



## M&T Bank Corporation Announces Second Quarter Earnings

BUFFALO, N.Y.--(BUSINESS WIRE)--July 10, 2002--M&T Bank Corporation ("M&T")(NYSE: [MTB](#) - [News](#)) today reported that diluted cash earnings per share rose 13% to \$1.35 for the quarter ended June 30, 2002 from \$1.19 in the second quarter of 2001.

Cash net income for the recent quarter was \$130 million, up 8% from \$120 million in the year-earlier quarter. Expressed as an annualized rate of return on average tangible assets, cash net income was 1.73% in 2002's second quarter, up from 1.62% in the second quarter of 2001. The annualized cash return on average tangible common equity rose to 29.69% in the recent quarter from 27.99% in the year-earlier quarter.

For the first six months of 2002, diluted cash earnings per share were \$2.69, an increase of 15% from \$2.33 in the corresponding 2001 period. Cash net income for the first half of 2002 rose to \$259 million, up 12% from \$232 million in the comparable 2001 period. For the first six months of 2002, cash return on average tangible assets was an annualized 1.74%, compared with 1.61% in the similar period of 2001. Cash return on average tangible common equity for the first half of 2002 rose to an annualized 29.98% from 27.96% in the corresponding 2001 period. Cash earnings exclude the after-tax effect of expenses associated with merging acquired operations into M&T and amortization of intangible assets.

Since 1998, M&T has provided supplemental reporting of its operating results on a "cash" or "tangible" basis (which excludes the after-tax effect of amortization of goodwill and core deposit and other intangible assets and the related asset balances resulting from acquisition transactions). Management believes that such reporting represents a relevant measure of financial performance.

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," M&T ceased amortization of goodwill associated with corporate acquisitions, effective January 1, 2002. Amortization of such goodwill during the second quarter and first six months of 2001, none of which was tax deductible, totaled \$16 million (\$.16 per diluted share) and \$31 million (\$.31 per diluted share), respectively. Charges for amortization of core deposit and other intangible assets totaled \$13 million (\$9 million after tax effect, or \$.09 per diluted share) during the second quarter of 2002, compared with \$15 million (\$9 million after tax effect, or \$.09 per diluted share) during the year-earlier quarter. Similar amortization charges for the first half of 2002 and 2001 were \$27 million (\$17 million after tax effect, or \$.18 per diluted share) and \$30 million (\$18 million after tax effect, or \$.18 per diluted share), respectively. At June 30, 2002 and 2001, M&T had goodwill of \$1.1 billion, and core deposit and other intangible assets of \$144 million and \$200 million, respectively, recorded as assets.

Net income measured in accordance with generally accepted accounting principles ("GAAP") includes the impact of non-cash charges for the amortization of intangible assets, as well as nonrecurring merger-related expenses. GAAP-basis diluted earnings per share for the second quarter of 2002 rose 34% to \$1.26, from \$.94 in the year-earlier period. On the same basis, the recent quarter's net income totaled \$121 million, up 28% from \$95 million in the second quarter of 2001. As noted previously, the after-tax impact of amortization of goodwill in the second quarter of 2001 was \$16 million, or \$.16 per diluted share. As a result, pro forma GAAP-basis diluted earnings per share and net income for last year's second quarter, computed as if SFAS No. 142 had been effective in 2001, were \$1.10 and \$111 million, respectively. GAAP-basis net income for the second quarter of 2002 expressed as an annualized rate of return on average assets and average common stockholders' equity was 1.56% and 16.49%, respectively, compared with 1.23% and 12.61%, respectively, in the year-earlier quarter. Pro forma GAAP-basis annualized returns on average assets and average common stockholders' equity for the second quarter of 2001 were 1.43% and 14.71%, respectively, after excluding the impact of goodwill amortization. There were no merger-related expenses in the second quarters of 2002 or 2001.

Through June 30, 2002 and 2001, GAAP-basis diluted earnings per share were \$2.51 and \$1.79, respectively. GAAP-basis net income for the first six months of 2002 totaled \$242 million, compared with \$178 million in the year-earlier period. The after-tax impact of merger-related expenses during the first six months of 2001 was \$5 million (\$.05 per diluted share). There were no similar expenses in the current year's first six months. As already noted, the after-tax impact of amortization of goodwill for the first half of 2001 was \$31 million, or \$.31 per diluted share, resulting in proforma GAAP-basis diluted earnings per share and net income for that period, calculated as if SFAS No. 142 had been in effect during 2001, of \$2.10 and \$209 million, respectively. GAAP-basis net income for the first six months of 2002 expressed as an annualized rate of return on average assets and average common stockholders' equity was 1.56% and 16.56%, respectively, compared with 1.18% and 12.24%, respectively, in the corresponding 2001 period. Proforma GAAP-basis annualized returns on average assets and average common shareholders' equity for the first six months of 2001 after excluding the impact of goodwill amortization were 1.38% and 14.33%, respectively.

