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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **July 18, 2007**

M&T BANK CORPORATION

(Exact name of registrant as specified in its charter)

New York

(State or other jurisdiction of incorporation)

1-9861	16-0968385
(Commission File Number)	(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

(NOT APPLICABLE)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

☑ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e4(c) under the Exchange Act (17 CFR 240.13e-4(c))

TABLE OF CONTENTS

- Item 1.01. Entry into a Material Definitive Agreement.
- Item 8.01. Other Events.
- Item 9.01. Financial Statements and Exhibits.

SIGNATURES
EXHIBIT INDEX
EX-2.1
EX-99.1

Item 1.01. Entry into a Material Definitive Agreement.

On July 18, 2007, M&T Bank Corporation, a New York corporation ("M&T"), MTB One, Inc., a Delaware corporation and a wholly owned subsidiary of M&T ("Merger Sub"), and Partners Trust Financial Group, Inc. ("Partners"), a Delaware corporation, entered into an Agreement and Plan of Merger (the "Merger Agreement"). The Merger Agreement provides that, upon the terms and subject to the conditions set forth in the Merger Agreement, the Merger Sub will merge with and into Partners (the "Merger") and Partners will be the surviving corporation ("Surviving Corporation"). Immediately after the Merger, the Surviving Corporation will merge with and into M&T and M&T will continue as the surviving corporation (the "Holdco Merger"). The Merger and the Holdco Merger, together, are referred to as the "Transaction."

At the effective time and as a result of the Transaction, each issued and outstanding share of the common stock, par value $0.0001 per share, of Partners ("Partners Common Stock") will be converted into the right to receive, at the election of the holder thereof, either (i) a number of shares of the common stock, par value $0.50 per share, of M&T ("M&T Common Stock") equal to $12.50 divided by the arithmetic average of the last reported sales price per share of M&T Common Stock on the NYSE (as reported by the NYSE Composite Transactions Reporting System) for each of the five full consecutive NYSE trading days ending on the trading day immediately prior to the closing of the Transaction, rounded to the nearest thousand ("Per Share Stock Consideration"), or (ii) $12.50 (the "Cash Consideration and together with the Per Share Stock Consideration, collectively, the "Consideration"). The election of the shareholders described in the immediately preceding sentence is subject to allocation principles more fully described in Section 3.2 of the Merger Agreement, which provide that the aggregate Consideration paid by M&T will be 50% M&T Common Stock and 50% cash.

Upon consummation of the Transaction, each outstanding vested and unvested option to acquire a share of Partners Common Stock will be cancelled in exchange for the right to receive, on the terms and conditions set forth in the Merger Agreement, an amount in cash equal to the excess, if any, of the Per Share Cash Consideration over the exercise price per share as more fully described in Section 6.12(a) of the Merger Agreement.

M&T and Partners have made representations, warranties and covenants in the Merger Agreement, including, among others, covenants not to take any action that is reasonably likely to result in any of the conditions to the Merger not being satisfied or any action that is reasonably likely to materially impair its ability to perform its obligations under the Merger Agreement. In addition, Partners made certain additional necessary covenants, including among others, covenants to conduct its business in the ordinary course consistent with past practice between execution of the Merger Agreement and consummation of the Merger; to cause a Partners' stockholder meeting to be held to consider approval of the Merger; and for Partners' board of directors to, subject to certain exceptions, recommend adoption and approval by its stockholders of the Merger Agreement.

Item 8.01. Other Events.

On July 19, 2007, M&T and Partners issued a joint press release announcing the execution of the Merger Agreement. The press release is attached as Exhibit 99.1 and is incorporated herein by reference.

Forward Looking Statements:

Certain statements contained in this filing that are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the “Act”), notwithstanding that such statements are not specifically identified. In addition, certain statements may be contained in the future filings of M&T with the Securities and Exchange Commission (“SEC”), in press releases, and in oral and written statements made by or with the approval of M&T that are not statements of historical fact and constitute forward-looking statements within the meaning of the Act. Examples of forward-looking statements include, but are not limited to: (i) statements about the benefits of the merger between M&T and Partners, including future financial and operating results, cost savings, enhanced revenues and accretion to reported earnings that may be realized from the merger; (ii) statements of plans, objectives and expectations of M&T or Partners or their managements or Boards of Directors; (iii) statements of future economic performance; and (iv) statements of assumptions underlying such statements. Words such as “believes”, “anticipates”, “expects”, “intends”, “targeted”, “continue”, “remain”, “will”, “should”, “may” and other similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to: (i) the risk that the businesses of M&T and Partners will not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected; (ii) expected revenue synergies and cost savings from the merger may not be fully realized or realized within the expected time frame; (iii) revenues following the merger may be lower than expected; (iv) deposit attrition, operating costs, customer loss and business disruption following the merger, including, without limitation, difficulties in maintaining relationships with employees, may be greater than expected; (v) the ability to obtain governmental approvals of the merger on the proposed terms and schedule; (vi) the failure of Partners’ stockholders to approve the merger; (vii) local, regional, national and international economic conditions and the impact they may have on M&T and Partners and their customers and M&T’s and Partners’ assessment of that impact; (viii) changes in interest rates, spreads on earning assets and interest-bearing liabilities, and interest rate sensitivity; (ix) prepayment speeds, loan originations and credit losses; (x) sources of liquidity; (xi) M&T’s common shares outstanding and common stock price volatility; (xii) fair value of and number of stock-based compensation awards to be issued in future periods; (xiii) legislation affecting the financial services industry as a whole, and/or M&T and Partners and their subsidiaries individually or collectively; (xiv) regulatory supervision and oversight, including required

capital levels; (xv) increasing price and product/service competition by competitors, including new entrants; (xvi) rapid technological developments and changes; (xvii) M&T's ability to continue to introduce competitive new products and services on a timely, cost-effective basis; (xviii) the mix of products/services; (xix) containing costs and expenses; (xx) governmental and public policy changes; (xxi) protection and validity of intellectual property rights; (xxii) reliance on large customers; (xxiii) technological, implementation and cost/financial risks in large, multi-year contracts; (xxiv) the outcome of pending and future litigation and governmental proceedings; (xxv) continued availability of financing; (xxvi) financial resources in the amounts, at the times and on the terms required to support M&T's future businesses; and (xxvii) material differences in the actual financial results of merger and acquisition activities compared with M&T's expectations, including the full realization of anticipated cost savings and revenue enhancements. Additional factors that could cause M&T's results to differ materially from those described in the forward-looking statements can be found in M&T's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the SEC. All subsequent written and oral forward-looking statements concerning the proposed transaction or other matters and attributable to M&T or Partners or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements referenced above. Forward-looking statements speak only as of the date on which such statements are made. M&T and Partners undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events.

Additional Information:

In connection with the proposed merger, M&T will file with the SEC a Registration Statement on Form S-4 that will include a Proxy Statement of Partners and a Prospectus of M&T, as well as other relevant documents concerning the proposed transaction. Shareholders are urged to read the Registration Statement and the Proxy Statement/Prospectus regarding the merger when it becomes available and any other relevant documents filed with the SEC, as well as any amendments or supplements to those documents, because they will contain important information. You will be able to obtain a free copy of the Proxy Statement/Prospectus, as well as other filings containing information about M&T at the SEC's Internet site (http://www.sec.gov). You will also be able to obtain these documents, free of charge, at http://www.mandtbank.com under the tab "About Us" and then under the heading "Investor Relations" and then under "SEC Filings". Copies of the Proxy Statement/Prospectus and the SEC filings that will be incorporated by reference in the Proxy Statement/Prospectus can also be obtained, free of charge, by directing a request to Attention: Investor Relations, One M&T Plaza, Buffalo, New York 14203, (716) 842-5138.

M&T and Partners and their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from the stockholders of Partners in connection with the proposed merger. Information about the directors and executive officers of M&T is set forth in the proxy statement for M&T's 2007 annual meeting of stockholders, as filed with the SEC on a Schedule 14A on March 5, 2007. Information about the directors and executive officers of Partners is set forth in the proxy statement for Partners' 2007 annual meeting of shareholders, as filed with the SEC on a Schedule 14A on March 23, 2007. Additional

information regarding the interests of those participants and other persons who may be deemed participants in the transaction may be obtained by reading the Proxy Statement/Prospectus regarding the proposed merger when it becomes available. You may obtain free copies of this document as described in the preceding paragraph.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits.

Exhibit No.	
2.1	Agreement and Plan of Merger dated as of July 18, 2007 by and among M&T Bank Corporation, MTB One, Inc. and Partners Trust Financial Group, Inc. (the schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K).
99.1	Press Release issued jointly by M&T Bank Corporation and Partners Trust Financial Group, Inc., dated July 18, 2007.

SIGNATURES

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

M&T BANK CORPORATION

Date: July 19, 2007

By: /s/ René F. Jones
René F. Jones
Executive Vice President
and Chief Financial Officer

EXHIBIT INDEX

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99.1	Press Release issued jointly by M&T Bank Corporation and Partners Trust Financial Group, Inc., dated July 18, 2007. Filed herewith.

Exhibit 2.1

AGREEMENT AND PLAN OF MERGER

among

M&T BANK CORPORATION

PARTNERS TRUST FINANCIAL GROUP, INC.

and

MTB ONE, INC.

Dated as of July 18, 2007

Table of Contents

		Page
	ARTICLE 1	
	Definitions; Interpretation; Disclosure Schedules	
1.1	Definitions	1
1.2	Interpretation	7
	ARTICLE 2	
	The Merger	
2.1	The Merger	8
2.2	Closing	8
2.3	Effects of the Merger	8
2.4	Name of Surviving Corporation	8
2.5	Certificate of Incorporation and By-Laws of the Surviving Corporation	8
2.6	The Other Mergers	8
	ARTICLE 3	
	Effect on Stock; Election Procedures	
3.1	Effect on Stock	9
3.2	Elections; Allocation	9
3.3	Exchange Agent; Election Procedures	10
3.4	Fractional Shares	12
3.5	Lost, Stolen or Destroyed Certificates	12
3.6	Adjustments	12
3.7	Dissenters' Rights	12
	ARTICLE 4	
	Conduct of Business Pending the Merger	
4.1	Forbearances of the Company	13
4.2	Forbearances of Parent	15
4.3	Coordination of Company Dividends	15
	ARTICLE 5	
	Representations and Warranties	
5.1	Disclosure Schedules	15
5.2	Standard	15
5.3	Representations and Warranties of the Company	16
5.4	Representations and Warranties of Parent and Merger Sub	25

Page

ARTICLE 6

Covenants

6.1	Reasonable Best Efforts	28
6.2	Stockholder Approval	29
6.3	Regulatory Applications	29
6.4	Exchange Listing	30
6.5	SEC Filings	30
6.6	Press Releases	30
6.7	Acquisition Proposals	31
6.8	Takeover Laws and Provisions	31
6.9	Access; Information	31
6.10	Restructuring Charges	31
6.11	Supplemental Indentures	32
6.12	Company Stock Options and Stock Awards; Benefit Arrangements	32
6.13	Affiliate Agreements	33
6.14	Indemnification	33

ARTICLE 7

Conditions to the Merger

7.1	Conditions to Each Party’s Obligation to Effect the Merger	34
7.2	Conditions to the Obligation of the Company	35
7.3	Conditions to the Obligation of Parent	35

ARTICLE 8

Termination

8.1	Termination	36
8.2	Effect of Termination and Abandonment	36
8.3	Fee	36

ARTICLE 9

Miscellaneous

9.1	Survival	37
9.2	Expenses	37
9.3	Notices	37
9.4	Waiver; Amendment	37
9.5	Alternative Structure	38
9.6	Governing Law	38
9.7	Waiver of Jury Trial	38
9.8	Submission to Jurisdiction; Selection of Forum	38
9.9	Entire Understanding; No Third Party Beneficiaries	38
9.10	Counterparts	38

Annex 1 Form of Company Affiliate Letter

AGREEMENT AND PLAN OF MERGER, dated as of July 18, 2007 (this "*Agreement*"), among Partners Trust Financial Group, Inc., a Delaware corporation (the "*Company*"), M&T Bank Corporation, a New York corporation ("*Parent*"), and MTB One, Inc., a Delaware corporation and wholly owned direct subsidiary of Parent ("*Merger Sub*").

RECITALS

A. *The Proposed Transaction.* Upon the terms and conditions of this Agreement, the parties intend to effect a strategic business combination pursuant to which Merger Sub will merge with and into the Company and the separate corporate existence of Merger Sub shall thereupon cease (the "*Merger*"). The Company shall be the surviving corporation in the Merger (the "*Surviving Corporation*") and shall continue to be governed by the laws of the State of Delaware, and the separate existence of the Company with all its rights, privileges, immunities, powers and franchises shall continue unaffected by the Merger. It is the intention of Parent that, immediately following the Merger, each of the following will occur in immediate succession: (a) the Surviving Corporation will merge with and into Parent with Parent being the surviving corporation (the "*Holdco Merger*"), and (b) Partners Trust Bank, a wholly owned Subsidiary of the Company ("*Company Bank*"), will merge with and into M&T Bank, a wholly owned Subsidiary of Parent ("*Parent Bank*"), with Parent Bank being the surviving bank (the "*Bank Merger*"). In addition, it is the intention of Parent that the Transaction constitutes and is being entered into pursuant to a single integrated plan.

B. *Board Determinations.* The respective boards of directors of the Company, Parent and Merger Sub have each determined that the Transaction and the other transactions contemplated hereby are consistent with, and will further, their respective business strategies and goals, and are in the best interests of their respective shareholders and, therefore, have approved this Agreement, the Merger and the other transactions contemplated hereby.

C. *Intended Tax Treatment.* The parties intend the Transaction to be treated as a reorganization under Section 368(a) of the Internal Revenue Code of 1986, as amended (the "*Code*").

Now, Therefore, in consideration of the premises, and of the mutual representations, warranties, covenants and agreements contained in this Agreement, the parties hereto agree as follows:

ARTICLE 1

Definitions; Interpretation; Disclosure Schedules

1.1 *Definitions.* This Agreement uses the following definitions:

"*Acquisition Proposal*" means a tender or exchange offer to acquire more than 25% of the voting power in the Company or any of its Significant Subsidiaries, a bona fide proposal for a merger, consolidation or other business combination involving the Company or any of its Significant Subsidiaries or any other bona fide proposal or offer to acquire in any manner more than 25% of the voting power in, or more than 25% of the business, assets or deposits of, the Company or any of its Significant Subsidiaries, other than (i) the transactions contemplated hereby or (ii) any merger, consolidation or other business combination or similar transaction solely among the Company and one or more of its Subsidiaries or among its Subsidiaries.

"*Acquisition Transaction*" means, with respect to a person, (1) a merger, consolidation or other business combination transaction involving that person or any of its Significant Subsidiaries (other than mergers, consolidations or other business combination transactions involving solely that person and/or one or more of its wholly owned Subsidiaries, *provided* that any such transaction is not entered into in violation of the terms of this Agreement), (2) a purchase, lease or other acquisition of more than 25% of the business, assets or deposits of that person or any of its Significant Subsidiaries or (3) a purchase or other acquisition (including by way of merger, consolidation, share exchange or otherwise) of securities representing more than 25% of the voting power of that person or any of its Significant Subsidiaries.

"*Agreement*" has the meaning assigned in the Preamble.

“*Applicable Period*” means either (i) five business days in the event that the Company agrees to permit Parent Bank to send out such notices, information and materials as Parent Bank deems appropriate in connection with the conversion of the accounts of customers of the Company’s banking Subsidiaries at least 35 days prior to the date upon which the conditions set forth in Article VII have been satisfied (the “*Notice Condition*”), or (ii) 35 days if the Notice Condition shall not have been satisfied.

“*Bank Merger*” has the meaning assigned in the Recitals.

“*Bank Merger Surviving Bank*” has the meaning assigned in Section 2.6.

“*Benefit Arrangement*” means, with respect to the Company, each of the following under which any Employee or any of its current or former directors has any present or future right to compensation or benefits and (1) that is sponsored or maintained by it or its Subsidiaries, or (2) under which it or its Subsidiaries has any present or future liability: including, but not limited to, each “employee benefit plan” (within the meaning of Section 3(3) of ERISA) and each stock purchase, stock option, severance, employment, change-in-control, incentive, deferred compensation and other employee benefit plan, agreement, program, policy or other arrangement (with respect to any of preceding, whether or not subject to ERISA).

“*BHC Act*” means the Bank Holding Company Act of 1956.

“*BSA*” means the Bank Secrecy Act of 1970 and the rules and regulations thereunder.

“*Cash Election*” has the meaning assigned in Section 3.2(a).

“*Cash Election Shares*” has the meaning assigned in Section 3.2(b)(1)(C).

“*Chosen Court*” has the meaning assigned in Section 9.8.

“*Closing*” has the meaning assigned in Section 2.2.

“*Closing Date*” has the meaning assigned in Section 2.2.

“*Code*” has the meaning assigned in the Recitals.

“*Company*” has the meaning assigned in the Preamble.

“*Company Affiliate*” has the meaning assigned in Section 6.13.

“*Company Bank*” has the meaning assigned in the Recitals.

“*Company Bank Severance Plan*” has the meaning assigned in Section 6.12(c).

“*Company Board*” means the board of directors of the Company.

“*Company Common Stock*” means the common stock, par value $0.0001 per share, of the Company.

“*Company ESOP*” has the meaning assigned in Section 6.12(b).

“*Company Meeting*” has the meaning assigned in Section 6.2(b).

“*Company Preferred Stock*” means the preferred stock, par value $0.0001 per share, of the Company.

“*Company SEC Filings*” has the meaning assigned in Section 5.3(j)(1).

“*Company Stock Awards*” has the meaning assigned in Section 6.12(a).

“*Company Stock Options*” means all outstanding and unexercised employee options to purchase Company Common Stock.

“*Company Stock Plans*” means the Partners Trust Employee Stock Ownership Plan and Trust, the Partners Trust Long-Term Equity Compensation Plan, the BSB Bancorp, Inc. 1996 Long Term Incentive and Capital Accumulation Plan, and the BSB Bancorp, Inc. Directors’ Stock Option Plan.

“*Confidentiality Agreement*” means the agreement, dated May 17, 2007, between Parent and the Company.

“*Consideration*” has the meaning assigned in Section 3.1(a).

"*Constituent Documents*" means the charter or articles or certificate of incorporation and by-laws of a corporation or banking organization, the certificate of partnership and partnership agreement of a general or limited partnership, the certificate of formation and limited liability company agreement of a limited liability company, the trust agreement of a trust and the comparable documents of other entities.

"*Contract*" means, with respect to any person, any agreement, contract, indenture, undertaking, debt instrument, lease, understanding, arrangement or commitment to which such person or any of its Subsidiaries is a party or by which any of them may be bound or to which any of their assets or properties may be subject, whether or not in writing, and whether express or implied.

"*Converted Cash Election Share*" has the meaning assigned in Section 3.2(b)(1)(C).

"*Converted Stock Election Share*" has the meaning assigned in Section 3.2(b)(2)(B).

"*Costs*" has the meaning assigned in Section 6.14(a).

"*CRA*" means the Community Reinvestment Act of 1977 and the rules and regulations thereunder.

"*Current Premium*" has the meaning assigned in Section 6.14(c).

"*Determination Date*" means the last date on which all of the Requisite Regulatory Approvals shall be received.

"*DGCL*" means the Delaware General Corporation Law, as amended.

"*Disclosure Schedule*" has the meaning assigned in Section 5.1.

"*Dissenting Shares*" means shares of Company Common Stock that are held by a stockholder who has properly exercised appraisal or dissenter's rights under applicable law.

"*Effective Time*" has the meaning assigned in Section 2.2.

"*Election Deadline*" has the meaning assigned in Section 3.3(b).

"*Employees*" means current and former employees of the Company.

"*Environmental Laws*" means the statutes, rules, regulations, ordinances, codes, orders, decrees, and any other laws (including common law) of any federal, state, local, and any other governmental authority, regulating, relating to or imposing liability or standards of conduct concerning pollution, or protection of human health and safety or of the environment, as in effect on or prior to the date of this Agreement.

