



## M&T Announces 12% Rise in Cash Earnings Per Share

BUFFALO, N.Y.--Oct. 9, 2001--Diluted cash earnings per share at M&T Bank Corporation ("M&T")(NYSE: MTB - news) for the quarter ended September 30, 2001 were \$1.24, an increase of 12% from \$1.11 in the third quarter of 2000.

Cash net income for the recent quarter rose 41% to \$123.5 million from \$87.8 million in the year-earlier quarter. Cash net income in 2001's third quarter represented an annualized rate of return on average tangible assets of 1.64% and on average tangible common equity of 28.39%. A year earlier the annualized cash return on average tangible assets was also 1.64% and on average tangible common equity was 26.98%. Robert G. Wilmers, Chairman of the Board, President and Chief Executive Officer of M&T observed, "Despite challenging economic conditions, which have been exacerbated by the tragic events of September 11, M&T's business units continued to post strong results during the third quarter. We are guardedly optimistic about the remainder of 2001."

For the first nine months of this year, diluted cash earnings per share were \$3.57, up 13% from \$3.16 during the same period last year. Cash net income totaled \$355.8 million during the first three quarters of 2001, a jump of 42% from \$250.5 million in the similar 2000 period. The annualized cash returns on average tangible assets and average tangible common equity for the first nine months of 2001 were 1.62% and 28.19%, respectively, up from 1.56% and 27.13%, respectively, in the corresponding period of 2000. Cash earnings exclude the after-tax effect of amortization of goodwill and core deposit intangible and expenses associated with merging acquired operations into M&T.

Taxable-equivalent net interest income rose 46% to \$298.6 million in the third quarter of 2001 from \$204.6 million in the year-earlier quarter. The improvement resulted from higher average loans outstanding and a widening of M&T's net interest margin, or taxable-equivalent net interest income expressed as an annualized percentage of average earning assets. Including the impact of loans obtained at the time of the October 6, 2000 acquisition of Keystone Financial, Inc. ("Keystone") and the February 9, 2001 acquisition of Premier National Bancorp, Inc. ("Premier"), average loans outstanding rose 45% to \$24.8 billion in 2001's third quarter from \$17.2 billion in the corresponding 2000 period. Loans obtained from Keystone and Premier on their acquisition dates totaled \$4.8 billion and \$1.0 billion, respectively. Net interest margin improved by 17 basis points (hundredths of one percent) to 4.22% in the third quarter of 2001 from 4.05% in the year-earlier quarter.

The provision for credit losses increased to \$28.0 million in the recent quarter from \$9.0 million in the third quarter of 2000. Net charge-offs of loans totaled \$23.8 million during the third quarter of 2001, up from \$5.9 million in the comparable 2000 quarter. Expressed as an annualized percentage of average loans outstanding, net charge-offs were .38% in the recent quarter, compared with .14% in the corresponding 2000 quarter. Nonperforming loans totaled \$197.5 million, or .79% of total loans at September 30, 2001, compared with \$61.8 million or .36% a year earlier. Included in nonperforming loans at September 30, 2001 were loans obtained in the Keystone and Premier acquisitions of \$59 million and \$7 million, respectively. Reflecting the impact of a \$26 million commercial loan that became nonperforming during the recent quarter, nonperforming loans increased by \$35.9 million from June 30, 2001. Loans past due 90 days or more and accruing interest totaled \$137.5 million at the recent quarter-end, up from \$30.4 million a year earlier. The increase in these past due loans resulted predominately from the inclusion at September 30, 2001 of approximately \$99 million of one-to-four family residential mortgage loans serviced by M&T and repurchased since November 2000 from the Government National Mortgage Association. The outstanding principal balances of these loans, which were repurchased to reduce loan servicing costs, are fully guaranteed by government agencies.

M&T's allowance for credit losses totaled \$412.7 million, or 1.65% of total loans, at September 30, 2001, compared with \$323.3 million, or 1.87%, a year earlier. Reflecting the increase in nonperforming loans cited above, the ratio of the allowance for credit losses to nonperforming loans was 209% at September 30, 2001, compared with 523% at September 30, 2000. Assets taken in foreclosure of defaulted loans were \$11.8 million at September 30, 2001, compared with \$8.6 million a year earlier.

Reflecting the acquisitions of Keystone and Premier, as well as growth in revenues from providing mortgage banking and deposit account services, noninterest income rose 57% to \$120.2 million in the recent quarter from \$76.5 million in the third quarter of 2000. Approximately 60% of the increase was attributable to revenues related to operations in market areas associated with the Keystone and Premier acquisitions.

Noninterest operating expenses, which exclude amortization of goodwill and core deposit intangible and nonrecurring merger-related expenses, were \$205.2 million in the recently completed quarter, compared with \$136.5 million in the corresponding 2000 period. Expenses related to the acquired operations of Keystone and, to a lesser extent, Premier were large contributors to the higher expense levels. The efficiency ratio, or noninterest operating expenses divided by the sum of taxable-equivalent net interest income and noninterest income, measures the relationship of operating expenses to revenues. M&T's cash-basis efficiency ratio, calculated using the operating expense totals noted above and excluding gains from sales of bank investment

securities from noninterest income, was 49.0% in the third quarter of 2001, up slightly from 48.6% a year earlier.