Taxable-equivalent net interest income increased 7% to \$313 million in the second quarter of 2002 from \$292 million in the year-earlier quarter. The improvement reflects a widening of M&T's net interest margin, or taxable-equivalent net interest income expressed as an annualized percentage of average earning assets, and higher average loans outstanding. Net interest margin improved by 25 basis points (hundredths of one percent) to 4.43% in the recent quarter from 4.18% in the corresponding quarter of 2001. Average loans outstanding increased 3% to \$25.2 billion in 2002's second quarter from \$24.5 billion in the comparable 2001 period, reflecting a \$1.2 billion increase in consumer loans, partially offset by lower commercial loans and residential real estate loans.

The provision for credit losses totaled \$28 million in the second quarter of 2002, up from \$24 million a year earlier. Net charge-offs of loans also rose during the recent quarter to \$25 million from \$15 million in the year-earlier period. Expressed as an annualized percentage of average loans outstanding, net charge-offs were .39% in 2002's second quarter, compared with .24% in the similar 2001 period. Loans classified as nonperforming totaled \$168 million, or .66% of total loans at June 30, 2002, compared with \$162 million or .65% at June 30, 2001. Loans past due 90 days or more and accruing interest were \$128 million at the recent quarter-end, down from \$139 million a year earlier. Included in these loans at June 30, 2002 and 2001 were \$104 million of one-to-four family residential mortgage loans serviced by M&T and repurchased 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 the cost of servicing them. The remaining portion of accruing loans past due 90 days or more are either also guaranteed by government agencies or well-secured by collateral.

The allowance for credit losses totaled \$436 million, or 1.70% of total loans, at June 30, 2002, compared with \$409 million, or 1.65%, a year earlier. The ratio of the allowance for credit losses to nonperforming loans was 260% and 253% at June 30, 2002 and 2001, respectively. Assets taken in foreclosure of defaulted loans were \$22 million at June 30, 2002, compared with \$11 million a year earlier.

Noninterest income in the second quarter of 2002 totaled \$121 million, 3% higher than \$118 million in the year-earlier quarter. Higher revenues from providing deposit account and brokerage services contributed to the improvement, offset in part by lower mortgage banking revenues and securities transaction gains. Noninterest operating expenses, which exclude amortization of intangible assets, were \$210 million in the recent quarter, compared with \$202 million in the second quarter of 2001. Higher costs for salaries, including commissions and incentive compensation, contributed to the increase in operating expenses. The efficiency ratio, or noninterest operating expenses divided by the sum of taxable-equivalent net interest income and noninterest income, measures the relationship of operating expenses to revenues. M&T's efficiency ratio, calculated using the noninterest operating expense totals noted above and excluding gains (losses) from sales of bank investment securities from noninterest income, improved to 48.4% in the second quarter of 2002 from 49.5% in the year-earlier period.

Michael P. Pinto, Executive Vice President and Chief Financial Officer of M&T, commented that, "Growth in the consumer loan portfolio, especially home equity lines of credit and automobile loans, and a continued widening of the net interest margin, were significant factors contributing to M&T's favorable second quarter results. While many uncertainties exist in the economies of the markets we serve, at this time we believe that M&T's full-year results will meet or exceed analysts' current estimates of \$5.03 of diluted GAAP earnings per share."

M&T had total assets of \$31.7 billion at June 30, 2002, up from \$31.2 billion at June 30, 2001. Loans and leases, net of unearned discount, rose 3% to \$25.6 billion at the recent quarter-end from \$24.8 billion a year earlier. Deposits were \$21.9 billion at June 30, 2002, compared with \$20.0 billion at June 30, 2001. Total stockholders' equity was \$3.0 billion at June 30, 2002 and 2001. Common stockholders' equity per share was \$32.29 and \$31.00 at June 30, 2002 and 2001, respectively. Tangible equity per common share was \$19.34 at June 30, 2002, compared with \$17.68 at June 30, 2001.

