4.7	Guarantee Agreement dated as of June 6, 1997 by and between First Empire State Corporation and Bankers Trust Company. Incorporated by reference to Exhibit No. 4.3 to Form 8-K dated June 6, 1997 (File No. 1-9861).

10.1	Revolving Credit Agreement, dated as of November 24, 1995, between First Empire State Corporation and The First National Bank of Boston. Incorporated by reference to Exhibit No. 10.1 to the Form 10-K for the year ended December 31, 1995 (File No. 1-9861).
10.2	First Amendment, dated November 24, 1998 to the Revolving Credit Agreement, dated November 24, 1995, between M&T Bank Corporation, formerly known as First Empire State Corporation, and BankBoston, N.A., formerly known as The First National Bank of Boston. Filed herewith.
10.3	M&T Bank Corporation 1983 Stock Option Plan as amended and restated. Incorporated by reference to Exhibit 10.2 to Form 10-Q for the quarter ended June 30, 1998 (File No. 1-9861).
10.4	M&T Bank Corporation Annual Executive Incentive Plan. Incorporated by reference to Exhibit No. 10.3 to the Form 10-Q for the quarter ended June 30, 1998 (File No. 1-9861).
	Supplemental Deferred Compensation Agreements between Manufacturers and Traders Trust Company and:
10.5	Robert E. Sadler, Jr. dated as of March 7, 1985. Incorporated by reference to Exhibit No. (10)(d)(A) to the Form 10-K for the year ended December 31, 1984 (File No. 0-4561);
10.6	Brian E. Hickey dated as of July 21, 1994. Incorporated by reference to Exhibit No. 10.8 to the Form 10-K for the year ended December 31, 1995 (File No. 1-9861).
10.7	Supplemental Deferred Compensation Agreement, dated July 17, 1989, between The East New York Savings Bank and Atwood Collins, III. Incorporated by reference to Exhibit No. 10.11 to the Form 10-K for the year ended December 31, 1991 (File No. 1-9861).
10.8	M&T Bank Corporation Supplemental Pension Plan, as amended and restated. Incorporated by reference to Exhibit No. 10.7 to the Form 10-Q for the quarter ended June 30, 1998 (File No. 1-9861).
10.9	M&T Bank Corporation Supplemental Retirement Savings Plan. Incorporated by reference to Exhibit No. 10.8 to the Form 10-Q for the quarter ended June 30, 1998 (File No. 1-9861).
10.10	M&T Bank Corporation Deferred Bonus Plan, as amended and restated. Incorporated by reference to Exhibit No. 10.9 to the Form 10-Q for the quarter ended June 30, 1998 (File No. 1-9861).
10.11	M&T Bank Corporation Directors' Stock Plan, as amended and restated. Filed herewith.
10.12	Restated 1987 Stock Option and Appreciation Rights Plan of ONBANCorp, Inc. Incorporated by reference to Exhibit 10.11 to the Form 10-Q for the quarter ended June 30, 1998 (File No. 1-9861).

10.13	Amended Franklin First Financial Corp. 1998 Stock Incentive Plan. Incorporated by reference to Exhibit 10.13 to the Form 10-Q for the quarter ended June 30, 1998 (File No. 1-9861).
10.14	Employment Agreement, dated April 1, 1998, between M&T Bank Corporation and Robert J. Bennett. Incorporated by reference to Exhibit 10.14 to the Form 10-Q for the quarter ended June 30, 1998 (File No. 1-9861).
10.15	SERP Assumption Agreement, dated as of January 15, 1993, between Robert J. Bennett and ONBANCorp, Inc. Incorporated by reference to Exhibit 10.15 to the Form 10-Q for the quarter ended June 30, 1998 (File No. 1-9861).
11.1	Statement re: Computation of Earnings Per Common Share. Incorporated by reference to note 13 of Notes to Financial Statements filed herewith in Part II, Item 8, "Financial Statements and Supplementary Data."
21.1	Subsidiaries of the Registrant. Incorporated by reference to the caption "Subsidiaries" contained in Part I, Item 1 hereof.
23.1	Consent of PricewaterhouseCoopers LLP re: Registration Statement Nos. 33-32044 and 333-16077. Filed herewith.
23.2	Consent of PricewaterhouseCoopers LLP re: Registration Statement Nos. 33-12207, 33-58500, 33-63917, 333-43171, 333-43175 and 333-63985. Filed herewith.
27.1	Article 9 Financial Data Schedule for the year ended December 31, 1998. Filed herewith.