"*ERISA*" means the Employee Retirement Income Security Act of 1974.

"*ERISA Affiliate*" has the meaning assigned in Section 5.3(t)(3).

"*Exchange Act*" means the Securities Exchange Act of 1934 and the rules and regulations thereunder.

"*Exchange Agent*" has the meaning assigned in Section 3.3(a).

"*Exchange Fund*" has the meaning assigned in Section 3.3(a).

"*Exchangeable Shares*" means the aggregate number of shares of Company Common Stock issued and outstanding immediately prior to the Effective Time, including Dissenting Shares but excluding Excluded Shares, rounded to the nearest whole share.

"*Excluded Shares*" means shares of Company Common Stock held in the Company's treasury.

"*Extensions of Credit*" has the meaning assigned in Section 5.3(z).

"*FDIC*" means the Federal Deposit Insurance Corporation.

"*Federal Reserve Board*" means the Board of Governors of the Federal Reserve System.

"*Fee*" has the meaning assigned in Section 8.3(a).

"*Fee Extension Event*" means (1) a termination of this Agreement by either the Company or Parent pursuant to Section 8.1(c) or 8.1(e) or by Parent pursuant to Section 8.1(b), if, prior to such termination, an Acquisition Proposal shall have been made or any person shall have publicly announced an intention (whether or not conditional) to make an Acquisition Proposal and such Acquisition Proposal or public announcement shall not have been withdrawn not less than 10 days prior to the Company Meeting, or (2) a termination of this Agreement by Parent pursuant to Section 8.1(f).

"*Fee Payment Event*" means:

(1) (a) The Company, without having received Parent's prior written consent, enters into an agreement to engage in an Acquisition Transaction with any person (the term "*person*" for purposes of this definition having the meaning assigned in Sections 3(a)(9) and 13(d)(3) of the Exchange Act) other than a Parent Person; (b) after the date hereof, the Company authorizes, recommends or proposes (or publicly announces its intention to authorize, recommend or propose) an agreement to engage in an Acquisition Transaction with any person other than a Parent Person; or (c) after the date hereof, the Company Board recommends that the shareholders of the Company approve or accept an Acquisition Transaction with any person other than a Parent Person; or

(2) Any person, other than a Parent Person, acquires after the date hereof beneficial ownership or the right to acquire beneficial ownership of 25% or more of the outstanding shares of Company Common Stock (the term "*beneficial ownership*" for purposes of this definition having the meaning assigned in Section 13(d) of the Exchange Act, and the rules and regulations of the SEC thereunder).

"*Fee Termination Date*" means either (1) the 12-month anniversary of a Fee Extension Event, if a Fee Extension Event occurs in connection with the termination of this Agreement, or (2) the date of the termination of this Agreement, if a Fee Extension Event does not occur in connection with or prior to the termination of this Agreement.

"*Form of Election*" has the meaning assigned in Section 3.3(b).

"*GAAP*" means United States generally accepted accounting principles.

"*Governmental Authority*" means any court, administrative agency or commission or other governmental authority or instrumentality, domestic or foreign, or any industry self-regulatory authority.

"*Holdco Merger*" has the meaning assigned in the Recitals.

"*Holdco Merger Surviving Corporation*" has the meaning assigned in Section 2.6.

"*HOLA*" means the Home Owners' Loan Act of 1933.

"*Indemnified Party*" has the meaning assigned in Section 6.14(a).

"*Intellectual Property*" means all (i) trademarks, service marks, brand names, certification marks, collective marks, d/b/a's, Internet domain names, logos, symbols, trade dress, assumed names, fictitious names, trade names, and other indicia of origin, all applications and registrations for the foregoing, and all goodwill associated therewith and symbolized thereby, including all renewals of same; (ii) inventions and discoveries, whether patentable or not, and all patents, registrations, invention disclosures and applications therefor, including divisions, continuations, continuations-in-part and renewal applications, and including renewals, extensions and reissues; (iii) confidential information, trade secrets and know-how, including processes, schematics, business methods, formulae, drawings, prototypes, models, designs, customer lists and supplier lists (collectively, "*Trade Secrets*"); (iv) published and unpublished works of authorship, whether copyrightable or not (including without limitation databases and other compilations of information), copyrights therein and thereto, and registrations and applications therefor, and all renewals, extensions, restorations and reversions thereof; and (v) all other intellectual property or proprietary rights.

"*Interest Rate Instruments*" has the meaning assigned in Section 5.3(aa).

"*IRS*" has the meaning assigned in Section 5.3(q).

"*IT Assets*" means the Company's and its Subsidiaries' computers, computer software, firmware, middleware, servers, workstations, routers, hubs, switches, data communications lines, and all other information technology equipment, and all associated documentation.

"*Lien*" means any charge, mortgage, pledge, security interest, restriction, claim, lien, or encumbrance.

"*Material Adverse Effect*" means, with respect to the Company or Parent, any effect that:

(a) is material and adverse to the business, financial condition or results of operations of the Company and its Subsidiaries, taken as a whole, or Parent and its Subsidiaries, taken as a whole, respectively, excluding (with respect to items (1), (2) and (3) below only to the extent that the effect of a change on it is not materially more adverse than on comparable United States banking organizations) the impact of (1) changes in banking and other laws of general applicability or changes in the interpretation thereof by Governmental Authorities, (2) changes in GAAP or regulatory accounting requirements applicable to United States banking services organizations generally, (3) changes in prevailing interest rates or other general economic conditions in the United States, including those affecting United States financial or securities markets or banking organizations generally, (4) changes resulting solely from the execution, delivery or announcement of this Agreement or the transactions contemplated hereby, (5) any changes as a result of action taken by any party to this Agreement or any of their Subsidiaries which is required by this Agreement or which is taken with the written consent of the other party to this Agreement referring specifically to this definition, and (6) any divestiture that may be required by a Governmental Authority; or

(b) would materially impair the ability of the Company or Parent, respectively, to perform its obligations under this Agreement or to consummate the transactions contemplated hereby on a timely basis.

"*Material Contracts*" has the meaning assigned in Section 5.3(v)(1).

"*Materials of Environmental Concern*" means any hazardous or toxic substances, materials, wastes, pollutants, or contaminants, including without limitation those defined or regulated as such under any Environmental Law, and any other substance the presence of which may give rise to liability under Environmental Law.

"*Merger*" has the meaning assigned in the Recitals.

"*Merger Sub*" has the meaning assigned in the Preamble.

"*NASD*" means the National Association of Securities Dealers, Inc.

"*NASDAQ*" means the National Association of Securities Dealers Automated Quotations System.

"*New Certificates*" has the meaning assigned in Section 3.3(a).

"*Non-Election*" has the meaning assigned in Section 3.2(a).

"*Non-Election Shares*" has the meaning assigned in Section 3.2(a).

"*Notice Condition*" has the meaning assigned in the definition of Applicable Period.

"*NYBL*" means the New York Banking Law.

"*NYSE*" means the New York Stock Exchange, Inc.

"*OCC*" means the Office of the Comptroller of the Currency.

"*Old Certificates*" has the meaning assigned in Section 3.3(a).

"*Other Mergers*" means the Holdco Merger and the Bank Merger, collectively.

"*Parent*" has the meaning assigned in the Preamble.

"*Parent Bank*" has the meaning assigned in the Recitals.

"*Parent Bank By-Laws*" means the By-Laws of Parent Bank.

"*Parent Bank Charter*" means the Organization Certificate of Parent Bank.

"*Parent Board*" means the board of directors of Parent.

"*Parent By-Laws*" means the Amended and Restated By-Laws of Parent.

"*Parent Charter*" means the Restated Certificate of Incorporation of Parent, as amended.

"*Parent Common Stock*" means the common stock, par value $0.50 per share, of Parent.

"*Parent Person*" means Parent or any of its Subsidiaries.

"*Parent Preferred Stock*" means the preferred stock, par value $1 per share, of Parent.

"*Parent SEC Filings*" has the meaning assigned in Section 5.4(i)(1).

"*Parent Share Price*" means the arithmetic average of the last reported per share sales prices of Parent Common Stock on the NYSE, as reported by the NYSE Composite Transactions Reporting System for each of the five full consecutive NYSE trading days ending on the trading day immediately prior to the Closing Date.

"*Parent Stock*" means, collectively, the Parent Common Stock and the Parent Preferred Stock.

"*Parent Stock Options*" means all outstanding and unexercised employee and director options to purchase Parent Common Stock.

"*Parent Stock Plans*" means the M&T Bank Corporation 1983 Stock Option Plan, the M&T Bank Corporation 2001 Stock Option Plan, the M&T Bank Corporation 2005 Incentive Compensation Plan, the M&T Bank Corporation Employee Stock Purchase Plan, the M&T Bank Corporation Directors' Stock Plan and the M&T Bank Corporation Deferred Bonus Plan.

"*Pension Plan*" has the meaning assigned in Section 5.3(t)(2).

"*Per Share Cash Consideration*" has the meaning assigned in Section 3.1(a).

"*Per Share Stock Consideration*" has the meaning assigned in Section 3.1(a).

"*Post-Merger Parent Entities*" has the meaning assigned in Section 5.3(v)(1)(G).

"*Previously Disclosed*" means information set forth by a party in the applicable paragraph of its Disclosure Schedule.

"*Proxy Statement*" has the meaning assigned in Section 6.5(a).

"*Registered*" means issued by, registered with, renewed by or the subject of a pending application before any Governmental Authority or Internet domain name registrar.

"*Registration Statement*" has the meaning assigned in Section 6.5(a).

"*Representatives*" means, with respect to any person, such person's directors, officers, employees, legal or financial advisors or any representatives of such legal or financial advisors.

"*Requisite Regulatory Approvals*" has the meaning assigned in Section 6.3(a).

"*Rights*" means, with respect to any person, securities or obligations convertible into or exercisable or exchangeable for, or giving any other person any right to subscribe for or acquire, or any options, calls or commitments relating to, or any stock appreciation right or other instrument the value of which is determined in whole or in part by reference to the market price, book or other value of, shares of capital stock, units or other equity interests of, such first person.

"*SEC*" means the United States Securities and Exchange Commission.

"*Securities Act*" means the Securities Act of 1933 and the rules and regulations thereunder.

"*Scheduled Intellectual Property*" has the meaning assigned in Section 5.3(p)(1).

"*Significant Subsidiary*" and "*Subsidiary*" have the meanings ascribed to those terms in Rule 1-02 of Regulation S-X promulgated by the SEC.

"*Stock Conversion Number*" means a number equal to the product of (a) the number of Exchangeable Shares and (b) 50%, rounded to the nearest whole number.

"*Stock Election*" has the meaning assigned in Section 3.2(a).

"*Stock Election Shares*" has the meaning assigned in Section 3.2(b)(1).

"*Stock-Selected Non-Election Share*" has the meaning assigned in Section 3.2(b)(1)(B).

"*Superior Proposal*" means a bona fide written Acquisition Proposal which the Company Board concludes in good faith to be more favorable from a financial point of view to its shareholders than the Merger and the transactions contemplated hereby (1) after receiving the advice of its financial advisors (which shall be a nationally recognized investment banking firm), (2) after taking into account the likelihood of consummation of the proposed transaction on the terms set forth therein (as compared to, and with due regard for, the terms herein) and (3) after taking into account all legal (with the advice of outside counsel), financial (including the financing terms of any such proposal), regulatory (including the advice of outside counsel regarding the potential for regulatory approval of any such proposal) and other aspects of such proposal and any other relevant factors permitted under applicable law.

"Surviving Corporation" has the meaning assigned in the Recitals.

"*Takeover Laws*" has the meaning assigned in Section 5.3(h).

"*Tax*" and "*Taxes*" means all federal, state, local or foreign taxes, charges, fees, levies or other assessments, however denominated, including, without limitation, all net income, gross income, gains, gross receipts, sales, use, ad valorem, goods and services, capital, production, transfer, franchise, windfall profits, license, withholding, payroll, employment, disability, employer health, excise, estimated, severance, stamp, occupation, property, environmental, unemployment or other taxes, custom duties, fees, assessments or charges of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts imposed by any taxing authority whether arising before, on or after the Effective Time.

"*Tax Returns*" means any return, amended return or other report (including elections, declarations, disclosures, schedules, estimates and information returns) required to be filed with respect to any Tax.

"*Trade Secrets*" has the meaning assigned in the definition of Intellectual Property in Section 1.1.

"*Transaction*" means the Merger and the Holdco Merger.

1.2 *Interpretation.* (a) In this Agreement, except as context may otherwise require, references:

(1) to the Preamble, Recitals, Sections, Annexes or Schedules are to the Preamble to, a Recital or Section of, or Annex or Schedule to, this Agreement;

(2) to this Agreement are to this Agreement, and the Annexes and Schedules to it, taken as a whole;

(3) to the "transactions contemplated hereby" includes the transactions provided for in this Agreement, including the Merger, the Other Mergers and the conversion of the Company Bank's operating systems to those of Parent Bank at the Effective Time;

(4) to any agreement (including this Agreement), contract, statute or regulation are to the agreement, contract, statute or regulation as amended, modified, supplemented, restated or replaced from time to time (in the case of an agreement or contract, to the extent permitted by the terms thereof); and to any section of any statute or regulation include any successor to the section; and

(5) to any Governmental Authority includes any successor to that Governmental Authority.

(b) The words "hereby", "herein", "hereof", "hereunder" and similar terms are to be deemed to refer to this Agreement as a whole and not to any specific Section.

(c) The words "include", "includes" or "including" are to be deemed followed by the words "without limitation".

(d) The word "party" is to be deemed to refer to the Company or Parent.

(e) The word "person" is to be interpreted broadly to include any individual, savings association, bank, trust company, corporation, limited liability company, partnership, association, joint-stock company, business trust or unincorporated organization.

(f) The table of contents and article and section headings are for reference purposes only and do not limit or otherwise affect any of the substance of this Agreement.

(g) This Agreement is the product of negotiation by the parties, having the assistance of counsel and other advisers. The parties intend that this Agreement not be construed more strictly with regard to one party than with regard to the other.

(h) No provision of this Agreement is to be construed to require, directly or indirectly, any person to take any action, or omit to take any action, to the extent such action or omission would violate applicable law (including statutory and common law), rule or regulation.

ARTICLE 2

The Merger

2.1 *The Merger.* Upon the terms and subject to the conditions set forth in this Agreement, Merger Sub will merge with and into the Company at the Effective Time. At the Effective Time, the separate existence of Merger Sub will terminate. The Company will be the Surviving Corporation in the Merger and will continue its existence under the laws of the State of Delaware.

2.2 *Closing.* The closing of the Merger (the "*Closing*") will take place in the offices of Sullivan & Cromwell LLP, 125 Broad Street, New York, New York, at 10:00 a.m. Eastern Standard Time on a business day designated by Parent that is (a) within the Applicable Period after the later of (i) the receipt of all Requisite Regulatory Approvals and the expiration of all applicable waiting periods associated with the Requisite Regulatory Approvals and (ii) the requisite approval of the stockholders of the Company and (b) after satisfaction or waiver of the conditions set forth in Article 7, other than those conditions that by their nature are to be satisfied at the Closing, but subject to the fulfillment or waiver of those conditions (the "*Closing Date*"). The time on the Closing Date at which the Merger becomes effective is referred to herein as the "*Effective Time*".

2.3 *Effects of the Merger.* The Merger will have the effects prescribed by applicable law, including the DGCL.

2.4 *Name of Surviving Corporation.* The name of the Surviving Corporation as of the Effective Time will be the name of the Company.

2.5 *Certificate of Incorporation and By-Laws of the Surviving Corporation.* The certificate of incorporation of Merger Sub, as in effect immediately before the Effective Time, will be the certificate of incorporation of the Surviving Corporation as of the Effective Time. The Merger Sub By-Laws, as in effect immediately before the Effective Time, will be the by-laws of the Surviving Corporation as of the Effective Time.

2.6 *The Other Mergers.* The Company and Parent will cooperate and use their reasonable best efforts to effect the Other Mergers immediately following the Effective Time, including entering into any necessary agreements and seeking any necessary regulatory approvals and to effect the conversion of the operating systems of the Company Bank to those of Parent Bank immediately following the Effective Time. At the effective time of the Holdco Merger and the Bank Merger, respectively, the separate existence of the Surviving Corporation and the Company Bank will terminate, respectively. Parent will be the surviving corporation in the Holdco Merger (the "*Holdco Merger Surviving Corporation*") and will continue its existence under the laws of the State of New York and Parent Bank will be the surviving bank in the Bank Merger (the "*Bank Merger Surviving Bank*") and will continue its existence under the laws of the State of New York. The Parent Charter will be the certificate of incorporation of the Holdco Merger Surviving Corporation, and the Parent Bank Charter will be the certificate of incorporation of the Bank Merger Surviving Bank. The Parent By-Laws will be the by-laws of the Holdco Merger Surviving Corporation, and the Parent Bank By-Laws will be the by-laws of the Bank Merger Surviving Bank. In

the Other Mergers, the shares of the entity not surviving the merger shall be cancelled and the shares of the entity surviving the merger shall remain outstanding and not be affected thereby.

ARTICLE 3

Effect on Stock; Election Procedures

3.1 *Effect on Stock.* At the Effective Time, as a result of the Merger and without any action by any holder of Company Stock:

(a) Company Common Stock. Each share of Company Common Stock issued and outstanding immediately prior to the Effective Time, other than Excluded Shares and Dissenting Shares, will be converted into and constitute the right to receive, at the election of the holder thereof as provided in and subject to the provisions of Sections 3.2 and 3.3, either (i) a number of shares of Parent Common Stock equal to $12.50 divided by the Parent Share Price, rounded to the nearest thousandth (the "*Per Share Stock Consideration*"), or (ii) $12.50 (the "*Per Share Cash Consideration*", and together with the Per Share Stock Consideration collectively, the "*Consideration*").

Shares of Company Common Stock will no longer be outstanding and will automatically be canceled and will cease to exist. Holders of Company Common Stock will cease to be, and will have no rights as, stockholders of the Company, and certificates that represented shares of Company Common Stock before the Effective Time will be deemed for all purposes to represent only the right to receive, without interest, (A) any then unpaid dividend or other distribution with respect to such Company Common Stock having a record date before the Effective Time and (B) the Consideration. After the Effective Time, there will be no transfers of shares of Company Common Stock on the stock transfer books of the Company or the Surviving Corporation, and shares of Company Common Stock presented to the Surviving Corporation or Parent will be canceled and exchanged in accordance with this Article 3.

3.2 *Elections; Allocation.* (a) Subject to allocation in accordance with Section 3.2(b), each record holder of Company Common Stock (other than Excluded Shares and Dissenting Shares) issued and outstanding immediately prior to the Election Deadline will be entitled (1) to elect to receive in respect of each share of Company Common Stock (A) Per Share Cash Consideration (a "*Cash Election*") or (B) Per Share Stock Consideration (a "*Stock Election*") or (2) to indicate that such record holder has no preference as to the receipt of Per Share Cash Consideration or Per Share Stock Consideration for each such share (a "*Non-Election*"). Shares of Company Common Stock with respect to which a Non-Election is made (including shares with respect of which such an election is deemed to have been made pursuant to this Section 3.2 and Section 3.7) (collectively, "*Non-Election Shares*") will be deemed by Parent, in its sole and absolute discretion, subject to Sections 3.2(b)(1), (2) and (3), to be, in whole or in part, shares of Company Common Stock with respect to which Cash Elections or Stock Elections have been made. Dissenting Shares will, for purposes of this Agreement, be treated as shares of Company Common Stock with respect to which Cash Elections have been made.

