M&T BANK CORP
Form 10-K
February 19, 2010

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

Form 10-K

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2009

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 1-9861

M&T BANK CORPORATION
(Exact name of registrant as specified in its charter)

New York	**16-0968385**
(State of incorporation)	*(I.R.S. Employer Identification No.)*
One M&T Plaza, Buffalo, New York	**14203**
(Address of principal executive offices)	*(Zip Code)*

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

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.50 par value	New York Stock Exchange

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No þ

Aggregate market value of the Common Stock, $0.50 par value, held by non-affiliates of the registrant, computed by reference to the closing price as of the close of business on June 30, 2009: $3,984,009,945.

Number of shares of the Common Stock, $0.50 par value, outstanding as of the close of business on February 11, 2010: 118,680,444 shares.

Documents Incorporated By Reference:

(1) Portions of the Proxy Statement for the 2010 Annual Meeting of Stockholders of M&T Bank Corporation in Parts II and III.

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M&T BANK CORPORATION

Form 10-K for the year ended December 31, 2009

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PART I

Item 1. *Business.*

M&T Bank Corporation (Registrant or M&T) is a New York business corporation which is registered as a bank holding company under the Bank Holding Company Act of 1956, as amended (BHCA) and under Article III-A of the New York Banking Law (Banking Law). The principal executive offices of the Registrant are located at One M&T Plaza, Buffalo, New York 14203. The Registrant was incorporated in November 1969. The Registrant and its direct and indirect subsidiaries are collectively referred to herein as the Company. As of December 31, 2009 the Company had consolidated total assets of $68.9 billion, deposits of $47.4 billion and stockholders equity of $7.8 billion. The Company had 12,802 full-time and 1,424 part-time employees as of December 31, 2009.

At December 31, 2009, the Registrant had two wholly owned bank subsidiaries: M&T Bank and M&T Bank, National Association (M&T Bank, N.A.). The banks collectively offer a wide range of commercial banking, trust and investment services to their customers. At December 31, 2009, M&T Bank represented 99% of consolidated assets of the Company. M&T Bank operates branch offices in New York, Maryland, Pennsylvania, Delaware, New Jersey, Virginia, West Virginia and the District of Columbia.

The Company from time to time considers acquiring banks, thrift institutions, branch offices of banks or thrift institutions, or other businesses within markets currently served by the Company or in other locations that would complement the Company s business or its geographic reach. The Company has pursued acquisition opportunities in the past, continues to review different opportunities, including the possibility of major acquisitions, and intends to continue this practice.

Relationship With Allied Irish Banks, p.l.c.

On April 1, 2003, M&T completed the acquisition of Allfirst Financial Inc. (Allfirst), a bank holding company headquartered in Baltimore, Maryland from Allied Irish Banks, p.l.c. (AIB). Under the terms of the Agreement and Plan of Reorganization dated September 26, 2002 by and among AIB, Allfirst and M&T (the Reorganization Agreement), M&T combined with Allfirst through the acquisition of all of the issued and outstanding Allfirst stock in exchange for 26,700,000 shares of M&T common stock and $886,107,000 in cash paid to AIB. In addition, there were several M&T corporate governance changes that resulted from the transaction. While it maintains a significant ownership in M&T, AIB will have representation on the M&T board, the M&T Bank board and key M&T board committees and will have certain protections of its rights as a substantial M&T shareholder. In addition, AIB will have rights that will facilitate its ability to maintain its proportionate ownership position in M&T. M&T will also have representation on the AIB board while AIB remains a significant shareholder. The following is a description of the ongoing relationship between M&T and AIB. The following description is qualified in its entirety by the terms of the Reorganization Agreement. The Reorganization Agreement was filed with the Securities Exchange Commission on October 3, 2002 as Exhibit 2 to the Current Report on Form 8-K of M&T dated September 26, 2002.

Board of Directors; Management

At December 31, 2009, AIB held approximately 22.6% of the issued and outstanding shares of M&T common stock. In defining their relationship after the acquisition, M&T and AIB negotiated certain agreements regarding share ownership and corporate governance issues such as board representation, with the number of AIB s representatives on the M&T and M&T Bank boards of directors being dependent upon the amount of M&T common stock held by AIB. M&T has the right to one seat on the AIB board of directors until AIB no longer holds at least 15% of the outstanding shares of M&T common stock. Pursuant to the Reorganization Agreement, AIB has the right to name four members to serve on the Boards of Directors of M&T and M&T Bank, each of whom must be reasonably acceptable to M&T (collectively, the AIB Designees). Further, one of the AIB Designees will serve on each of the Executive Committee, Nomination, Compensation and Governance Committee, and Audit and Risk Committee (or any committee or committees performing comparable functions) of the M&T board of directors. In order to serve, the AIB Designees must meet the requisite independence and expertise requirements prescribed under applicable law or stock exchange

rules. In addition, the Reorganization Agreement provides that the board of directors of M&T Bank will include four members designated by AIB, each of whom must be reasonably acceptable to M&T.

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As long as AIB remains a significant shareholder of M&T, AIB will have representation on the boards of directors of both M&T and M&T Bank as follows:

- As long as AIB holds at least 15% of the outstanding shares of M&T common stock, AIB will be entitled to designate four persons on both the M&T and M&T Bank boards of directors and representation on the committees of the M&T board described above.
- If AIB holds at least 10%, but less than 15%, of the outstanding shares of M&T common stock, AIB will be entitled to designate at least two people on both the M&T and M&T Bank boards of directors.
- If AIB s ownership interest in M&T is at least 5%, but less than 10%, of the outstanding shares of M&T common stock, AIB will be entitled to designate at least one person on both the M&T and M&T Bank boards of directors.
- As long as AIB holds at least 15% of the outstanding shares of M&T common stock, neither M&T s board of directors nor M&T Bank s board of directors will consist of more than twenty-eight directors without the consent of the AIB Designees.
- If AIB s holdings of M&T common stock fall below 15%, but not lower than 12% of the outstanding shares of M&T common stock, AIB will continue to have the same rights that it would have had if it owned 15% of the outstanding shares of M&T common stock, as long as AIB restores its ownership percentage to 15% within one year. Additionally, as described in more detail below, M&T has agreed to repurchase shares of M&T common stock in order to offset dilution to AIB s ownership interests that may otherwise be caused by issuances of M&T common stock under M&T employee and director benefit or stock purchase plans. Dilution of AIB s ownership position caused by such issuances will not be counted in determining whether the Sunset Date has occurred or whether any of AIB s other rights under the Reorganization Agreement have terminated. The Sunset Date is the date on which AIB no longer holds at least 15% of M&T common stock, calculated as described in this paragraph.

The AIB Designees at December 31, 2009 were Michael D. Buckley, Colm E. Doherty, Richard G. King and Eugene J. Sheehy. Mr. Buckley serves as a member of the Executive Committee and the Nomination, Compensation and Governance Committee, and Mr. King serves as a member of the Audit and Risk Committee. Robert G. Wilmers, Chairman of the Board and Chief Executive Officer of M&T, is a member of the AIB board of directors.

Amendments to M&T s Bylaws

Pursuant to the Reorganization Agreement, M&T amended and restated its bylaws. The following is a description of the amended bylaws:

The amended bylaws provide that until the Sunset Date, the M&T board of directors may not take or make any recommendation to M&T s shareholders regarding the following actions without the approval of the Executive Committee, including the approval of the AIB Designee serving on the committee:

- Any amendment of M&T s Certificate of Incorporation or bylaws that would be inconsistent with the rights described herein or that would otherwise have an adverse effect on the board representation, committee representation or other rights of AIB contemplated by the Reorganization Agreement;
- Any activity not permissible for a U.S. bank holding company;
- The adoption of any shareholder rights plan or other measures having the purpose or effect of preventing or materially delaying completion of any transaction involving a change in control of M&T; and
- Any public announcement disclosing M&T s desire or intention to take any of the foregoing actions.

The amended bylaws also provide that until the Sunset Date, the M&T board of directors may only take or make any recommendation to M&T s shareholders regarding the following actions if the action has been approved by the Executive Committee (in the case of the first four items and sixth item below) or Nomination, Compensation and Governance Committee (in the case of the fifth item below)

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and the members of such committee not voting in favor of the action do not include the AIB Designee serving on such committee and at least one other member of the committee who is not an AIB Designee:

- Any reduction in M&T s cash dividend policy such that the ratio of cash dividends to net income is less than 15%, or any extraordinary dividends or distributions to holders of M&T common stock;
- Any acquisition of any assets or businesses, (1) if the consideration is in M&T common stock, where the stock consideration paid by M&T exceeds 10% of the aggregate voting power of M&T common stock and (2) if the consideration is cash, M&T stock or other consideration, where the fair market value of the consideration paid by M&T exceeds 10% of the market capitalization of M&T, as determined under the Reorganization Agreement;
- Any sale of any assets or businesses in which the value of the aggregate consideration to be received exceeds 10% of the market capitalization of M&T, as determined under the Reorganization Agreement;
- Any liquidation or dissolution of M&T;
- The appointment or election of the Chairman of the board of directors or the Chief Executive Officer of M&T; and
- Any public announcement disclosing M&T s desire or intention to take any of the foregoing actions prior to obtaining the requisite committee approval.

The provisions of the bylaws described above may not be amended or repealed without the unanimous approval of the entire M&T board of directors or the approval of the holders of not less than 80% of the outstanding shares of M&T common stock. The provisions of the bylaws described above will automatically terminate when AIB holds less than 5% of the outstanding shares of M&T common stock.

Investment Parameters

The Reorganization Agreement provides that through the second anniversary of the Sunset Date, without prior written consent of the M&T board of directors, AIB will not, directly or indirectly, acquire or offer to acquire (except by way of stock dividends, offerings made available to M&T shareholders generally, or pursuant to compensation plans) more than 25% of the then outstanding shares of M&T common stock. Further, during this period, AIB and AIB s subsidiaries have agreed not to participate in any proxy solicitation or to otherwise seek to influence any M&T shareholder with respect to the voting of any shares of M&T common stock for the approval of any shareholder proposals.

The Reorganization Agreement also provides that, during this period, AIB will not make any public announcement with respect to any proposal or offer by AIB or any AIB subsidiary with respect to certain transactions (such as mergers, business combinations, tender or exchange offers, the sale or purchase of securities or similar transactions) involving M&T or any of the M&T subsidiaries. The Reorganization Agreement also provides that, during this period, AIB may not subject any shares of M&T common stock to any voting trust or voting arrangement or agreement and will not execute any written consent as a shareholder with respect to the M&T common stock.

The Reorganization Agreement also provides that, during this period, AIB will not seek to control or influence the management, the board of directors or policies of M&T, including through communications with shareholders of M&T or otherwise, except through non-public communications with the directors of M&T, including the AIB Designees.

These restrictions on AIB will no longer apply if a third party commences or announces its intention to commence a tender offer or an exchange offer and, within a reasonable time, the M&T board of directors either does not recommend that shareholders not accept the offer or fails to adopt a shareholders rights plan, or if M&T or M&T Bank becomes subject to any regulatory capital directive or becomes an institution in troubled condition under applicable banking regulations. However, in the event the tender offer or exchange offer is not commenced or consummated in accordance with its terms, the restrictions on AIB described above will thereafter continue to apply.

Anti-Dilution Protections

M&T has agreed that until the Sunset Date, in the event M&T issues shares of M&T stock (other than certain issuances to employees pursuant to option and benefit plans), subject to applicable law and

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regulatory requirements, AIB will have the right to purchase at fair market value up to the number of shares of M&T common stock required to increase or maintain its equity interest in M&T to 22.5% of the then outstanding M&T common stock.

M&T has also agreed that until the Sunset Date, in connection with any issuance of M&T stock pursuant to employee option or benefit plans, M&T will as soon as reasonably practicable, taking into account applicable law, regulatory capital requirements, capital planning and risk management, take such necessary actions so that AIB s proportionate ownership of M&T common stock is not reduced as a result of such issuances, including by funding such issuances through purchases of M&T common stock in the open market or by undertaking share repurchase programs.

Sale of M&T Common Stock; Right of First Refusal in Certain Circumstances

The M&T common stock issued to AIB was not registered under the Securities Act of 1933 (the Securities Act) and may only be disposed of by AIB pursuant to an effective registration statement or pursuant to an exemption from registration under the Securities Act and subject to the provisions of the Reorganization Agreement.

M&T and AIB have entered into a registration rights agreement that provides that upon AIB s request, M&T will file a registration statement relating to all or a portion of AIB s shares of M&T common stock providing for the sale of such shares by AIB from time to time on a continuous basis pursuant to Rule 415 under the Securities Act, provided that M&T need only effect one such shelf registration in any 12-month period. In addition, the registration rights agreement provides that AIB is entitled to demand registration under the Securities Act of all or part of its shares of M&T stock, provided that M&T is not obligated to effect two such demand registrations in any 12-month period. Any demand or shelf registration must cover no less than one million shares.

The registration rights agreement further provides that in the event M&T proposes to file a registration statement other than pursuant to a shelf registration or demand registration or Forms S-8 or S-4, for an offering and sale of shares by M&T in an underwritten offering or an offering and sale of shares on behalf of one or more selling shareholders, M&T must give AIB notice at least 15 days prior to the anticipated filing date, and AIB may request that all or a portion of its M&T common shares be included in the registration statement. M&T will honor the request, unless the managing underwriter advises M&T in writing that in its opinion the inclusion of all shares requested to be included by M&T, the other selling shareholders, if any, and AIB would materially and adversely affect the offering, in which case M&T may limit the number of shares included in the offering to a number that would not reasonably be expected to have such an effect. In such event, the number of shares to be included in the registration statement shall first include the number of shares requested to be included by M&T and then the shares requested by other selling shareholders, including AIB, on a pro rata basis according to the number of shares requested to be included in the registration statement by each shareholder.

As long as AIB holds 5% or more of the outstanding shares of M&T common stock, AIB will not dispose of any of its shares of M&T common stock except, subject to the terms and conditions of the Reorganization Agreement and applicable law, in a widely dispersed public distribution; a private placement in which no one party acquires the right to purchase more than 2% of the outstanding shares of M&T common stock; an assignment to a single party (such as a broker or investment banker) for the purpose of conducting a widely dispersed public distribution on AIB s behalf; pursuant to Rule 144 under the Securities Act; pursuant to a tender or exchange offer to M&T s shareholders not opposed by M&T s board of directors, or open market purchase programs made by M&T; with the consent of M&T, which consent will not be unreasonably withheld, to a controlled subsidiary of AIB; or pursuant to M&T s right of first refusal as described below.

The Reorganization Agreement provides that until AIB no longer holds at least 5% of the outstanding shares of M&T common stock, if AIB wishes to sell or otherwise transfer any of its shares of M&T common stock other than as described in the preceding paragraph, AIB must first submit an offer notice to M&T identifying the proposed transferee and setting forth the proposed terms of the transaction, which shall be limited to sales for cash, cash equivalents or marketable securities. M&T will have the right, for 20 days following receipt of an offer notice from AIB, to purchase all (but not less than all) of the shares of M&T common stock that AIB wishes to sell, on the proposed terms specified in

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the offer notice. If M&T declines or fails to respond to the offer notice within 20 days, AIB may sell all or a portion of the M&T shares specified in the offer notice to the proposed transferee at a purchase price equal to or greater than the price specified in the offer notice, at any time during the three months following the date of the offer notice, or, if prior notification to or approval of the sale by the Federal Reserve Board or another regulatory agency is required, AIB shall pursue regulatory approval expeditiously and the sale may occur on the first date permitted under applicable law.

Certain Post-Closing Bank Regulatory Matters

The Board of Governors of the Federal Reserve System (Federal Reserve Board) deems AIB to be M&T s bank holding company for purposes of the BHCA. In addition, the New York Banking Superintendent (Banking Superintendent) deems AIB to be M&T s bank holding company for purposes of Article III-A of the Banking Law. Among other things, this means that, should M&T propose to make an acquisition or engage in a new type of activity that requires the submission of an application or notice to the Federal Reserve Board or the Banking Superintendent, AIB, as well as M&T, may also be required to file an application or notice. The Reorganization Agreement generally provides that AIB will make any applications, notices or filings that M&T determines to be necessary or desirable. The Reorganization Agreement also requires AIB not to take any action that would have a material adverse effect on M&T and to advise M&T prior to entering into any material transaction or activity. These provisions of the Reorganization Agreement would no longer apply if AIB ceased to be M&T s bank holding company and also was not otherwise considered to control M&T for purposes of the BHCA.

