



M&T Announces 12% Increase in Cash Earnings Per Share

M&T ANNOUNCES 12% INCREASE IN CASH EARNINGS PER SHARE

BUFFALO, NEW YORK -- M&T Bank Corporation ("M&T") (NYSE: MTB) today reported that diluted cash earnings per share rose 12% to \$4.31 in 2000 from \$3.84 in 1999. Cash net income for 2000 was \$358.6 million, an increase of 15% from \$311.0 million in 1999. Expressed as a rate of return on average tangible assets, cash net income was 1.56% in 2000, up from 1.52% in 1999. Cash return on average tangible common equity rose to 27.65% in 2000 from 26.71% in 1999.

For the fourth quarter of 2000, diluted cash earnings per share were \$1.14, up 18% from \$.97 in the year-earlier quarter. Cash net income in the recently completed quarter was \$108.1 million, 38% higher than the \$78.4 million earned in the fourth quarter of 1999. The annualized cash returns on average tangible assets and average tangible equity were 1.57% and 28.93%, respectively, in 2000's final quarter, up from 1.45% and 26.67%, respectively, in the corresponding 1999 period.

Cash earnings exclude the after-tax effect of expenses associated with merging acquired operations into M&T and amortization of goodwill and core deposit intangible. The impact of merger-related expenses was \$16.4 million (\$26.0 million pre-tax) or \$.20 per diluted share for 2000. Such expenses related primarily to the acquisition of Keystone Financial, Inc. ("Keystone") on October 6, 2000 and included expenses for systems conversions and other costs of integrating and conforming the acquired operations with and into M&T's operations. Merger-related expenses in 1999 totaling \$3.0 million (\$4.7 million pre-tax), or \$.03 per diluted share, were incurred in connection with M&T's acquisition of FNB Rochester Corp. on June 1, 1999 and 29 branch offices from The Chase Manhattan Bank on September 24, 1999. In the fourth quarter of 2000, merger-related expenses amounted to \$14.3 million (\$22.3 million pre-tax) or \$.15 per diluted share. There were no similar expenses in the fourth quarter of 1999.

Robert G. Wilmers, Chairman of the Board, President and Chief Executive Officer of M&T, observed "The closing, systems conversions and ongoing integration of the Keystone acquisition have gone smoothly. We fully expect that the acquired operations, including the efforts of our colleagues who have joined us from Keystone, will contribute positively to M&T's cash earnings in 2001."

Michael P. Pinto, Executive Vice President and Chief Financial Officer, noted that "We are pleased with the 12 percent increase in cash earnings per share for 2000. While the economic and competitive environment is challenging, at this time, we expect that 2001 should be another year of double-digit growth in cash earnings per share."

Led by growth in average loans outstanding, taxable- equivalent net interest income rose 13% to \$864.7 million in 2000 from \$767.1 million in 1999. Reflecting the impact of approximately \$4.8 billion of loans obtained in the Keystone acquisition, average loans outstanding in 2000 were \$18.5 billion, up 13% from \$16.4 billion in 1999. Net interest margin, or taxable- equivalent net interest income expressed as a percentage of average earning assets, was 4.02% in 2000 and 1999.

The provision for credit losses was \$38.0 million in 2000, compared with \$44.5 million in 1999. Net charge-offs during 2000 were \$29.0 million or .16% of average loans outstanding, compared with \$40.3 million or .25% of average loans outstanding in the prior year. The allowance for credit losses increased during 2000 as a result of \$49.5 million of allowance obtained in the Keystone merger and the excess of the provision for credit losses over net charge-offs. As a result, the allowance for credit losses was \$374.7 million or 1.65% of loans outstanding at December 31, 2000, compared with \$316.2 million or 1.82% at the prior year-end. Nonperforming loans, consisting of nonaccrual and restructured loans, were \$110.6 million at the recent year-end, or .49% of total loans, compared with \$72.2 million or .41% at December 31, 1999. The allowance's coverage of nonperforming loans was 339% at December 31, 2000, compared with 438% a year earlier. Loans past due 90 days or more and accruing interest were \$141.8 million at the recent year-end, compared with \$31.0 million a year earlier. The increase in these loans resulted primarily from the inclusion at December 31, 2000 of \$87 million of one-to-four family residential mortgage loans serviced by M&T and repurchased during the fourth quarter of 2000 from the Government National Mortgage Association. The outstanding principal balances of these loans are fully guaranteed by government agencies. The loans were repurchased to reduce servicing expenses associated with collecting the outstanding loan balances. Expenses incurred during the fourth quarter of 2000 associated with repurchasing such loans were approximately \$3 million. Nonperforming loans and loans past due 90 days or more and accruing interest acquired in the Keystone transaction amounted to \$43 million and \$17 million, respectively. Assets acquired in settlement of defaulted loans were \$13.6 million and \$10.0 million at the end of 2000 and 1999, respectively.

Noninterest income grew by 15% to \$324.7 million in 2000 from \$282.4 million in 1999. Increases in service charges on deposit accounts, income from leasing activities, and brokerage services income were partially offset by lower mortgage banking revenues and losses from sales of bank investment securities. Income from leasing activities reflects a net pre-tax gain of \$9

million during the fourth quarter of 2000 resulting from a \$13.5 million gain from the sale of equipment previously leased to a commercial customer and an accrual of \$4.5 million for losses associated with selling automobiles and other vehicles presently leased to retail customers. Losses from sales of bank investment securities reflect \$3.1 million of net pre-tax losses incurred during the fourth quarter of 2000 from sales of investment securities following the recently completed acquisition and the combination of the investment portfolios of Keystone and M&T. All sold securities had been previously classified as available for sale for financial reporting purposes.