(b) Notwithstanding anything to the contrary in this Agreement, the rights of holders of Company Common Stock to make elections in respect of shares of Company Common Stock will be subject to the following principles of allocation:

(1) Number of Stock Elections Less Than the Stock Conversion Number. If the aggregate number of shares of Company Common Stock with respect to which a Stock Election is made (collectively, "*Stock Election Shares*") is less than the Stock Conversion Number, then:

(A) each Stock Election Share will be, as of the Effective Time, converted into the right to receive the Per Share Stock Consideration;

(B) the Exchange Agent will allocate from among the Non-Election Shares, pro rata to the holders of Non-Election Shares in accordance with their respective numbers of Non-Election Shares, a sufficient number of Non-Election Shares so that the sum of such number and the number of Stock Election Shares equals as closely as practicable the Stock Conversion Number, and each such allocated Non-Election Share (each, a "*Stock-Selected Non-Election Share*") will be, as of the Effective Time, converted into the

right to receive the Per Share Stock Consideration, *provided* that if the sum of all Non-Election Shares and Stock Election Shares is equal to or less than the Stock Conversion Number, then all Non-Election Shares will be Stock-Selected Non-Election Shares;

(C) if the sum of Stock Election Shares and Non-Election Shares is less than the Stock Conversion Number, the Exchange Agent will allocate from among the shares of Company Common Stock with respect to which a Cash Election is made (collectively, "*Cash Election Shares*"), other than Cash Election Shares representing Dissenting Shares, pro rata to the holders of such Cash Election Shares in accordance with their respective numbers of Cash Election Shares, a sufficient number of Cash Election Shares so that the sum of such number, the number of all Stock Election Shares and the number of all Non-Election Shares equals as closely as practicable the Stock Conversion Number, and each such allocated Cash Election Share (each, a "*Converted Cash Election Share*") will be, as of the Effective Time, converted into the right to receive the Per Share Stock Consideration; and

(D) each Non-Election Share and Cash Election Share that is not a Stock-Selected Non-Election Share or a Converted Cash Election Share (as the case may be) will be, as of the Effective Time, converted into the right to receive the Per Share Cash Consideration.

(2) Number of Stock Elections Greater Than the Stock Conversion Number. If the aggregate number of Stock Election Shares is greater than the Stock Conversion Number, then:

(A) each Cash Election Share and Non-Election Share will be, as of the Effective Time, converted into the right to receive the Per Share Cash Consideration;

(B) the Exchange Agent will allocate from among the Stock Election Shares, pro rata to the holders of such Stock Election Shares in accordance with their respective numbers of Stock Election Shares, a sufficient number of Stock Election Shares (each, a "*Converted Stock Election Share*") so that the difference of (1) the number of Stock Election Shares minus (2) the number of the Converted Stock Election Shares equals as closely as practicable the Stock Conversion Number, and each Converted Stock Election Share will be, as of the Effective Time, converted into the right to receive the Per Share Cash Consideration; and

(C) each other Stock Election Share that is not a Converted Stock Election Share will be, as of the Effective Time, converted into the right to receive the Per Share Stock Consideration.

(3) Number of Stock Elections is Equal to the Stock Conversion Number. If the aggregate number of Stock Election Shares is equal to the Stock Conversion Number, then:

(A) each Stock Election Share will be, as of the Effective Time, converted into the right to receive the Per Share Stock Consideration; and

(B) each Cash Election Share and Non-Election Share will be, as of the Effective Time, converted into the right to receive the Per Share Cash Consideration.

3.3 *Exchange Agent; Election Procedures.* (a) At or before the Effective Time, Parent will deposit with its transfer agent or with a depository or trust institution of recognized standing selected by it and reasonably satisfactory to the Company (in such capacity, the "*Exchange Agent*"), for the benefit of the holders of certificates formerly representing shares of Company Common Stock ("*Old Certificates*"), (1) certificates or, at Parent's option, evidence of shares in book entry form ("*New Certificates*"), representing the shares of Parent Common Stock issuable to holders of Old Certificates under this Article 3 and (2) cash payable pursuant to Sections 3.1 and 3.4 (the "*Exchange Fund*").

(b) Elections pursuant to Section 3.2(a) will be made on a form and with such other provisions to be reasonably agreed upon by the Company and Parent (a "*Form of Election*") to be provided by the Exchange Agent for that purpose to holders of record of Company Common Stock (other than holders of Excluded Shares and Dissenting Shares), together with appropriate transmittal materials, at the time of mailing of the Proxy Statement to the holders of record of Company Common Stock or on such other date as the Company and Parent shall mutually agree, and thereafter from time to time as the Company may reasonably request until three (3) days prior to the

Election Deadline (as defined below), to each holder of record of Company Common Stock for purposes of the Company Meeting. Elections shall be made by mailing to the Exchange Agent a duly completed Form of Election. A Form of Election may specify which specific shares covered thereby are subject to a Cash Election, a Stock Election or a Non-Election. To be effective, a Form of Election must be (1) properly completed, signed and submitted to the Exchange Agent at its designated office, by 5:00 p.m., on the Closing Date (or such other time and date as the Company and Parent may mutually agree) (the "*Election Deadline*") and (2) accompanied by the certificate(s) representing the shares of Company Common Stock as to which the election is being made (or by an appropriate guarantee of delivery of such certificate(s) by a commercial bank or trust company in the United States or a member of a registered national security exchange or of the NASD, *provided* that such certificates are in fact delivered to the Exchange Agent within three trading days after the date of execution of such guarantee of delivery). Parent will determine, in its sole and absolute discretion, which authority it may delegate in whole or in part to the Exchange Agent, whether Forms of Election have been properly completed, signed and submitted or revoked. The decision of Parent (or the Exchange Agent, as the case may be) in such matters shall be conclusive and binding. Neither Parent nor the Exchange Agent will be under any obligation to notify any person of any defect in a Form of Election submitted to the Exchange Agent. A holder of shares of Company Common Stock that does not submit an effective Form of Election prior to the Election Deadline shall be deemed to have made a Non-Election.

(c) An election may be revoked, but only by written notice received by the Exchange Agent prior to the Election Deadline. Any certificate(s) representing shares of Company Common Stock that have been submitted to the Exchange Agent in connection with an election shall be returned without charge to the holder thereof in the event such election is revoked as aforesaid and such holder requests in writing the return of such certificate(s). Upon any such revocation, unless a duly completed Form of Election is thereafter submitted prior to the Election Deadline and otherwise in accordance with this Section, such shares shall be deemed Non-Election Shares. The Exchange Agent, in consultation with Parent and the Company, will make all computations to give effect to this Section.

(d) The Exchange Agent, in consultation with Parent and the Company, will make all computations to give effect to Section 3.2(b).

(e) As promptly as reasonably practicable following the Effective Time, taking into account the computations contemplated by Section 3.2(b), but in no event later than ten days thereafter, each holder of record of Company Common Stock that has surrendered the certificates representing its Company Common Stock will be entitled to receive a New Certificate representing the shares of Parent Common Stock issuable in exchange therefor and/or a check representing cash payable pursuant to Sections 3.1 and 3.4. No interest will accrue or be paid with respect to any New Certificates or cash to be delivered upon surrender of Old Certificates. If any New Certificate is to be issued or cash is to be paid in a name other than that in which the Old Certificate surrendered in exchange therefor is registered, it will be a condition to the exchange that the person requesting the exchange (1) pay any transfer or other Taxes required by reason of the issuance of the New Certificate or the making of the cash payment in a name other than the name of the holder of the surrendered Old Certificate or (2) establish to the satisfaction of Parent (or the Exchange Agent, as the case may be) that any such Taxes have been paid or are not applicable. A Company Affiliate shall not be entitled to receive any New Certificate pursuant to this Article III until such Company Affiliate shall have duly executed and delivered an appropriate agreement as described in Section 6.13.

(f) As promptly as reasonably practicable following the Effective Time, but in no event later than ten days thereafter, Parent shall cause the Exchange Agent to mail or deliver to each person who was, immediately prior to the Effective Time, a holder of record of Company Common Stock and who theretofore has not submitted such holder's Old Certificates with an Election Form, a form of letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to Old Certificates shall pass, only upon proper delivery of such certificates to the Exchange Agent) containing instructions for use in effecting the surrender of Old Certificates in exchange for the consideration to which such person may be entitled pursuant to this Article III.

(g) No dividends or other distributions with respect to Parent Common Stock having a record date after the Effective Time will be paid to any holder of Company Common Stock until such holder has surrendered the

Old Certificate representing such stock as provided herein. Subject to the effect of applicable law, following surrender of any such Old Certificates, there shall be paid to the holder of New Certificates issued in exchange therefor, without interest, the amount of dividends or other distributions with a record date after the Effective Time previously payable with respect to the shares of Parent Common Stock represented thereby. To the extent permitted by law, holders of Company Common Stock who receive Parent Common Stock in the Merger shall be entitled to vote after the Effective Time at any meeting of Parent shareholders the number of whole shares of Parent Common Stock into which their respective shares of Company Common Stock are converted, regardless of whether such holders of Company Common Stock have exchanged their Old Certificates for New Certificates in accordance with the provisions of this Agreement, but beginning 60 days after the Effective Time no such Holder shall be entitled to vote on any matter until such Holder surrenders such Old Certificate for exchange as provided in Section 3.3(b).

3.4 *Fractional Shares.* Notwithstanding anything to the contrary in this Agreement, no fractional shares of Parent Common Stock and no certificates or scrip therefor, or other evidence of ownership thereof, will be issued in the Merger; instead, Parent will pay to each holder of Company Common Stock who would otherwise be entitled to a fractional share of Parent Common Stock (after taking into account all Old Certificates delivered by such holder) an amount in cash (without interest) determined by multiplying such fraction of a share of Parent Common Stock by the last reported per share sale price of Parent Common Stock, as reported by the NYSE Composite Transactions Reporting System for the last NYSE trading day immediately prior to the Closing Date.

3.5 *Lost, Stolen or Destroyed Certificates.* In the event any certificate representing shares of Company Common Stock shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to be lost, stolen or destroyed and, if required by Parent, the execution of an indemnity and hold harmless agreement in customary form with respect to any claim that may be made against Parent with respect to such certificate, the Exchange Agent will issue in exchange for such lost, stolen or destroyed certificate the shares of Parent Common Stock and any cash, unpaid dividends or other distributions that would be payable or deliverable in respect thereof pursuant to this Agreement had such lost, stolen or destroyed certificate been surrendered.

3.6 *Adjustments.* If between the date hereof and the Effective Time there shall be a change in the number or kind of shares of Parent Common Stock by reason of a stock split, stock dividend, recapitalization, reclassification, reorganization or similar transaction (or if the Board of Directors of Parent shall establish a record date for such purpose), the Per Share Stock Consideration shall, to the extent necessary, be equitably and proportionately adjusted to provide the same economic effect as contemplated by this Agreement prior to such event.

3.7 *Dissenters' Rights.* Notwithstanding anything to the contrary in this Agreement, Dissenting Shares that are outstanding as of the Effective Time will not be converted into the right to receive the Consideration unless and until the holder shall have failed to perfect, or shall have effectively withdrawn or lost, its right to dissent from the Merger under applicable law and to receive such consideration as may be determined to be due with respect to such Dissenting Shares pursuant to and subject to the requirements of applicable law. If any such holder shall have so failed to perfect or have effectively withdrawn or lost such right after the Election Deadline, each share of such holder's Company Common Stock shall thereupon be treated as a Non-Election Share and will be deemed to have been converted into and to have become, as of the Effective Time, the right to receive, without any interest thereon, the Per Share Stock Consideration or the Per Share Cash Consideration, or a combination thereof, as determined by Parent in its sole discretion. The Company will give Parent (a) prompt notice of any notice or demands for appraisal or payment for shares of Company Common Stock received by the Company and (b) the opportunity to participate in and direct all negotiations and proceedings with respect to any such demands or notices. The Company will not, without the prior written consent of Parent, settle, offer to settle or otherwise negotiate, any such demands. Parent will pay any consideration as may be determined to be due with respect to Dissenting Shares pursuant to and subject to the requirements of applicable law.

ARTICLE 4

Conduct of Business Pending the Merger

4.1 *Forbearances of the Company.* The Company agrees that from the date hereof until the Effective Time, except as expressly permitted by this Agreement or as Previously Disclosed in the comparable subsection of the Company's Disclosure Schedule (other than with respect to Section 4.1(p)), without the prior written consent of Parent, which shall not be unreasonably withheld or delayed, it will not, and will cause each of its Subsidiaries not to:

(a) Ordinary Course. Conduct its business other than in the ordinary and usual course consistent with past practice or fail to use reasonable best efforts to preserve intact its business organizations and assets and maintain its rights, franchises and authorizations and its existing relations with customers, suppliers, employees and business associates.

(b) Operations. Enter into any new line of business or materially change its lending, investment, underwriting, risk and asset liability management and other banking and operating policies, except as required by applicable law or policies imposed by any Governmental Authority.

(c) Capital Expenditures. Make any capital expenditures in excess of $75,000 individually or $250,000 in the aggregate.

(d) Material Contracts. Terminate, enter into, amend, modify (including by way of interpretation) or renew any Material Contract.

(e) Capital Stock. Other than pursuant to Rights Previously Disclosed and outstanding on the date of this Agreement, issue, sell or otherwise permit to become outstanding, or dispose of or encumber or pledge, or authorize or propose the creation of, any additional shares of its stock or any additional Rights of it with respect to its stock, whether pursuant to the Company Stock Plans or otherwise.

(f) Dividends, Distributions, Repurchases. Make, declare, pay or set aside for payment any dividend on or in respect of, or declare or make any distribution on any shares of its stock (other than (i) regular quarterly dividends on Company Common Stock not in excess of $0.07 per share of Company Common Stock per quarter on the record and payment date schedules required by Section 4.3 and (ii) dividends from its wholly owned Subsidiaries to it or another of its wholly owned Subsidiaries) or directly or indirectly adjust, split, combine, redeem, reclassify, purchase or otherwise acquire, any shares of its stock or any Rights of it with respect to its stock.

(g) Dispositions. Sell, transfer, mortgage, encumber or otherwise dispose of or discontinue any of its assets, deposits, business or properties, except for sales, transfers, mortgages, encumbrances or other dispositions or discontinuances in the ordinary course of business consistent with past practice and in a transaction that individually or taken together with all other such transactions is not material to it and its Subsidiaries, taken as a whole.

(h) Extensions of Credit and Interest Rate Instruments. Make, renew (except in the ordinary course of business where there has been no material change in the relationship with the borrower or in the borrower's creditworthiness) or amend any Extension of Credit in excess of $4,000,000, or enter into, renew or amend any Interest Rate Instrument, except in the ordinary course of business.

(i) Acquisitions. Acquire (other than by way of foreclosures, acquisitions of control in a fiduciary or similar capacity, acquisitions of loans or participation interests in loans less than $3,500,000, or in satisfaction of debts previously contracted in good faith, in each case in the ordinary and usual course of business consistent with past practice) all or any portion of the assets, business, deposits or properties of any other person.

(j) Constituent Documents. Amend its Constituent Documents (or similar organizational documents).

(k) Accounting Methods. Implement or adopt any change in its accounting principles, practices or methods, other than as may be required by GAAP or applicable accounting requirements of a Governmental Authority.

(l) Tax Matters. Make, change or revoke any Tax election, file any amended Tax Return (unless to correct an error), enter into any closing agreement, settle any Tax claim or assessment, or surrender any right to claim a refund of Taxes.

(m) Claims. Settle any action, suit, claim or proceeding against it, except for an action, suit, claim or proceeding that is settled in the ordinary course of business in an amount or for consideration not in excess of $75,000 and that would not (1) impose any material restriction on the business of it or its Subsidiaries or, after the Effective Time, Parent or its Subsidiaries or (2) create precedent for claims that are reasonably likely to be material to it or its Subsidiaries or, after the Effective Time, Parent or its Subsidiaries.

(n) Compensation. Terminate, enter into, amend, modify (including by way of interpretation) or renew any employment, officer, consulting, severance, change in control or similar contract, agreement or arrangement with any director, officer, employee or consultant, or grant any salary or wage increase or increase any employee benefit, including incentive or bonus payments (or, with respect to any of the preceding, communicate any intention to take such action), except (1) to make changes that are required by applicable law, or (2) to satisfy Previously Disclosed contractual obligations existing as of the date hereof, or (3) annual or merit-based salary or wage increases or increases in benefits, in both cases to employees who are not executive officers or directors of the Company, undertaken in the ordinary course of business consistent with past practice and in any event not to exceed $250,000 in the aggregate.

(o) Benefit Arrangements. Terminate, enter into, establish, adopt, amend, modify (including by way of interpretation), make new grants or awards under or renew any pension, retirement, stock option, stock purchase, savings, profit sharing, deferred compensation, consulting, bonus, group insurance or other employee benefit, incentive or welfare contract, plan or arrangement, or any trust agreement (or similar arrangement) related thereto, in respect of any director, officer, employee or consultant, amend the terms of any outstanding equity-based award, take any action to accelerate the vesting, exercisability or payment (or fund or secure the payment) of stock options, restricted stock or other compensation or benefits payable thereunder or add any new participants to any non-qualified retirement plans (or, with respect to any of the preceding, communicate any intention to take such action), except (1) as required by applicable law, (2) in the ordinary course of business consistent with past practice to employees who are not executive officers or directors of the Company and in any event not to exceed $750,000 in the aggregate, (3) to satisfy Previously Disclosed contractual obligations existing as of the date hereof, (4) for amendments that do not increase benefits or result in increased administrative costs, (5) for annual bonuses to employees for 2007 in an aggregate amount not to exceed $2,000,000 consistent with the provisions of the Company's existing incentive plans, (6) for retention bonuses in an aggregate amount not to exceed $250,000, or (7) in connection with the Partners Trust Employee Savings Plan and Employee Stock Ownership Plan and Trust, any actions necessary to clarify and provide (including, but not limited to, amending such plans) that 2007 employer contributions to the Partners Trust Employee Savings Plan and allocations of employee stock ownership contributions will be made under such plans and matching contributions for the payroll period ending immediately prior to the Closing Date to the Partners Trust Employee Savings Plan, in each case as if the Closing Date were the last date of the plan year.

(p) Communication. Make any written or oral communications to the directors, officers or employees of the Company or any of its Subsidiaries pertaining to compensation or benefit matters that are affected by the transactions contemplated by this Agreement without providing Parent with a copy or written description of the intended communication and a reasonable period of time to review and comment on such communication; *provided*, *however*, that the foregoing shall not prevent human resources personnel of the Company from orally answering questions of individual employees pertaining to compensation or benefit matters with respect to such individual employee that are affected by the transactions contemplated by this Agreement on an individual basis with such employee.

(q) Adverse Actions. Notwithstanding any other provision hereof, (1) knowingly take, or knowingly omit to take, any action that would, or is reasonably likely to, prevent or impede the Merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code or (2) knowingly take, or knowingly omit to take, any action that is reasonably likely to result in any of the conditions to the Merger set forth in Article 7 not being satisfied, or any action that is reasonably likely to materially impair its ability to perform its obligations under this Agreement or to consummate the transactions contemplated hereby, except as required by applicable law or this Agreement.

(r) Commitments. Enter into any contract with respect to, or otherwise agree or commit to do, any of the foregoing.

4.2 *Forbearances of Parent.* Parent agrees that from the date hereof until the Effective Time, except as expressly permitted by this Agreement or as Previously Disclosed, without the prior written consent of the Company, it will not, and will cause each of its Subsidiaries not to:

(a) Adverse Actions. Notwithstanding any other provision hereof, (1) knowingly take, or knowingly omit to take, directly or indirectly, any action that would, or is reasonably likely to, prevent or impede the Merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code or (2) knowingly take, or knowingly omit to take, directly or indirectly, any action that is reasonably likely to result in any of the conditions to the Merger set forth in Article 7 not being satisfied, any action that is reasonably likely to materially impair its ability to perform its obligations under this Agreement or to consummate the transactions contemplated hereby, except as required by applicable law.

(b) Commitments. Enter into any contract with respect to, or otherwise agree or commit to do, any of the foregoing.