Exhibit 3.2

M&T BANK CORPORATION

BYLAWS

(AS LAST AMENDED ON FEBRUARY 16, 1999)

BYLAWS
OF
M&T BANK CORPORATION

ARTICLE I
MEETINGS OF STOCKHOLDERS

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

SECTION 2. SPECIAL MEETINGS: Special meetings of the stockholders may be called by the board of directors or by the Chief Executive Officer, and shall be called by the Secretary or an Assistant Secretary at the request in writing of the holders of record of at least 25% of the outstanding shares of the Corporation entitled to vote. Such request shall state the purpose or purposes for which the meeting is to be called. Each special meeting of the stockholders shall be held at such time as the board of directors or the person calling the meeting (the Chief Executive Officer, Secretary or Assistant Secretary, as the case may be) shall determine and the notice of the meeting shall specify, and shall be held at the principal office of the Corporation or at such other place within or without the State of New York as the board of directors shall determine or the notice of meeting shall specify.

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

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

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

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

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

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

SECTION 9. VOTING; PROXIES: Each stockholder of record shall be entitled at every meeting of stockholders to one vote for each share having voting power standing in his name on the record of stockholders of the Corporation on the record date fixed pursuant to Section 3 of Article VI of these Bylaws. Each stockholder entitled to vote at a meeting of stockholders may vote in person, or may authorize another person or persons to act for him by proxy. Any proxy may be signed by such stockholder or his duly authorized attorney-in-fact, including by facsimile signature, and shall be delivered to the Secretary of the meeting, or may be authorized by telegram, cablegram or other electronic transmission provided that it can be reasonably determined from such telegram, cablegram or other electronic transmission that such proxy was authorized by the stockholder. The signature of a stockholder on any proxy, including without limitation a telegram, cablegram or other electronic transmission, may be printed, stamped or written, or provided by other reliable reproduction, provided such signature is executed or adopted by the stockholder with intention to authenticate the proxy. No proxy shall be valid after the expiration of 11 months from the date of its execution unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the stockholder executing it, except as otherwise provided by law.

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

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

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

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

For business to be properly brought before an annual meeting of stockholders pursuant to clause (c) above, the stockholder must have given timely notice thereof to the Corporate Secretary of the Corporation and such business must be a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to the Corporate Secretary at the principal executive offices of the Corporation not later than the following dates: (1) at the close of business on the 120th day prior to the date on which the Corporation first mailed its proxy materials for the preceding year's annual meeting of stockholders if the date of the annual meeting is not changed more than 30 days from the date of the preceding year's annual meeting, and (2) with respect to any other annual meeting or special meeting of stockholders, the close of business on the tenth day following the date of public disclosure of the date of such meeting is first made. In no event shall the announcement of an adjournment of an annual meeting or special meeting of stockholders commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth (a) as to the stockholder giving the notice (i) the names and business addresses of the stockholder and all Persons (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended through the date of adoption of these Bylaws) acting in concert with the stockholder; (ii) the names and addresses of the stockholder and the Persons identified in clause (i), as they appear on the Corporation's books (if they so appear); and (iii) the class and number of shares of the Corporation beneficially owned by the stockholder and the Persons identified in clause (i), (b) as to the business being proposed, (i) a brief description of the business desired to be brought before the meeting; (ii) the reasons for conducting such business at the meeting; and (iii) any material interest of the stockholder in such business; and (c) such other information as the Board of Directors reasonably determines is necessary or appropriate to enable the Board of Directors and stockholders of the Corporation to consider the proposal. The person presiding at the annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this section and, if he or she shall so determine, he or she shall declare to the meeting that any business not properly brought before the meeting shall not be transacted.

ARTICLE II
DIRECTORS

SECTION 1. NUMBER AND QUALIFICATIONS: The number of directors constituting the entire board shall not be less than three, except that where all the shares of the Corporation are owned beneficially and of record by less than three stockholders, the number of directors may be less than three, but not less than the number of stockholders. Subject to any provision as to the number of directors contained in the certificate of incorporation or these Bylaws, the exact number of directors shall be fixed from time to time by action of the stockholders or by vote of a majority of the entire board of directors, provided that no decrease in the number of directors shall shorten the term of any incumbent director. 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 recision or restrictive amendment of this Article V with respect to events occurring prior to such recision 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.

Exhibit 10.2

FIRST AMENDMENT TO CREDIT AGREEMENT

This FIRST AMENDMENT (this "AMENDMENT") dated as of November 24, 1998 to the Revolving Credit Agreement dated November 24, 1995 (as amended, modified or supplemented from time to time, the "CREDIT AGREEMENT"), is by and between M&T BANK CORPORATION, formerly known as First Empire State Corporation, (the "BORROWER"), and BANKBOSTON, N.A., formerly known as The First National Bank of Boston, (the "BANK"). Capitalized terms used herein but not otherwise defined shall have the meanings assigned to them in the Credit Agreement.