Noninterest expenses associated with operations, which exclude amortization of goodwill and core deposit intangible and nonrecurring expenses associated with merging acquired operations, were \$598.9 million in 2000, an increase of 14% from \$524.6 million in 1999. Higher salaries and employee benefits expenses, including merit salary increases, incentive-based compensation arrangements, and increased staffing levels as a result of acquisitions in 2000 and 1999, contributed to the increase in noninterest operating expenses.

The efficiency ratio, or noninterest expense divided by the sum of taxable-equivalent net interest income and noninterest income, measures how much of a company's revenue is consumed by operating expenses. Reflecting the smooth integration of the 2000 and 1999 acquisitions into M&T, the efficiency ratio, calculated using the adjusted operating expense totals noted above and excluding gains or losses from sales of bank investment securities from noninterest income, was 50.2% in 2000, little changed from 50.1% in 1999. Expenses excluded from noninterest operating expenses consist of nonrecurring merger-related expenses of \$26.0 million and \$4.7 million in 2000 and 1999, respectively, and amortization of goodwill and core deposit intangible of \$69.6 million in 2000 and \$49.7 million in 1999.

Diluted earnings per share measured in accordance with generally accepted accounting principles, which includes the effect of merger-related expenses and amortization of goodwill and core deposit intangible, for the year ended December 31, 2000 were \$3.44, up 5% from \$3.28 in 1999. On the same basis, net income for 2000 rose 8% to \$286.2 million from \$265.6 million in the prior year. The rates of return on average total assets and average common stockholders' equity in 2000 were 1.21% and 14.07%, respectively, compared with 1.26% and 15.30% in 1999. For the final quarter of 2000, diluted earnings per share and net income were \$.76 and \$72.0 million, respectively, compared with \$.82 and \$66.1 million, respectively, in the last quarter of 1999. The annualized returns on average assets and average common equity for the fourth quarter of 2000 were 1.01% and 11.03%, respectively, compared with 1.18% and 14.58%, respectively, in the year-earlier period.

At December 31, 2000, M&T had total assets of \$28.9 billion, compared with \$22.4 billion a year earlier. Loans and leases, net of unearned discount, increased 31% to \$22.7 billion at the end of 2000 from \$17.4 billion at December 31, 1999. Deposits were \$20.2 billion at December 31, 2000, up 32% from \$15.4 billion at December 31, 1999. Total assets, loans and deposits obtained in the Keystone transaction were \$7.4 billion, \$4.8 billion and \$5.2 billion, respectively, on the October 6 acquisition date. Total stockholders' equity rose 50% to \$2.7 billion at December 31, 2000, representing 9.33% of total assets at year-end 2000, compared with \$1.8 billion or 8.02% a year earlier. Common stockholders' equity per share was \$28.93 at the recent year-end and \$23.24 at December 31, 1999. Tangible equity per common share was \$16.74 and \$15.14 at December 31, 2000 and 1999, respectively.

In November 1999, M&T announced a plan to repurchase up to 1,904,650 shares of its common stock for reissuance upon the possible future exercise of outstanding stock options. During 2000, M&T acquired 1,313,760 shares of common stock at an average cost per share of \$41.82. Through December 31, 2000, M&T had repurchased 1,632,860 shares of common stock pursuant to such plan at an average cost of \$42.74 per share. Following the public announcement of the Keystone acquisition in May 2000, M&T has not been repurchasing stock, instead using the Company's internal generation of capital to support the recently completed Keystone acquisition and the pending acquisition of Premier National Bancorp, Inc. that is currently scheduled to be completed in early February 2001.

Investors will have an opportunity to listen to M&T's conference call to discuss fourth quarter and full year financial results and the 2001 outlook at 9:00 a.m. on Thursday, January 11, 2001. Those wishing to participate on the call may dial 888-222-2994. The conference call will also be webcast live at www.mandtbank.com and www.vcall.com. A replay of the call will be available until January 12, 2001 by calling 800-428-6051, code 153380. The event will also be archived and available by noon, January 11, 2001 at www.mandtbank.com and www.vcall.com.

This news release contains forward-looking statements giving M&T's expectations or predictions of future financial or business performance or conditions. Forward-looking statements are typically identified by words such as "expect," by future conditional verbs such as "will," "should," or by variations of such words or by similar expressions. These forward-looking statements are subject to numerous assumptions, risks and uncertainties ("Future Factors") which change over time. Forward-looking statements speak only as of the date they are made and we assume no duty to update forward-looking statements.

Future Factors include changes in interest rates, spreads on earning assets and interest-bearing liabilities, and interest rate sensitivity; credit losses; sources of liquidity; legislation affecting the financial services industry as a whole, and the Company individually; regulatory supervision and oversight, including required capital levels; increasing price and product/service competition by competitors, including new entrants; rapid technological developments and changes; the ability to continue to introduce competitive new products and services on a timely, cost-effective basis; the mix of products/services; containing costs

and expenses; governmental and public policy changes, including environmental regulations; protection and validity of intellectual property rights; reliance on large customers; technological, implementation and cost/financial risks in large, multi-year contracts; the outcome of pending and future litigation and governmental proceedings; continued availability of financing; financial resources in the amounts, at the times and on the terms required to support the Company's future businesses; and material differences in the actual financial results of merger and acquisition activities compared to the Company's initial expectations, including the full realization of anticipated cost savings and revenue enhancements. These are representative of the Future Factors that could affect the outcome of the forward-looking statements. In addition, such statements could be affected by general industry and market conditions and growth rates, general economic conditions, including interest rate and currency exchange rate fluctuations, and other Future Factors.

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