Notwithstanding anything in paragraph (a) or (b) of this Section 4.2 to the contrary, Parent may make dispositions and acquisitions and Parent may agree to issue capital stock in connection therewith.

4.3 *Coordination of Company Dividends.* The Company Board shall cause the Company's regular quarterly dividend record dates and payment dates for Company Common Stock to be the same as Parent's regular quarterly dividend record dates and payment dates for Parent Common Stock, and Company shall not thereafter change such coordinated regular dividend payment dates and record dates. Parent hereby acknowledges that, upon the consummation of the Transaction, if the Company Board properly declares a dividend on the Company Common Stock in compliance with applicable law, its organizational documents and this Section 4.3, and the Closing Date occurs after the record date for such dividend but prior to the payment date for such dividend, such declared but unpaid dividend shall be deemed to constitute debt claims of the holders of record of Company Common Stock on such record date and, accordingly, Parent shall cause such dividend to be paid.

ARTICLE 5

Representations and Warranties

5.1 *Disclosure Schedules.* Before entry into this Agreement, the Company delivered to Parent a schedule and Parent delivered to the Company a schedule (respectively, each schedule a "*Disclosure Schedule*"), setting forth, among other things, items the disclosure of which is necessary or appropriate either in response to an express disclosure requirement contained in a provision hereof or as an exception to one or more covenants contained in Article 4 or Article 6 or one or more representations or warranties contained in this Article 5; *provided* that the inclusion of an item in a Disclosure Schedule as an exception to a representation or warranty will not by itself be deemed an admission by a party that such item is material or was required to be disclosed therein.

5.2 *Standard.* For all purposes of this Agreement, no representation or warranty of the Company contained in Section 5.3 (other than the representations and warranties contained in Sections 5.3(b)(1), (c)(1) (with respect to Significant Subsidiaries only), (e), (g)(1) and (2), (h), (i), (j), (t) (other than the last clause of the last sentence of Section 5.3(t)(5)) and (v)(1), which shall be true in all material respects, and other than the representations and warranties contained in Section 5.3(k)(3), which shall be true and correct in all respects), and no representation or warranty of Parent contained in Section 5.4 (other than the representations and warranties contained in

Sections 5.4(b), (c)(1), (e), (g)(1) and (2), (i), (l) and (o), which shall be true in all material respects, and other than the representations and warranties contained in Section 5.4(j), which shall be true and correct in all respects), will be deemed untrue or incorrect, and no party will be deemed to have breached a representation or warranty, as a consequence of the existence of any fact, event or circumstance unless such fact, event or circumstance, individually or taken together with all other facts, events or circumstances inconsistent with any representation or warranty contained in Section 5.3 or 5.4, as the case may be, has had or is reasonably likely to have a Material Adverse Effect with respect to the Company or Parent, as the case may be.

5.3 *Representations and Warranties of the Company.* Except as Previously Disclosed in the comparable subsection of the Company's Disclosure Schedule, the Company hereby represents and warrants to Parent as follows:

(a) Organization, Standing and Authority. It is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. It is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the ownership or leasing of its assets or property or the conduct of its business requires such qualification. It has Previously Disclosed and made available to Parent a complete and correct copy of its Constituent Documents, each as amended to the date hereof, and such Constituent Documents are in full force and effect. It is a savings and loan holding company as defined in Section 10 of HOLA.

(b) Company Stock. (1) As of the date hereof, the authorized capital stock of the Company consists of 190,000,000 shares of Company Common Stock, of which no more than 43,465,453 shares are outstanding, and 10,000,000 shares of Company Preferred Stock, of which no shares are outstanding. As of the date hereof, under Company Stock Plans, no more than 3,220,094 shares of Company Common Stock are subject to Company Stock Options or other Rights in respect of Company Common Stock. The Company holds 7,738,142 shares of Company Common Stock as treasury shares. The outstanding shares of Company Common Stock have been duly authorized and are validly issued and outstanding, fully paid and nonassessable and are not subject to preemptive rights (and were not issued in violation of any preemptive rights). The shares of Company Common Stock issuable pursuant to Company Stock Plans have been duly authorized and, upon issuance, will be validly issued and outstanding, fully paid and nonassessable and not be subject to preemptive rights (and will not be issued in violation of any preemptive rights). The Company does not have any Rights issued or outstanding with respect to Company Stock and the Company does not have any commitment to authorize, issue or sell any Company Stock or Rights, except Company Stock Options and other Rights in respect of Company Common Stock issued on the date hereof under the Company Stock Plans, as Previously Disclosed. With respect to each Company Stock Option and other Right in respect of Company Common Stock, the Company has Previously Disclosed the recipient, the date of grant, the number of shares of Company Common Stock, the exercise price, if applicable, and any vesting schedule. It has no commitment to redeem, repurchase or otherwise acquire, or to register with the SEC, any shares of Company Stock. It has no outstanding bonds, debentures, notes or other obligations, the holders of which have the right to vote (or which are convertible into or exercisable for securities having the right to vote) on any matter.

(2) To its knowledge, there are no voting trusts, proxies, shareholder agreements or other agreements or understandings with respect to the voting of shares of Company Stock.

(c) Subsidiaries and Equity Holdings. (1) (A) It has previously disclosed a list of its Subsidiaries and it owns, directly or indirectly, all the outstanding equity securities of its Subsidiaries free and clear of Liens, and all such equity securities have been duly authorized and are validly issued and outstanding, fully paid and nonassessable; (B) no equity securities of any of its Subsidiaries are or may become required to be issued (other than to it or its wholly owned Subsidiaries) by reason of any Right or otherwise; (C) there are no contracts, commitments, arrangements or understandings by which it or any of its Subsidiaries is or may become bound to sell or otherwise transfer any equity securities of any of its Subsidiaries (other than to it or its wholly owned Subsidiaries); (D) there are no contracts, commitments, arrangements or understandings by which it or any of its Subsidiaries is or may become bound that relate to its rights to vote or dispose of any equity securities of any of its Subsidiaries; and (E) each Subsidiary that is a depository institution as defined in the Federal Deposit

Insurance Act is an “insured depository institution” as defined in the Federal Deposit Insurance Act and applicable regulations thereunder.

(2) Each of its Subsidiaries has been duly organized and is validly existing in good standing under the laws of the jurisdiction of its organization, and is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the ownership or leasing of its assets or property or the conduct of its business requires such qualification.

(3) It has Previously Disclosed a list of all equity securities that it and its Subsidiaries own, control or hold.

(d) Power. It and each of its Subsidiaries has the corporate (or comparable) power and authority to own and operate its assets and properties and to conduct its business as it is now being conducted. It has the corporate power and authority to execute, deliver and perform its obligations under this Agreement and to consummate the transactions contemplated hereby.

(e) Authority. It has duly executed and delivered this Agreement and has taken all corporate action necessary for it to execute and deliver this Agreement. Subject only to receipt of the affirmative vote of a majority of the outstanding shares of Company Common Stock**,** this Agreement, the Merger, and the other transactions contemplated hereby have been authorized by all necessary corporate action on its part. This Agreement is its valid and legally binding obligation, enforceable in accordance with its terms.

(f) Consents and Approvals. No notices, applications or other filings are required to be made by it or any of its Subsidiaries with, nor are any consents, approvals, registrations, permits, expirations of waiting periods or other authorizations required to be obtained by it or any of its Subsidiaries from, any Governmental Authority or third party in connection with the execution, delivery or performance by it of this Agreement or the consummation of the transactions contemplated hereby, except for (1) filings of applications and notices with, receipt of approvals or no objections from, and the expiration of related waiting periods, required by federal and state banking authorities, including applications and notices to the Federal Reserve Board under the BHC Act, to the Office of Thrift Supervision under HOLA, and applications and notices to the New York State Banking Department or Banking Board under the NYBL, (2) filings of applications and notices with, and receipt of approvals or nonobjections from, the SEC, state securities authorities and the NASD, (3) filing of the Registration Statement and Proxy Statement with the SEC, and declaration by the SEC of the effectiveness of the Registration Statement under the Securities Act, (4) receipt of the shareholder approval described in Section 5.3(e), (5) the filing of the Certificate of Merger with the Secretary of State of Delaware and (6) the filing with NYSE to obtain the listing authorizations contemplated by this Agreement. As of the date hereof, it is not aware of any reason why all necessary consents, approvals, permits and other authorizations will not be received in order to permit consummation of the Merger and the other transactions contemplated hereby.

(g) No Defaults. Subject to making the filings and receiving the consents and approvals referred to in Section 5.3(f), and the expiration of the related waiting periods, and required filings under federal and state securities laws, the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby do not and will not violate, conflict with, require a consent or approval under, result in a breach of, constitute a default (or an event that, with notice or lapse of time or both, would constitute a default) under, result in the right of termination of, accelerate the performance required by, increase any amount payable under, change the rights or obligations of a party under, or give rise to any Lien or penalty under, the terms, conditions or provisions of (1) its Constituent Documents or those of its Subsidiaries, (2) any contract, commitment, agreement, arrangement, understanding, indenture, lease, policy or other instrument of it or any of its Subsidiaries, or by which it or any of its Subsidiaries is bound or affected, or to which it or any of its Subsidiaries or its or their respective businesses, operations, assets or properties is subject or receives benefits or (3) any law, statute, ordinance, rule, regulation, judgment, order, decree, permit or license.

(h) Takeover Laws and Provisions. Assuming the accuracy of the representations of Parent set forth in Section 5.4(q), this Agreement and the transactions contemplated hereby are exempt from the requirements of any applicable “moratorium”, “control share”, “fair price”, “affiliate transaction”, “business combination”

laws or other applicable antitakeover laws and regulations of any state (collectively, "*Takeover Laws*"), including Section 203 of the DGCL and Article 9 and Article 11 of the Certificate of Incorporation of the Company.

(i) Financial Advisors. None of it, its Subsidiaries or any of their directors, officers or employees has employed any broker or finder or incurred any liability for any brokerage fees, commissions or finder's fees in connection with the transactions contemplated hereby, except that, in connection with this Agreement, the Company has retained Sandler O'Neill + Partners, L.P. as its exclusive financial advisor, and a complete and correct copy of its arrangements with Sandler O'Neill + Partners, L.P. have been Previously Disclosed. As of the date hereof, the Company has received the written opinion of Sandler O'Neill + Partners, L.P., issued to the Company, to the effect that the Consideration is fair from a financial point of view to holders of Company Common Stock.

(j) Financial Reports and Regulatory Filings; Material Adverse Effect. (1) Its Annual Reports on Form 10-K for the fiscal years ended December 31, 2004, 2005 and 2006, and all other reports, registration statements, definitive proxy statements or information statements filed by it or any of its Subsidiaries subsequent to December 31, 2006 under the Securities Act, or under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act, in the form filed or as thereafter amended prior to the date hereof (collectively, the "*Company SEC Filings*") with the SEC as of the date filed or amended prior to the date hereof, as the case may be, (A) complied or will comply in all material respects with the applicable requirements under the Securities Act or the Exchange Act, as the case may be, and (B) did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Each of the statements of financial position contained in or incorporated by reference into any of the Company SEC Filings (including the related notes and schedules) fairly presented or will fairly present in all material respects its financial position and that of its Subsidiaries as of the date of such statement, and each of the statements of income and changes in shareholders' equity and cash flows or equivalent statements in the Company SEC Filings (including any related notes and schedules thereto) fairly presented or will fairly present in all material respects, the results of operations, changes in shareholders' equity and changes in cash flows, as the case may be, of it and its Subsidiaries for the periods to which those statements relate, in each case in accordance with GAAP consistently applied during the periods involved, except in each case as may be noted therein, and subject to normal year-end audit adjustments and as permitted by Form 10-Q in the case of unaudited statements.

(2) The Company (A) has designed disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated Subsidiaries, is made known to the management of the Company by others within those entities, and (B) has disclosed, based on its most recent evaluation prior to the date hereof, to the Company's auditors and the audit committee of the Company's Board of Directors (1) any significant deficiencies in the design or operation of internal controls which could adversely affect in any material respect the Company's ability to record, process, summarize and report financial data and has identified for the Company's auditors any material weaknesses in internal controls and (2) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls. The Company has made available to Parent a summary of any such disclosure made by management to the Company's auditors and audit committee since January 1, 2005.

(3) Since January 1, 2005, it and each of its Subsidiaries has filed all reports and statements, together with any amendments required to be made with respect thereto, that it was required to file with (A) the Office of Thrift Supervision, (B) the FDIC and (C) any other applicable Governmental Authorities. As of their respective dates (and without giving effect to any amendments or modifications filed after the date of this Agreement with respect to reports and documents filed before the date of this Agreement), each of such reports and documents, including the financial statements, exhibits and schedules thereto, complied with all of the statutes, rules and regulations enforced or promulgated by the Governmental Authority with which they were filed.

(k) Absence of Certain Changes. Since December 31, 2006, except for liabilities incurred in connection with this Agreement or the transactions contemplated hereby, and except as Previously Disclosed, or as

disclosed in the Company SEC Filings as of the date hereof, (1) it and its Subsidiaries have not incurred any obligation or liability, whether or not accrued, contingent or otherwise and whether or not required to be disclosed, (2) it and its Subsidiaries have conducted their respective businesses in the ordinary and usual course consistent with past practice and (3) no event has occurred or fact or circumstance has arisen that, individually or taken together with all other events, facts, and circumstances (described in any paragraph of Section 5.3 or otherwise), has had or is reasonably likely to have a Material Adverse Effect with respect to it.

(l) Litigation. There is no action, suit, claim, hearing, dispute, investigation or proceeding pending or, to its knowledge, threatened against or affecting it or any of its Subsidiaries (and it is not aware of any basis for any such action, suit or proceeding), nor is there any judgment, order, decree, injunction or ruling of any Governmental Authority or arbitration outstanding against it or any of its Subsidiaries.

(m) Compliance with Laws. It and each of its Subsidiaries:

(1) operates and conducts its business in compliance with all applicable federal, state, local and foreign laws, statutes, ordinances, rules, regulations, judgments, orders or decrees applicable thereto or to the employees conducting such businesses, including the BSA and the CRA (and, with respect to the CRA, currently has a rating of “Satisfactory” or better);

(2) has all permits, licenses, authorizations, orders and approvals of, and has made all filings, applications and registrations with, all Governmental Authorities that are required in order to permit it to own or lease its assets and properties and to conduct its business as it is now being conducted, and all such permits, licenses, authorizations, orders and approvals are in full force and effect and, to its knowledge, no suspensions or cancellations are threatened;

(3) has received, since December 31, 2004, no notification from a Governmental Authority (A) asserting that it is not in compliance with any of the laws, statutes, ordinances, rules or regulations that such Governmental Authority enforces, (B) threatening to suspend, cancel, revoke or condition the continuation of any permit, license, authorization, order or approval or (C) restricting or disqualifying, or threatening to restrict or disqualify, its activities; and

(4) is in compliance with all applicable listing and corporate governance standards of the NASDAQ.

(n) Regulatory Matters. Neither it nor any of its Subsidiaries is subject to, or has been advised that it is reasonably likely to become subject to, any written order, decree, agreement, memorandum of understanding or similar arrangement with, or a commitment letter or similar submission to, or extraordinary supervisory letter from, or adopted any extraordinary board resolutions at the request of, any Governmental Authority charged with the supervision or regulation of financial institutions or issuers of securities or engaged in the insurance of deposits or otherwise involved with the supervision or regulation of it or any of its Subsidiaries.

(o) Books and Records and Internal Controls. (1) Its books and records and those of its Subsidiaries have been fully, properly and accurately maintained in all material respects, and there are no material inaccuracies or discrepancies of any kind contained or reflected therein.

(2) The records, systems, controls, data and information of it and its Subsidiaries are recorded, stored, maintained and operated under means (including any electronic, mechanical or photographic process, whether computerized or not) that are under the exclusive ownership and direct control of it or its Subsidiaries or accountants (including all means of access thereto and therefrom), except for any non-exclusive ownership and non-direct control that would not reasonably be expected to have a materially adverse effect on the system of internal accounting controls described in the following sentence. It and its Subsidiaries have established and maintain a system of internal accounting controls sufficient to provide reasonable assurances regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP.

(p) Intellectual Property. (1) It has Previously Disclosed all Registered and/or material Intellectual Property owned by it and its Subsidiaries (collectively, the “*Scheduled Intellectual Property*”). It or its relevant Subsidiary exclusively owns (beneficially, and of record where applicable) all Scheduled Intellectual Property, free and clear of all encumbrances, exclusive licenses and non-exclusive licenses not granted in the ordinary course of business. The Scheduled Intellectual Property is valid, subsisting and enforceable, and is not subject

to any outstanding order, judgment, decree or agreement adversely affecting the Company's use thereof or its rights thereto. It and its Subsidiaries have sufficient rights to use all Intellectual Property used in its business as presently conducted. It and its Subsidiaries are not infringing or otherwise violating and have not in the past three years infringed or otherwise violated the Intellectual Property rights of any third party. Consummation of the transactions contemplated by this Agreement will not create any rights by third parties to use any Intellectual Property owned by Parent or Parent's Subsidiaries. To the Company's knowledge, no person is violating any Scheduled Intellectual Property right or other Intellectual Property right that the Company or one of its Subsidiaries holds exclusively (including in combination with one another).

(2) It and its Subsidiaries have taken reasonable measures to protect the confidentiality of all Trade Secrets that are owned, used or held by it and its Subsidiaries, and to the Company's knowledge, such trade secrets have not been used, disclosed to or discovered by any person except pursuant to valid and appropriate non-disclosure and/or license agreements which have not been breached. All material Intellectual Property developed under contract to the Company has been assigned to the Company.

(3) The IT Assets operate and perform in all material respects in accordance with their documentation and functional specifications and otherwise as required by the Company in connection with its business, and have not materially malfunctioned or failed within the past three (3) years. The IT Assets do not contain any "time bombs," "Trojan horses," "back doors," "trap doors," "worms," viruses, bugs, faults or other devices or effects that (A) enable or assist any person to access without authorization the IT Assets, or (B) otherwise significantly adversely affect the functionality of the IT Assets, except as disclosed in the documentation for the IT Assets. To the Company's knowledge, no person has gained unauthorized access to the IT Assets. The Company and its Subsidiaries have implemented reasonable backup, security and disaster recovery technology consistent with industry practices. The Company and its Subsidiaries take reasonable measures, which are adequate to comply with applicable law, to protect the confidentiality of customer financial and other data.

(q) Taxes. (1) All Tax Returns that are required to be filed (taking into account any extensions of time within which to file) by or with respect to the Company and its Subsidiaries have been duly, timely and accurately filed and are or will be true and complete in all material respects, (2) all Taxes shown to be due on the Tax Returns referred to in clause (1) have been paid in full, (3) except for the Tax Returns set forth in the Company Disclosure Schedule, the Tax Returns referred to in clause (1) have been examined by the Internal Revenue Service (*"IRS"*) or the appropriate state, local or foreign taxing authority or the period for assessment of the Taxes in respect of which such Tax Returns were required to be filed has expired and no issues that have been raised by the relevant taxing authority in connection with the examination of such Tax Returns are currently pending, (4) all Taxes that the Company or any of its Subsidiaries are obligated to withhold from amounts owing to any employee, creditor or third party have been paid over to the proper Governmental Authority in a timely manner, to the extent due and payable, and (5) no extensions or waivers of statutes of limitation have been given by or requested with respect to any of the Company's United States federal income taxes or those of its Subsidiaries. The Company has made provision in accordance with GAAP, in the Company SEC Filings filed before the date hereof, for all Taxes that accrued on or before the end of the most recent period covered by its Company SEC Filings filed before the date hereof. As of the date hereof, neither the Company nor any of its Subsidiaries has any reason to believe that any conditions exist that could reasonably be expected to prevent or impede the Merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code. No Liens for Taxes exist with respect to any of the Company's assets or properties or those of its Subsidiaries, except for statutory Liens for Taxes not yet due and payable or that are being contested in good faith and reserved for in accordance with GAAP. Neither the Company nor any of its Subsidiaries has been a party to any distribution occurring during the two-year period prior to the date of this Agreement in which the parties to such distribution treated the distribution as one to which Section 355 of the Code applied, except for distributions occurring among members of the same group of affiliated corporations filing a consolidated federal income tax return. Neither the Company nor any of its Subsidiaries have participated in any reportable or listed transaction as defined under Section 6011 of the Code. If the Company or any of its Subsidiaries have participated in a reportable or listed transaction, such entity has properly disclosed such transaction in accordance with the applicable Tax regulations.