WHEREAS, the Borrower and the Bank have executed the Credit Agreement with respect to the $25,000,000 line of credit provided by the Bank for the Borrower, as more fully described in the Credit Agreement; and

WHEREAS, the Borrower and the Bank wish to amend the Credit Agreement as set forth herein;

NOW, THEREFORE, the Bank and the Borrower agree as follows:

SECTION 1. AMENDMENT TO THE CREDIT AGREEMENT.

Section 1.1 of the Credit Agreement is hereby amended by changing the date ANovember 24, 1998" contained in the definition of Termination Date and substituting therefor the date ANovember 23, 1999".

SECTION 2. REPRESENTATIONS AND WARRANTIES. To induce the Bank to enter into this Amendment, the Borrower represents and warrants that:

(a) the execution and delivery by the Borrower of this Amendment and the performance by the Borrower of the Credit Agreement, the Note and the other loan documents as amended hereby and the transactions contemplated hereby and thereby: (i) are within the Borrower=s corporate power and authority; (ii) have been authorized by all necessary corporate proceedings; (iii) do not require the consent or approval of the shareholders of the Borrower, any governmental authority or any other party; (iv) will not contravene any provision of the charter documents of the Borrower, or any law, rule or regulation applicable to the Borrower; and (v) will not constitute a default under any other agreement, order or undertaking binding on the Borrower; and

(b) this Amendment has been duly executed and delivered by the Borrower, and all of the terms and provisions hereof and of the Credit Agreement, and the other loan documents as amended hereby constitute the legal, valid, binding and enforceable obligations of the Borrower, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforcement of creditor=s rights generally.

SECTION 3. CONDITIONS OF EFFECTIVENESS

The effectiveness of this Amendment is subject to the conditions precedent that:

(a) the Bank and the Borrower shall each have received, in form and substance satisfactory to it, an executed copy of this Amendment;

(b) the Bank shall have received certified copies of all documents relating to the Borrower as the Bank may reasonably request, including, without limitation, the Bylaws of the Borrower and a certificate of the Corporate Secretary of the Borrower identifying the officers(s) or other persons authorized to execute, deliver and take all other actions required under or in furtherance of this Amendment, and the Credit Agreement as amended hereby, and providing specimen signatures of such officers or persons;

(c) the representations and warranties contained in Section 4 of the Credit Agreement shall be true and correct as of the date hereof as though made on and as of the date hereof; and

(d) No default under the Credit Agreement, the Note or any of the other loan documents executed in connection therewith shall have occurred and is continuing.

SECTION 4. MISCELLANEOUS.

(a) This Amendment and the modifications to the Credit Agreement set forth herein shall be deemed to be a document executed under seal and shall be governed by and construed in accordance with the laws of The Commonwealth of Massachusetts.

(b) On and after the date hereof, each reference in the Credit Agreement to Athis Agreement@ or words of like import shall mean and be deemed to be a reference to the Agreement as amended hereby.

(c) Except as amended and modified hereby, the Credit Agreement and the Note are in all respects ratified and confirmed as of the date hereof, and the terms, covenants and agreements therein shall remain in full force and effect. The Borrower acknowledges that all obligations owed under the Credit Agreement and the Note are reaffirmed by the Borrower on the date hereof.

(d) This Amendment may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Amendment to be duly executed as of the date and the year first above written.

M&T BANK CORPORATION

By /s/ Gary Paul

Gary Paul
Title: Senior Vice President

BANKBOSTON, N.A.

By /s/ John Sinclair

John Sinclair
Title: Vice President

Exhibit 10.11

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 first business day following 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.

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-32044 and 333-16077) of M&T Bank Corporation of our report dated January 11, 1999, appearing on page 63 of this Form 10-K. We also consent to the reference to us under the heading "Experts" in such Registration Statements.

/s/ PricewaterhouseCoopers LLP

Buffalo, New York
March 19, 1999

Exhibit 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-12207, 33-58500, 33-63917, 333-43171, 333-43175 and 333-63985) of M&T Bank Corporation of our report dated January 11, 1999 appearing on page 63 of this Form 10-K. We also consent to the reference to us under the heading "Experts" in Registration Statements (Nos. 33-12207, 33-58500, 333-43171, 333-43175 and 333-63985).

/s/ PricewaterhouseCoopers LLP

Buffalo, New York
March 19, 1999

YEAR
DEC-31-1998
DEC-31-1998
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229,066
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523,354
687,503
664,291
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566,123
325,563
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207,974
27.30
26.16
3.97
70,999
37,784
8,262
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274,656
56,301
16,887
306,347
194,792
0
111,555