Pursuant to the Reorganization Agreement, if, as a result of any administrative enforcement action under Section 8 of the Federal Deposit Insurance Act (the FDI Act), memorandum of understanding, written agreement, supervisory letter or any other action or determination of any regulatory agency relating to the status of AIB (but not relating to the conduct of M&T or any subsidiary of M&T), M&T or M&T Bank also becomes subject to such an action, memorandum, agreement or letter that relates to M&T or any M&T subsidiary, or experiences any fact, event or circumstance that affects M&T s regulatory status or compliance, and that in either case would be reasonably likely to create a material burden on M&T or to cause any material adverse economic or operating consequences to M&T or an M&T subsidiary (a Material Regulatory Event), then M&T will notify AIB thereof in writing as promptly as practicable. Should AIB fail to cure the Material Regulatory Event within 90 days following the receipt of such notice, AIB will, as promptly as practicable but in no event later than 30 days from the end of the cure period, take any and all such actions (with the reasonable cooperation of M&T as requested by AIB) as may be necessary or advisable in order that it no longer has control of M&T for purposes of the BHCA, including, if necessary, by selling some or all of its shares of M&T common stock (subject to the right of first refusal provisions of the Reorganization Agreement) and divesting itself as required of its board and committee representation and governance rights as set forth in the Reorganization Agreement. If, at the end of such 30-day period, the Material Regulatory Event is continuing and AIB has not terminated its control of M&T, then M&T will have the right to repurchase, at fair market value, such amount of the M&T common stock owned by AIB as would result in AIB holding no less than 4.9% of the outstanding shares of M&T common stock, pursuant to the procedures detailed in the Reorganization Agreement.

As long as AIB is considered to control M&T for purposes of the BHCA or the federal Change in Bank Control Act, if AIB acquires any insured depository institution with total assets greater than 25% of the assets of M&T s largest insured depository institution subsidiary, then within two years AIB must terminate its affiliation with the insured depository institution or take such steps as may be necessary so that none of M&T s bank subsidiaries would be subject to cross guarantee liability for losses incurred if the institution AIB acquired potentially were to fail. This liability applies under the FDI Act to insured depository institutions that are commonly controlled. The actions AIB would take could include disposing of shares of M&T common stock and/or surrendering its representation or governance rights. Also, if such an insured depository institution that is controlled by AIB and of the size described in the first sentence of this paragraph that would be considered to be commonly controlled with M&T s insured depository institution subsidiaries fails to meet applicable requirements to be adequately capitalized under applicable U.S. banking laws, then AIB will have to take the actions described in the previous

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sentence no later than 180 days after the date that the institution failed to meet those requirements, unless the institution is sooner returned to adequately capitalized status.

Subsidiaries

M&T Bank is a banking corporation that is incorporated under the laws of the State of New York. M&T Bank is a member of the Federal Reserve System and the Federal Home Loan Bank System, and its deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to applicable limits. M&T acquired all of the issued and outstanding shares of the capital stock of M&T Bank in December 1969. The stock of M&T Bank represents a major asset of M&T. M&T Bank operates under a charter granted by the State of New York in 1892, and the continuity of its banking business is traced to the organization of the Manufacturers and Traders Bank in 1856. The principal executive offices of M&T Bank are located at One M&T Plaza, Buffalo, New York 14203. As of December 31, 2009, M&T Bank had 793 banking offices located throughout New York State, Pennsylvania, Maryland, Delaware, New Jersey, Virginia, West Virginia and the District of Columbia, plus a branch in George Town, Cayman Islands. As of December 31, 2009, M&T Bank had consolidated total assets of $67.9 billion, deposits of $47.3 billion and stockholder s equity of $8.4 billion. The deposit liabilities of M&T Bank are insured by the FDIC through its Deposit Insurance Fund (DIF) of which, at December 31, 2009, $46.6 billion were assessable. As a commercial bank, M&T Bank offers a broad range of financial services to a diverse base of consumers, businesses, professional clients, governmental entities and financial institutions located in its markets. Lending is largely focused on consumers residing in New York State, Pennsylvania, Maryland, northern Virginia and Washington, D.C., and on small and medium-size businesses based in those areas, although residential and commercial real estate loans are originated through lending offices in ten other states. In addition, the Company conducts lending activities in various states through other subsidiaries. M&T Bank and certain of its subsidiaries also offer commercial mortgage loans secured by income producing properties or properties used by borrowers in a trade or business. Additional financial services are provided through other operating subsidiaries of the Company.

M&T Bank, N.A., a national banking association and a member of the Federal Reserve System and the FDIC, commenced operations on October 2, 1995. The deposit liabilities of M&T Bank, N.A. are insured by the FDIC through the DIF. The main office of M&T Bank, N.A. is located at 48 Main Street, Oakfield, New York 14125. M&T Bank, N.A. offers selected deposit and loan products on a nationwide basis, through direct mail, telephone marketing techniques and the Internet. As of December 31, 2009, M&T Bank, N.A. had total assets of $908 million, deposits of $523 million and stockholder s equity of $146 million.

M&T Life Insurance Company (M&T Life Insurance), a wholly owned subsidiary of M&T, was incorporated as an Arizona business corporation in January 1984. M&T Life Insurance is a captive credit reinsurer which reinsures credit life and accident and health insurance purchased by the Company s consumer loan customers. As of December 31, 2009, M&T Life Insurance had assets of $33 million and stockholder s equity of $30 million. M&T Life Insurance recorded revenues of $1 million during 2009. Headquarters of M&T Life Insurance are located at 101 North First Avenue, Phoenix, Arizona 85003.

M&T Credit Services, LLC (M&T Credit), a wholly owned subsidiary of M&T Bank, was a New York limited liability company that was merged into M&T Bank, effective April 1, 2009. M&T Credit was a credit and leasing company offering consumer loans and commercial loans and leases. M&T Credit recorded $60 million of revenue during 2009 prior to its merger into M&T Bank .

M&T Insurance Agency, Inc. (M&T Insurance Agency), a wholly owned insurance agency subsidiary of M&T Bank, was incorporated as a New York corporation in March 1955. M&T Insurance Agency provides insurance agency services principally to the commercial market. As of December 31, 2009, M&T Insurance Agency had assets of $40 million and stockholder s equity of $26 million. M&T Insurance Agency recorded revenues of $22 million during 2009. The headquarters of M&T Insurance Agency are located at 285 Delaware Avenue, Buffalo, New York 14202.

M&T Mortgage Reinsurance Company, Inc. (M&T Reinsurance), a wholly owned subsidiary of M&T Bank, was incorporated as a Vermont business corporation in July 1999. M&T Reinsurance enters into reinsurance contracts with insurance companies who insure against the risk of a mortgage borrower s payment default in connection with M&T

Bank-related mortgage loans. M&T Reinsurance receives a

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share of the premium for those policies in exchange for accepting a portion of the insurer s risk of borrower default. As of December 31, 2009, M&T Reinsurance had assets of $39 million and stockholder s equity of $23 million. M&T Reinsurance recorded approximately $9 million of revenue during 2009. M&T Reinsurance s principal and registered office is at 148 College Street, Burlington, Vermont 05401.

M&T Real Estate Trust (M&T Real Estate) is a Maryland Real Estate Investment Trust that was formed through the merger of two separate subsidiaries, but traces its origin to the incorporation of M&T Real Estate, Inc. in July 1995. M&T Real Estate engages in commercial real estate lending and provides loan servicing to M&T Bank. As of December 31, 2009, M&T Real Estate had assets of $16.2 billion, common stockholder s equity of $15.6 billion, and preferred stockholders equity, consisting of 9% fixed-rate preferred stock (par value $1,000), of $1 million. All of the outstanding common stock and 89% of the preferred stock of M&T Real Estate is owned by M&T Bank. The remaining 11% of M&T Real Estate s outstanding preferred stock is owned by officers or former officers of the Company. M&T Real Estate recorded $743 million of revenue in 2009. The headquarters of M&T Real Estate are located at M&T Center, One Fountain Plaza, Buffalo, New York 14203.

M&T Realty Capital Corporation (M&T Realty Capital), a wholly owned subsidiary of M&T Bank, was incorporated as a Maryland corporation in October 1973. M&T Realty Capital engages in multifamily commercial real estate lending and provides loan servicing to purchasers of the loans it originates. As of December 31, 2009 M&T Realty Capital serviced $7.1 billion of commercial mortgage loans for non-affiliates and had assets of $205 million and stockholder s equity of $29 million. M&T Realty Capital recorded revenues of $47 million in 2009. The headquarters of M&T Realty Capital are located at 25 South Charles Street, Baltimore, Maryland 21202.

M&T Securities, Inc. (M&T Securities) is a wholly owned subsidiary of M&T Bank that was incorporated as a New York business corporation in November 1985. M&T Securities is registered as a broker/dealer under the Securities Exchange Act of 1934, as amended, and as an investment advisor under the Investment Advisors Act of 1940, as amended. M&T Securities is licensed as a life insurance agent in each state where M&T Bank operates branch offices and in a number of other states. It provides securities brokerage, investment advisory and insurance services. As of December 31, 2009, M&T Securities had assets of $55 million and stockholder s equity of $44 million. M&T Securities recorded $83 million of revenue during 2009. The headquarters of M&T Securities are located at One M&T Plaza, Buffalo, New York 14203.

MTB Investment Advisors, Inc. (MTB Investment Advisors), a wholly owned subsidiary of M&T Bank, was incorporated as a Maryland corporation on June 30, 1995. MTB Investment Advisors serves as investment advisor to the MTB Group of Funds, a family of proprietary mutual funds, and institutional clients. As of December 31, 2009, MTB Investment Advisors had assets of $17 million and stockholder s equity of $14 million. MTB Investment Advisors recorded revenues of $43 million in 2009. The headquarters of MTB Investment Advisors are located at 100 East Pratt Street, Baltimore, Maryland 21202.

The Registrant and its banking subsidiaries have a number of other special-purpose or inactive subsidiaries. These other subsidiaries did not represent, individually and collectively, a significant portion of the Company s consolidated assets, net income and stockholders equity at December 31, 2009.

Segment Information, Principal Products/Services and Foreign Operations

Information about the Registrant s business segments is included in note 22 of Notes to Financial Statements filed herewith in Part II, Item 8, Financial Statements and Supplementary Data and is further discussed in Part II, Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations. The Registrant s reportable segments have been determined based upon its internal profitability reporting system, which is organized by strategic business unit. Certain strategic business units have been combined for segment information reporting purposes where the nature of the products and services, the type of customer and the distribution of those products and services are similar. The reportable segments are Business Banking, Commercial Banking, Commercial Real Estate, Discretionary Portfolio, Residential Mortgage Banking and Retail Banking. The Company s international activities are discussed in note 17 of Notes to Financial Statements filed herewith in Part II, Item 8, Financial Statements and Supplementary Data.

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

Supervision and Regulation of the Company

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

Financial Services Modernization

Under the BHCA, bank holding companies are permitted to offer their customers virtually any type of financial service that is financial in nature or incidental thereto, including banking, securities underwriting, insurance (both underwriting and agency), and merchant banking.

In order to engage in these financial activities, a bank holding company must qualify and register with the Federal Reserve Board as a financial holding company by demonstrating that each of its bank subsidiaries is well capitalized, well managed, and has at least a satisfactory rating under the Community Reinvestment Act of 1977 (CRA). To date, M&T has not elected to register as a financial holding company. For as long as AIB owns at least 15% of M&T s outstanding common stock, M&T may not become a financial holding company without the approval of the Executive Committee of the M&T board of directors, which must also include the affirmative approval of the AIB Designee on such committee, as described above under the caption Amendments to M&T s Bylaws.

The financial activities authorized by the BHCA may also be engaged in by a financial subsidiary of a national or state bank, except for insurance or annuity underwriting, insurance company portfolio investments, real estate investment and development, and merchant banking, which must be conducted in a financial holding company. In order for these financial activities to be engaged in by a financial subsidiary of a national or state bank, federal law requires each of the parent bank (and its sister-bank affiliates) to be well capitalized and well managed; the aggregate consolidated assets of all of that bank s financial subsidiaries may not exceed the lesser of 45% of its consolidated total assets or $50 billion; the bank must have at least a satisfactory CRA rating; and, if that bank is one of the 100 largest national banks, it must meet certain financial rating or other comparable requirements. M&T Bank and M&T Bank, N.A. have not elected to engage in financial activities through financial subsidiaries. Current federal law also establishes a system of functional regulation under which the federal banking agencies will regulate the banking activities of financial holding companies and banks financial subsidiaries, the U.S. Securities and Exchange Commission will regulate their securities activities, and state insurance regulators will regulate their insurance activities. Rules developed by the federal financial institutions regulators under these laws require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent the disclosure of certain personal information to nonaffiliated third parties.

Bank Holding Company Regulation

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

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

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

Under the Federal Reserve Board s statement of policy with respect to bank holding company operations, a bank holding company is required to serve as a source of financial strength to its subsidiary depository institutions and to commit all available resources to support such institutions in circumstances where it might not do so absent such policy. Although this source of strength policy has been challenged in litigation, the Federal Reserve Board continues to take the position that it has authority to enforce it. For a discussion of circumstances under which a bank holding company may be required to guarantee the capital levels or performance of its subsidiary banks, see Capital Adequacy, below. Consistent with this source of strength policy, the Federal Reserve Board takes the position that a bank holding company generally should not maintain a rate of cash dividends unless its net income available to common shareholders has been sufficient to fully fund the dividends and the prospective rate of earnings retention appears to be consistent with the company s capital needs, asset quality and overall financial condition. The Federal Reserve also has the authority to terminate any activity of a bank holding company that constitutes a serious risk to the financial soundness or stability of any subsidiary depository institution or to terminate its control of any bank or nonbank subsidiaries.

The BHCA generally permits bank holding companies to acquire banks in any state, and preempts all state laws restricting the ownership by a bank holding company of banks in more than one state. The FDI Act also permits a bank to merge with an out-of-state bank and convert any offices into branches of the resulting bank if both states have not opted out of interstate branching; permits a bank to acquire branches from an out-of-state bank if the law of the state where the branches are located permits the interstate branch acquisition; and permits banks to establish and operate de novo interstate branches whenever the host state opts-in to de novo branching. Bank holding companies and banks seeking to engage in transactions authorized by these laws must be adequately capitalized and managed.

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

Bank holding companies and their subsidiary banks are also subject to the provisions of the CRA. Under the terms of the CRA, the Federal Reserve Board (or other appropriate bank regulatory agency) is required, in connection with its examination of a bank, to assess such bank s record in meeting the credit needs of the communities served by that bank, including low- and moderate-income neighborhoods. During these examinations, the Federal Reserve Board (or other appropriate bank regulatory agency) rates such bank s compliance with the CRA as Outstanding, Satisfactory, Needs to Improve or Substantial Noncompliance. The failure of a bank to receive at least a Satisfactory rating could inhibit such bank or its bank holding company from undertaking certain activities, including acquisitions of other financial institutions or opening or relocating a branch office, as further discussed below. M&T Bank has a CRA rating of Outstanding and M&T Bank, N.A. has a CRA rating of Satisfactory. Furthermore, such assessment is also required of any bank that has applied, among other things, to merge or consolidate with or acquire the assets or assume the liabilities of a federally-regulated financial institution, or to open or relocate a branch office. In the case of a bank holding company applying for approval to acquire a bank or bank holding company, the Federal Reserve Board will assess the record of each subsidiary bank of the applicant bank holding company in considering the application.

The Banking

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Law contains provisions similar to the CRA which are applicable to New York-chartered banks. M&T Bank has a CRA rating of Outstanding as determined by the New York State Banking Department.

Supervision and Regulation of Bank Subsidiaries

The Registrant s bank subsidiaries are subject to supervision and regulation, and are examined regularly, by various bank regulatory agencies: M&T Bank by the Federal Reserve Board and the Banking Superintendent; and M&T Bank, N.A. by the Comptroller of the Currency (OCC). The Registrant and its direct non-banking subsidiaries are affiliates, within the meaning of the Federal Reserve Act, of the Registrant s subsidiary banks and their subsidiaries. As a result, the Registrant s subsidiary banks and their subsidiaries are subject to restrictions on loans or extensions of credit to, purchases of assets from, investments in, and transactions with the Registrant and its direct non-banking subsidiaries and on certain other transactions with them or involving their securities. Similar restrictions are imposed on the Registrant s subsidiary banks making loans or extending credit to, purchasing assets from, investing in, or entering into transactions with, their financial subsidiaries.

Under the cross-guarantee provisions of the FDI Act, insured depository institutions under common control are required to reimburse the FDIC for any loss suffered by the FDIC as a result of the default of a commonly controlled insured depository institution or for any assistance provided by the FDIC to a commonly controlled insured depository institution in danger of default. Thus, any insured depository institution subsidiary of M&T could incur liability to the FDIC in the event of a default of another insured depository institution owned or controlled by M&T. The FDIC s claim under the cross-guarantee provisions is superior to claims of stockholders of the insured depository institution or its holding company and to most claims arising out of obligations or liabilities owed to affiliates of the institution, but is subordinate to claims of depositors, secured creditors and holders of subordinated debt (other than affiliates) of the commonly controlled insured depository institution. The FDIC may decline to enforce the cross-guarantee provisions if it determines that a waiver is in the best interest of the DIF.