(r) Environmental Matters. There are no proceedings, claims, actions, or investigations of any kind, pending or, to the knowledge of the Company, threatened, in any court, agency, or other Governmental Authority or in any arbitral body, arising under any Environmental Law; to the Company's knowledge, there is no reasonable basis for any such proceeding, claim, action or investigation; there are no agreements, orders, judgments or decrees by or with any court, regulatory agency or other Governmental Authority, imposing liability or obligation under or in respect of any Environmental Law; there are and have been no Materials of Environmental Concern or other conditions at any property (owned, operated, or otherwise used by, or the subject of a security interest on behalf of (but in the case of property subject to such a security interest only the knowledge of the Company and its subsidiaries after reasonable inquiry), it or any of its subsidiaries); and, to the Company's knowledge, there are no reasonably anticipated future events, conditions, circumstances, practices, plans, or legal requirements that could give rise to obligations or liabilities under any Environmental Law.

(s) Labor Matters. Neither it nor any of its Subsidiaries is a party to or is otherwise bound by any collective bargaining agreement, contract or other agreement, arrangement or understanding with a labor union or labor organization, and neither it nor any of its Subsidiaries is the subject of a proceeding asserting that it or any of its Subsidiaries has committed an unfair labor practice or seeking to compel it to bargain with a labor union or labor organization. There is no pending or, to its knowledge, threatened, nor has there been since December 31, 2004, labor strike, dispute, walk-out, work stoppage, slow-down or lockout involving it or any of its Subsidiaries. Since December 31, 2004, there has been no activity involving it or any of its Subsidiaries' employees seeking to certify a collective bargaining unit or engaging in any other organization activity.

(t) Benefit Arrangements. (1) It has Previously Disclosed a complete and correct list of all of its Benefit Arrangements. It has made available to Parent complete and correct copies of all Benefit Arrangements, including any trust instruments, insurance contracts and loan agreements forming a part of any Benefit Arrangements, and all amendments thereto.

(2) All of its Benefit Arrangements are in substantial compliance with ERISA, the Code and other applicable laws. Each of its Benefit Arrangements that is an "employee pension benefit plan" within the meaning of Section 3(2) of ERISA (*"Pension Plan"*), and that is intended to be qualified under Section 401(a) of the Code, has received a favorable determination letter from the IRS or may rely upon an opinion letter issued by the IRS as to the qualified status of such plan under Code Section 401(a), and it is not aware of circumstances reasonably likely to result in the loss of the qualification of such Pension Plan under Section 401(a) of the Code. There is no pending or, to the knowledge of it, threatened, litigation relating to its Benefit Arrangements. Neither it nor any of its Subsidiaries has engaged in a transaction with respect to any of its Benefit Arrangements that, assuming the taxable period of such transaction expired as of the date hereof, could subject it or any of its Subsidiaries to a tax or penalty imposed by either Section 4975 of the Code or Section 502(i) of ERISA in an amount that would be material. Neither it nor any of its Subsidiaries has incurred or reasonably expects to incur a tax or penalty imposed by Section 4980F of the Code or Section 502 of ERISA in an amount that would be material.

(3) No liability under Subtitle C or D of Title IV of ERISA has been or is reasonably expected to be incurred by it or any of its Subsidiaries with respect to any ongoing, frozen or terminated "single-employer plan", within the meaning of Section 4001(a)(15) of ERISA, currently or formerly maintained by any of them, or the single-employer plan of any entity that is considered one employer with it under Section 4001 of ERISA or Section 414 of the Code (an "*ERISA Affiliate*"). None of it, any of its Subsidiaries or any of its ERISA Affiliates has contributed to a "multiemployer plan", within the meaning of Section 3(37) of ERISA, at any time within the last six years. No notice of a "reportable event", within the meaning of Section 4043 of ERISA for which the 30-day reporting requirement has not been waived or extended, other than pursuant to Pension Benefit Guaranty Corporation Reg. Section 4043.66, has been required to be filed for any of its Pension Plans or by any of its ERISA Affiliates within the 12-month period ending on the date hereof.

(4) All contributions required to be made under the terms of any of its Benefit Arrangements have been timely made and all obligations in respect of each of its Benefits Arrangements have been properly accrued or reflected on its most recent consolidated financial statements included in its Company SEC Filings. None of its

Pension Plans or any single-employer plan of any of its ERISA Affiliates has an "accumulated funding deficiency" (whether or not waived) within the meaning of Section 412 of the Code or Section 302 of ERISA and none of its ERISA Affiliates has an outstanding funding waiver. Neither it nor any of its Subsidiaries has provided, or is required to provide, security to any of its Pension Plans or to any single-employer plan of any of its ERISA Affiliates pursuant to Section 401(a)(29) of the Code.

(5) Under each Pension Plan that is a single-employer plan, as of the last day of the most recent plan year ended prior to the date hereof, the actuarially determined present value of all "benefit liabilities", within the meaning of Section 4001(a)(16) of ERISA (as determined on the basis of the actuarial assumptions contained in such Pension Plan's most recent actuarial valuation), did not exceed the then current value of the assets of such Pension Plan, and there has been no change in the financial condition of such Pension Plan since the last day of the most recent plan year.

(6) Neither it nor any of its Subsidiaries has any obligations for retiree health and life benefits under any Benefit Arrangement or collective bargaining agreement. Either it or its Subsidiaries may amend or terminate any such plan at any time without incurring any liability thereunder other than in respect of claims incurred prior to such amendment or termination.

(7) Neither its execution of this Agreement, the performance of its obligations hereunder, the consummation of the transactions contemplated hereby, nor shareholder approval of the transactions contemplated hereby, will (A) limit or restrict its right, or, following the consummation of the transactions contemplated hereby, Parent's right, to administer, merge or amend in any respect or terminate any of its Benefit Arrangements, (B) entitle any of its employees or any employees of its Subsidiaries to severance pay or any increase in severance pay upon any termination of employment after the date hereof, or (C) accelerate the time of payment or vesting or result in any payment or funding (through a grantor trust or otherwise) of compensation or benefits under, increase the amount payable or trigger any other material obligation pursuant to, any of its Benefit Arrangements. Except as Previously Disclosed, without limiting the foregoing, as a result of the consummation of the transactions contemplated hereby (including as a result of the termination of the employment of any of its employees within a specified time of the Effective Time) neither it nor any of its Subsidiaries will be obligated to make a payment to an individual that would be a "parachute payment" to a "disqualified individual" as those terms are defined in Section 280G of the Code, without regard to whether such payment is reasonable compensation for personal services performed or to be performed in the future.

(8) All Benefit Arrangements that are "nonqualified deferred compensation plans" (within the meaning of Section 409A of the Code) have been maintained and administered in good faith compliance with the requirements of Section 409A of the Code and any regulations or other guidance issued thereunder.

(9) Section 5.3(b) of the Company's Disclosure Schedule sets forth a true and correct copy of the outstanding Company Stock Options and the corresponding Company Stock Plan pursuant to which such Company Stock Options were issued.

(u) Property. It has good, and, in the case of owned real property, insurable, title to, or, in the case of securities and investments, a "security entitlement" (as defined in the Uniform Commercial Code) in, or in the case of leased property, a valid leasehold interest in, all property (whether real or personal, tangible or intangible, and including securities and investments) and assets purported to be owned or leased by it or any of its Subsidiaries, and such property and assets are not subject to any Liens except mechanics', workmen's, repairmen's, warehousemen's, carriers' or similar Liens arising in the ordinary course of business consistent with past practice. No other party has any interest in any mineral, mining, oil or gas rights to produce or share in the production of anything related thereto, relating to any real property owned by it or its Subsidiaries.

(v) Material Contracts. (1) It has Previously Disclosed and made available to Parent complete and correct copies of the following Contracts ("*Material Contracts*") to which, as of the date hereof, it or any of its

Subsidiaries is a party, or by which it or any of its Subsidiaries may be bound, or to which it or any of its Subsidiaries or their respective assets or properties may be subject:

(A) any lease of real property;

(B) any partnership, limited liability company, joint venture or other similar agreement or arrangement;

(C) any Contract relating to the acquisition or disposition of any business or operations (whether by merger, sale of stock, sale of assets or otherwise) as to which there are any ongoing obligations or that was entered into on or after December 31, 2005;

(D) any Contract for the purchase of services, materials, supplies, goods, equipment or other assets or property that provides for either (i) annual payments of $100,000 or more, or (ii) aggregate payments of $100,000 or more;

(E) any Contract that creates future payment obligations in excess of $100,000 and that by its terms does not terminate or is not terminable without penalty upon notice of 60 days or less, or any Contract that creates or would create a Lien;

(F) any Contract providing for a power of attorney on behalf of it;

(G) any non-competition or non-solicitation Contract or any other Contract (1) that limits, purports to limit, or would limit in any respect the manner in which, or the localities in which, any business of the Company or its affiliates is or could be conducted or the types of business that the Company or its affiliates conducts or may conduct, (2) that could reasonably be expected to limit or purport to limit in any respect the manner in which, or the localities in which, any business of Parent or any of its affiliates (collectively, the "*Post-Merger Parent Entities*"), is or could be conducted or the types of business that the Post-Merger Parent Entities conduct or may conduct, or (3) that limits, purports to limit or would limit in any way the ability of the Company or its affiliates or the Post-Merger Parent Entities to solicit prospective employees;

(H) any Contract, other than this Agreement, that requires the Company to disclose confidential information or to indemnify or hold harmless any person;

(I) any Contract, other than this Agreement, with (i) any Company Affiliate of it, (ii) any current or former director, officer, employee, consultant or shareholder of it or any Affiliate of it, or (iii) any "associate" or member of the "immediate family" (as such terms are respectively defined in Rule 12b-2 and Rule 16a-1 of the Exchange Act) of a person identified in clauses (i) or (ii) of this paragraph;

(J) any Contract with a Governmental Authority;

(K) any other Contract not entered into in the ordinary course of business or that is material to it or its financial condition or results of operations; and

(L) any Contract that is a "material contract" within the meaning of Item 601(b)(10) of the SEC's Regulation S-K.

(2) Each Material Contract is a valid and legally binding agreement of it or a Subsidiary of it, as applicable, and, to its knowledge, the counterparty or counterparties thereto, is enforceable in accordance with its terms (except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and similar laws of general applicability relating to or affecting creditors' rights or by general equity principles) and is in full force and effect. Neither it nor any of its Subsidiaries, and, to its knowledge, any counterparty or counterparties, is in breach of any provision of or in default (or, with the giving of notice or lapse of time or both, would be in default) under, and has not taken any action resulting in the termination of, acceleration of performance required by, or resulting in a right of termination or acceleration under, any Material Contract.

(w) Material Interests of Certain Persons. No officer or director of it or any of its Subsidiaries, or "associate" (as such term is defined in Rule 12b-2 under the Exchange Act) of any such officer or director, has

any material interest in any material property (whether real or personal, tangible or intangible) or Contract used in or pertaining to the business of it or any of its Subsidiaries. All transactions between any such person and the Company or any of its Subsidiaries have been conducted and are being performed on an arm's length basis.

(x) Insurance Coverage. To its knowledge, it and each of its Subsidiaries maintain adequate insurance coverage for all normal risks incident to the respective businesses of it and each of its Subsidiaries and their respective properties and assets. To its knowledge, such coverage is of a character and amount at least equivalent to that typically carried by persons engaged in similar businesses and subject to the same or similar perils or hazards. It has Previously Disclosed a complete and correct list of each Contract representing such coverage.

(y) Trust Business. It and each of its Subsidiaries has properly administered all accounts for which it acts as a fiduciary, including but not limited to, accounts for which it serves as trustee, agent, custodian, personal representative, guardian, conservator or investment advisor, in accordance with the terms of the governing documents and applicable laws and regulations. Neither it nor its Subsidiaries, nor any of their respective directors, officers or employees, has committed any breach of trust with respect to any such fiduciary account and the records for each such fiduciary account.

(z) Extensions of Credit. Each loan, revolving credit facility, letter of credit, repurchase agreement or other extension of credit or commitment to extend credit (collectively, "*Extensions of Credit*") made or entered into by it or one of its Subsidiaries is evidenced by promissory notes or other evidences of indebtedness, which, together with all security agreements and guarantees, are valid and legally binding obligations of it or one of its Subsidiaries and, to its knowledge, the counterparty or counterparties thereto, are enforceable in accordance with their terms (except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and similar laws of general applicability relating to or affecting creditors' rights or by general equity principles) and are in full force and effect. Neither it nor any of its Subsidiaries, and, to its knowledge, any counterparty or counterparties, is in breach of any provision of or in default (or, with the giving of notice or lapse of time or both, would be in default) under, and has not taken any action resulting in the termination of, acceleration of performance required by, or resulting in a right of termination or acceleration under, any Extension of Credit. It has Previously Disclosed a complete and correct list of all Extensions of Credit that have been classified by it or any Governmental Authority as "Special Mention", "Substandard", and "Doubtful", "Loss", "Classified", "Criticized" or words of similar import.

(aa) Interest Rate Risk Management Instruments. All interest rate swaps, caps, floors and option agreements and other interest rate risk management arrangements, whether entered into for the account of it or for the account of a customer of it or one of its Subsidiaries (collectively, "*Interest Rate Instruments*"), were entered into in the ordinary course of business and in accordance with prudent banking practice and applicable rules, regulations and policies of any Governmental Authority and with counterparties believed to be financially responsible at the time and are Previously Disclosed. All Interest Rate Instruments are valid and legally binding obligations of it or one of its Subsidiaries and, to its knowledge, the counterparty or counterparties thereto, are enforceable in accordance with their terms (except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and similar laws of general applicability relating to or affecting creditors' rights or by general equity principles) and are in full force and effect. Neither it nor any of its Subsidiaries, and, to its knowledge, any counterparty or counterparties, is in breach of any provision of or in default (or, with the giving of notice or lapse of time or both, would be in default) under, and has not taken any action resulting in the termination of, acceleration of performance required by, or resulting in a right of termination or acceleration under, any Interest Rate Instrument.

(bb) Stock Options. Each Company Stock Option (1) was granted in compliance with all applicable Laws and all of the terms and conditions of the Company Stock Plans pursuant to which it was issued, (2) has an exercise price per share of Company Common Stock equal to or greater than the fair market value of a share of Company Common Stock on the date of such grant, (3) has a grant date identical to the date on which the Company's Board of Directors or Compensation Committee actually awarded such Company Option, and

(4) qualifies for the tax and accounting treatment afforded to such Company Option in the Company's tax returns and the Company Financial Statements, respectively.

5.4 *Representations and Warranties of Parent and Merger Sub.* Except as Previously Disclosed in the comparable subsection of Parent's Disclosure Schedule, Parent and Merger Sub each hereby represents and warrants to the Company as follows:

(a) Organization, Standing and Authority. Each of Parent and Merger Sub is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation. Each of Parent and Merger Sub is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the ownership or leasing of its assets or property or the conduct of its business requires such qualification. Parent is a bank holding company under the BHC Act.

(b) Parent Stock. As of the date hereof, the authorized capital stock of Parent consists of 250,000,000 shares of Parent Common Stock and 1,000,000 shares of Parent Preferred Stock. As of June 30, 2007, no more than 107,146,178 shares of Parent Common Stock and no shares of Parent Preferred Stock were outstanding (with 13,250,433 shares of Parent Common Stock being held in Parent's treasury). As of the date hereof, no more than 120,396,611 shares of Parent Common Stock are issued and no shares of Parent Preferred Stock are outstanding. As of the date hereof, no more than 11,514,349 shares of Parent Common Stock are subject to Parent Stock Options or other Rights in respect of Parent Common Stock granted under the Parent Stock Plans. The outstanding shares of Parent Common Stock have been duly authorized and are validly issued and outstanding, fully paid and nonassessable and are not subject to preemptive rights (and were not issued in violation of any preemptive rights). As of the date hereof, Parent does not have any Rights issued or outstanding with respect to Parent Stock and Parent does not have any commitment to authorize, issue or sell any Parent Stock or Rights, except pursuant to this Agreement, outstanding Parent Stock Options and the Parent Stock Plans. The shares of Parent Common Stock to be issued in the Merger, when so issued in accordance with this Agreement, will have been duly authorized and validly issued and will be fully paid and nonassessable and not subject to any preemptive rights (and will not have been issued in violation of any preemptive rights).

(c) Significant Subsidiaries. (1) (A) Parent owns, directly or indirectly, all the outstanding equity securities of its Significant Subsidiaries free and clear of Liens, and all such equity securities have been duly authorized and are validly issued and outstanding, fully paid and nonassessable; (B) no equity securities of any of its Significant Subsidiaries are or may become required to be issued (other than to it or its wholly owned Subsidiaries) by reason of any Right or otherwise; (C) there are no contracts, commitments, arrangements or understandings by which it or any of its Significant Subsidiaries is or may become bound to sell or otherwise transfer any equity securities of any of its Significant Subsidiaries (other than to it or its wholly owned Subsidiaries); (D) there are no contracts, commitments, arrangements or understandings by which it or any of its Significant Subsidiaries is or may become bound that relate to its rights to vote or dispose of any equity securities of any of its Significant Subsidiaries; and (E) each Significant Subsidiary that is a bank (as defined in the BHC Act) is an "insured bank" as defined in the Federal Deposit Insurance Act and applicable regulations thereunder.

(2) Each of Parent's Significant Subsidiaries has been duly organized and is validly existing in good standing under the laws of the jurisdiction of its organization, and is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the ownership or leasing of its assets or property or the conduct of its business requires such qualification.

(d) Power. Parent and each of its Subsidiaries has the corporate (or comparable) power and authority to own and operate its assets and properties and to conduct its business as it is now being conducted. Parent and Merger Sub each has the corporate power and authority to execute, deliver and perform its obligations under this Agreement and to consummate the transactions contemplated hereby.

(e) Authority. Each of Parent and Merger Sub has duly executed and delivered this Agreement and has taken all corporate action necessary for it to execute and deliver this Agreement. This Agreement, the Merger and the other transactions contemplated hereby have been authorized by all necessary corporate action on

Parent's and Merger Sub's part. This Agreement is Parent's and Merger Sub's valid and legally binding obligation, enforceable in accordance with its terms.

(f) Consents and Approvals. No notices, applications or other filings are required to be made by Parent or any of its Subsidiaries with, nor are any consents, approvals, registrations, permits, expirations of waiting periods or other authorizations required to be obtained by it or any of its Subsidiaries from, any Governmental Authority or third party in connection with the execution, delivery or performance by it and Merger Sub of this Agreement or the consummation of the transactions contemplated hereby, except for (1) filings of applications and notices with, receipt of approvals or no objections from, and the expiration of related waiting periods, required by federal and state banking authorities, including applications and notices to the Federal Reserve Board under the BHC Act, to the Office of Thrift Supervision under HOLA, and applications and notices to the New York State Banking Department or Banking Board under the NYBL, (2) filings of applications and notices with, and receipt of approvals or nonobjections from, the SEC, state securities authorities, the NASD, and other self-regulatory organizations, (3) filing of the Registration Statement and Proxy Statement with the SEC, and declaration by the SEC of the effectiveness of the Registration Statement under the Securities Act, (4) the filing of the Certificate of Merger with the Secretary of State of Delaware, and (5) the filing with NYSE to obtain the listing authorizations contemplated by this Agreement. As of the date hereof, Parent is not aware of any reason why all necessary consents, approvals, permits and other authorizations will not be received in order to permit consummation of the Merger and the transactions contemplated hereby.