In November 2001, M&T announced that it had been authorized by its Board of Directors to repurchase up to 5,000,000 shares of its common stock. Through June 30, 2002, M&T had repurchased 3,224,098 shares of common stock pursuant to the repurchase program at an average cost of \$78.63 per share.

Investors will have an opportunity to listen to M&T's conference call to discuss second quarter financial results at 10:00 a.m. Eastern Standard Time ("EST") today, July 10, 2002. Those wishing to participate in the call may dial 800-810-0924.

The conference call will also be webcast live at <http://ir.mandtbank.com/calendar.cfm>. A replay of the call will be available until July 11, 2002 by calling 888-203-1112, code 481166. The event will also be archived and available by noon (EST), July 10, 2002 on M&T's website at <http://ir.mandtbank.com/calendar.cfm>.

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

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

M&T BANK CORPORATION  
Financial Highlights

Amounts in thousands, except per share	Three months ended June 30		
	2002	2001	Change
Performance			
Net income	\$ 121,494	94,808	28 %
Per common share:			
Basic earnings	\$ 1.31	.98	34 %
Diluted earnings	1.26	.94	34
Cash dividends	\$ .25	.25	-
Common shares outstanding:			
Average - diluted (1)	96,188	100,722	-5 %
Period end (2)	92,192	96,339	-4
Return on (annualized):			
Average total assets	1.56%	1.23%	
Average common stockholders' equity	16.49%	12.61%	
Taxable-equivalent net interest income	\$ 313,097	291,947	7 %
Yield on average earning assets	6.57%	7.80%	
Cost of interest-bearing liabilities	2.50%	4.16%	
Net interest spread	4.07%	3.64%	
Contribution of interest-free funds	.36%	.54%	
Net interest margin	4.43%	4.18%	
Net charge-offs to average total net loans (annualized)	.39%	.24%	
Cash operating results (3)			
Cash net income	\$ 130,027	119,899	8 %
Cash net income, excluding acquisition-related expenses	130,027	119,899	8
Diluted cash earnings per			

common share	1.35	1.19	13
Diluted cash earnings per common share, excluding acquisition-related expenses	1.35	1.19	13
Return on (annualized):			
Average tangible assets	1.73%	1.62%	
Average tangible assets, excluding acquisition-related expenses	1.73%	1.62%	
Average tangible common equity	29.69%	27.99%	
Average tangible common equity, excluding acquisition-related expenses	29.69%	27.99%	
Efficiency ratio, excluding acquisition-related expenses	48.35%	49.45%	

At June 30

	2002	2001	Change
Loan quality			
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Nonaccrual loans	\$ 159,468	152,885	4 %
Renegotiated loans	8,463	8,739	-3
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Total nonperforming loans	\$ 167,931	161,624	4
	=====	=====	
Accruing loans past due 90 days or more	\$ 128,127	139,062	-8 %
Nonperforming loans to total net loans	.66%	.65%	
Allowance for credit losses to total net loans	1.70%	1.65%	

Six months ended  
June 30

	2002	2001	Change
Performance			
-----			
Net income	\$ 242,058	178,474	36 %
Per common share:			
Basic earnings	\$ 2.60	1.85	41 %
Diluted earnings	2.51	1.79	40
Cash dividends	\$ .50	.50	-
Common shares outstanding:			
Average - diluted (1)	96,339	99,668	-3 %
Period end (2)	92,192	96,339	-4
Return on (annualized):			
Average total assets	1.56%	1.18%	

Average common stockholders' equity		16.56%	12.24%	
Taxable-equivalent net interest income	\$	617,756	568,315	9 %
Yield on average earning assets		6.62%	8.06%	
Cost of interest-bearing liabilities		2.57%	4.46%	
Net interest spread		4.05%	3.60%	
Contribution of interest-free funds		.35%	.57%	
Net interest margin		4.40%	4.17%	
Net charge-offs to average total net loans (annualized)		.33%	.26%	
Cash operating results (3)				
-----				
Cash net income	\$	259,384	227,446	14 %
Cash net income, excluding acquisition-related expenses		259,384	232,290	12
Diluted cash earnings per common share		2.69	2.28	18
Diluted cash earnings per common share, excluding acquisition-related expenses		2.69	2.33	15
Return on (annualized):				
Average tangible assets		1.74%	1.57%	
Average tangible assets, excluding acquisition-related expenses		1.74%	1.61%	
Average tangible common equity		29.98%	27.38%	
Average tangible common equity, excluding acquisition-related expenses		29.98%	27.96%	
Efficiency ratio, excluding acquisition-related expenses		48.63%	50.09%	