Dividends

The Registrant is a legal entity separate and distinct from its banking and other subsidiaries. Historically, the majority of the Registrant s revenue has been from dividends paid to the Registrant by its subsidiary banks. M&T Bank and M&T Bank, N.A. are subject, under one or more of the banking laws, to restrictions on the amount of dividend declarations. Future dividend payments to the Registrant by its subsidiary banks will be dependent on a number of factors, including the earnings and financial condition of each such bank, and are subject to the limitations referred to in note 23 of Notes to Financial Statements filed herewith in Part II, Item 8, Financial Statements and Supplementary Data, and to other statutory powers of bank regulatory agencies.

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

As described herein under the heading The Emergency Economic Stabilization Act of 2008, in connection with the issuance of Series A Preferred Stock to the U.S. Treasury Department (U.S. Treasury), M&T is restricted from increasing its common stock dividend.

Supervision and Regulation of M&T Bank s Subsidiaries

M&T Bank has a number of subsidiaries. These subsidiaries are subject to the laws and regulations of both the federal government and the various states in which they conduct business. For example, M&T Securities is regulated by the Securities and Exchange Commission, the Financial Industry Regulatory Authority and state securities regulators.

Capital Adequacy

The Federal Reserve Board, the FDIC and the OCC have adopted risk-based capital adequacy guidelines for bank holding companies and banks under their supervision. Under these guidelines, the so-called

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Tier 1 capital and Total capital as a percentage of risk-weighted assets and certain off-balance sheet instruments must be at least 4% and 8%, respectively.

The Federal Reserve Board, the FDIC and the OCC have also imposed a leverage standard to supplement their risk-based ratios. This leverage standard focuses on a banking institution s ratio of Tier 1 capital to average total assets, adjusted for goodwill and certain other items. Under these guidelines, banking institutions that meet certain criteria, including excellent asset quality, high liquidity, low interest rate exposure and good earnings, and that have received the highest regulatory rating must maintain a ratio of Tier 1 capital to total adjusted average assets of at least 3%. Institutions not meeting these criteria, as well as institutions with supervisory, financial or operational weaknesses, along with those experiencing or anticipating significant growth are expected to maintain a Tier 1 capital to total adjusted average assets ratio equal to at least 4% to 5%. As reflected in the table in note 23 of Notes to Financial Statements filed herewith in Part II, Item 8, Financial Statements and Supplementary Data, the risk-based capital ratios and leverage ratios of the Registrant, M&T Bank and M&T Bank, N.A. as of December 31, 2009 exceeded the required capital ratios for classification as well capitalized, the highest classification under the regulatory capital guidelines.

The federal banking agencies, including the Federal Reserve Board and the OCC, maintain risk-based capital standards in order to ensure that those standards take adequate account of interest rate risk, concentration of credit risk, the risk of nontraditional activities and equity investments in nonfinancial companies, as well as reflect the actual performance and expected risk of loss on certain multifamily housing loans. Bank regulators periodically propose amendments to the risk-based capital guidelines and related regulatory framework, and consider changes to the risk-based capital standards that could significantly increase the amount of capital needed to meet the requirements for the capital tiers described below. While the Company s management studies such proposals, the timing of adoption, ultimate form and effect of any such proposed amendments on M&T s capital requirements and operations cannot be predicted.

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

Under the implementing regulations adopted by the federal banking agencies, a bank holding company or bank is considered well capitalized if it has (i) a total risk-based capital ratio of 10% or greater, (ii) a Tier 1 risk-based capital ratio of 6% or greater, (iii) a leverage ratio of 5% or greater and (iv) is not subject to any order or written directive to meet and maintain a specific capital level for any capital measure. An adequately capitalized bank holding company or bank is defined as one that has (i) a total risk-based capital ratio of 8% or greater, (ii) a Tier 1 risk-based capital ratio of 4% or greater and (iii) a leverage ratio of 4% or greater (or 3% or greater in the case of a bank with a composite CAMELS rating of 1). A bank holding company or bank is considered (A) undercapitalized if it has (i) a total risk-based capital ratio of less than 8%, (ii) a Tier 1 risk-based capital ratio of less than 4% or (iii) a leverage ratio of less than 4% (or 3% in the case of a bank with a composite CAMELS rating of 1); (B) significantly undercapitalized if the bank has (i) a total risk-based capital ratio of less than 6%, or (ii) a Tier 1 risk-based capital ratio of less than 3% or (iii) a leverage ratio of less than 3% and (C) critically undercapitalized if the bank has a ratio of tangible equity to total assets equal to or less than 2%. The Federal Reserve Board may reclassify a well capitalized bank holding company or bank as adequately capitalized or subject an adequately capitalized or undercapitalized institution to the supervisory actions applicable to the next lower capital category if it determines that the bank holding company or bank is in an unsafe or unsound condition or deems the bank holding company or bank to be engaged in an unsafe or unsound practice and not to have corrected the deficiency. M&T, M&T Bank and M&T Bank, N.A. met the definition of well capitalized institutions as of December 31, 2009.

Undercapitalized depository institutions, among other things, are subject to growth limitations, are prohibited, with certain exceptions, from making capital distributions, are limited in their ability to

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obtain funding from a Federal Reserve Bank and are required to submit a capital restoration plan. The federal banking agencies may not accept a capital plan without determining, among other things, that the plan is based on realistic assumptions and is likely to succeed in restoring the depository institution s capital. In addition, for a capital restoration plan to be acceptable, the depository institution s parent holding company must guarantee that the institution will comply with such capital restoration plan and provide appropriate assurances of performance. If a depository institution fails to submit an acceptable plan, including if the holding company refuses or is unable to make the guarantee described in the previous sentence, it is treated as if it is significantly undercapitalized. Failure to submit or implement an acceptable capital plan also is grounds for the appointment of a conservator or a receiver.

Significantly undercapitalized depository institutions may be subject to a number of additional requirements and restrictions, including orders to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets and cessation of receipt of deposits from correspondent banks. Moreover, the parent holding company of a significantly undercapitalized depository institution may be ordered to divest itself of the institution or of nonbank subsidiaries of the holding company. Critically undercapitalized institutions, among other things, are prohibited from making any payments of principal and interest on subordinated debt, and are subject to the appointment of a receiver or conservator.

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

Depository institutions that are not well capitalized or adequately capitalized and have not received a waiver from the FDIC are prohibited from accepting or renewing brokered deposits. As of December 31, 2009, M&T Bank had approximately $1.5 billion of brokered deposits, while M&T Bank, N.A. did not have any brokered deposits at that date.

Although M&T has issued shares of common stock in connection with acquisitions or at other times, the Company has generally maintained capital ratios in excess of minimum regulatory guidelines largely through internal capital generation (i.e. net income less dividends paid). Management s policy of managing capital through reinvestment of earnings, repurchases of shares of common stock and dividends is intended to enhance M&T s earnings per share prospects and thereby reward stockholders over time with capital gains in the form of increased stock price.

The Emergency Economic Stabilization Act of 2008; American Recovery and Reinvestment Act of 2009

In the third quarter of 2008, the Federal Reserve, the U.S. Treasury and the FDIC initiated measures to stabilize the financial markets and to provide liquidity for financial institutions. The Emergency Economic Stabilization Act of 2008 (EESA) was signed into law on October 3, 2008 and authorized the U.S. Treasury to provide funds to be used to restore liquidity and stability to the U.S. financial system pursuant to the Troubled Asset Relief Program (TARP). Under the authority of EESA, the U.S. Treasury instituted a voluntary capital purchase program under TARP to encourage U.S. financial institutions to build capital to increase the flow of financing to U.S. businesses and consumers and to support the U.S. economy. Under the program, the U.S. Treasury purchased senior preferred shares of financial institutions which pay cumulative dividends at a rate of 5% per year for five years and thereafter at a rate of 9% per year. The terms of the senior preferred shares, as amended by the American Recovery and Reinvestment Act of 2009 (ARRA), provide that the shares may be redeemed, in whole or in part, at par value plus accrued and unpaid dividends upon approval of the U.S. Treasury and the participating institution s primary banking regulators. The senior preferred shares are non-voting and qualify as Tier 1 capital for regulatory reporting purposes. In connection with purchasing senior preferred shares, the U.S. Treasury also receives warrants to purchase the common stock of participating financial institutions having a market price of 15% of the amount of senior preferred shares on the date of investment with an exercise price equal to the market price of the participating institution s common stock at the time of approval, calculated on a 20-trading day trailing average. The warrants have a term of ten years and are

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immediately exercisable, in whole or in part. For a period of three years, the consent of the U.S. Treasury is required for participating institutions to increase their common stock dividend or repurchase their common stock, other than in connection with benefit plans consistent with past practice. Participation in the capital purchase program also includes certain restrictions on executive compensation that were modified by ARRA and further defined by the U.S. Treasury in its Interim Final Rule on TARP Standards for Compensation and Corporate Governance (TARP Interim Final Rule). The minimum subscription amount available to a participating institution is one percent of total risk-weighted assets. In general, the maximum subscription amount is three percent of risk-weighted assets. On December 23, 2008, M&T issued to the U.S. Treasury $600 million of Series A Preferred Stock and warrants to purchase 1,218,522 shares of M&T Common Stock at $73.86 per share. M&T elected to participate in the capital purchase program at an amount equal to approximately 1% of its risk-weighted assets at the time. In connection with its acquisition of Provident on May 23, 2009, M&T assumed the preferred stock and warrants issued by Provident to the U.S. Treasury on November 14, 2008 and issued $152 million of Series C Preferred Stock. On a converted basis, the warrant issued by Provident to the U.S. Treasury provides for the purchase of 407,542 shares of M&T Common Stock at $55.76 per share.

ARRA, an economic stimulus package signed into law on February 17, 2009, significantly expanded the restrictions on executive compensation that were included in Section 111 of EESA and imposed various corporate governance standards on recipients of TARP funds, including under the U.S. Treasury s capital purchase program, until such funds are repaid. On June 10, 2009, the U.S. Treasury issued the TARP Interim Final Rule to clarify and provide additional guidance with respect to the restrictions on executive compensation that apply to executives and certain other employees of TARP to M&T, include: (i) a prohibition on paying bonuses, retention awards and incentive compensation, other than long-term restricted stock or pursuant to certain preexisting employment contracts, to its Senior Executive Officers (SEOs) and next 20 most highly-compensated employees; (ii) a prohibition on the payment of golden parachute payments to its SEOs and next five most highly compensated employees; (iii) a prohibition on paying incentive compensation for unnecessary and excessive risks and earnings manipulations; (iv) a requirement to clawback any bonus, retention award, or incentive compensation paid to a SEO and any of the next twenty most highly compensated employees based on statements of earnings, revenues, gains, or other criteria later found to be materially inaccurate; (v) a requirement to establish a policy on luxury or excessive expenditures, including entertainment or events, office and facility renovations, company owned aircraft and other transportation and similar activities or events; (vi) a requirement to provide shareholders with a non-binding advisory say on pay vote on executive compensation; (vii) a prohibition on deducting more than $500,000 in annual compensation or performance based compensation for the SEOs under Internal Revenue Code Section 162(m); (viii) a requirement that the compensation committee of the board of directors evaluate and review on a semi-annual basis the risks involved in employee compensation plans; and (ix) a requirement that the chief executive officer and chief financial officer provide written certifications of compliance with the foregoing requirements.

Following a systemic risk determination pursuant to the FDI Act, the FDIC announced a Temporary Liquidity Guarantee Program (TLGP), which temporarily guarantees the senior debt of all FDIC-insured institutions and certain holding companies, as well as deposits in noninterest-bearing deposit transaction accounts, for those institutions and holding companies who did not elect to opt out of the TLGP by December 5, 2008. M&T chose to continue its participation in the TLGP and, thus, did not opt out. Since October 14, 2008, M&T Bank and M&T Bank, N.A. have participated in the Transaction Account Guarantee (TAG) component of the TLGP. Under this program, all noninterest-bearing transaction accounts were fully guaranteed by the FDIC for the entire amount in the account through December 31, 2009. Coverage under the TAG was available for the first 30 days without charge and a 10 basis point (hundredth of one percent) surcharge was applied to the current assessment rate for M&T Bank and M&T Bank, N.A. thereafter on amounts in covered accounts exceeding $250,000. Coverage under this program is in addition to, and separate from, the coverage available under the FDIC s general deposit insurance rules that currently insure up to at least $250,000 per depositor through December 31, 2013, after which the standard insurance amount will return to $100,000 per depositor for all account categories except for certain retirement accounts that will remain at $250,000 per depositor.

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On August 26, 2009, the FDIC extended the TAG for an additional six months for those insured depository institutions that elected to continue in the program. M&T Bank and M&T Bank, N.A. elected to continue in the TAG through June 30, 2010, when the program will end. The surcharge for coverage in the program after December 31, 2009 was raised to 15 basis points based upon M&T Bank and M&T Bank, N.A. being assigned the lowest risk category by the FDIC under its risk-based premium system. Pursuant to the terms of the TAG, after June 30, 2010 funds held at M&T Bank and M&T Bank N.A. in noninterest-bearing transaction accounts will no longer be guaranteed in full, but will be insured under the FDIC s general deposit insurance rules. As a result of the FDIC s actions to phase out the Debt Guarantee Program under the TLGP, M&T Bank and M&T Bank, N.A. ceased their participation in that program on October 31, 2009.

FDIC Deposit Insurance Assessments

As institutions with deposits insured by the FDIC, M&T Bank and M&T Bank, N.A. are subject to FDIC deposit insurance assessments. Under the provisions of the FDI Act, the regular insurance assessments to be paid by insured institutions are specified in schedules issued by the FDIC that specify a target reserve ratio designed to maintain that ratio between 1.15% and 1.50% of estimated insured deposits.

Under the FDI Act, the FDIC imposed deposit insurance assessments based on one of four assessment categories depending on an institution s capital classification under the prompt corrective action provisions described above and an institution s long-term debt issuer ratings. The adjusted assessment rates for insured institutions under the modified system range from .05% to .43% of assessable deposits depending upon the assessment category into which the insured institution is placed. The annual assessment rates for M&T Bank and M&T Bank N.A. during 2008 were each between .05% and .06%.

The FDI Act also allows for a one-time assessment credit for eligible insured depository institutions (those institutions that were in existence on December 31, 1996 and paid a deposit insurance assessment prior to that date, or are a successor to any such institution). The credit is determined based on the assessment base of the institution as of December 31, 1996 as compared with the combined aggregate assessment base of all eligible institutions as of that date. Those institutions having credits could use them to offset up to 100% of the 2007 DIF assessment, and if not completely used in 2007, may apply the remaining credits to not more than 90% of each of the aggregate 2008, 2009 and 2010 DIF assessments. M&T Bank and M&T Bank, N.A. offset 90% of their DIF assessments with available one-time assessment credits during 2008. During 2008, credits utilized to offset amounts assessed for M&T Bank and M&T Bank, N.A. totaled $18 million and $268 thousand, respectively. Assessments for M&T Bank and M&T Bank, N.A., during 2009 which were offset by available credits, were $9 million and $261 thousand, respectively. All credits available to M&T Bank and M&T Bank, N.A. to offset DIF assessments had been utilized as of December 31, 2009.

In December 2008, the FDIC approved a final rule on deposit assessment rates for the first quarter of 2009. The rule raised assessment rates uniformly by 7 basis points (annually) for the first quarter of 2009 only. On February, 27, 2009, the FDIC adopted a final rule modifying the risk-based assessment system and setting initial base assessment rates beginning April 1, 2009 and an interim final rule imposing a special assessment on each insured depository institution to increase the DIF reserve ratio. The final rule revising the FDIC risk-based assessment system, which was first proposed in October 2008, adjusted the risk-based calculation for an institution s unsecured debt, secured liabilities and brokered deposits. The revisions effectively result in a range of possible assessments under the risk-based system of 7 to 77.5 basis points of assessable deposits. The basic assessments for Risk Category I, applicable to the least risky institutions, including M&T, range from 12 to 16 basis points, but can be adjusted to from 7 to 24 basis points under the revised system. The interim final rule proposing the emergency assessment contemplated a 20 basis point assessment on each insured depository institution s insured deposits as of June 30, 2009 and collected on September 30, 2009.