(g) No Defaults. Subject to making the filings and receiving the consents and approvals referred to in Section 5.4(f), and the expiration of the related waiting periods, and required filings under federal and state securities laws, the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby do not and will not violate, conflict with, require a consent or approval under, result in a breach of, constitute a default (or an event that, with notice or lapse of time or both, would constitute a default) under, result in the right of termination of, accelerate the performance required by, increase any amount payable under, change the rights or obligations of a party under, or give rise to any Lien or penalty under, the terms, conditions or provisions of (1) the Constituent Documents of Parent or those of its Subsidiaries, (2) any contract, commitment, agreement, arrangement, understanding, indenture, lease, policy or other instrument of Parent or any of its Subsidiaries, or by which it or any of its Subsidiaries is bound or affected, or to which it or any of its Subsidiaries or its or their respective businesses, operations, assets or properties is subject or receives benefits or (3) any law, statute, ordinance, rule, regulation, judgment, order, decree, permit or license.

(h) Financial Advisors. None of Parent, its Subsidiaries or any of their directors, officers or employees has employed any broker or finder or incurred any liability for any brokerage fees, commissions or finder's fees in connection with the transactions contemplated hereby.

(i) Financial Reports and Regulatory Filings. (1) Parent's Annual Reports on Form 10-K for the fiscal years ended December 31, 2004, 2005 and 2006, and all other reports, registration statements, definitive proxy statements or information statements filed by it or any of its Subsidiaries subsequent to December 31, 2006 under the Securities Act, or under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act, in the form filed or as thereafter amended prior to the date hereof (collectively, the "*Parent SEC Filings*") with the SEC as of the date filed or amended prior to the date hereof, as the case may be, (A) complied or will comply in all material respects with the applicable requirements under the Securities Act or the Exchange Act, as the case may be, and (B) did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Each of the statements of financial position contained in or incorporated by reference into any of the Parent SEC Filings (including the related notes and schedules) fairly presented or will fairly present in all material respects Parent's financial position and that of its Subsidiaries as of the date of such statement, and each of the statements of income and changes in shareholders' equity and cash flows or equivalent statements in the Parent SEC Filings (including any related notes and schedules thereto) fairly presented or will fairly present in all material respects, the results of operations, changes in shareholders' equity and changes in cash flows, as the case may be, of Parent and its Subsidiaries for the periods to which those statements relate, in each case in accordance with GAAP

consistently applied during the periods involved, except in each case as may be noted therein, and subject to normal year end audit adjustments and as permitted by Form 10-Q in the case of unaudited statements.

(2) Parent (A) has designed disclosure controls and procedures to ensure that material information relating to Parent, including its consolidated Subsidiaries, is made known to the management of Parent by others within those entities, and (B) has disclosed, based on its most recent evaluation prior to the date hereof, to Parent's auditors and the audit committee of Parent's Board of Directors (1) any significant deficiencies in the design or operation of internal controls which could adversely affect in any material respect Parent's ability to record, process, summarize and report financial data and has identified for Parent's auditors any material weaknesses in internal controls and (2) any fraud, whether or not material, that involves management or other employees who have a significant role in Parent's internal controls.

(3) Since January 1, 2004, Parent and each of its Subsidiaries has filed all reports and statements, together with any amendments required to be made with respect thereto, that it was required to file with (A) the Federal Reserve Board, (B) the FDIC and (C) any other applicable Governmental Authorities. As of their respective dates (and without giving effect to any amendments or modifications filed after the date of this Agreement with respect to reports and documents filed before the date of this Agreement), each of such reports and documents, including the financial statements, exhibits and schedules thereto, complied with all of the statutes, rules and regulations enforced or promulgated by the Governmental Authority with which they were filed.

(j) Absence of Certain Changes. Since December 31, 2006, no event has occurred or fact or circumstance has arisen that, individually or taken together with all other events, facts, and circumstances (described in any paragraph of Section 5.4 or otherwise), has had or is reasonably likely to have a Material Adverse Effect with respect to Parent or Merger Sub.

(k) Litigation. There is no action, suit, claim, hearing, dispute, investigation or proceeding pending or, to its knowledge, threatened against or affecting Parent or any of its Subsidiaries (and it is not aware of any basis for any such action, suit or proceeding), nor is there any judgment, order, decree, injunction or ruling of any Governmental Authority or arbitration outstanding against Parent or any of its Subsidiaries.

(l) Compliance with Laws. Parent and each of its Subsidiaries:

(1) operates and conducts its business in compliance with all applicable federal, state, local and foreign laws, statutes, ordinances, rules, regulations, judgments, orders or decrees applicable thereto or to the employees conducting such businesses, including the BSA and the CRA (and, with respect to the CRA, currently has a rating of "Satisfactory" or better);

(2) has all permits, licenses, authorizations, orders and approvals of, and has made all filings, applications and registrations with, all Governmental Authorities that are required in order to permit it to own or lease its assets and properties and to conduct its business as it is now being conducted, and all such permits, licenses, authorizations, orders and approvals are in full force and effect and, to its knowledge, no suspensions or cancellations are threatened;

(3) has received, since December 31, 2004, no notification from a Governmental Authority (A) asserting that it is not in compliance with any of the laws, statutes, ordinances, rules or regulations that such Governmental Authority enforces, (B) threatening to suspend, cancel, revoke or condition the continuation of any permit, license, authorization, order or approval or (C) restricting or disqualifying, or threatening to restrict or disqualify, its activities; and

(4) is in compliance with all applicable listing and corporate governance standards of the NYSE.

(m) Regulatory Matters. Neither Parent nor any of its Subsidiaries is subject to, or has been advised that it is reasonably likely to become subject to, any written order, decree, agreement, memorandum of understanding or similar arrangement with, or a commitment letter or similar submission to, or extraordinary supervisory letter from, or adopted any extraordinary board resolutions at the request of, any Governmental Authority charged with the supervision or regulation of financial institutions or issuers of securities or engaged in the insurance of deposits or otherwise involved with the supervision or regulation of it or any of its Subsidiaries.

(n) Books and Records and Internal Controls. (1) Parent's books and records and those of its Subsidiaries have been fully, properly and accurately maintained in all material respects, and there are no material inaccuracies or discrepancies of any kind contained or reflected therein.

(2) The records, systems, controls, data and information of Parent and its Subsidiaries are recorded, stored, maintained and operated under means (including any electronic, mechanical or photographic process, whether computerized or not) that are under the exclusive ownership and direct control of Parent or its Subsidiaries or accountants (including all means of access thereto and therefrom), except for any non-exclusive ownership and non-direct control that would not reasonably be expected to have a materially adverse effect on the system of internal accounting controls described in the following sentence. Parent and its Subsidiaries have established and maintain a system of internal accounting controls sufficient to provide reasonable assurances regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP.

(o) Available Funds. Parent has, and as of the Closing Date will have, funds necessary to satisfy its and Merger Sub's obligations in connection with the Merger and the transactions contemplated hereby. It anticipates that, on a *pro forma* basis, upon consummation of the transactions contemplated hereby, it and Parent Bank will have the capital levels required to be "well capitalized" on a consolidated basis under applicable law.

(p) Taxes. As of the date hereof, neither Parent nor any of its Subsidiaries has any reason to believe that any conditions exist that could reasonably be expected to prevent or impede the Merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code.

(q) Ownership of Company Common Stock. Parent, together with its "Affiliates" and "Associates," is not, nor at any time during the last three years has it been, an "Interested Stockholder" of the Company as such terms are defined in Section 203 of the DGCL.

(r) Extensions of Credit. Each Extension of Credit made or entered into by it or one if its Subsidiaries is evidenced by promissory notes or other evidence of indebtedness, which, together with all security agreements and guarantees, are valid and legally binding obligations of it or one of its Subsidiaries and, to its knowledge, the counterparty or counterparties thereto, are enforceable in accordance with their terms (except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and similar laws of general applicability relating to or affecting creditors' rights or by general equity principles) and are in full force and effect.

(s) Stock Options. Each of Parent's Stock Options (1) was granted in compliance with all applicable Laws and all of the terms and conditions of the Parent Stock Plans pursuant to which it was issued, (2) has an exercise price per share of Parent Common Stock equal to or greater than the fair market value of a share of Parent Common Stock on the date of such grant, (3) has a grant date identical to the date on which Parent's Board of Directors or Compensation Committee actually awarded such Parent's Stock Option, and (4) qualifies for the tax and accounting treatment afforded to such Parent's Stock Option in Parent's tax returns and Parent's financial statements, respectively.

ARTICLE 6

Covenants

6.1 *Reasonable Best Efforts.* (a) Subject to the terms and conditions of this Agreement, the Company and Parent will use reasonable best efforts to take, or cause to be taken, in good faith, all actions, and to do, or cause to be done, all things necessary, proper or desirable, or advisable under applicable laws, so as to permit consummation of the Merger and the Other Mergers as promptly as practicable and otherwise to enable consummation of the transactions contemplated hereby, and each will cooperate fully with, and furnish information to, the other party to that end. In connection with the Company's and Parent's respective obligations to cooperate and cause the conversion of the operating systems of the Company Bank to the operating systems of Parent Bank at the Effective Time, the Company shall, commencing as of the date of this Agreement, provide Parent and Parent Bank with full

access to the Company Bank's offices, systems and facilities and all relevant information and personnel at such times and places as Parent Bank shall request (in connection therewith, the parties shall cooperate towards causing the least possible disruption to the Company's and Company Bank's employees, customers and operations), allow Parent Bank to implement such changes as shall be reasonably necessary to effect the conversion at the Effective Time and diligently assist Parent Bank in making and sending notices, information and materials to the customers and service providers of the Company and its Subsidiaries at such times as Parent deems appropriate and otherwise preparing for the conversion. (b) The Company and Parent will give prompt notice to the other of any fact, event or circumstance known to it that (i) is reasonably likely, individually or taken together with all other facts, events and circumstances known to it, to result in any Material Adverse Effect with respect to it or (ii) would cause or constitute a breach of any of its representations, warranties, covenants or agreements contained herein that reasonably could be expected to give rise, individually or in the aggregate, to the failure of a condition in Article 7.

6.2 *Stockholder Approval.* (a) The Company Board has adopted resolutions recommending to the Company's stockholders approval of this Agreement, the Merger and any other matters required to be approved or adopted in order to effect the Merger and the other transactions contemplated hereby.

(b) The Company Board will submit to its shareholders this Agreement, the Merger and any other matters required to be approved or adopted by such shareholders in order to carry out the intentions of this Agreement. In furtherance of that obligation, the Company will take, in accordance with applicable law and its Constituent Documents, all action necessary to convene a meeting of its stockholders (including any adjournment or postponement, the "*Company Meeting*") as promptly as practicable to consider and vote upon approval of this Agreement, the Merger and any such other matters. The Company and the Company Board will use its reasonable best efforts to obtain from its stockholders a vote adopting and approving this Agreement, the Merger and any such other matters, including by recommending that its shareholders vote in favor of this Agreement, the Merger and any such other matters. However, if the Company Board, after consultation with (and based on the advice of) counsel, determines in good faith that, because of the receipt of an Acquisition Proposal that the Company Board concludes in good faith constitutes a Superior Proposal, it would be inconsistent with its fiduciary duties under applicable law to continue to recommend this Agreement and the Merger, then, in submitting this Agreement and the Merger to the Company Meeting, the Company Board may submit such items without recommendation (although the resolutions adopting such items prior to the date hereof, described in Section 6.2(a), may not be rescinded or amended), in which event the Company Board may communicate the basis for its lack of a recommendation to the stockholders in the Proxy Statement or an appropriate amendment or supplement thereto to the extent required by law; *provided* that the Company Board may not take any actions under this sentence until after giving Parent at least 10 business days to respond to such Acquisition Proposal (and after giving Parent notice of the third party in the Acquisition Proposal and the latest material terms and conditions of the Acquisition Proposal) and then taking into account any amendment or modification to this Agreement proposed by Parent.

6.3 *Regulatory Applications.* (a) The Company and Parent and their respective Subsidiaries will cooperate and use reasonable best efforts to prepare as promptly as practicable all documentation, to make all filings and to obtain all consents, approvals, permits and other authorizations of all Governmental Authorities and third parties to consummate the Merger and the other transactions contemplated hereby, including the Other Mergers (the "*Requisite Regulatory Approvals*"). Each of the Company and Parent will have the right to review in advance, and to the extent practicable each will consult with the other, in each case subject to applicable laws relating to the exchange of information, with respect to all material written information submitted to any third party or any Governmental Authority in connection with the Requisite Regulatory Approvals. In exercising the foregoing right, each of the parties will act reasonably and as promptly as practicable. Each party agrees that it will consult with the other party with respect to obtaining all material permits, consents, approvals and authorizations of all third parties and Governmental Authorities necessary or advisable to consummate the transactions contemplated hereby and each party will keep the other party appraised of the status of material matters relating to completion of the transactions contemplated hereby. Parent agrees that it shall file the required applications and notices, as applicable, to the Federal Reserve Board under the BHC Act, to the Office of Thrift Supervision under HOLA, and applications and notices to the New York State Banking Department or Banking Board under the NYBL within 45 days of the date hereof; *provided*, *however*, that Parent shall not be deemed to have breached the foregoing to the extent it failed to file such applications due to the failure of the Company to promptly furnish to Parent all information concerning

the Company, its Subsidiaries, directors, officers and shareholders and such other matters as may be reasonably necessary or advisable in connection with any such notice or application, as applicable, as requested by Parent. In addition, the Company and its Subsidiaries shall, at the request of Parent, assist Parent in the preparation of and/or prepare, as applicable, all documentation, assist Parent in making and/or make, as applicable, all filings and assist Parent in obtaining and/or obtain, as applicable, all consents, approvals, permits and other authorizations of all Governmental Authorities and third parties, in each case, as promptly as practicable following such request, in order to convert the Company Bank into a New York chartered commercial bank effective immediately after the Effective Time.

(b) The Company and Parent will, upon request, furnish the other party with all information concerning itself, its Subsidiaries, directors, officers and shareholders and such other matters as may be reasonably necessary or advisable in connection with any filing, notice or application made by or on behalf of such other party or any of its Subsidiaries with or to any third party or Governmental Authority in connection with the transactions contemplated hereby.

6.4 *Exchange Listing.* Parent will use all reasonable best efforts to cause the shares of Parent Common Stock to be issued in the Merger to be approved for listing on the NYSE, subject to official notice of issuance, as promptly as practicable, and in any event before the Effective Time.

6.5 *SEC Filings.* (a) Parent will prepare a registration statement on Form S-4 or other applicable form (the "*Registration Statement*") to be filed by Parent with the SEC in connection with the issuance of Parent Common Stock in the Merger (including the notice, proxy statement and prospectus and other proxy solicitation materials of the Company constituting a part thereof (the "*Proxy Statement*") and all related documents). The parties agree to cooperate, and to cause their Subsidiaries to cooperate, with the other party, its counsel and its accountants, in the preparation of the Registration Statement and the Proxy Statement. Each of Parent and the Company will use all reasonable best efforts to cause the Registration Statement to be declared effective under the Securities Act as promptly as reasonably practicable after filing thereof and to maintain the effectiveness of such Registration Statement until the Effective Time. Parent also agrees to use all reasonable best efforts to obtain all necessary state securities law or "Blue Sky" permits and approvals required to carry out the transactions contemplated hereby. The Company agrees to furnish to Parent all information concerning the Company, its Subsidiaries, officers, directors and stockholders as may be reasonably requested in connection with the foregoing.

(b) The Company and Parent each agrees, as to itself and its Subsidiaries, that none of the information supplied or to be supplied by it for inclusion or incorporation by reference in (1) the Registration Statement will, at the time the Registration Statement and each amendment or supplement thereto, if any, becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading and (2) the Proxy Statement and any amendment or supplement thereto will, at the date of mailing to shareholders and at the time of the Company Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which such statement was made, not misleading. The Company and Parent each further agrees that if it becomes aware that any information furnished by it would cause any of the statements in the Proxy Statement or the Registration Statement to be false or misleading with respect to any material fact, or to omit to state any material fact necessary to make the statements therein not false or misleading, to promptly inform the other party thereof and to take appropriate steps to correct the Proxy Statement or the Registration Statement.

(c) Parent will advise the Company, promptly after Parent receives notice thereof, of the time when the Registration Statement has become effective or any supplement or amendment has been filed, of the issuance of any stop order or the suspension of the qualification of Parent Common Stock for offering or sale in any jurisdiction, of the initiation or threat of any proceeding for any such purpose, or of any request by the SEC for the amendment or supplement of the Registration Statement or for additional information.

6.6 *Press Releases.* The Company and Parent will consult with each other before issuing any press release, written employee communication or other written shareholder communication with respect to the Merger or this Agreement and will not issue any such communication or make any such public statement without the prior consent of the other party, which will not be unreasonably withheld or delayed; *provided* that a party may, without the prior

consent of the other party (but after prior consultation, to the extent practicable in the circumstances), issue such communication or make such public statement as may be required by applicable law or securities exchange rules. The Company and Parent will cooperate to develop all public communications and make appropriate members of management available at presentations related to the transactions contemplated hereby as reasonably requested by the other party.

6.7 *Acquisition Proposals.* The Company agrees that it will not, and will cause its Subsidiaries and its and its Subsidiaries' officers, directors, agents, advisors and affiliates not to, solicit or encourage inquiries or proposals with respect to, or engage in any negotiations concerning, or provide any confidential non-public information to, or have any discussions with, any person relating to, any Acquisition Proposal; *provided* that, in the event the Company receives an unsolicited Acquisition Proposal and the Company Board concludes in good faith that such Acquisition Proposal constitutes a Superior Proposal, the Company may, and may permit its Subsidiaries and its and its Subsidiaries' Representatives to, furnish or cause to be furnished nonpublic information and participate in such negotiations or discussions to the extent that the Company Board concludes in good faith (and based on the advice of counsel) that failure to take such actions would be inconsistent with its fiduciary duties under applicable law; *provided* that, prior to providing any nonpublic information permitted to be provided pursuant to the foregoing proviso, it shall have entered into a confidentiality agreement with such third party on terms no less favorable to it than the Confidentiality Agreement (without regard to any modification thereof pursuant hereto or lapse of time). The Company will immediately cease and cause to be terminated any activities, discussions or negotiations conducted before the date of this Agreement with any persons other than Parent with respect to any Acquisition Proposal and will use its reasonable best efforts to enforce any confidentiality or similar agreement relating to an Acquisition Proposal. The Company will within one business day advise Parent following receipt of any Acquisition Proposal and the substance thereof will keep Parent apprised of any related developments on a current basis. Nothing contained in this Section 6.7 or elsewhere shall prevent the Company from complying with Rule 14d-9 and Rule 14e-2 under the Exchange Act with regard to any Acquisition Proposal.

6.8 *Takeover Laws and Provisions.* The Company will not take any action that would cause the transactions contemplated hereby to be subject to requirements imposed by any Takeover Law and will take all necessary steps within its control to exempt (or ensure the continued exemption of) those transactions from, or if necessary challenge the validity or applicability of, any applicable Takeover Law, as now or hereafter in effect.

6.9 *Access; Information.* (a) The Company agrees that upon reasonable notice and subject to applicable laws relating to the exchange of information, it will (and will cause its Subsidiaries to) afford Parent, and Parent's officers, employees, counsel, accountants and other authorized Representatives, such access during normal business hours throughout the period before the Effective Time to the books, records (including, without limitation, Tax Returns and work papers of independent auditors), properties, personnel and to such other information as Parent may reasonably request and, during such period, it will furnish promptly to Parent (1) a copy of each report, schedule and other document filed by it pursuant to the requirements of federal or state banking or securities laws, and (2) all other information concerning the business, properties and personnel of it as Parent may reasonably request.

(b) No investigation by Parent of the business and affairs of the Company, pursuant to this Section 6.9 or otherwise, will affect or be deemed to modify or waive any representation, warranty, covenant or agreement in this Agreement, or the conditions to Parent's obligation to consummate the transactions contemplated hereby.