Net income measured in accordance with generally accepted accounting principles ("GAAP") includes the impact of non-cash charges for amortization of goodwill and core deposit intangible, as well as nonrecurring merger-related expenses. Charges for goodwill and core deposit intangible amortization, after tax effect, were \$16.9 million (\$.17 per diluted share) and \$8.7 million (\$.09 per diluted share) during the third quarter of 2001, respectively. Comparable after-tax amortization charges during the year-earlier quarter were \$8.5 million (\$.11 per diluted share) for goodwill and \$2.7 million (\$.03 per diluted share) for core deposit intangible. Although there were no merger-related expenses incurred during the recent quarter, the after-tax impact of such expenses was \$2.1 million (or \$.03 per diluted share) in last year's third quarter. Including the impact of the non-cash amortization charges and nonrecurring expenses noted above, GAAP-basis diluted earnings per share for the third quarter of 2001 were \$.98, compared with \$.94 in the corresponding quarter of 2000. On the same basis, net income for the recent quarter was \$97.9 million, compared with \$74.4 million in the third quarter of 2000.

Reflecting the \$4.8 million after-tax impact (\$.05 per diluted share) of nonrecurring merger-related expenses incurred during the first quarter of this year and the \$2.1 million (\$.03 per diluted share) incurred during the third quarter of last year, GAAP-basis diluted earnings per share were \$2.77 for the first nine months of 2001, up from \$2.71 during the similar period of 2000. Through September 30, 2001 and 2000, GAAP-basis net income was \$276.3 million and \$214.2 million, respectively. Amortization of goodwill and core deposit intangible, after tax effect, reflected in GAAP-basis net income was \$49.6 million (\$.50 per diluted share) and \$25.0 million (\$.25 per diluted share) during the first nine months of 2001, respectively, and \$25.8 million (\$.32 per diluted share) and \$8.4 million (\$.10 per diluted share), respectively, during the corresponding 2000 period.

GAAP-basis net income for the third quarter of 2001 expressed as an annualized rate of return on average assets and average common stockholders' equity was 1.25% and 12.93%, respectively, compared with 1.36% and 15.64%, respectively, for the year-earlier quarter. During the first nine months of 2001, the annualized rates of return on average assets and average common stockholders' equity were 1.20% and 12.47%, respectively, compared with 1.30% and 15.51%, respectively, in the first nine months of 2000.

M&T had total assets of \$31.1 billion at September 30, 2001, up from \$22.0 billion a year earlier. Loans and leases, net of unearned discount, increased 44% to \$24.9 billion at the recent quarter-end from \$17.3 billion at September 30, 2000. Deposits were \$20.5 billion at September 30, 2001, up from \$14.7 billion at September 30, 2000. Assets, loans and deposits obtained in the Keystone transaction on the October 6, 2000 acquisition date were \$7.4 billion, \$4.8 billion and \$5.2 billion, respectively, while assets, loans and deposits obtained in the February 9, 2001 acquisition of Premier were \$1.8 billion, \$1.0 billion and \$1.4 billion, respectively. Total stockholders' equity was \$3.0 billion at the recent quarter-end, up 52% from \$1.9 billion a year earlier. Common stockholders' equity per share was \$31.19 and \$25.22 at September 30, 2001 and 2000, respectively. Tangible equity per common share was \$17.85 at September 30, 2001, compared with \$17.52 a year earlier.

In June 2001, M&T announced that it had been authorized by its Board of Directors to purchase up to 3,500,000 shares of its common stock to be used in connection with the possible future exercise of outstanding stock options. Through September 30, 2001, M&T had repurchased 2,978,302 shares of common stock pursuant to such plan at an average cost of \$74.73 per share.

Investors will have an opportunity to listen to M&T's conference call to discuss third quarter financial results at 10:00 a.m. on Wednesday, October 10, 2001. Those wishing to participate in the call may dial 877-232-1251. The conference call will also be webcast live by Vcall through M&T's website. To access the live webcast please visit M&T's website at <http://ir.mandtbank.com/calendar.cfm>; the event will also be archived and available by noon, October 10, 2001 at the same website. A replay of the call will be available until October 11, 2001 by calling 800-642-1687, code 1904996.





This news release contains forward-looking statements that are based on current expectations, estimates and projections about M&T'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. M&T undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Future Factors include changes in interest rates, spreads on earning assets and interest-bearing liabilities, and interest rate sensitivity; credit losses; sources of liquidity; legislation affecting the financial services industry as a whole, and M&T individually; regulatory supervision and oversight, including required capital levels; increasing price and product/service competition by competitors, including new entrants; rapid technological developments and changes; the ability to continue to introduce competitive new products and services on a timely, cost-effective basis; the mix of products/services; containing costs and expenses; governmental and public policy changes, including environmental regulations; protection and validity of intellectual property rights; reliance on large customers; technological, implementation and cost/financial risks in large, multi-year contracts; the outcome of pending and future litigation and governmental proceedings; continued availability of financing; financial resources in the amounts, at the times and on the terms required to support M&T's future businesses; and material differences in the actual financial results of merger and acquisition activities compared to M&T's initial expectations, including the full realization of anticipated cost savings and revenue enhancements. These are representative of the Future Factors that could affect the outcome of the forward-looking statements. In addition, such statements could be affected by general industry and market conditions and growth rates, general economic conditions, including interest rate and currency exchange rate fluctuations, and other Future Factors.