On May 22, 2009, the FDIC adopted a final rule reducing the amount of the proposed emergency assessment and imposed a 5 basis point special assessment on each insured depository institution s assets minus Tier 1 capital as of June 30, 2009. The amount of the special assessment for any institution could not exceed 10 basis points times the institution s assessment base for the second quarter of 2009. The

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special assessment was collected on September 30, 2009. The Company s special assessment amounted to $33 million. On September 29, 2009, the FDIC proposed a rule that was subsequently adopted in final form by the FDIC board of directors on November 12, 2009 that required insured depository institutions to prepay their quarterly risk-based assessments for the fourth quarter of 2009, and for all of 2010, 2011, and 2012, on December 30, 2009, along with each institution s risk-based deposit insurance assessment for the third quarter of 2009. For purposes of calculating the amount to prepay, the FDIC required that institutions use their total base assessment rate in effect on September 30, 2009 and increase that assessment base quarterly at a 5 percent annual growth rate through the end of 2012. On September 29, 2009, the FDIC also increased annual assessment rates uniformly by 3 basis points beginning in 2011 such that an institution s assessment for 2011 and 2012 would be increased by an annualized 3 basis points. The Company s prepayment for 2010, 2011 and 2012 amounted to $249 million.

In addition to the standard deposit insurance assessments, as noted above, in the third quarter of 2008, the FDIC announced the TLGP which temporarily guarantees the senior debt of all FDIC-insured institutions and certain holding companies, as well as deposits in noninterest-bearing deposit transaction accounts. As a result, the Company recognized additional FDIC insurance expense of approximately $500 thousand in the final quarter of 2008 and $7 million during 2009. The Company expects assessments related to the TLGP in the first half of 2010 of approximately $6 million - $7 million.

Incremental to insurance fund assessments, the FDIC assesses deposits to fund the repayment of debt obligations of the Financing Corporation (FICO). FICO is a government agency-sponsored entity that was formed to borrow the money necessary to carry out the closing and ultimate disposition of failed thrift institutions by the Resolution Trust Corporation. The current annualized rate established by the FDIC is 1.06 basis points.

Consumer Protection Laws

In connection with their respective lending and leasing activities, M&T Bank, certain of its subsidiaries, and M&T Bank, N.A. are each subject to a number of federal and state laws designed to protect borrowers and promote lending to various sectors of the economy. These laws include the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Fair and Accurate Credit Transactions Act, the Truth in Lending Act, the Home Mortgage Disclosure Act, and the Real Estate Settlement Procedures Act, and various state law counterparts.

In addition, federal law currently contains extensive customer privacy protection provisions. Under these provisions, a financial institution must provide to its customers, at the inception of the customer relationship and annually thereafter, the institution s policies and procedures regarding the handling of customers nonpublic personal financial information. These provisions also provide that, except for certain limited exceptions, a financial institution may not provide such personal information to unaffiliated third parties unless the institution discloses to the customer that such information may be so provided and the customer is given the opportunity to opt out of such disclosure. Federal law makes it a criminal offense, except in limited circumstances, to obtain or attempt to obtain customer information of a financial nature by fraudulent or deceptive means.

Effective July 1, 2010, a new federal banking rule under the Electronic Fund Transfer Act will prohibit financial institutions from charging consumers fees for paying overdrafts on automated teller machines (ATM) and one-time debit card transactions, unless a consumer consents, or opts in, to the overdraft service for those type of transactions. If a consumer does not opt in, any ATM transaction or debit that overdraws the consumer s account will be denied. Overdrafts on the payment of checks and regular electronic bill payments are not covered by this new rule. Before opting in, the consumer must be provided a notice that explains the financial institution s overdraft services, including the fees associated with the service, and the consumer s choices. Financial institutions must provide consumers who do not opt in with the same account terms, conditions and features (including pricing) that they provide to consumers who do opt in.

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Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 implemented a broad range of corporate governance, accounting and reporting measures for companies that have securities registered under the Exchange Act, including publicly-held bank holding companies such as M&T. Specifically, the Sarbanes-Oxley Act of 2002 and the various regulations promulgated thereunder, established, among other things: (i) requirements for audit committees, including independence, expertise, and responsibilities; (ii) responsibilities regarding financial statements for the Chief Executive Officer and Chief Financial Officer of the reporting company; (iii) the forfeiture of bonuses or other incentive-based compensation and profits from the sale of the reporting company s securities by the Chief Executive Officer and Chief Financial Officer in the twelve-month period following the initial publication of any financial statements that later require restatement; (iv) the creation of an independent accounting oversight board; (v) standards for auditors and regulation of audits, including independence provisions that restrict non-audit services that accountants may provide to their audit clients; (vi) disclosure and reporting obligations for the reporting company and their directors and executive officers, including accelerated reporting of stock transactions and a prohibition on trading during pension blackout periods; (vii) a prohibition on personal loans to directors and officers, except certain loans made by insured financial institutions on nonpreferential terms and in compliance with other bank regulatory requirements; and (viii) a range of civil and criminal penalties for fraud and other violations of the securities laws.

USA Patriot Act

The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the USA Patriot Act) imposes obligations on U.S. financial institutions, including banks and broker dealer subsidiaries, to implement policies, procedures and controls which are reasonably designed to detect and report instances of money laundering and the financing of terrorism. In addition, provisions of the USA Patriot Act require the federal financial institution regulatory agencies to consider the effectiveness of a financial institution s anti-money laundering activities when reviewing bank mergers and bank holding company acquisitions. The Registrant and its impacted subsidiaries have approved policies and procedures that are believed to be compliant with the USA Patriot Act.

Regulatory Impact of M&T s Relationship With AIB

As described above under the caption Relationship With Allied Irish Banks, p.l.c., AIB owns approximately 22.6% of the issued and outstanding shares of M&T common stock and has representation on the M&T and M&T Bank boards of directors. As a result, AIB has become M&T s bank holding company under the BHCA and the Banking Law and AIB s relationship with M&T is subject to the statutes and regulations governing bank holding companies described above. Among other things, AIB will have to join M&T in applications by M&T for acquisitions and new activities. The Reorganization Agreement requires AIB to join in such applications at M&T s request, subject to certain limitations. In addition, because AIB is regulated by the Central Bank of Ireland (CBI), the CBI may assert jurisdiction over M&T as a company controlled by AIB. Additional discussion of the regulatory implications of the Allfirst acquisition for M&T is set forth above under the caption Certain Post-Closing Bank Regulatory Matters.

Governmental Policies

The earnings of the Company are significantly affected by the monetary and fiscal policies of governmental authorities, including the Federal Reserve Board. Among the instruments of monetary policy used by the Federal Reserve Board to implement these objectives are open-market operations in U.S. Government securities and federal funds, changes in the discount rate on member bank borrowings and changes in reserve requirements against member bank deposits. These instruments of monetary policy are used in varying combinations to influence the overall level of bank loans, investments and deposits, and the interest rates charged on loans and paid for deposits. The Federal Reserve Board frequently uses these instruments of monetary policy, especially its open-market operations and the discount rate, to influence the level of interest rates and to affect the strength of the economy, the level of inflation or the price of

the dollar in foreign exchange markets. The monetary policies of the Federal Reserve Board have had a significant effect on the operating results of banking institutions in the past and are expected to continue to do so in the future. It is not possible to predict the nature of future changes in monetary and fiscal policies, or the effect which they may have on the Company s business and earnings.

Competition

The Company competes in offering commercial and personal financial services with other banking institutions and with firms in a number of other industries, such as thrift institutions, credit unions, personal loan companies, sales finance companies, leasing companies, securities firms and insurance companies. Furthermore, diversified financial services companies are able to offer a combination of these services to their customers on a nationwide basis. The Company s operations are significantly impacted by state and federal regulations applicable to the banking industry. Moreover, the provisions of the Gramm-Leach-Bliley Act of 1999, the Interstate Banking Act and the Banking Law have allowed for increased competition among diversified financial services providers.

Other Legislative Initiatives

Proposals may be introduced in the United States Congress and in the New York State Legislature and before various bank regulatory authorities which would alter the powers of, and restrictions on, different types of banking organizations and which would restructure part or all of the existing regulatory framework for banks, bank holding companies and other providers of financial services. Moreover, other bills may be introduced in Congress which would further regulate, deregulate or restructure the financial services industry, including proposals to substantially reform the regulatory framework. It is not possible to predict whether these or any other proposals will be enacted into law or, even if enacted, the effect which they may have on the Company s business and earnings.

Other Information

Through a link on the Investor Relations section of M&T s website at www.mtb.com, copies of M&T s Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, are made available, free of charge, as soon as reasonably practicable after electronically filing such material with, or furnishing it to, the Securities and Exchange Commission. Copies of such reports and other information are also available at no charge to any person who requests them or at www.sec.gov. Such requests may be directed to M&T Bank Corporation, Shareholder Relations Department, One M&T Plaza, 13th Floor, Buffalo, NY 14203-2399 (Telephone: (716) 842-5138).

Corporate Governance

M&T s Corporate Governance Standards and the following corporate governance documents are also available on M&T s website at the Investor Relations link: Disclosure Policy; Executive Committee Charter; Nomination, Compensation and Governance Committee Charter; Audit and Risk Committee Charter; Financial Reporting and Disclosure Controls and Procedures Policy; Code of Ethics for CEO and Senior Financial Officers; Code of Business Conduct and Ethics; and Employee Complaint Procedures for Accounting and Auditing Matters. Copies of such governance documents are also available, free of charge, to any person who requests them. Such requests may be directed to M&T Bank Corporation, Shareholder Relations Department, One M&T Plaza, 13th Floor, Buffalo, NY 14203-2399 (Telephone: (716) 842-5138).

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Statistical Disclosure Pursuant to Guide 3

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

Table 1

SELECTED CONSOLIDATED YEAR-END BALANCES

	2009	2008	2007	2006	2005
			(In thousands)		
Interest-bearing deposits at banks	$ 133,335	$ 10,284	$ 18,431	$ 6,639	$ 8,408
Federal funds sold	20,119	21,347	48,038	19,458	11,220
Resell agreements		90,000		100,000	
Trading account	386,984	617,821	281,244	136,752	191,617
Investment securities					
U.S. Treasury and federal agencies	4,006,968	3,909,493	3,540,641	2,381,584	3,016,374
Obligations of states and political subdivisions	266,748	135,585	153,231	130,207	181,938
Other	3,506,893	3,874,129	5,268,126	4,739,807	5,201,852
Total investment securities	7,780,609	7,919,207	8,961,998	7,251,598	8,400,164
Loans and leases					
Commercial, financial, leasing, etc.	13,790,737	14,563,091	13,387,026	11,896,556	11,105,827
Real estate construction	4,726,570	4,568,368	4,190,068	3,453,981	2,335,498
Real estate mortgage	21,747,533	19,224,003	19,468,449	17,940,083	16,636,557
Consumer	12,041,617	11,004,275	11,306,719	9,916,334	10,475,809
Total loans and leases	52,306,457	49,359,737	48,352,262	43,206,954	40,553,691
Unearned discount	(369,771)	(359,274)	(330,700)	(259,657)	(223,046)
Allowance for credit losses	(878,022)	(787,904)	(759,439)	(649,948)	(637,663)
Loans and leases, net	51,058,664	48,212,559	47,262,123	42,297,349	39,692,982
Goodwill	3,524,625	3,192,128	3,196,433	2,908,849	2,904,081
Core deposit and other intangible assets	182,418	183,496	248,556	250,233	108,260
Real estate and other assets owned	94,604	99,617	40,175	12,141	9,486
Total assets	68,880,399	65,815,757	64,875,639	57,064,905	55,146,406
Noninterest-bearing deposits	13,794,636	8,856,114	8,131,662	7,879,977	8,141,928

NOW accounts	1,396,471	1,141,308	1,190,161	940,439	901,938
Savings deposits	23,676,798	19,488,918	15,419,357	14,169,790	13,839,150
Time deposits	7,531,495	9,046,937	10,668,581	11,490,629	11,407,626
Deposits at foreign office	1,050,438	4,047,986	5,856,427	5,429,668	2,809,532
Total deposits	47,449,838	42,581,263	41,266,188	39,910,503	37,100,174
Short-term borrowings	2,442,582	3,009,735	5,821,897	3,094,214	5,152,872
Long-term borrowings	10,240,016	12,075,149	10,317,945	6,890,741	6,196,994
Total liabilities	61,127,492	59,031,026	58,390,383	50,783,810	49,270,020
Stockholders equity	7,752,907	6,784,731	6,485,256	6,281,095	5,876,386

Table 2

STOCKHOLDERS, EMPLOYEES AND OFFICES

Number at Year-End	**2009**	**2008**	**2007**	**2006**	**2005**
Stockholders	13,207	11,197	11,611	10,084	10,437
Employees	14,226	13,620	13,869	13,352	13,525
Offices	832	725	760	736	724

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Table 3

CONSOLIDATED EARNINGS

	2009	2008	2007	2006	2005
			(In thousands)		
Interest income					
Loans and leases, including fees	$ 2,326,748	$ 2,825,587	$ 3,155,967	$ 2,927,411	$ 2,420,660
Deposits at banks	34	109	300	372	169
Federal funds sold	63	254	857	1,670	807
Resell agreements	66	1,817	22,978	3,927	1
Trading account	534	1,469	744	2,446	1,544
Investment securities					
Fully taxable	389,268	438,409	352,628	363,401	351,423
Exempt from federal taxes	8,484	9,946	11,339	14,866	14,090
Total interest income	2,725,197	3,277,591	3,544,813	3,314,093	2,788,694
Interest expense					
NOW accounts	1,122	2,894	4,638	3,461	2,182
Savings deposits	112,550	248,083	250,313	201,543	139,445
Time deposits	206,220	330,389	496,378	551,514	294,782
Deposits at foreign office	2,391	84,483	207,990	178,348	120,122
Short-term borrowings	7,129	142,627	274,079	227,850	157,853
Long-term borrowings	340,037	529,319	461,178	333,836	279,967
Total interest expense	669,449	1,337,795	1,694,576	1,496,552	994,351
Net interest income	2,055,748	1,939,796	1,850,237	1,817,541	1,794,343
Provision for credit losses	604,000	412,000	192,000	80,000	88,000
Net interest income after provision for credit losses	1,451,748	1,527,796	1,658,237	1,737,541	1,706,343
Other income					
Mortgage banking revenues	207,561	156,012	111,893	143,181	136,114
Service charges on deposit accounts	469,195	430,532	409,462	380,950	369,918
Trust income	128,568	156,149	152,636	140,781	134,679
Brokerage services income	57,611	64,186	59,533	60,295	55,572
Trading account and foreign exchange gains	23,125	17,630	30,271	24,761	22,857
Gain on bank investment securities	1,165	34,471	1,204	2,566	1,050
Total other-than-temporary impairment (OTTI) losses	(264,363)	(182,222)	(127,300)		(29,183)
	126,066				

Portion of OTTI losses recognized in other comprehensive income (before taxes)					
Net OTTI losses recognized in earnings	(138,297)	(182,222)	(127,300)		(29,183)
Equity in earnings of Bayview Lending Group LLC	(25,898)	(37,453)	8,935		
Other revenues from operations	325,076	299,674	286,355	293,318	258,711
Total other income	1,048,106	938,979	932,989	1,045,852	949,718
Other expense					
Salaries and employee benefits	1,001,873	957,086	908,315	873,353	822,239
Equipment and net occupancy	211,391	188,845	169,050	168,776	173,689
Printing, postage and supplies	38,216	35,860	35,765	33,956	33,743
Amortization of core deposit and other intangible assets	64,255	66,646	66,486	63,008	56,805
FDIC assessments	96,519	6,689	4,203	4,505	4,546
Other costs of operations	568,309	471,870	443,870	408,153	394,120
Total other expense	1,980,563	1,726,996	1,627,689	1,551,751	1,485,142
Income before income taxes	519,291	739,779	963,537	1,231,642	1,170,919
Income taxes	139,400	183,892	309,278	392,453	388,736
Net income	$ 379,891	$ 555,887	$ 654,259	$ 839,189	$ 782,183
Dividends declared					
Common	$ 326,617	$ 308,501	$ 281,900	$ 249,817	$ 198,619
Preferred	31,946				

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Table 4

COMMON SHAREHOLDER DATA

	2009	2008	2007	2006	2005
Per share					
Net income					
Basic	$ 2.90	$ 5.04	$ 6.05	$ 7.55	$ 6.88
Diluted	2.89	5.01	5.95	7.37	6.73
Cash dividends declared	2.80	2.80	2.60	2.25	1.75
Common stockholders equity at year-end	59.31	56.29	58.99	56.94	52.39
Tangible common stockholders equity at year-end	28.27	25.94	27.98	28.57	25.91
Dividend payout ratio	97.36 %	55.62 %	43.12 %	29.79 %	25.42 %

Table 5

CHANGES IN INTEREST INCOME AND EXPENSE(a)

	2009 Compared with 2008			2008 Compared with 2007		
	Total Change	Resulting from Changes in: Volume	Rate	Total Change	Resulting from Changes in: Volume	Rate
	(Increase (decrease) in thousands)					
Interest income						
Loans and leases, including fees	$ (498,433)	118,677	(617,110)	$ (328,595)	316,338	(644,933)
Deposits at banks	(75)	103	(178)	(191)	36	(227)
Federal funds sold and agreements to resell securities	(1,942)	(729)	(1,213)	(21,764)	(11,664)	(10,100)
Trading account	(906)	127	(1,033)	802	250	552
Investment securities						
U.S. Treasury and federal agencies	1,065	3,008	(1,943)	80,487	70,137	10,350
Obligations of states and political subdivisions	3,900	5,179	(1,279)	624	1,169	(545)
Other	(56,035)	(35,242)	(20,793)	2,443	8,964	(6,521)
Total interest income	$ (552,426)			$ (266,194)		
Interest expense						
Interest-bearing deposits						
NOW accounts	$ (1,772)	220	(1,992)	$ (1,744)	383	(2,127)
Savings deposits	(135,533)	52,405	(187,938)	(2,230)	47,542	(49,772)
Time deposits	(124,169)	(25,770)	(98,399)	(165,989)	(44,273)	(121,716)

Deposits at foreign office	(82,092)	(31,707)	(50,385)	(123,507)	(9,424)	(114,083)
Short-term borrowings	(135,498)	(49,651)	(85,847)	(131,452)	32,037	(163,489)
Long-term borrowings	(189,282)	(22,502)	(166,780)	68,141	153,793	(85,652)
Total interest expense	$ (668,346)			$ (356,781)		

(a) Interest income data are on a taxable-equivalent basis. The apportionment of changes resulting from the combined effect of both volume and rate was based on the separately determined volume and rate changes.