(c) Each of Parent and the Company will hold any information it may obtain from the other in connection with this Agreement and the transactions contemplated hereby which is nonpublic and confidential to the extent required by, and in accordance with, the Confidentiality Agreement.

6.10 *Restructuring Charges.* The Company and Parent will consult with respect to the character, amount and timing of restructuring charges to be taken by the Company in connection with the transactions contemplated hereby and the Company shall take such charges in accordance with GAAP, as may be mutually agreed upon in a written agreement executed in the same manner as this agreement that specifically references this Section 6.10; *provided* that no such charges need be effected until Parent shall have irrevocably certified to the Company that all conditions set forth in Article VII to the obligation of Parent to consummate the Merger contemplated hereby have been satisfied or, where legally permissible, waived. No party's representations, warranties and covenants contained

in this Agreement shall be deemed to be untrue or breached in any respect for any purpose as a consequence of any modifications or changes to such policies and practices which may be undertaken on account of this Section 6.10.

6.11 *Supplemental Indentures.* At or before the Effective Time, Parent will execute and deliver, or cause to be executed and delivered, by or on behalf of Parent, one or more supplemental indentures and other instruments required for the due assumption of the Company's outstanding debt, guarantees, securities, and (to the extent informed of such requirement by the Company) other agreements to the extent required by the terms of such debt, guarantees, securities or other agreements.

6.12 *Company Stock Options and Stock Awards; Benefit Arrangements*.

(a) Treatment of Company Stock Options and Company Stock Awards. (1) Neither Parent nor any Subsidiary of Parent shall assume any Company Stock Options, Company Stock Awards or Company Stock Plans in connection with the Merger and the Company shall provide for the fifteen-day exercise period as contemplated by Section 17.3 of the Company's Long-Term Equity Compensation Plan. The parties hereto acknowledge and agree that the provisions of this Section 6.12(a) shall not constitute or be deemed to constitute a provision "for the continuation of the Plan, or the assumption of such Options, Restricted Stock and Restricted Stock Units theretofore Granted, or for the substitution for such Options, Restricted Stock and Restricted Stock Units of new options, restricted stock, or restricted stock units covering the stock of a successor corporation, or a parent or subsidiary thereof" for purposes of Section 17.3(ii) of the Company's Long-Term Equity Compensation Plan. Immediately after the Effective Time, each Company Stock Option that was not exercised prior to the Effective Time, vested or unvested, shall be cancelled and shall only entitle the holder of such Company Stock Option to receive, as soon as reasonably practicable after the Effective Time (and in any event within ten (10) business days), an amount in cash equal to the product of (x) the total number of shares of Company Common Stock subject to the Company Stock Option (without regard to any vesting provisions thereof) times (y) the excess, if any, of the Per Share Cash Consideration over the exercise price per share under such Company Stock Option less applicable Taxes required to be withheld with respect to such payment. Immediately after the Effective Time, each right of any kind, contingent or accrued, to acquire or receive shares of Company Common Stock or benefits measured by the value of shares of Company Common Stock, and each award of any kind consisting of shares of Company Common Stock that may be held, awarded, outstanding, payable or reserved for issuance under the Company Stock Plans and any other benefit plans of the Company, other than Company Stock Options (the "*Company Stock Awards*"), shall be cancelled and shall only entitle the holder of such Company Stock Award to receive, as soon as reasonably practicable after the Effective Time (and in any event within ten (10) business days), an amount in cash equal to (x) the number of shares of Company Common Stock subject to such Company Stock Award immediately prior to the Effective Time (without regard to any vesting provisions thereof) times (y) the Per Share Cash Consideration (or, if the Company Stock Award provides for payments to the extent the value of the shares of Company Common Stock exceed a specified reference price, the amount, if any, by which the Per Share Cash Consideration exceeds such reference price), less applicable Taxes required to be withheld with respect to such payment.

(2) At or prior to the Effective Time, the Company, the board of directors of the Company and the compensation committee of the board of directors of the Company, as applicable, shall adopt any resolutions and take any actions which are necessary to effectuate the provision in subsection 6.12(a)(1) above. The Company shall take all actions necessary to ensure that after the Effective Time neither Parent nor the Surviving Corporation will be required to deliver shares of Company Common Stock or other capital stock of the Company to any Person pursuant to or in settlement of Company Stock Options or Company Stock Awards.

(3) To the extent that amounts are so withheld in respect of Taxes by the Surviving Corporation or Parent, as the case may be, pursuant to subsection 6.12(a)(1) above, such withheld amounts (i) shall be remitted by Parent or the Surviving Corporation, as applicable, to the applicable governmental entity, and (ii) shall be treated for all purposes of this Agreement as having been paid to the holder of Company Stock Options or Company Stock Awards in respect of which such deduction and withholding was made by the Surviving Corporation or Parent, as the case may be.

(4) As soon as practicable following the execution of this Agreement, the Company shall mail to each person who is a holder of Company Stock Options or Company Stock Awards a letter approved in advance by Parent

describing the treatment of and payment for such Company Stock Options pursuant to this Section 6.12 and providing instructions for use in obtaining payment for such Company Stock Options or Company Stock Awards.

(b) Upon the request of Parent, the Company will take all action necessary, including adopting resolutions of the Company Board, to terminate any employee benefit plan covering employees of the Company, including the Company's Employee Savings Plan, effective immediately prior to the Effective Time, or to facilitate the merger of any such employee benefit plan into an employee benefit plan of the Parent. In connection with the Company's Employee Stock Ownership Plan and Trust (the "*Company ESOP*"), the Company will take all such actions as are required to facilitate (i) the repayment of any outstanding indebtedness owing to it by the Company ESOP as of the Effective Time, and (ii) the termination of the Company ESOP and the distribution of the remaining Company ESOP assets to participants of the Company ESOP as soon as practicable subsequent to the Effective Time.

(c) Parent agrees that following the Effective Time, employees of the Company as of the Effective Time will be provided with pension and welfare benefits under employee benefit plans that in the aggregate are substantially comparable to those provided by Parent to its similarly situated employees, as in effect from time to time; *provided* that employees covered by collective bargaining agreements need not be provided with such benefits. It is specifically provided that such employees of the Company who become employees of Parent will not participate in Parent's defined benefit pension plan as participation in that plan has been limited to those employees of Parent who were participants of that plan as of December 31, 2005 and who elected to remain in that plan. Parent will cause each employee benefit plan of Parent in which employees of the Company as of the Effective Time are eligible to participate to take into account for all purposes (including eligibility, vesting and level of benefits) thereunder (other than for purposes of benefits accrual under a defined benefit plan of Parent) the service of such employees with the Company as if such service were with Parent, to the same extent that such service was credited under a comparable plan of the Company, and, with respect to welfare benefit plans of Parent in which employees of the Company are eligible to participate, Parent agrees to waive any preexisting conditions, waiting periods and actively at work requirements under such plans. For purposes of each Parent health plan, Parent shall cause any eligible expenses incurred by employees of the Company and their covered dependents during the portion of the plan year of the comparable plan of the Company ending on the date such employee's participation in the corresponding Parent plan begins to be taken into account under such Parent plan for purposes of satisfying all deductible, coinsurance and maximum out-of-pocket requirements applicable to such employee and his covered dependents for the applicable plan year of Parent plan. Parent agrees that employees of the Company as of the Effective Time who are terminated during the period commencing at the Effective Time and ending on the one-year anniversary thereof will be entitled to receive severance payments in accordance with the Company Bank's Employee Change of Control Severance Plan (the "*Company Bank Severance Plan*") unless they have an agreement that otherwise provides for severance, in which case severance shall be specifically governed by such agreement. Parent also agrees that employees of the Company as of the Effective Time who work less than 35 hours per week and are not eligible to receive severance payments under the Company Bank Severance Plan who are terminated during the period commencing at the Effective Time and ending on the one-year anniversary thereof will be entitled to receive a lump-sum cash severance payment in accordance with and to the extent provided in Parent's Severance Pay Plan.

(d) Notwithstanding the foregoing, nothing contained herein shall (1) be treated as an amendment of any particular Benefit Arrangement, (2) give any third party any right to enforce the provisions of this Section 6.12 or (3) obligate Parent, the Surviving Corporation or any of their affiliates to (i) maintain any particular benefit plan or (ii) retain the employment of any particular Employee.

6.13 *Affiliate Agreements.* Not later than the fifteenth day before the mailing of the Proxy Statement, the Company will deliver to Parent a schedule of each person that, to the best of its knowledge, is or is reasonably likely to be, as of the date of the Company Meeting, deemed to be an "affiliate" of Company (each, a "*Company Affiliate*") as that term is used in Rule 145 under the Securities Act. The Company will use its reasonable best efforts to cause each person who may be deemed to be a Company Affiliate to execute and deliver to Parent and the Company on or before the date of mailing of the Proxy Statement an agreement in substantially the form attached hereto as *Annex 1*.

6.14 *Indemnification.* (a) Following the Effective Time, Parent will indemnify, defend and hold harmless the present directors and officers (when acting in such capacity) of the Company (each, an "*Indemnified Party*") against all costs or expenses (including reasonable attorneys' fees), judgments, fines, losses, claims, damages or

liabilities (collectively, "*Costs*") as incurred, and will advance expenses, in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of actions or omissions occurring at or before the Effective Time (including the transactions contemplated hereby), in accordance with the Constituent Documents of the Company in effect on the date hereof, to the extent permitted under applicable law.

(b) Any Indemnified Party wishing to claim indemnification under Section 6.14(a), upon learning of any claim, action, suit, proceeding or investigation described above, will promptly notify Parent; *provided* that failure so to notify will not affect the obligations of Parent under Section 6.14(a) unless and to the extent that Parent is actually and materially prejudiced as a consequence.

(c) For a period of six years following the Effective Time, Parent shall obtain a directors' and officers' liability insurance policy that serves to reimburse the present and former officers and directors of the Company or of any of its Subsidiaries (determined as of the Effective Time) with respect to claims against such directors and officers arising from fact or events which occurred before the Effective Time, which insurance shall contain at least the same coverage and amounts, and contain terms and conditions no less advantageous, as that coverage currently provided by the Company; *provided*, that in no event shall Parent be required to expend more than 200% of the current amount expended by the Company (the "*Current Premium*") to maintain or procure such directors' and officers' insurance coverage for a comparable six-year period; *provided*, *further*, that if Parent is unable to maintain or obtain the insurance called for by this Section 6.14(c), Parent shall use its reasonable best efforts to obtain as much comparable insurance as is available for 200% of the Current Premium; *provided*, *further*, that officers and directors of the Company or any subsidiary may be required to make application and provide customary representations and warranties to the responsible insurance carrier for the purpose of obtaining such insurance.

(d) If Parent or any of its successors or assigns consolidates with or merges into any other entity and is not the continuing or surviving entity of such consolidation or merger or transfers all or substantially all of its assets to any other entity, then and in each case, but only to the extent not effected by operation of law, Parent will cause proper provision to be made so that the successors and assigns of Parent will assume the obligations set forth in this Section 6.14.

(e) The provisions of this Section 6.14 shall survive the Effective Time and are intended to be for the benefit of, and will be enforceable by, each Indemnified Party and his or her heirs and Representatives.

ARTICLE 7

Conditions to the Merger

7.1 *Conditions to Each Party's Obligation to Effect the Merger.* The respective obligation of each of the Company and Parent to consummate the Merger is subject to the fulfillment or written waiver by the Company and Parent before the Effective Time of each of the following conditions:

(a) Stockholder Approvals. This Agreement and the Merger shall have been duly approved by the requisite vote of the holders of the Company Common Stock.

(b) Regulatory Approvals. All Requisite Regulatory Approvals (1) shall have been obtained and shall remain in full force and effect and all statutory waiting periods in respect thereof shall have expired and (2) shall not have imposed a condition on, or requirement of, such approval that would, after the Effective Time, have a Material Adverse Effect on Parent, impose a material burden on Parent or materially restrict Parent or any of its Subsidiaries in connection with the transactions contemplated hereby or with respect to the business or operations of Parent or any of its Subsidiaries; *provided*, *however*, that for purposes of this Section 7.1(b), any divestiture that may be required by a Governmental Authority shall not be deemed to impose a material burden on Parent or materially restrict Parent or any of its Subsidiaries in connection with the transactions contemplated hereby or with respect to the business or operations of Parent or any of its Subsidiaries.

(c) Exchange Listing. The shares of Parent Common Stock to be issued in the Merger shall have been approved for listing on the NYSE, subject to official notice of issuance.

(d) Registration Statement. The Registration Statement shall have become effective under the Securities Act and no stop order suspending the effectiveness of the Registration Statement shall have been issued and be in effect and no proceedings for that purpose shall have been initiated by the SEC and not withdrawn.

(e) No Injunction. No Governmental Authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, judgment, decree, injunction or other order (whether temporary, preliminary or permanent) which is in effect and prohibits consummation of the Merger or the Other Mergers. No statute, rule, regulation, order, injunction or decree shall have been enacted, entered, promulgated or enforced by any Governmental Authority which prohibits or makes illegal the consummation of the Merger or the Other Mergers.

7.2 *Conditions to the Obligation of the Company.* The Company's obligation to consummate the Merger is also subject to the fulfillment or written waiver by the Company before the Effective Time of each of the following conditions:

(a) Representations and Warranties of Parent and Merger Sub. The representations and warranties of Parent and Merger Sub in this Agreement shall be true and correct as of the date of this Agreement and (except to the extent such representations and warranties speak as of an earlier date) as of the Closing Date as though made on and as of the Closing Date, and the Company shall have received a certificate, dated the Closing Date, signed on behalf of Parent and Merger Sub by the Chief Executive Officer and Chief Financial Officer of Parent and Merger Sub to that effect.

(b) Performance of Obligations of Parent and Merger Sub. Each of Parent and Merger Sub shall have performed in all material respects all obligations required to be performed by it under this Agreement at or before the Effective Time, and the Company shall have received a certificate, dated the Closing Date and signed on behalf of Parent and Merger Sub by the Chief Executive Officer and Chief Financial Officer of Parent and Merger Sub, respectively, to that effect.

(c) Opinion of the Company's Tax Counsel. The Company shall have received an opinion of Hogan & Hartson LLP, dated the Closing Date and based on facts, representations and assumptions described in each such opinion, to the effect that the Transaction will be treated as a reorganization within the meaning of Section 368(a) of the Code and that both the Company and Parent will be a party to that reorganization within the meaning of Section 368(b) of the Code. In rendering such opinion, Hogan & Hartson LLP will be entitled to receive and rely upon customary certificates and representations of officers of the Company and Parent.

7.3 *Conditions to the Obligation of Parent.* Parent's obligation to consummate the Merger is also subject to the fulfillment, or written waiver by Parent and, before the Effective Time of each of the following conditions:

(a) Representations and Warranties of the Company. The representations and warranties of the Company in this Agreement shall be true and correct as of the date of this Agreement and (except to the extent such representations and warranties speak as of an earlier date) as of the Closing Date as though made on and as of the Closing Date, and Parent shall have received a certificate, dated the Closing Date, signed on behalf of the Company by the Chief Executive Officer and Chief Financial Officer of the Company to that effect.

(b) Performance of Obligations of the Company. The Company shall have performed in all material respects all obligations required to be performed by it under this Agreement at or before the Effective Time, and Parent shall have received a certificate, dated the Closing Date and signed on behalf of the Company by the Chief Executive Officer and Chief Financial Officer of the Company to that effect.

(c) Opinion of Parent's Tax Counsel. Parent shall have received an opinion of Sullivan & Cromwell LLP, dated the Closing Date and based on facts, representations and assumptions described in each such opinion, to the effect that the Transaction will be treated as a reorganization within the meaning of Section 368(a) of the Code and that both Company and Parent will be a party to that reorganization within the meaning of Section 368(b) of the Code. In rendering such opinion, Sullivan & Cromwell LLP will be entitled to receive and rely upon customary certificates and representations of officers of Parent and the Company.

ARTICLE 8

Termination

8.1 *Termination.* This Agreement may be terminated, and the Merger and the transactions contemplated hereby may be abandoned, at any time before the Effective Time, by the Company or Parent, whether prior to or after the Company stockholders' approval:

(a) Mutual Agreement. With the mutual agreement of the other party.

(b) Breach. Upon 60 days' prior written notice of termination, if there has occurred and is continuing: (1) a breach by the other party of any representation or warranty contained herein or (2) a breach by the other party of any covenant or agreement contained herein; *provided* that such breach has not been cured within 30 days and that such breach (under either clause (1) or (2)) would entitle the non-breaching party not to consummate the Merger under Article 7.

(c) Denial of Stockholder Approval. If this Agreement, the Merger and the other transactions contemplated hereby are not adopted and approved by the requisite vote of the stockholders of the Company.

(d) Denial of Regulatory Approval. If the approval of any Governmental Authority required for consummation of the Merger and the other transactions contemplated hereby is denied by final, nonappealable action of such Governmental Authority; *provided* that the right to terminate this Agreement under this Section 8.1(d) shall not be available to any party whose failure to comply with any provision of this Agreement has been the cause of, or materially contributed to, the foregoing.

(e) Delay. If the Effective Time has not occurred by the close of business on the 10-month anniversary of the date hereof; *provided* that the right to terminate this Agreement under this Section 8.1(e) shall not be available to any party whose failure to comply with any provision of this Agreement has been the cause of, or materially contributed to, the failure of the Effective Time to occur on or before such date.

(f) Adverse Action. In the case of Parent, it will have the right to terminate this Agreement if (1) the Company Board (i) submits this Agreement, the Merger and the other transactions contemplated hereby to its stockholders without a recommendation for approval or with material and adverse conditions on such approval, or it otherwise withdraws or materially and adversely modifies (or discloses its intention to withdraw or materially and adversely modify) its recommendation referred to in Section 6.2, (ii) recommends to its shareholders an Acquisition Proposal other than the Merger or (iii) negotiates or authorizes the conduct of negotiations with a third party regarding an Acquisition Proposal other than the Merger and 15 business days elapse without such negotiations being discontinued (it being understood and agreed that "negotiate" will not be deemed to include requesting and receiving information from, or discussing such information with, a person that submits an Acquisition Proposal for the sole purpose of ascertaining the terms of such Acquisition Proposal and determining whether the Company Board will in fact engage in or authorize negotiations) or (2) there is a material breach of Section 6.7.

8.2 *Effect of Termination and Abandonment.* If this Agreement is terminated and the Merger and the transactions contemplated hereby are abandoned, no party will have any liability or further obligation under this Agreement, except that the first sentence of Section 5.3(i), Section 5.4(h), Section 6.9(c), this Section 8.2, Section 8.3 and Article 9, as well as any relevant definitions, will survive termination of this Agreement and remain in full force and effect and except that termination will not relieve a party from liability for any willful breach by it of this Agreement.

8.3 *Fee.* (a) The Company will pay to Parent a cash termination fee (the "*Fee*") of $20,828,000 if a Fee Payment Event occurs prior to or concurrently with the Fee Termination Date.

(b) The Fee will be payable, without setoff, by wire transfer in immediately available funds, to an account specified by Parent, not later than three business days following the first occurrence of a Fee Payment Event.

(c) The Company acknowledges that the agreements contained in this Section 8.3 are an integral part of the transactions contemplated hereby, and that, without these agreements, Parent would not enter into this Agreement.

ARTICLE 9

Miscellaneous

9.1 *Survival.* The representations, warranties, agreements and covenants contained in this Agreement will not survive the Effective Time (other than Article 2, Article 3, Section 6.14 and this Article 9).

9.2 *Expenses.* Each party will bear all expenses incurred by it in connection with this Agreement and the transactions contemplated hereby, *provided* that Parent will bear and pay the following expenses: (a) the costs (excluding the fees and disbursements of counsel, financial advisors and accountants) incurred in connection with the copying, printing and distributing the Registration Statement and the Proxy Statement for the approval of the Merger and (b) all listing, filing or registration fees, including, without limitation, fees paid for filing the Registration Statement with the SEC and any other fees paid for filings with Governmental Authorities.