(1) Includes common stock equivalents

(2) Includes common stock issuable under deferred compensation plans

(3) Excludes amortization and balances related to goodwill and core deposit intangible which, except in the calculation of the efficiency ratio, are net of applicable income tax effects

M&T BANK CORPORATION  
Condensed Consolidated Statement of Income

Dollars in thousands	Three months ended June 30		
	2002	2001	Change
Interest income	\$ 461,425	539,625	-14 %
Interest expense	151,949	252,477	-40

Net interest income	309,476	287,148	8
Provision for credit losses	28,000	24,000	17
Net interest income after provision for credit losses	281,476	263,148	7
Other income			
Mortgage banking revenues	23,281	25,029	-7
Service charges on deposit accounts	40,811	36,313	12
Trust income	15,318	16,317	-6
Brokerage services income	12,078	9,470	28
Trading account and foreign exchange gains	386	1,566	-75
Gain (loss) on sales of bank investment securities	(170)	1,550	-
Other revenues from operations	29,475	27,591	7
Total other income	121,179	117,836	3
Other expense			
Salaries and employee benefits	115,650	109,455	6
Equipment and net occupancy	25,727	27,727	-7
Printing, postage and supplies	5,871	6,230	-6
Amortization of goodwill	-	15,762	-100
Amortization of core deposit and other intangible assets	13,142	15,387	-15
Other costs of operations	62,826	58,451	7
Total other expense	223,216	233,012	-4
Income before income taxes	179,439	147,972	21
Applicable income taxes	57,945	53,164	9
Net income	\$ 121,494	94,808	28 %

Six months ended  
June 30

Dollars in thousands	2002	2001	Change
Interest income	\$ 922,612	1,088,203	-15 %
Interest expense	312,076	529,074	-41
Net interest income	610,536	559,129	9

Provision for credit losses	52,000	42,500	22
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Net interest income after provision for credit losses	558,536	516,629	8
Other income			
Mortgage banking revenues	51,193	50,689	1
Service charges on deposit accounts	80,336	68,847	17
Trust income	31,123	32,144	-3
Brokerage services income	22,997	19,480	18
Trading account and foreign exchange gains	1,429	2,368	-40
Gain (loss) on sales of bank investment securities	1	1,629	-
Other revenues from operations	58,328	54,406	7
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Total other income	245,407	229,563	7
Other expense			
Salaries and employee benefits	229,053	215,342	6
Equipment and net occupancy	52,931	55,885	-5
Printing, postage and supplies	11,904	13,304	-11
Amortization of goodwill	-	30,509	-100
Amortization of core deposit and other intangible assets	26,685	30,451	-12
Other costs of operations	125,876	122,322	3
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Total other expense	446,449	467,813	-5
Income before income taxes	357,494	278,379	28
Applicable income taxes	115,436	99,905	16
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Net income	\$ 242,058	178,474	36 %
	=====	=====	

M&T BANK CORPORATION  
Condensed Consolidated Balance Sheet

June 30

Dollars in thousands	2002	2001	Change
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ASSETS			
Cash and due from banks	\$ 864,158	713,685	21 %
Money-market assets	92,514	70,399	31
Investment securities	2,960,512	3,377,169	-12

Loans and leases, net of unearned discount	25,603,569	24,774,428	3
Less: Allowance for credit losses	436,395	408,506	7
	-----	-----	
Net loans and leases	25,167,174	24,365,922	3
Goodwill	1,097,553	1,148,312	-4
Core deposit and other intangible assets	143,589	199,639	-28
Other assets	1,360,031	1,327,020	2
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Total assets	\$ 31,685,531	31,202,146	2 %
	=====	=====	

LIABILITIES AND STOCKHOLDERS' EQUITY

Noninterest-bearing deposits at U.S. offices	\$ 3,800,508	3,371,044	13 %
Other deposits at U.S. offices	16,839,791	16,340,965	3
Deposits at foreign office	1,217,273	329,432	270
	-----	-----	
Total deposits	21,857,572	20,041,441	9
Short-term borrowings	2,244,272	3,971,354	-43
Accrued interest and other liabilities	394,882	475,600	-17
Long-term borrowings	4,211,920	3,727,043	13
	-----	-----	
Total liabilities	28,708,646	28,215,438	2
Stockholders' equity (1)	2,976,885	2,986,708	-
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Total liabilities and stockholders' equity	\$ 31,685,531	31,202,146	2 %
	=====	=====	

(1) Reflects accumulated other comprehensive income, net of applicable income taxes, of \$35.4 million at June 30, 2002 and \$10.4 million at June 30, 2001.