Item 1A. ***Risk Factors.***

M&T and its subsidiaries could be adversely impacted by various risks and uncertainties which are difficult to predict. As a financial institution, the Company has significant exposure to market risk, including interest-rate risk, liquidity risk and credit risk, among others. Adverse experience with these or other risks could have a material impact on the Company s financial condition and results of operations, as well as on the value of the Company s financial instruments in general, and M&T s common stock, in particular.

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Interest Rate Risk The Company is exposed to interest rate risk in its core banking activities of lending and deposit-taking since assets and liabilities reprice at different times and by different amounts as interest rates change. As a result, net interest income, which represents the largest revenue source for the Company, is subject to the effects of changing interest rates. The Company closely monitors the sensitivity of net interest income to changes in interest rates and attempts to limit the variability of net interest income as interest rates change. The Company makes use of both on- and off-balance sheet financial instruments to mitigate exposure to interest rate risk. Possible actions to mitigate such risk include, but are not limited to, changes in the pricing of loan and deposit products, modifying the composition of earning assets and interest-bearing liabilities, and adding to, modifying or terminating interest rate swap agreements or other financial instruments used for interest rate risk management purposes.

Liquidity Risk Liquidity refers to the Company s ability to ensure that sufficient cash flow and liquid assets are available to satisfy current and future financial obligations, including demands for loans and deposit withdrawals, funding operating costs, and for other corporate purposes. Liquidity risk arises whenever the maturities of financial instruments included in assets and liabilities differ. The Company obtains funding through deposits and various short-term and long-term wholesale borrowings, including federal funds purchased and securities sold under agreements to repurchase, brokered certificates of deposit, offshore branch deposits and borrowings from the Federal Home Loan Bank of New York and others. Should the Company experience a substantial deterioration in its financial condition or its debt ratings, or should the availability of funding become restricted due to disruption in the financial markets, the Company s ability to obtain funding from these or other sources could be negatively impacted. The Company attempts to quantify such credit-event risk by modeling scenarios that estimate the liquidity impact resulting from a short-term ratings downgrade over various grading levels. The Company estimates such impact by attempting to measure the effect on available unsecured lines of credit, available capacity from secured borrowing sources and securitizable assets. To mitigate such risk, the Company maintains available lines of credit with the Federal Reserve Bank of New York and the Federal Home Loan Bank of New York that are secured by loans and investment securities. On an ongoing basis, management closely monitors the Company s liquidity position for compliance with internal policies and believes that available sources of liquidity are adequate to meet funding needs in the normal course of business.

Credit Risk Factors that influence the Company s credit loss experience include overall economic conditions affecting businesses and consumers, in general, and, due to the size of the Company s real estate loan portfolio and mortgage-related investment securities portfolio, real estate valuations, in particular. Other factors that can influence the Company s credit loss experience, in addition to general economic conditions and borrowers specific abilities to repay loans, include: (i) the impact of declining real estate values in the Company s portfolio of loans to residential real estate builders and developers; (ii) the repayment performance associated with the Company s portfolio of alternative residential mortgage loans and residential and other mortgage loans supporting mortgage-related securities; (iii) the concentration of commercial real estate loans in the Company s loan portfolio, particularly the large concentration of loans secured by properties in New York State, in general, and in the New York City metropolitan area, in particular; (iv) the amount of commercial and industrial loans to businesses in areas of New York State outside of the New York City metropolitan area and in central Pennsylvania that have historically experienced less economic growth and vitality than the vast majority of other regions of the country; and (v) the size of the Company s portfolio of loans to individual consumers, which historically have experienced higher net charge-offs as a percentage of loans outstanding than many other loan types. Considerable concerns exist about the economic recovery in both national and international markets; the level and volatility of energy prices; a weakened housing market; the troubled state of financial and credit markets; Federal Reserve positioning of monetary policy; high unemployment, which has caused consumer spending to slow; the underlying impact on businesses operations and abilities to repay loans as consumer spending slowed; continued stagnant population growth in the upstate New York and central Pennsylvania regions; and continued uncertainty about possible responses to state government budget deficits.

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Numerous factors can affect the Company s credit loss experience. To help manage credit risk, the Company maintains a detailed credit policy and utilizes various committees that include members of senior management to approve significant extensions of credit. The Company also maintains a credit review department that regularly reviews the Company s loan and lease portfolios to ensure compliance with established credit policy. The Company utilizes an extensive loan grading system which is applied to all commercial and commercial real estate loans. On a quarterly basis, the Company s loan review department reviews all commercial and commercial real estate loans greater than $350,000 that are classified as Special Mention or worse. Meetings are held with loan officers and their managers, workout specialists and Senior Management to discuss each of the relationships. Borrower-specific information is reviewed, including operating results, future cash flows, recent developments and the borrower s outlook, and other pertinent data. The timing and extent of potential losses, considering collateral valuation and other factors, and the Company s potential courses of action are reviewed. The Company maintains an allowance for credit losses that in management s judgment is adequate to absorb losses inherent in the loan and lease portfolio. In addition, the Company regularly reviews its investment securities for declines in value below amortized cost that might be characterized as other than temporary. Any declines in value below amortized cost that are deemed to be other than temporary are charged to earnings.

Economic Risk The U.S. economy experienced recession and weak economic conditions during the last three years. Those conditions contributed to risk as follows:

- The significant downturn in the residential real estate market that began in 2007 had continued in 2008 and 2009. The impact of that downturn has resulted in declining home prices, higher foreclosures and loan charge-offs, and lower market prices on investment securities backed by residential real estate. These factors have negatively impacted M&T s results of operations and could continue to do so.
- Lower demand for the Company s products and services and lower revenues and earnings could result from ongoing weak economic conditions. Those conditions could also result in higher loan charge-offs due to the inability of borrowers to repay loans.
- Lower fee income from the Company s brokerage and trust businesses could result from significant declines in stock market prices.
- Lower earnings could result from other-than-temporary impairment charges related to the Company s investment securities portfolio.
- Higher FDIC assessments could be imposed on the Company due to bank failures that have caused the FDIC Deposit Insurance Fund to fall below minimum required levels.
- There is no assurance that the Emergency Economic Stabilization Act of 2008 or the American Recovery and Reinvestment Act of 2009 will improve the condition of the financial markets.

Supervision and Regulation The Company is subject to extensive state and federal laws and regulations governing the banking industry, in particular, and public companies, in general, including laws related to corporate taxation. Many of those laws and regulations are described in Part I, Item 1 Business. Changes in those or other laws and regulations, or the degree of the Company s compliance with those laws and regulations as judged by any of several regulators, including tax authorities, that oversee the Company, could have a significant effect on the Company s operations and its financial results.

Detailed discussions of the specific risks outlined above and other risks facing the Company are included within this Annual Report on Form 10-K in Part I, Item 1 Business, and Part II, Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations. Furthermore, in Part II, Item 7 under the heading Forward-Looking Statements is included a description of certain risks, uncertainties and assumptions identified by management that are difficult to predict and that could materially affect the Company s financial condition and results of operations, as well as the value of the Company s financial instruments in general, and M&T common stock, in particular.

In addition, the market price of M&T common stock may fluctuate significantly in response to a number of other factors, including changes in securities analysts estimates of financial performance, volatility of stock market prices and volumes, rumors or erroneous information, changes in market valuations of similar companies and changes in

accounting policies or procedures as may be required by the Financial Accounting Standards Board or other regulatory agencies.

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Item 1B. ***Unresolved Staff Comments.***

None.

Item 2. ***Properties.***

Both M&T and M&T Bank maintain their executive offices at One M&T Plaza in Buffalo, New York. This twenty-one story headquarters building, containing approximately 279,000 rentable square feet of space, is owned in fee by M&T Bank and was completed in 1967. M&T, M&T Bank and their subsidiaries occupy approximately 98% of the building and the remainder is leased to non-affiliated tenants. At December 31, 2009, the cost of this property (including improvements subsequent to the initial construction), net of accumulated depreciation, was $5.7 million.
In September 1992, M&T Bank acquired an additional facility in Buffalo, New York with approximately 365,000 rentable square feet of space. Approximately 89% of this facility, known as M&T Center, is occupied by M&T Bank and its subsidiaries, with the remainder leased to non-affiliated tenants. At December 31, 2009, the cost of this building (including improvements subsequent to acquisition), net of accumulated depreciation, was $11.2 million.
M&T Bank also owns and occupies two separate facilities in the Buffalo area which support certain back-office and operations functions of the Company. The total square footage of these facilities approximates 215,000 square feet and their combined cost (including improvements subsequent to acquisition), net of accumulated depreciation, was $20.6 million at December 31, 2009.
M&T Bank also owns a facility in Syracuse, New York with approximately 150,000 rentable square feet of space. Approximately 45% of this facility is occupied by M&T Bank. At December 31, 2009, the cost of this building (including improvements subsequent to acquisition), net of accumulated depreciation, was $6.5 million.
M&T Bank also owns facilities in Harrisburg, Pennsylvania and Millsboro, Delaware with approximately 207,000 and 322,000 rentable square feet of space, respectively. M&T Bank occupies approximately 38% and 85% of these respective facilities. At December 31, 2009, the cost of these buildings (including improvements subsequent to acquisition), net of accumulated depreciation, was $12.2 million and $7.3 million, respectively.
No other properties owned by M&T Bank have more than 100,000 square feet of space. The cost, net of accumulated depreciation and amortization, of the Company s premises and equipment is detailed in note 6 of Notes to Financial Statements filed herewith in Part II, Item 8, Financial Statements and Supplementary Data. Of the 794 domestic banking offices of the Registrant s subsidiary banks at December 31, 2009, 302 are owned in fee and 492 are leased.

Item 3. ***Legal Proceedings.***

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

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Item 4. ***Submission of Matters to a Vote of Security Holders.***

No matters were submitted to a vote of M&T s security holders during the fourth quarter of 2009.

Executive Officers of the Registrant

Information concerning the Registrant s executive officers is presented below as of February 19, 2010. The year the officer was first appointed to the indicated position with the Registrant or its subsidiaries is shown parenthetically. In the case of each corporation noted below, officers terms run until the first meeting of the board of directors after such corporation s annual meeting, which in the case of the Registrant takes place immediately following the Annual Meeting of Stockholders, and until their successors are elected and qualified.

Robert G. Wilmers, age 75, is chief executive officer (2007), chairman of the board (2000) and a director (1982) of the Registrant. From April 1998 until July 2000, he served as president and chief executive officer of the Registrant and from July 2000 until June 2005 he served as chairman, president (1988) and chief executive officer (1983) of the Registrant. He is chief executive officer (2007), chairman of the board (2005) and a director (1982) of M&T Bank, and previously served as chairman of the board of M&T Bank from March 1983 until July 2003 and as president of M&T Bank from March 1984 until June 1996.

Michael P. Pinto, age 54, is a vice chairman (2007) and a director (2003) of the Registrant. Previously, he was an executive vice president of the Registrant (1997). He is a vice chairman and a director (2003) of M&T Bank and is the chairman and chief executive officer of M&T Bank s Mid-Atlantic Division (2005). Prior to April 2005, Mr. Pinto was the chief financial officer of the Registrant (1997) and M&T Bank (1996), and he oversaw the Company s Finance Division, Technology and Banking Operations Division, Corporate Services Group, Treasury Division and General Counsel s Office. He is an executive vice president (1996) and a director (1998) of M&T Bank, N.A. Mr. Pinto is chairman of the board and a director of MTB Investment Advisors (2006).

Mark J. Czarnecki, age 54, is president and a director (2007) of the Registrant and president and a director (2007) of M&T Bank. Previously, he was an executive vice president of the Registrant (1999) and M&T Bank (1997) and was responsible for the M&T Investment Group and the Company s Retail Banking network. Mr. Czarnecki is a director (1999) of M&T Securities and chairman of the board, president and chief executive officer (2007) and a director (2005) of M&T Bank, N.A.

James J. Beardi, age 63, is an executive vice president (2003) of the Registrant and M&T Bank, and is responsible for managing the Company s Corporate Services, Central Operations, Automobile Floor Plan and Lending Services Groups. Previously, Mr. Beardi was in charge of the Company s Residential Mortgage business and the General Counsel s Office. He was president and a director of M&T Mortgage Corporation (1991) until its merger into M&T Bank on January 1, 2007. Mr. Beardi served as senior vice president of M&T Bank from 1989 to 2003.

Robert J. Bojdak, age 54, is an executive vice president and chief credit officer (2004) of the Registrant and M&T Bank, and is responsible for managing the Company s enterprise-wide risk including credit, operational, compliance and investment risk. From April 2002 to April 2004, Mr. Bojdak served as senior vice president and credit deputy for M&T Bank. Previous to joining M&T Bank in 2002, Mr. Bojdak served in several senior management positions at KeyCorp., most recently as executive vice president and regional credit executive. He is an executive vice president and a director of M&T Bank, N.A. (2004).

Stephen J. Braunscheidel, age 53, is an executive vice president (2004) of the Registrant and M&T Bank, and is in charge of the Company s Human Resources Division. Previously, he was a senior vice president in the M&T Investment Group, where he managed the Private Client Services and Employee Benefits departments.

Mr. Braunscheidel has held a number of management positions with M&T Bank since 1978.

Atwood Collins, III, age 63, is an executive vice president of the Registrant (1997) and M&T Bank (1996), and is the president and chief operating officer of M&T Bank s Mid-Atlantic Division. Mr. Collins is a trustee of M&T Real Estate (1995) and a director of M&T Securities (2008).

Richard S. Gold, age 49, is an executive vice president of the Registrant (2007) and M&T Bank (2006) and is responsible for managing the Company s Residential Mortgage and Consumer Lending

Divisions. Mr. Gold served as senior vice president of M&T Bank from 2000 to 2006, most recently responsible for the Retail Banking Division, including M&T Securities. Mr. Gold is an executive vice president of M&T Bank, N.A. (2006).

Brian E. Hickey, age 57, is an executive vice president of the Registrant (1997) and M&T Bank (1996). He is a member of the Directors Advisory Council (1994) of the Rochester Division of M&T Bank. Mr. Hickey is responsible for managing all of the non-retail segments in Upstate New York and in the Northern and Central Pennsylvania regions.

René F. Jones, age 45, is an executive vice president (2006) and chief financial officer (2005) of the Registrant and M&T Bank. Previously, Mr. Jones was a senior vice president in charge of the Financial Performance Measurement department within M&T Bank s Finance Division. Mr. Jones has held a number of management positions within M&T Bank s Finance Division since 1992. Mr. Jones is an executive vice president and chief financial officer (2005) and a director (2007) of M&T Bank, N.A., and he is chairman of the board, president (2009) and a trustee (2005) of M&T Real Estate. He is a director of M&T Insurance Agency (2007) and M&T Securities (2005).

Kevin J. Pearson, age 48, is an executive vice president (2002) of the Registrant and M&T Bank. He is a member of the Directors Advisory Council (2006) of the New York City/Long Island Division of M&T Bank. Mr. Pearson is responsible for managing all of the non-retail segments in the New York City, Philadelphia, Connecticut, New Jersey and Tarrytown markets of M&T Bank, as well as the Company s commercial real estate business, Commercial Marketing and Treasury Management. He is an executive vice president of M&T Real Estate (2003), chairman of the board (2009) and a director (2003) of M&T Realty Capital and an executive vice president and a director of M&T Bank, N.A. (2008). Mr. Pearson served as senior vice president of M&T Bank from 2000 to 2002.