9.3 *Notices.* All notices, requests and other communications given or made under this Agreement must be in writing and will be deemed given when personally delivered, facsimile transmitted (with confirmation), mailed by registered or certified mail (return receipt requested) or sent by overnight courier to the persons and addresses set forth below or such other place as such party may specify by notice.

If to the Company, to:

Partners Trust Financial Group, Inc.
233 Genesee Street
Utica, New York 13501
Attention: John A. Zawadzki, President and Chief Executive Officer
Facsimile: (315) 738-5056

with a copy to:

Hogan & Hartson LLP
Columbia Square
555 Thirteenth Street, NW
Washington, DC 20004
Attention: Stuart G. Stein, Esq.
Facsimile: (202) 637-5910

If to Parent, to:

M&T Bank Corporation
One M&T Plaza
Buffalo, New York 14203
Attention: René F. Jones, Executive Vice President and Chief Financial Officer
Mark W. Yonkman, Senior Vice President and General Counsel
Facsimile: (716) 842-5376

with a copy to:

Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004
Attention: H. Rodgin Cohen, Esq.
Mark J. Menting, Esq.
Facsimile: (212) 558-3588

9.4 *Waiver; Amendment.* Before the Effective Time, any provision of this Agreement may be (a) waived by the party benefited by the provision, but only in writing, or (b) amended or modified at any time, but only by a written agreement executed in the same manner as this Agreement, except to the extent that any such amendment would violate applicable law or require resubmission of this Agreement to the shareholders of the Company.

9.5 *Alternative Structure.* Notwithstanding anything to the contrary in this Agreement or the Confidentiality Agreement, before the Effective Time, Parent may revise the structure of the Merger or otherwise revise the method of effecting the Merger and the transactions contemplated hereby, *provided* that (a) such revision does not alter or change the kind or amount of consideration to be delivered to shareholders of the Company, (b) such revision does not adversely affect the tax consequences to the shareholders of the Company, (c) such revised structure or method is reasonably capable of consummation without significant delay in relation to the structure contemplated herein and (d) such revision does not otherwise cause any of the conditions set forth in Article 7 not to be capable of being fulfilled (unless duly waived by the party entitled to the benefits thereof). This Agreement and any related documents will be appropriately amended in order to reflect any such revised structure or method.

9.6 *Governing Law.* This Agreement is governed by, and will be interpreted in accordance with, the laws of the State of New York applicable to contracts made and to be performed entirely within that State.

9.7 *Waiver of Jury Trial.* EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (a) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (b) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (c) EACH PARTY MAKES THIS WAIVER VOLUNTARILY AND (d) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.7.

9.8 *Submission to Jurisdiction; Selection of Forum.* Each party hereto agrees that it shall bring any action or proceeding in respect of any claim arising out of or related to this Agreement or the Merger exclusively in the United States District Court for the Western District of New York (the "*Chosen Court*"), and solely in connection with claims arising under this Agreement or the Merger that are the subject of this Agreement (a) irrevocably submits to the exclusive jurisdiction of the Chosen Court, (b) waives any objection to laying venue in any such action or proceeding in the Chosen Court, (c) waives any objection that the Chosen Court are an inconvenient forum or do not have jurisdiction over any party hereto and (d) agrees that service of process upon such party in any such action or proceeding shall be effective if notice is given in accordance with Section 9.3 of this Agreement.

9.9 *Entire Understanding; No Third Party Beneficiaries.* This Agreement represents the entire understanding of the Company and Parent regarding the transactions contemplated hereby and supersede any and all other oral or written agreements previously made or purported to be made, other than the Confidentiality Agreement, which will survive the execution and delivery of this Agreement. Except for Section 6.14, which is intended to benefit the Indemnified Parties to the extent stated, nothing expressed or implied in this Agreement is intended to confer any rights, remedies, obligations or liabilities upon any person other than the Company and Parent.

9.10 *Counterparts.* This Agreement may be executed in two or more counterparts, each of which will be deemed to constitute an original, and may be delivered by facsimile or other electronic means intended to preserve the original graphic or pictorial appearance of a document.

* * *

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers as of the day and year first above written.

PARTNERS TRUST FINANCIAL GROUP, INC.

By:
Name:
Title:

M&T BANK CORPORATION

By:
Name:
Title:

MTB ONE, INC.

By:
Name:
Title:

[Signature Page of Merger Agreement]

Form of Company Affiliate Agreement

[•], 2007

M&T Bank Corporation
One M&T Plaza
Buffalo, New York 14203

Attention: René F. Jones, Chief Financial Officer
Mark W. Yonkman, General Counsel

Ladies and Gentlemen:

Reference is made to the Agreement and Plan of Merger, dated as of July 18, 2007 (as amended, the “Merger Agreement”), among Partners Trust Financial Group, Inc. (the “Company”), M&T Bank Corporation (“Parent”) and MTB One, Inc. (“Merger Sub”). The Merger Agreement provides, *inter alia*, for the merger of the Merger Sub with and into the Company, with Company being the surviving entity (the “Merger”). Each share of the Company Common Stock issued and outstanding immediately prior to the Effective Time, other than Excluded Shares and Dissenting Shares, will be converted into and constitute the right to receive, at the election of the holder thereof as provided in and subject to the provisions of Sections 3.2 and 3.3 of the Merger Agreement, either (i) the Per Share Stock Consideration or (ii) the Per Share Cash Consideration. This Letter Agreement (this “Letter Agreement”) is being entered into pursuant to Section 6.13 of the Merger Agreement. Capitalized terms used but not defined herein have the meanings assigned to them in the Merger Agreement.

I have been advised that (i) the Merger constitutes a transaction covered by Rule 145 under the Securities Act of 1933, as amended (including the rules and regulations thereunder, the “Securities Act”), and (ii) I may be deemed to be an affiliate of the Company, as the term “affiliate” is defined for purposes of Rule 145 under the Securities Act; and that, accordingly, the shares of Parent Common Stock that I may acquire in exchange for the Company Common Stock in the Merger may be disposed of only in accordance with the provisions of Rule 145 under the Securities Act, pursuant to an effective registration statement under the Securities Act or in accordance with a legal opinion in form and substance satisfactory to Parent that such disposition is otherwise exempt from the registration requirements of such Act.

I hereby represent and warrant to and covenant with, as applicable, Parent as follows:

1. I have full power to execute this Letter Agreement, to make the representations, warranties and agreements herein and to perform my obligations hereunder.

2. I have carefully read this Letter Agreement and, to the extent I felt necessary, discussed its requirements and other applicable limitations upon my ability to sell, transfer or otherwise dispose of shares of Parent Common Stock with my counsel or counsel for the Company.

3. In the event I receive any shares of Parent Common Stock in exchange for shares of the Company Common Stock as a result of the consummation of the Merger, or any securities which may be paid as a dividend or otherwise distributed thereon or with respect thereto or issued or delivered in exchange or substitution therefor, or any right or other interest (all such shares and securities being referred to herein as “Restricted Securities”), and with respect to any such Restricted Securities:

(A) I will not make any sale, transfer or other disposition of Restricted Securities unless (i) such sale, transfer or other disposition has been registered under the Securities Act, (ii) such sale, transfer or other disposition is made in conformity with the volume and other limitations imposed by Rule 145 under the Securities Act and, if I am or have been an “affiliate” of Parent, Rule 144 under the Securities Act, or (iii) in the opinion of counsel reasonably acceptable to Parent, such sale, transfer or other disposition is otherwise exempt from registration under the Securities Act.

(B) I understand that Parent is under no obligation to register the sale, transfer or other disposition of shares of Parent Common Stock or other Restricted Securities by me or on my behalf under the Securities Act or to take any other action necessary in order to make compliance with an exemption from such registration available.

(C) I understand that the Restricted Securities will be issued to me in certificated form. I also understand that stop transfer instructions will be given to Parent's transfer agent with respect to the Restricted Securities issued to me as a result of the Merger and that there will be placed on the certificates representing shares of Parent Common Stock, or any substitutions therefor, a legend stating in substance:

> "The shares represented by this certificate were issued in a transaction to which Rule 145 under the Securities Act of 1933 applies. The shares represented by this certificate may be sold or transferred only (1) in compliance with the requirements of Rule 145 under such Act, (2) pursuant to an effective registration statement under such Act, or (3) in accordance with a legal opinion in form and substance satisfactory to M&T Bank Corporation that such sale or transfer is otherwise exempt from the registration requirements of such Act."

(D) Unless a transfer of Restricted Securities is a sale made in conformity with the provisions of Rule 145(d) and, if I am or have been an "affiliate" of Parent, Rule 144 under the Securities Act, or made pursuant to any effective registration statement under the Securities Act, Parent reserves the right to put the following legend on the certificate issued to my transferee:

> "The shares represented by this certificate have not been registered under the Securities Act of 1933 and were acquired from a person who received such shares in a transaction to which Rule 145 under the Securities Act of 1933 applies. The shares have been acquired by the holder not with a view to, or for resale in connection with, any distribution thereof within the meaning of the Securities Act of 1933 and may not be offered, sold, pledged or otherwise transferred except in accordance with an exemption from the registration requirements of the Securities Act of 1933."

(E) It is understood and agreed that the legends set forth in paragraphs C and D above, as the case may be, shall be removed by delivery of substitute certificates without such legend, and/or the issuance of a letter to Parent's transfer agent removing such stop transfer instructions, and the above restrictions on sale will cease to apply, if I shall have delivered to Parent (i) a copy of a letter from the staff of the Securities and Exchange Commission, or an opinion of counsel in form and substance reasonably satisfactory to Parent, or other evidence reasonably satisfactory to Parent, to the effect that such legend and/or stop transfer instructions are not required for purposes of the Securities Act or (ii) reasonably satisfactory evidence or representations that the securities represented by such certificates are being or have been transferred in a transaction made in conformity with the provisions of Rule 145 under the Securities Act and, if I am or have been an "affiliate" of Parent, Rule 144 under the Securities Act or pursuant to an effective registration under the Securities Act.

4. I recognize and agree that the foregoing provisions also apply to (A) my spouse, (B) any relative of mine or my spouse occupying my home, (C) any trust or estate in which I, my spouse or any such relative owns at least 10% beneficial interest or of which any of us serves as trustee, executor or in any similar capacity and (D) any corporation or other organization in which I, my spouse or any such relative owns at least 10% of any class of equity securities or of the equity interest. It is understood that this Letter Agreement shall be binding upon and enforceable against my administrators, executors, representatives, heirs, legatees and devisees, and any pledgee holding securities restricted pursuant to this Letter Agreement.

5. Execution of this Letter Agreement should not be construed as an admission on my part that I am an "affiliate" of the Company, as described in the second paragraph of this Letter Agreement, or as a waiver of any rights I may have to object to any claim that I am such an affiliate on or after the date of this Letter Agreement.

6. I understand that nothing in this Letter Agreement restricts Parent from applying its usual practices and procedures regarding the issuance of shares to directors and executive officers with respect to securities issued other than in connection with the consummation of the Merger.

7. This Letter Agreement shall terminate and be of no further force and effect if the Merger Agreement is terminated pursuant to the terms thereof.

[Signatures Appear on Next Page]

Very truly yours,

Name:

Acknowledged as of the date
first written above

M&T BANK CORPORATION

By:

Name:
Title:

Company Affiliates:

Exhibit 99.1

FOR IMMEDIATE RELEASE

M&T Media Contact: C. Michael Zabel
(716) 842-5385

M&T Investor Contact: Donald J. MacLeod
(716) 842-5138

Partners Trust Contact: John A. Zawadzki
(315) 738-4778

M&T BANK CORPORATION TO ACQUIRE
PARTNERS TRUST FINANCIAL GROUP, INC.
Merger Gives M&T Top Deposit Share in Binghamton, Syracuse and Utica-Rome, NY

UTICA and BUFFALO, New York, July 19, 2007 — M&T Bank Corporation (“M&T”) (NYSE:MTB) and Partners Trust Financial Group, Inc. (“Partners Trust”) (NASDAQ: PRTR) announced today that they have entered into a definitive agreement under which Partners Trust will merge into M&T in a transaction valued at approximately $555 million.

M&T is headquartered in Buffalo and has $57.9 billion in assets, while Partners Trust has $3.7 billion in assets and is based in Utica.

M&T will acquire 33 branch locations in Broome, Chenango, Herkimer, Oneida, Onondaga and Tioga counties in Upstate New York and approximately $2.3 billion in deposits and $2.3 billion in loans from Partners Trust. The merger will make M&T the deposit market share leader in the Utica-Rome and Binghamton markets, and will strengthen M&T’s leading position in Syracuse.

“Both M&T and Partners Trust share a common commitment to customers, employees, shareholders and communities, and this merger provides us with an opportunity to build on those longstanding traditions,” said John A. Zawadzki, President and CEO of Partners Trust. “Like us, M&T is headquartered in Upstate New York, and they know what it

takes to live and work here. At the same time, they can provide our customers with a wider array of products and services and a wider network of branches and ATMs." "M&T is continuing to invest in Upstate New York — and with our expanded presence comes an expanded commitment to the region," said Robert G. Wilmers, M&T Chairman and CEO. "We have achieved success here through our in-depth understanding of the market and its customers. We work hard to understand our customers' personal and professional needs — and to provide high quality financial products and services to meet those needs. As we grow, we are committed to establishing this same relationship with our new customers — just as we are committed to the well-being of the communities we now serve."

Under terms of the merger agreement, stockholders of Partners Trust will receive $12.50 for each share of common stock they own. Stockholders may elect to receive the consideration in shares of M&T common stock or in cash although, in the aggregate, 50% of the Partners Trust shares must be exchanged for M&T stock and 50% for cash. Those elections will be subject to allocation and proration if either stock or cash is oversubscribed.

"We expect this transaction to be accretive to net operating earnings per share in 2008," said M&T's Chief Financial Officer, Rene F. Jones. "We estimate that the return on this investment will be in the mid-teens. This comfortably exceeds our cost of capital, and given the low-risk nature of the transaction, meets our investment criteria."

The transaction has been approved by the boards of directors of each company, is subject to certain conditions, including regulatory approval and approval by Partners Trust's stockholders, and is expected to close within six months.

M&T is a bank holding company whose banking subsidiaries, M&T Bank and M&T Bank, National Association, operate branch offices in New York, Pennsylvania, Maryland, Virginia, West Virginia, Delaware, New Jersey and the District of Columbia.

Partners Trust is the holding company for Partners Trust Bank, which has 33 Central and Southern New York locations.

Summary of Transaction Terms

Purchase price per share	$12.50
Aggregate transaction value	$555 million, which includes the cash-out of stock options.
Consideration mix	50% in M&T common stock and 50% in cash
	Floating exchange ratio based on average closing price for M&T common stock the five days immediately prior to closing.
Structure	Partners Trust stockholders may elect to receive either M&T stock or cash. However, elections are subject to allocation and proration such that 50% of outstanding shares must be exchanged for stock and 50% for cash.
Transaction multiples	Price/book value — 1.1x
	Price/tangible book value — 2.3x
	Price/LTM earnings — 24x
	Price/deposits assumed — 24%

Forward-Looking Statements:

Certain statements contained in this filing that are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Act"), notwithstanding that such statements are not specifically identified. In addition, certain statements may be contained in the future filings of M&T with the Securities and Exchange Commission ("SEC"), in press releases and in oral and written statements made by or with the approval of M&T that are not

statements of historical fact and constitute forward-looking statements within the meaning of the Act. Examples of forward-looking statements include, but are not limited to: (i) statements about the benefits of the merger between M&T and Partners Trust, including future financial and operating results, cost savings, enhanced revenues and accretion to reported earnings that may be realized from the merger; (ii) statements of plans, objectives and expectations of M&T or Partners Trust or their managements or Boards of Directors; (iii) statements of future economic performance; and (iv) statements of assumptions underlying such statements. Words such as "believes," "anticipates," "expects," "intends," "targeted," "continue," "remain," "will," "should," "may" and other similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to: (i) the risk that the businesses of M&T and Partners Trust will not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected; (ii) expected revenue synergies and cost savings from the merger may not be fully realized or realized within the expected time frame; (iii) revenues following the merger may be lower than expected; (iv) deposit attrition, operating costs, customer loss and business disruption following the merger, including, without limitation, difficulties in maintaining relationships with employees, may be greater than expected; (v) the ability to obtain governmental approvals of the merger on the proposed terms and schedule; (vi) the failure of Partners Trust's stockholders to approve the merger; (vii) local, regional, national and international economic conditions and the impact they may have on M&T and Partners Trust and their customers and M&T's and Partners Trust's assessment of that impact; (viii) changes in interest rates, spreads on earning assets and interest-bearing liabilities, and interest rate sensitivity; (ix) prepayment speeds, loan originations and credit losses; (x) sources of liquidity; (xi) M&T's common shares outstanding and common stock price volatility; (xii) fair value of and number of stock-based compensation awards to be issued in future periods; (xiii) legislation affecting the financial services industry as a whole, and/or M&T and Partners Trust and their subsidiaries individually or collectively; (xiv) regulatory supervision and oversight, including required capital levels; (xv) increasing price and product/service competition by competitors, including new entrants; (xvi) rapid technological developments and changes; (xvii) M&T's ability to continue to introduce competitive new products and services on a timely, cost-effective basis; (xviii) the mix of products/services; (xix) containing costs and expenses; (xx) governmental and public policy changes; (xxi) protection and validity of intellectual property rights; (xxii) reliance on large customers; (xxiii) technological, implementation and cost/financial risks in large, multi-year contracts; (xxiv) the outcome of pending and future litigation and governmental proceedings; (xxv) continued availability of financing; (xxvi) financial resources in the amounts, at the times and on the terms required to support M&T's future businesses; and (xxvii) material differences in the actual financial results of merger and acquisition

activities compared with M&T's expectations, including the full realization of anticipated cost savings and revenue enhancements. Additional factors that could cause M&T's results to differ materially from those described in the forward-looking statements can be found in M&T's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the SEC. All subsequent written and oral forward-looking statements concerning the proposed transaction or other matters and attributable to M&T or Partners Trust or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements referenced above. Forward-looking statements speak only as of the date on which such statements are made. M&T and Partners Trust undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events.

Additional Information:

In connection with the proposed merger, M&T will file with the SEC a Registration Statement on Form S-4 that will include a Proxy Statement of Partners Trust and a Prospectus of M&T, as well as other relevant documents concerning the proposed transaction. Stockholders are urged to read the Registration Statement and the Proxy Statement/Prospectus regarding the merger when it becomes available and any other relevant documents filed with the SEC, as well as any amendments or supplements to those documents, because they will contain important information. You will be able to obtain a free copy of the Proxy Statement/Prospectus, as well as other filings containing information about M&T and Partners Trust at the SEC's Internet site (http://www.sec.gov). You will also be able to obtain these documents, free of charge, at http://www.mandtbank.com under the tab "About Us" and then under the heading "Investor Relations" and then under "SEC Filings." Copies of the Proxy Statement/Prospectus and the SEC filings that will be incorporated by reference in the Proxy Statement/Prospectus can also be obtained, free of charge, by directing a request to Investor Relations, One M&T Plaza, Buffalo, New York 14203, (716) 842-5138.

M&T and Partners Trust and their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from the stockholders of Partners Trust in connection with the proposed merger. Information about the directors and executive officers of M&T is set forth in the proxy statement for M&T's 2007 annual meeting of stockholders, as filed with the SEC on a Schedule 14A on March 5, 2007. Information about the directors and executive officers of Partners Trust is set forth in the proxy statement for Partners Trust's 2007 annual meeting of stockholders, as filed with the SEC on a Schedule 14A on March 23, 2007. Additional information regarding the interests of those participants and other persons who may be deemed participants in the transaction may be obtained by reading the Proxy Statement/Prospectus regarding the proposed merger when it becomes available. You may obtain free copies of this document as described in the preceding paragraph.

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