Three months ended  
June 30

Dollars in millions	2002		2001		Change in balance
	Balance	Rate	Balance	Rate	
<b>ASSETS</b>					
Money-market assets	\$ 273	1.76 %	31	3.69 %	773 %
Investment securities	2,888	5.90	3,502	6.74	-18
Loans and leases, net of unearned discount					
Commercial, financial, etc	5,070	5.24	5,383	7.43	-6
Real estate - commercial	9,432	7.09	9,232	8.08	2
Real estate - consumer	4,901	7.32	5,263	7.88	-7
Consumer	5,811	6.78	4,582	8.36	27
Total loans and leases, net	25,214	6.70	24,460	7.96	3
Total earning assets	28,375	6.57	27,993	7.80	1
Goodwill	1,098		1,156		-5
Core deposit and other intangible assets	150		207		-28
Other assets	1,704		1,661		3
Total assets	\$ 31,327		31,017		1 %
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
Interest-bearing deposits					
NOW accounts	\$ 757	.56	708	1.25	7 %
Savings deposits	8,822	1.23	7,280	1.90	21
Time deposits	7,642	3.34	9,029	5.36	-15
Deposits at foreign office	404	1.51	304	3.99	33
Total interest-bearing deposits	17,625	2.12	17,321	3.72	2
Short-term borrowings	2,677	1.77	3,543	4.36	-24
Long-term borrowings	4,121	4.56	3,485	6.15	18
Total interest-bearing liabilities	24,423	2.50	24,349	4.16	-
Noninterest-bearing deposits	3,585		3,269		10
Other liabilities	363		384		-6

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Total liabilities	28,371	28,002	1
Stockholders' equity	2,956	3,015	-2
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Total liabilities and stockholders' equity	\$ 31,327	31,017	1 %
	=====	=====	
Net interest spread	4.07	3.64	
Contribution of interest-free funds	.36	.54	
Net interest margin	4.43 %	4.18 %	

Six months ended  
June 30

Dollars in millions	-----		-----		
	2002		2001		
	-----		-----		Change in
	Balance	Rate	Balance	Rate	balance
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ASSETS					
Money-market assets	\$ 267	1.78 %	53	4.69 %	406%
Investment securities	2,899	5.91	3,486	6.89	-17
Loans and leases, net of unearned discount					
Commercial, financial, etc	5,064	5.23	5,281	7.92	-4
Real estate - commercial	9,402	7.10	9,085	8.24	3
Real estate - consumer	5,070	7.33	5,128	7.92	-1
Consumer	5,626	6.86	4,435	8.73	27
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Total loans and leases, net	25,162	6.75	23,929	8.23	5
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Total earning assets	28,328	6.62	27,468	8.06	3
Goodwill	1,098		1,124		-2
Core deposit and other intangible assets	157		208		-25
Other assets	1,716		1,650		4
	-----		-----		
Total assets	\$ 31,299		30,450		3%
	=====		=====		

LIABILITIES AND STOCKHOLDERS' EQUITY

Interest-bearing deposits					
NOW accounts	748	.53	712	1.53	5%
Savings deposits	8,641	1.26	7,024	2.09	23
Time deposits	7,890	3.49	9,414	5.59	-16
Deposits at foreign office	441	1.51	284	4.57	56
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Total interest-bearing deposits	17,720	2.23	17,434	4.00	2
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Short-term borrowings	2,820	1.77	3,001	4.89	-6
Long-term borrowings	3,924	4.70	3,464	6.45	13
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Total interest-bearing liabilities	24,464	2.57	23,899	4.46	2
Noninterest-bearing deposits	3,520		3,227		9
Other liabilities	367		383		-4
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Total liabilities	28,351		27,509		3
Stockholders' equity	2,948		2,941		-
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Total liabilities and stockholders' equity	\$ 31,299		30,450		3%
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Net interest spread		4.05		3.60	
Contribution of interest-free funds		.35		.57	
Net interest margin		4.40 %		4.17 %	

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