Michele D. Trolli, age 48, is an executive vice president and chief information officer of the Registrant and M&T Bank (2005). She is in charge of the Company s Retail Banking Division as well as the Company s Technology and Global Sourcing groups. Previously, Ms. Trolli was in charge of the Technology and Banking Operations Division and the Corporate Services Group of M&T Bank. Ms. Trolli served as senior director, global systems support, with Franklin Resources, Inc., a worldwide investment management company, from May 2000 through December 2004.

PART II

Item 5. *Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.*

The Registrant s common stock is traded under the symbol MTB on the New York Stock Exchange. See cross-reference sheet for disclosures incorporated elsewhere in this Annual Report on Form 10-K for market prices of the Registrant s common stock, approximate number of common stockholders at year-end, frequency and amounts of dividends on common stock and restrictions on the payment of dividends.

During the fourth quarter of 2009, M&T did not issue any shares of its common stock that were not registered under the Securities Act of 1933.

Equity Compensation Plan Information

The following table provides information as of December 31, 2009 with respect to shares of common stock that may be issued under M&T Bank Corporation s existing equity compensation plans. M&T Bank Corporation s existing equity compensation plans include the M&T Bank Corporation 1983 Stock Option Plan, the 2001 Stock Option Plan, the 2005 Incentive Compensation Plan, which replaced the 2001 Stock Option Plan, the 2009 Equity Incentive Compensation Plan, and the M&T Bank Corporation Employee Stock Purchase Plan, each of which has been previously approved by stockholders, and the M&T Bank Corporation 2008 Directors Stock Plan and the M&T Bank Corporation Deferred Bonus Plan, each of which did not require stockholder approval.

The table does not include information with respect to shares of common stock subject to outstanding options and rights assumed by M&T Bank Corporation in connection with mergers and acquisitions of the companies that

originally granted those options and rights. Footnote (1) to the table

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sets forth the total number of shares of common stock issuable upon the exercise of such assumed options and rights as of December 31, 2009, and their weighted-average exercise price.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options or Rights (A)	Weighted-Average Exercise Price of Outstanding Options or Rights (B)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column A) (C)
Equity compensation plans approved by security holders:			
1983 Stock Option Plan	1,041,769	$ 63.11	
2001 Stock Option Plan	4,907,066	88.00	
2005 Incentive Compensation Plan	5,823,635	103.55	2,181,423
2009 Equity Incentive Compensation Plan	59,253	38.91	3,952,841
Employee Stock Purchase Plan	188,545	52.76	412,974
Equity compensation plans not approved by security holders:			
2008 Directors Stock Plan	3,931	66.89	61,893
Deferred Bonus Plan	54,386	60.31	
Total	12,078,585	$ 92.43	6,609,131

(1) *As of December 31, 2009, a total of 369,078 shares of M&T Bank Corporation common stock were issuable upon exercise of outstanding options or rights assumed by M&T Bank Corporation in connection with merger and acquisition transactions. The weighted-average exercise price of those outstanding options or rights is $131.57 per common share.*

Equity compensation plans adopted without the approval of stockholders are described below:

2008 Directors Stock Plan. M&T Bank Corporation maintains a plan for non-employee members of the Board of Directors of M&T Bank Corporation and the members of its Directors Advisory Council, and the non-employee members of the Board of Directors of M&T Bank and the members of its regional Directors Advisory Councils, which allows such directors, advisory directors and members of regional Directors Advisory Councils to receive all or a portion of their directorial compensation in shares of M&T common stock.

Deferred Bonus Plan. M&T Bank Corporation maintains a deferred bonus plan pursuant to which its eligible officers and those of its subsidiaries may elect to defer all or a portion of their current annual incentive compensation awards and allocate such awards to several investment options, including M&T common stock. Participants may elect

the timing of distributions from the plan. Such distributions are payable in cash, with the exception of balances allocated to M&T common stock which are distributable in the form of shares of common stock.

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Performance Graph

The following graph contains a comparison of the cumulative stockholder return on M&T common stock against the cumulative total returns of the KBW Bank Index, compiled by Keefe, Bruyette & Woods Inc., and the S&P 500 Index, compiled by Standard & Poor s Corporation, for the five-year period beginning on December 31, 2004 and ending on December 31, 2009. The KBW Bank Index is a market capitalization index consisting of 24 leading national money-center banks and regional institutions.

Comparison of Five-Year Cumulative Return*

Stockholder Value at Year End*

	2004	2005	2006	2007	2008	2009
M&T Bank Corporation	$ 100	103	117	80	59	72
KBW Bank Index	$ 100	103	123	97	57	58
S&P 500 Index	$ 100	105	121	128	81	102

* Assumes a $100 investment on December 31, 2004 and reinvestment of all dividends.

In accordance with and to the extent permitted by applicable law or regulation, the information set forth above under the heading Performance Graph shall not be incorporated by reference into any future filing under the Securities Act of 1933, as amended (the Securities Act), or the Exchange Act and shall not be deemed to be soliciting material or to be filed with the SEC under the Securities Act or the Exchange Act.

Issuer Purchases of Equity Securities

In February 2007, M&T announced that it had been authorized by its Board of Directors to purchase up to 5,000,000 shares of its common stock. M&T did not repurchase any shares pursuant to such plan during 2009.

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During the fourth quarter of 2009 M&T purchased shares of its common stock as follows:

Period	(a)Total Number of Shares (or Units) Purchased(1)	(b)Average Price Paid per Share (or Unit)	(c)Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d)Maximum Number (or Approximate Dollar Value) of Shares (or Units) that may yet be Purchased Under the Plans or Programs(2)
October 1 - October 31, 2009	191	$ 66.22		2,181,500
November 1 - November 30, 2009	90,677	64.32		2,181,500
December 1 - December 31, 2009	2,267	65.73		2,181,500
Total	93,135	$ 64.36		

(1) The total number of shares purchased during the periods indicated reflects shares deemed to have been received from employees who exercised stock options by attesting to previously acquired common shares in satisfaction of the exercise price, as is permitted under M&T s stock option plans.

(2) On February 22, 2007, M&T announced a program to purchase up to 5,000,000 shares of its common stock. No shares were purchased under such program during the periods indicated.

Item 6. ***Selected Financial Data.***

See cross-reference sheet for disclosures incorporated elsewhere in this Annual Report on Form 10-K.

Item 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operations.***

Corporate Profile and Significant Developments

M&T Bank Corporation (M&T) is a bank holding company headquartered in Buffalo, New York with consolidated assets of $68.9 billion at December 31, 2009. The consolidated financial information presented herein reflects M&T and all of its subsidiaries, which are referred to collectively as the Company. M&T s wholly owned bank subsidiaries are M&T Bank and M&T Bank, National Association (M&T Bank, N.A.).

M&T Bank, with total assets of $67.9 billion at December 31, 2009, is a New York-chartered commercial bank with 793 banking offices in New York State, Pennsylvania, Maryland, Delaware, New Jersey, Virginia, West Virginia and the District of Columbia, and an office in the Cayman Islands. M&T Bank and its subsidiaries offer a broad range of financial services to a diverse base of consumers, businesses, professional clients, governmental entities and financial institutions located in their markets. Lending is largely focused on consumers residing in New York State, Pennsylvania, Maryland, Virginia and Washington, D.C., and on small and medium size businesses based in those areas, although residential and commercial real estate loans are originated through lending offices in six other states.

Certain lending activities are also conducted in other states through various subsidiaries. M&T Bank s subsidiaries include: M&T Real Estate Trust, a commercial mortgage lender; M&T Realty Capital Corporation, a multifamily commercial mortgage lender; M&T Securities, Inc., which provides brokerage, investment advisory and insurance services; MTB Investment Advisors, Inc., which serves as investment advisor to the MTB Group of Funds, a family of proprietary mutual funds, and other funds and institutional clients; and M&T Insurance Agency, Inc., an insurance agency.

M&T Bank, N.A., with total assets of $908 million at December 31, 2009, is a national bank with an office in Oakfield, New York. M&T Bank, N.A. offers selected deposit and loan products on a nationwide basis, largely through telephone, Internet and direct mail marketing techniques.

On August 28, 2009, M&T Bank entered into a purchase and assumption agreement with the Federal Deposit Insurance Corporation (FDIC) to assume all of the deposits and acquire certain assets of Bradford Bank (Bradford), Baltimore, Maryland. As part of the transaction, M&T Bank entered into a loss-share arrangement with the FDIC whereby M&T Bank will be reimbursed by the FDIC for most

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losses it incurs on the acquired loan portfolio. The transaction has been accounted for using the acquisition method of accounting and, accordingly, assets acquired and liabilities assumed were recorded at estimated fair value on the acquisition date. Assets acquired in the transaction totaled approximately $469 million, including $302 million of loans, and liabilities assumed aggregated $440 million, including $361 million of deposits. In accordance with generally accepted accounting principles (GAAP), M&T Bank recorded an after-tax gain on the transaction of $18 million ($29 million before taxes).

On May 23, 2009, M&T acquired all of the outstanding common stock of Provident Bankshares Corporation (Provident), a bank holding company based in Baltimore, Maryland, in a stock-for-stock transaction. Provident Bank, Provident s banking subsidiary, was merged into M&T Bank on that date. The results of operations acquired in the Provident transaction have been included in the Company s financial results since May 23, 2009. Provident common shareholders received .171625 shares of M&T common stock in exchange for each share of Provident common stock, resulting in M&T issuing a total of 5,838,308 common shares with an acquisition date fair value of $273 million. In addition, based on the merger agreement, outstanding and unexercised options to purchase Provident common stock were converted into options to purchase the common stock of M&T. Those options had an estimated fair value of approximately $1 million. In total, the purchase price was approximately $274 million based on the fair value on the acquisition date of M&T common stock exchanged and the options to purchase M&T common stock. Holders of Provident s preferred stock were issued shares of new Series B and Series C Preferred Stock of M&T having substantially identical terms. That preferred stock and warrants to purchase common stock associated with the Series C Preferred Stock added $162 million to M&T s stockholders equity. The Series B Preferred Stock has a preference value of $27 million, pays non-cumulative dividends at a rate of 10%, and is convertible into 433,148 shares of M&T common stock. The Series C Preferred Stock has a preference value of $152 million, pays cumulative dividends at a rate of 5% through November 2013 and 9% thereafter, and is held by the U.S. Department of Treasury (U.S. Treasury) under the Troubled Asset Relief Program Capital Purchase Program.

The Provident transaction has been accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed and consideration exchanged were recorded at estimated fair value on the acquisition date. Assets acquired totaled $6.3 billion, including $4.0 billion of loans and leases (including approximately $1.7 billion of commercial real estate loans, $1.4 billion of consumer loans, $700 million of commercial loans and leases and $300 million of residential real estate loans) and $1.0 billion of investment securities. Liabilities assumed were $5.9 billion, including $5.1 billion of deposits. The transaction added $436 million to M&T s stockholders equity, including $280 million of common equity and $156 million of preferred equity. In connection with the acquisition, the Company recorded $332 million of goodwill and $63 million of core deposit intangible. The core deposit intangible is being amortized over seven years using an accelerated method. The acquisition of Provident expanded the Company s presence in the Mid-Atlantic area, gave the Company the second largest deposit share in Maryland, and tripled the Company s presence in Virginia.

Application of the acquisition method requires that acquired loans be recorded at fair value and prohibits the carry over of the acquired entity s allowance for credit losses. Determining the fair value of the acquired loans required estimating cash flows expected to be collected on the loans. The impact of estimated credit losses on all acquired loans was considered in the estimation of future cash flows used in the determination of estimated fair value as of the acquisition date.

Net acquisition and integration-related gains and expenses (included herein as merger-related expenses) associated with the Bradford and Provident acquisition transactions incurred during 2009 totaled $60 million ($36 million after tax effect, or $.31 of diluted earnings per common share). Reflected in that amount are a $29 million ($18 million after tax effect, or $.15 of diluted earnings per common share) gain on the Bradford transaction and $89 million ($54 million after tax effect, or $.46 of diluted earnings per common share) of expenses associated with the Provident and Bradford transactions. The gain reflects the amount of financial support and indemnification against loan losses that M&T obtained from the FDIC. The expenses were for professional services and other temporary help fees associated with the conversion of systems and/or integration of operations; costs related to branch and office consolidations; costs related to termination of existing Provident contractual arrangements for various services; initial

marketing and promotion expenses designed to introduce M&T Bank to customers of Bradford

and Provident; severance for former employees of Provident; incentive compensation costs; travel costs; and printing, supplies and other costs of commencing operations in new markets and offices.

The condition of the residential real estate marketplace and the U.S. economy since 2007 has had a significant impact on the financial services industry as a whole, and specifically on the financial results of the Company. Beginning with a pronounced downturn in the residential real estate market in early 2007 that was led by problems in the sub-prime mortgage market, the deterioration of residential real estate values and higher delinquencies and charge-offs of loans continued throughout 2008 and 2009, including loans to builders and developers. With the U.S. economy in recession in 2008 and 2009, financial institutions were facing higher credit losses from distressed real estate values and borrower defaults, resulting in reduced capital levels. During 2009, the Company has experienced higher delinquencies and charge-offs related to its commercial loan and commercial real estate loan portfolios as well. Additionally, investment securities backed by residential and commercial real estate have reflected substantial unrealized losses due to a lack of liquidity in the financial markets and anticipated credit losses. Many financial institutions, including the Company, have taken charges for those unrealized losses that were deemed to be other than temporary.

In the third quarter of 2008, the Federal Reserve, the U.S. Treasury and the FDIC initiated measures to stabilize the financial markets and to provide liquidity for financial institutions. The Emergency Economic Stabilization Act of 2008 (EESA) was signed into law on October 3, 2008 and authorized the U.S. Treasury to provide funds to be used to restore liquidity and stability to the U.S. financial system pursuant to the Troubled Asset Relief Program (TARP). Under the authority of EESA, the U.S. Treasury instituted a voluntary capital purchase program under TARP to encourage U.S. financial institutions to build capital to increase the flow of financing to U.S. businesses and consumers and to support the U.S. economy. Under the program, the U.S. Treasury purchased senior preferred shares of financial institutions which pay cumulative dividends at a rate of 5% per year for five years and thereafter at a rate of 9% per year. The terms of the senior preferred shares, as amended by the American Recovery and Reinvestment Act of 2009 (ARRA), provide that the shares may be redeemed, in whole or in part, at par value plus accrued and unpaid dividends upon approval of the U.S. Treasury and the participating financial institution s primary banking regulator. The senior preferred shares are non-voting and qualify as Tier 1 capital for regulatory reporting purposes. In connection with purchasing senior preferred shares, the U.S. Treasury also received warrants to purchase the common stock of participating financial institutions having a market price of 15% of the amount of senior preferred shares on the date of investment with an exercise price equal to the market price of the participating institution s common stock at the time of approval, calculated on a 20-trading day trailing average. The warrants have a term of ten years and are immediately exercisable, in whole or in part. For a period of three years, the consent of the U.S. Treasury will be required for participating institutions to increase their common stock dividend or repurchase their common stock, other than in connection with benefit plans consistent with past practice. Participation in the capital purchase program also includes certain restrictions on executive compensation that were modified by ARRA and further defined by the U.S. Treasury in its Interim Final Rule on TARP Standards for Compensation and Corporate Governance. The minimum subscription amount available to a participating institution was one percent of total risk-weighted assets. The maximum suggested subscription amount was three percent of risk-weighted assets. On December 23, 2008, M&T issued to the U.S. Treasury $600 million of Series A Preferred Stock and warrants to purchase 1,218,522 shares of M&T common stock at $73.86 per share. M&T elected to participate in the capital purchase program at an amount equal to approximately 1% of its risk-weighted assets at the time. As already noted, Provident also participated in the capital purchase program. Preferred stock resulting from that participation was converted into $152 million of M&T Series C Preferred Stock and warrants to purchase 407,542 shares of M&T common stock at $55.76 per share. In total, M&T has $752 million of preferred stock outstanding related to the capital purchase program. Additional information regarding preferred stock of M&T is included in note 10 of Notes to Financial Statements.

On November 30, 2007, M&T acquired Partners Trust Financial Group, Inc. (Partners Trust), a bank holding company headquartered in Utica, New York. Partners Trust Bank, the primary banking subsidiary of Partners Trust, was merged into M&T Bank on that date. Partners Trust Bank operated 33

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branch offices in upstate New York at the date of acquisition. The results of operations acquired in the Partners Trust transaction have been included in the Company s financial results since November 30, 2007. After application of the election, allocation and proration procedures contained in the merger agreement with Partners Trust, M&T paid $282 million in cash and issued 3,096,861 shares of M&T common stock in exchange for Partners Trust shares outstanding at the time of acquisition. In addition, based on the merger agreement, M&T paid $9 million in cash to holders of outstanding and unexercised stock options granted by Partners Trust. The purchase price was approximately $559 million based on the cash paid to Partners Trust shareholders, the fair value of M&T common stock exchanged, and the cash paid to holders of Partners Trust stock options. The acquisition of Partners Trust expanded the Company s presence in upstate New York, making M&T Bank the deposit market share leader in the Utica-Rome and Binghamton markets, while strengthening its lead position in Syracuse.

Assets acquired from Partners Trust on November 30, 2007 totaled $3.5 billion, including $2.2 billion of loans and leases (largely residential real estate and consumer loans), liabilities assumed aggregated $3.0 billion, including $2.2 billion of deposits (largely savings, money-market and time deposits), and $277 million was added to stockholders equity. In connection with the acquisition, the Company recorded approximately $283 million of goodwill and $50 million of core deposit intangible. The core deposit intangible is being amortized over seven years using an accelerated method.

As a condition of the approval of the Partners Trust acquisition by regulators, M&T Bank was required to divest three of the acquired branch offices in Binghamton, New York. The three branches were sold on March 15, 2008, including loans of $13 million and deposits of $65 million. No gain or loss was recognized on that transaction.

On December 7, 2007, M&T Bank acquired the Mid-Atlantic retail banking franchise of First Horizon Bank (First Horizon), a subsidiary of First Horizon National Corporation, in a cash transaction, including $214 million of loans, $216 million of deposits and $80 million of trust and investment assets under management. In connection with the transaction, the Company recorded approximately $15 million of core deposit and other intangible assets that are being amortized using accelerated methods over a weighted-average life of seven years.

The Company incurred merger-related expenses associated with the Partners Trust and First Horizon transactions related to systems conversions and other costs of integrating and conforming acquired operations with and into the Company of approximately $15 million ($9 million net of applicable income taxes, or $.08 of diluted earnings per common share) during 2007 and $4 million ($2 million net of applicable income taxes, or $.02 of diluted earnings per common share) during 2008.

On February 5, 2007, M&T invested $300 million to acquire a 20 percent minority interest in Bayview Lending Group LLC (BLG), a privately-held commercial mortgage lender that specialized in originating, securitizing and servicing small balance commercial real estate loans. M&T recognizes income from BLG using the equity method of accounting. M&T s pro-rata portion of the results of operations of BLG were losses of $26 million ($16 million after tax effect) in 2009 and $37 million ($23 million after tax effect) in 2008, and income of $9 million ($5 million after tax effect) in 2007, which have been recorded as a component of other income in the consolidated statement of income. Including expenses associated with M&T s investment in BLG, most notably interest expense, that investment reduced the Company s net income in 2009, 2008 and 2007 by $24 million (after tax effect) or $.21 per diluted common share, $32 million (after tax effect) or $.29 per diluted common share, and $4 million (after tax effect) or $.04 per diluted common share, respectively.

Critical Accounting Estimates

The Company s significant accounting policies conform with GAAP and are described in note 1 of Notes to Financial Statements. In applying those accounting policies, management of the Company is required to exercise judgment in determining many of the methodologies, assumptions and estimates to be utilized. Certain of the critical accounting estimates are more dependent on such judgment and in some cases may contribute to volatility in the Company s reported financial performance should the assumptions and estimates used change over time due to changes in circumstances. Some of the more significant

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areas in which management of the Company applies critical assumptions and estimates include the following:

Allowance for credit losses The allowance for credit losses represents the amount which, in management s judgment, will be adequate to absorb credit losses inherent in the loan and lease portfolio as of the balance sheet date. A provision for credit losses is recorded to adjust the level of the allowance as deemed necessary by management. In estimating losses inherent in the loan and lease portfolio, assumptions and judgment are applied to measure amounts and timing of expected future cash flows, collateral values and other factors used to determine the borrowers abilities to repay obligations. Historical loss trends are also considered, as are economic conditions, industry trends, portfolio trends and borrower-specific financial data. Changes in the circumstances considered when determining management s estimates and assumptions could result in changes in those estimates and assumptions, which may result in adjustment of the allowance. A detailed discussion of facts and circumstances considered by management in assessing the adequacy of the allowance for credit losses is included herein under the heading Provision for Credit Losses.

Valuation methodologies Management of the Company applies various valuation methodologies to assets and liabilities which often involve a significant degree of judgment, particularly when liquid markets do not exist for the particular items being valued. Quoted market prices are referred to when estimating fair values for certain assets, such as trading assets, most investment securities, and residential real estate loans held for sale and related commitments. However, for those items for which an observable liquid market does not exist, management utilizes significant estimates and assumptions to value such items. Examples of these items include loans, deposits, borrowings, goodwill, core deposit and other intangible assets, and other assets and liabilities obtained or assumed in business combinations; capitalized servicing assets; pension and other postretirement benefit obligations; value ascribed to stock-based compensation; estimated residual values of property associated with leases; and certain derivative and other financial instruments. These valuations require the use of various assumptions, including, among others, discount rates, rates of return on assets, repayment rates, cash flows, default rates, costs of servicing and liquidation values. The use of different assumptions could produce significantly different results, which could have material positive or negative effects on the Company s results of operations. In addition to valuation, the Company must assess whether there are any declines in value below the carrying value of assets that should be considered other than temporary or otherwise require an adjustment in carrying value and recognition of a loss in the consolidated statement of income. Examples include investment securities, other investments, mortgage servicing rights, goodwill, core deposit and other intangible assets, among others. Specific assumptions and estimates utilized by management are discussed in detail herein in management s discussion and analysis of financial condition and results of operations and in notes 1, 3, 4, 7, 8, 11, 12, 18, 19 and 20 of Notes to Financial Statements.

Commitments, contingencies and off-balance sheet arrangements Information regarding the Company s commitments and contingencies, including guarantees and contingent liabilities arising from litigation, and their potential effects on the Company s results of operations is included in note 21 of Notes to Financial Statements. In addition, the Company is routinely subject to examinations from various governmental taxing authorities. Such examinations may result in challenges to the tax return treatment applied by the Company to specific transactions. Management believes that the assumptions and judgment used to record tax-related assets or liabilities have been appropriate. Should tax laws change or the tax authorities determine that management s assumptions were inappropriate, the result and adjustments required could have a material effect on the Company s results of operations. Information regarding the Company s income taxes is presented in note 13 of Notes to Financial Statements. The recognition or de-recognition in the Company s consolidated financial statements of assets and liabilities held by so-called variable interest entities is subject to the interpretation and application of complex accounting pronouncements or interpretations that require management to estimate and assess the probability of financial outcomes in future periods and the degree to which the Company can influence those

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outcomes. Information relating to the Company s involvement in such entities and the accounting treatment afforded each such involvement is included in note 19 of Notes to Financial Statements.

Overview

Net income for the Company during 2009 was $380 million or $2.89 of diluted earnings per common share, representing declines of 32% and 42%, respectively, from $556 million or $5.01 of diluted earnings per common share in 2008. Basic earnings per common share decreased 42% to $2.90 in 2009 from $5.04 in 2008. Net income in 2007 aggregated $654 million, while diluted and basic earnings per common share were $5.95 and $6.05, respectively. The after-tax impact of net merger-related gains and expenses associated with the 2009 and 2007 acquisition transactions previously described were $36 million ($60 million pre-tax) or $.31 of basic and diluted earnings per common share in 2009, $2 million ($4 million pre-tax) or $.02 of basic and diluted earnings per common share in 2008 and $9 million ($15 million pre-tax) or $.08 of basic and diluted earnings per common share in 2007. Net income expressed as a rate of return on average assets in 2009 was .56%, compared with .85% in 2008 and 1.12% in 2007. The return on average common stockholders equity was 5.07% in 2009, 8.64% in 2008 and 10.47% in 2007.

Several noteworthy items are reflected in the Company s financial results in 2009. The provision for credit losses and net loan charge-offs during 2009 were at higher than historical levels, due largely to the recessionary state of the U.S. economy and its impact on consumers and businesses, and the continuation of a distressed residential real estate market. The provision for credit losses in 2009 was $604 million, up from $412 million in 2008. Net charge-offs during 2009 aggregated $514 million, compared with $383 million in 2008. As a percentage of average loans outstanding, net charge-offs were 1.01% and .78% in 2009 and 2008, respectively. Charge-offs in all major loan categories rose from 2008 to 2009. The most dramatic increase in net charge-offs was related to commercial loans, which rose to $172 million in 2009 from $94 million in 2008. That increase was largely driven by a small number of significant commercial loan charge-offs. In addition, charge-offs of residential real estate loans rose to $92 million in 2009 from $63 million in 2008, reflecting the turbulence in the residential real estate market place which has resulted in deteriorating real estate values and increased delinquencies. The Company also continued to incur elevated costs related to the workout process for modifying residential mortgage loans of creditworthy borrowers and to the foreclosure process for borrowers unable to make payments on their loans.

During 2009, $84 million of after-tax other-than-temporary impairment charges ($138 million before taxes) were recorded on certain available-for-sale investment securities, reducing basic and diluted earnings per common share by $.73. Specifically, such charges related to certain privately issued collateralized mortgage obligations (CMOs) backed by residential real estate loans and collateralized debt obligations (CDOs). The Company also experienced substantially higher costs related to deposit assessments by the Federal Deposit Insurance Corporation (FDIC). Such costs rose to $97 million in 2009 from $7 million in 2008 and reflected higher assessment rates, expirations of available credits and a $33 million second quarter 2009 special assessment levied by the FDIC on insured financial institutions to rebuild the Deposit Insurance Fund. That special assessment reduced net income and diluted earnings per common share by $20 million and $.17, respectively.

The Company s financial results for 2008 were also affected by several notable factors. Largely the result of the state of the U.S. economy and the distressed residential real estate marketplace, the Company s provision for credit losses in 2008 was $412 million, significantly higher than $192 million in 2007. Net charge-offs of loans rose dramatically in 2008, to $383 million from $114 million in 2007. Net loan charge-offs as a percentage of average loans outstanding were .78% and .26% in 2008 and 2007, respectively. While charge-offs were up in all major categories of loans, the most significant contributors to the sharp rise were loan charge-offs related to residential real estate markets; charge-offs of loans to builders and developers of residential real estate jumped from $4 million in 2007 to $100 million in 2008, and residential real estate loan charge-offs grew to $63 million in 2008 from $19 million in 2007. Not only did the condition of the residential real estate markets negatively impact the Company s financial results in 2008 through a higher provision for credit losses, but significantly higher costs were

incurred related to the workout process for modifying residential mortgage loans and to the foreclosure process. During the third quarter of 2008, a $153 million (pre-tax) other-than-temporary impairment charge was recorded related to preferred stock issuances of Fannie Mae and Freddie Mac. The write-down was taken on preferred stock with a basis of $162 million following the U.S. Government s placement of Fannie Mae and Freddie Mac under conservatorship on September 7, 2008. The Company recognized additional other-than-temporary impairment charges during 2008 totaling $29 million (pre-tax) related to certain CDOs (obtained from Partners Trust) and CMOs. In total, other-than-temporary impairment charges on investment securities aggregated $182 million ($111 million after tax effect) during 2008, thereby lowering diluted earnings per common share by $1.00.

Also reflected in the Company s 2008 results was $29 million of after-tax income, or $.26 of diluted earnings per common share, resulting from M&T Bank s status as a member bank of Visa. During the last quarter of 2007, Visa completed a reorganization in contemplation of its initial public offering (IPO) in 2008. As part of that reorganization M&T Bank and other member banks of Visa received shares of Class B common stock of Visa. M&T Bank was allocated 1,967,028 Class B common shares of Visa based on its proportionate ownership of Visa. Of those shares, 760,455 were mandatorily redeemed in March 2008 for an after-tax gain of $20 million ($33 million pre-tax), which has been recorded as gain on bank investment securities in the consolidated statement of income, adding $.18 to diluted earnings per common share. Those member banks are also obligated under various agreements with Visa to share in losses stemming from certain litigation involving Visa (Covered Litigation). As of December 31, 2007, although Visa was expected to set aside a portion of the proceeds from its IPO in an escrow account to fund any judgments or settlements that may arise out of the Covered Litigation, guidance from the Securities and Exchange Commission (SEC) indicated that Visa member banks should record a liability for the fair value of the contingent obligation to Visa. The estimation of the Company s proportionate share of any potential losses related to the Covered Litigation was extremely difficult and involved a great deal of judgment. Nevertheless, in the fourth quarter of 2007 the Company recorded a pre-tax charge of $23 million ($14 million after tax effect, or $.13 per diluted common share) related to the Covered Litigation. In accordance with GAAP and consistent with the SEC guidance, the Company did not recognize any value for its common stock ownership interest in Visa as of the 2007 year-end. During the first quarter of 2008, Visa completed its IPO and, as part of the transaction, funded an escrow account with $3 billion from the proceeds of the IPO to cover potential settlements arising out of the Covered Litigation. As a result, during the first three months of 2008, the Company reversed approximately $15 million of the $23 million accrued during the fourth quarter of 2007 for the Covered Litigation, adding $9 million to net income ($.08 per diluted common share). Subsequently, Visa has announced that it had further funded the escrow account to provide for the settlement of Covered Litigation. Those subsequent fundings did not result in a material impact to the Company s consolidated financial position or results of operations as of or for the years ended December 31, 2009 and 2008.

The Company resolved certain tax issues during the third quarter of 2008 related to its activities in various jurisdictions during the years 1999-2007. As a result, the Company paid $40 million to settle those issues, but was able to reduce previously accrued income tax expense in 2008 by $40 million, thereby adding $.36 to that year s diluted earnings per common share.

The Company s financial results for 2007 were also adversely impacted by several events. Turmoil in the residential real estate market, which began in early 2007, significantly affected the Company s financial results in a number of ways. Problems experienced by lenders in the sub-prime residential mortgage lending market also had negative repercussions on the rest of the residential real estate marketplace. Through early 2007, the Company had been an active participant in the origination of alternative (Alt-A) residential real estate loans and the sale of such loans in the secondary market. Alt-A loans originated by M&T typically included some form of limited documentation requirements as compared with more traditional residential real estate loans. Unfavorable market conditions during the first quarter of 2007, including a lack of liquidity, impacted the Company s willingness to sell Alt-A loans, as an auction of such loans initiated by the Company received fewer bids than normal and the pricing of those bids was substantially lower than expected. As a result, $883 million of Alt-A loans previously held for sale (including $808 million of first mortgage loans and $75 million of second mortgage loans) were transferred in March 2007 to the

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Company s held-for-investment loan portfolio. In accordance with GAAP, loans held for sale must be recorded at the lower of cost or market value. Accordingly, prior to reclassifying the Alt-A mortgage loans to the held-for-investment portfolio, the carrying value of such loans was reduced by $12 million ($7 million after tax effect, or $.07 of diluted earnings per common share). Those loans were reclassified because management believed at that time that the value of the Alt-A residential real estate loans was greater than the amount implied by the few bidders who were then active in the market. The downturn in the residential real estate market, specifically related to declining real estate valuations and higher delinquencies, continued throughout the remainder of 2007 and had a negative effect on the majority of financial institutions active in residential real estate lending. As a result of retaining those Alt-A residential real estate loans, the Company experienced higher loan charge-offs during 2007-2009.

The turbulence in the residential real estate market in 2007 also negatively affected three CDOs purchased in the first quarter of 2007 for approximately $132 million. Although these securities were highly rated when purchased, two of the three securities were downgraded by the rating agencies in late-2007. After a thorough analysis, management concluded that the impairment of the market value of these securities was other than temporary. As a result, the Company recorded an impairment charge of $127 million ($78 million after tax effect, or $.71 of diluted earnings per common share) in the fourth quarter of 2007.

Finally, as already noted, during the last quarter of 2007, the Company recorded a pre-tax charge of $23 million ($14 million after tax effect, or $.13 per diluted common share) related to the Visa Covered Litigation.

Taxable-equivalent net interest income of $2.08 billion in 2009 was 6% higher than $1.96 billion in 2008. Contributing to the improvement were growth in average earning assets and a widening of the Company s net interest margin, or taxable-equivalent net interest income expressed as a percentage of average earning assets. Average earning assets rose 3% to $59.6 billion in 2009 from $58.0 billion in 2008, largely due to the $5.5 billion of earning assets obtained in the Provident and Bradford transactions. Average loans and leases totaled $51.0 billion in 2009, up 4% from $48.8 billion in 2008. Loans obtained in the 2009 acquisition transactions were $4.3 billion at the respective acquisition dates. Exclusive of acquired loans, average loans outstanding during 2009 declined slightly less than 1% from 2008. The net interest margin widened 11 basis points (hundredths of one percent) to 3.49% in 2009 from 3.38% in 2008, largely due to lower interest rates paid on deposits and borrowings.

Net interest income expressed on a taxable-equivalent basis in 2008 rose 5% from $1.87 billion in 2007. The positive impact of higher average earning assets was partially offset by a decline in net interest margin. Average earning assets increased 12% to $58.0 billion in 2008 from $52.0 billion in 2007, the result of increased average balances of loans and leases and investment securities. Earning assets obtained in the fourth quarter 2007 acquisition transactions were $3.3 billion. Average loans and leases of $48.8 billion in 2008 were $4.7 billion or 11% higher than $44.1 billion in 2007, due to growth in commercial loans and leases of $1.6 billion, or 13%, commercial real estate loans of $2.7 billion, or 17%, and consumer loans and leases of $961 million, or 9%, partially offset by a $550 million, or 9%, decline in residential real estate loans. Reflected in those amounts were loans obtained in the 2007 acquisition transactions aggregating $2.4 billion at the respective acquisition dates, including $259 million of commercial loans and leases, $343 million of commercial real estate loans, $1.1 billion of residential real estate loans and $690 million of consumer loans. Of the $1.1 billion of residential real estate loans acquired, approximately $950 million were securitized into Fannie Mae mortgage-backed securities in December 2007. The acquired loans did not have a significant impact on average loans and leases for 2007. Average balances of investment securities increased 23% to $9.0 billion in 2008 from $7.3 billion in 2007. The net interest margin declined 22 basis points to 3.38% in 2008 from 3.60% in 2007, due to a decrease in the contribution ascribed to net interest-free funds that resulted largely from the impact of lower interest rates on interest-bearing liabilities used to value such funds.

The provision for credit losses rose to $604 million in 2009 from $412 million in 2008 and $192 million in 2007. Deteriorating credit conditions that were reflected in rising levels of charge-offs and delinquencies, as well as rapidly declining residential real estate valuations during 2007 and continuing in 2008 and 2009 and their impact on the Company s portfolios of residential mortgage loans and loans to residential builders and developers, contributed significantly to the increases in the

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provision. Also contributing to the higher levels of the provision, charge-offs and delinquencies in 2008 and 2009 was the impact of the condition of the U.S. economy, which was in recession. The Company experienced higher levels of commercial loan charge-offs during 2009 as the economic conditions directly impacted the financial condition of certain businesses. Net charge-offs of all loan types were $514 million in 2009, up from $383 million in 2008 and $114 million in 2007. Net charge-offs as a percentage of average loans and leases outstanding rose to 1.01% in 2009 from .78% in 2008 and .26% in 2007. The provision in each year represents the result of management s analysis of the composition of the loan and lease portfolio and other factors, including concern regarding uncertainty about economic conditions, both nationally and in many of the markets served by the Company, and the impact of such conditions and prospects on the abilities of borrowers to repay loans.

Noninterest income in 2009 totaled $1.05 billion, up 12% from $939 million in 2008. Gains and losses on bank investment securities (including other-than-temporary impairment losses) totaled to net losses of $137 million in 2009 and $148 million in 2008. Those losses were due to other-than-temporary impairment charges related to certain of M&T s privately issued CMOs, CDOs and in 2008, preferred stock holdings of Fannie Mae and Freddie Mac, all held in the available-for-sale investment securities portfolio. The 2008 losses are net of the already noted $33 million gain from the sale of shares of Visa. Excluding gains and losses from bank investment securities and the $29 million gain recorded on the Bradford transaction, other income was $1.16 billion in 2009, 6% higher than $1.09 billion in 2008. Contributing to that improvement were higher mortgage banking revenues and service charges on acquisition-related deposit accounts, partially offset by declines in trust and brokerage services income.

Noninterest income in 2008 was $6 million higher than $933 million in 2007. Reflected in 2007 s total were $126 million of losses from bank investment securities. Those losses were due predominately to other-than-temporary impairment charges related to certain of M&T s CDOs held in the available-for-sale investment securities portfolio. Excluding the impact of net securities losses, noninterest income of $1.09 billion in 2008 was 3% higher than $1.06 billion in 2007. That rise reflected higher mortgage banking revenues and fees for providing deposit services that were partially offset by a $46 million decline in M&T s pro-rata portion of the operating results of BLG.

Noninterest expense in 2009 totaled $1.98 billion, up 15% from $1.73 billion in 2008. Noninterest expense in 2007 was $1.63 billion. Included in such amounts are expenses considered by M&T to be nonoperating in nature, consisting of amortization of core deposit and other intangible assets of $64 million, $67 million and $66 million in 2009, 2008 and 2007, respectively, and merger-related expenses of $89 million in 2009, $4 million in 2008 and $15 million in 2007. Exclusive of these nonoperating expenses, noninterest operating expenses aggregated $1.83 billion in 2009, $1.66 billion in 2008 and $1.55 billion in 2007. The most significant factors for the higher level of noninterest operating expenses in 2009 as compared with 2008 were a $90 million rise in FDIC deposit assessments, costs associated with the acquired operations of Provident and Bradford, and higher foreclosure-related expenses. Partially offsetting those increases was a partial reversal of the valuation allowance for capitalized residential mortgage servicing rights of $22 million in 2009, compared with an addition to the valuation allowance of $16 million in 2008. Contributing to the rise in operating expenses from 2007 to 2008 were higher expenses for salaries, occupancy, professional services, advertising and promotion, and foreclosed residential real estate properties. Partially offsetting those factors was the $23 million charge taken in the fourth quarter of 2007 related to M&T Bank s obligation as a member bank of Visa to share in losses stemming from certain litigation, compared with a partial reversal of that charge in the first quarter of 2008 of $15 million. Included in operating expenses in 2009 were $12 million of tax-deductible contributions made to The M&T Charitable Foundation, a tax-exempt private charitable foundation. Similar contributions of $6 million were made in 2008, whereas no such contributions were made in 2007.

The efficiency ratio expresses the relationship of operating expenses to revenues. The Company s efficiency ratio, or noninterest operating expenses (as previously defined) divided by the sum of taxable-equivalent net interest income and noninterest income (exclusive of gains and losses from bank investment securities and gains on merger transactions), was 56.5% in 2009, compared with 54.4% in 2008 and 52.8% in 2007.

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Table 1

EARNINGS SUMMARY
Dollars in millions

crease (Decrease)(a)									
09		2007 to 2008							
%	Amount	%		2009	2008	2007	2006	20
(17)	$ (266.2)	(7)	Interest income(b)	$ 2,747.0	3,299.5	3,565.6	3,333.8	2,8
(50)	(356.8)	(21)	Interest expense	669.4	1,337.8	1,694.6	1,496.6	9
6	90.6	5	Net interest income(b)	2,077.6	1,961.7	1,871.0	1,837.2	1,8
47	220.0	115	Less: provision for credit losses	604.0	412.0	192.0	80.0	
	(21.7)		Gain (loss) on bank investment securities(c)	(137.1)	(147.8)	(126.1)	2.6	
9	27.7	3	Other income	1,185.2	1,086.7	1,059.1	1,043.2	9
			Less:					
5	48.8	5	Salaries and employee benefits	1,001.9	957.1	908.3	873.3	8
27	50.5	7	Other expense	978.7	769.9	719.3	678.4	6
(29)	(222.7)	(23)	Income before income taxes	541.1	761.6	984.4	1,251.3	1,
			Less:					
	1.0	5	Taxable-equivalent adjustment(b)	21.8	21.8	20.8	19.7	
(24)	(125.3)	(41)	Income taxes	139.4	183.9	309.3	392.4	3
(32)	$ (98.4)	(15)	Net income	$ 379.9	555.9	654.3	839.2	7

(a) *Changes were calculated from unrounded amounts.*

(b) *Interest income data are on a taxable-equivalent basis. The taxable-equivalent adjustment represents additional income taxes that would be due if all interest income were subject to income taxes. This adjustment, which is related to interest received on qualified municipal securities, industrial revenue financings and preferred equity securities, is based on a composite income tax rate of approximately 39%.*

(c) *Includes other-than-temporary impairment losses, if any.*

Supplemental Reporting of Non-GAAP Results of Operations
As a result of business combinations and other acquisitions, the Company had intangible assets consisting of goodwill and core deposit and other intangible assets totaling $3.7 billion at December 31, 2009 and $3.4 billion at each of December 31, 2008 and 2007. Included in such intangible assets was goodwill of $3.5 billion at December 31, 2009

and $3.2 billion at each of December 31, 2008 and 2007. Amortization of core deposit and other intangible assets, after tax effect, totaled $39 million, $41 million and $40 million during 2009, 2008 and 2007, respectively.

M&T consistently provides supplemental reporting of its results on a net operating or tangible basis, from which M&T excludes the after-tax effect of amortization of core deposit and other intangible assets (and the related goodwill, core deposit intangible and other intangible asset balances, net of applicable deferred tax amounts) and gains and expenses associated with merging acquired operations into the Company, since such items are considered by management to be nonoperating in nature. Although net operating income as defined by M&T is not a GAAP measure, M&T s management believes that this information helps investors understand the effect of acquisition activity in reported results.

Net operating income totaled $455 million in 2009, compared with $599 million in 2008. Diluted net operating earnings per common share in 2009 declined 34% to $3.54 from $5.39 in 2008. Net operating income and diluted net operating earnings per common share were $704 million and $6.40, respectively, during 2007.

Net operating income expressed as a rate of return on average tangible assets was .71% in 2009, compared with .97% in 2008 and 1.27% in 2007. Net operating return on average tangible common equity was 13.42% in 2009, compared with 19.63% and 22.58% in 2008 and 2007, respectively.

Reconciliations of GAAP amounts with corresponding non-GAAP amounts are presented in table 2.

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Table 2

RECONCILIATION OF GAAP TO NON-GAAP MEASURES

	2009	2008	2007
Income statement data			
In thousands, except per share			
Net income			
Net income	$ 379,891	$ 555,887	$ 654,259
Amortization of core deposit and other intangible assets(a)	39,006	40,504	40,491
Merger-related gain(a)	(17,684)		
Merger-related expenses(a)	54,163	2,160	9,070
Net operating income	$ 455,376	$ 598,551	$ 703,820
Earnings per common share			
Diluted earnings per common share	$ 2.89	$ 5.01	$ 5.95
Amortization of core deposit and other intangible assets(a)	.34	.36	.37
Merger-related gain(a)	(.15)		
Merger-related expenses(a)	.46	.02	.08
Diluted net operating earnings per common share	$ 3.54	$ 5.39	$ 6.40
Other expense			
Other expense	$ 1,980,563	$ 1,726,996	$ 1,627,689
Amortization of core deposit and other intangible assets	(64,255)	(66,646)	(66,486)
Merger-related expenses	(89,157)	(3,547)	(14,887)
Noninterest operating expense	$ 1,827,151	$ 1,656,803	$ 1,546,316
Merger-related expenses			
Salaries and employee benefits	$ 10,030	$ 62	$ 1,333
Equipment and net occupancy	2,975	49	238
Printing, postage and supplies	3,677	367	1,474
Other costs of operations	72,475	3,069	11,842
Total	$ 89,157	$ 3,547	$ 14,887
Balance sheet data			
In millions			
Average assets			
Average assets	$ 67,472	$ 65,132	$ 58,545
Goodwill	(3,393)	(3,193)	(2,933)
Core deposit and other intangible assets	(191)	(214)	(221)
Deferred taxes	33	30	24

Average tangible assets	$ 63,921	$ 61,755	$ 55,415
Average common equity			
Average total equity	$ 7,282	$ 6,437	$ 6,247
Preferred stock	(666)	(14)	
Average common equity	6,616	6,423	6,247
Goodwill	(3,393)	(3,193)	(2,933)
Core deposit and other intangible assets	(191)	(214)	(221)
Deferred taxes	33	30	24
Average tangible common equity	$ 3,065	$ 3,046	$ 3,117
At end of year			
Total assets			
Total assets	$ 68,880	$ 65,816	$ 64,876
Goodwill	(3,525)	(3,192)	(3,196)
Core deposit and other intangible assets	(182)	(183)	(249)
Deferred taxes	35	23	36
Total tangible assets	$ 65,208	$ 62,464	$ 61,467
Total common equity			
Total equity	$ 7,753	$ 6,785	$ 6,485
Preferred stock	(730)	(568)	
Unamortized discount and undeclared dividends preferred stock	(6)		
Total common equity	7,017	6,217	6,485
Goodwill	(3,525)	(3,192)	(3,196)
Core deposit and other intangible assets	(182)	(183)	(249)
Deferred taxes	35	23	36
Total tangible common equity	$ 3,345	$ 2,865	$ 3,076

(a) After any related tax effect.

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Net Interest Income/Lending and Funding Activities

Net interest income expressed on a taxable-equivalent basis aggregated $2.08 billion in 2009, up 6% from $1.96 billion in 2008, the result of growth in average earning assets and a widening of the Company s net interest margin. Average earning assets totaled $59.6 billion in 2009, up 3% from $58.0 billion in 2008. Growth in average loan and lease balances outstanding, which rose 4% to $51.0 billion in 2009 from $48.8 billion in 2008, was partially offset by a decline in average investment securities, which decreased 6% to $8.4 billion in 2009 from $9.0 billion in 2008. The growth in average loans in 2009 was predominantly the result of loans obtained in the Provident and Bradford transactions. The improvement in the net interest margin, which widened 11 basis points to 3.49% in 2009 from 3.38% in 2008, was largely the result of lower interest rates paid on deposits and borrowings.

Average loan and lease balances outstanding increased to $51.0 billion in 2009 from $48.8 billion in 2008. That growth was predominantly the result of loans acquired in the Provident and Bradford transactions of $4.0 billion on May 23, 2009 and $302 million on August 28, 2009, respectively. In total, the acquired loans consisted of approximately $700 million of commercial loans, $1.8 billion of commercial real estate loans, $400 million of residential real estate loans and $1.4 billion of consumer loans. Including the impact of acquired loan balances, commercial loans and leases averaged $13.9 billion in 2009, up slightly from $13.8 billion in 2008; average commercial real estate loans increased 9% to $20.1 billion in 2009 from $18.4 billion in 2008; average residential real estate loans declined 3% to $5.3 billion in 2009 from $5.5 billion in 2008; and consumer loans averaged $11.7 billion in 2009, 5% higher than $11.2 billion in 2008.

Reflecting growth in average earning assets that was partially offset by a narrowing of the net interest margin, taxable-equivalent net interest income rose 5% to $1.96 billion in 2008 from $1.87 billion in 2007. Average earning assets increased $6.0 billion or 12% to $58.0 billion in 2008 from $52.0 billion in 2007. That growth resulted from a $4.7 billion or 11% increase in average outstanding balances of loans and leases and a $1.7 billion or 23% rise in average outstanding balances of investment securities. The Company s net interest margin declined to 3.38% in 2008 from 3.60% in 2007.

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Table 3

AVERAGE BALANCE SHEETS AND TAXABLE-EQUIVALENT RATES

2009			2008			2007			2006	
Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Aver Ra
(Average balance in millions; interest in thousands)										
$ 524,609	3.79%	13,802	723,851	5.24%	12,177	871,743	7.16%	11,319	802,451	7
894,691	4.45	18,428	1,072,178	5.82	15,748	1,157,156	7.35	15,096	1,104,518	7
288,474	5.45	5,465	329,574	6.03	6,015	384,101	6.39	5,015	319,858	6
636,074	5.43	11,150	716,678	6.43	10,190	757,876	7.44	10,003	712,484	7
2,343,848	4.60	48,845	2,842,281	5.82	44,130	3,170,876	7.19	41,433	2,939,311	7
34	.07	10	109	1.07	9	300	3.36	12	372	3
129	.25	109	2,071	1.91	432	23,835	5.52	81	5,597	6
640	.74	79	1,546	1.95	62	744	1.20	90	2,446	2
182,163	4.79	3,740	181,098	4.84	2,274	100,611	4.42	2,884	121,669	4
13,143	5.94	136	9,243	6.79	119	8,619	7.23	157	10,223	6
207,069	4.73	5,097	263,104	5.16	4,925	260,661	5.29	4,995	254,142	5
402,375	4.79	8,973	453,445	5.05	7,318	369,891	5.05	8,036	386,034	4
2,747,026	4.61	58,016	3,299,452	5.69	51,951	3,565,646	6.86	49,652	3,333,760	6
		(791)			(677)			(646)		
		1,224			1,271			1,346		
		6,683			6,000			5,487		
		65,132			58,545			55,839		

1,122	.21	502	2,894	.58	461	4,638	1.01	435	3,461	
112,550	.49	18,170	248,083	1.37	14,985	250,313	1.67	14,401	201,543	1
206,220	2.35	9,583	330,389	3.45	10,597	496,378	4.68	12,420	551,514	4
2,391	.14	3,986	84,483	2.12	4,185	207,990	4.97	3,610	178,348	4
322,283	.95	32,241	665,849	2.07	30,228	959,319	3.17	30,866	934,866	3
7,129	.24	6,086	142,627	2.34	5,386	274,079	5.09	4,530	227,850	5
340,037	3.07	11,605	529,319	4.56	8,428	461,178	5.47	6,013	333,836	5
669,449	1.40	49,932	1,337,795	2.68	44,042	1,694,576	3.85	41,409	1,496,552	3
		7,674			7,400			7,555		
		1,089			856			834		
		58,695			52,298			49,798		
		6,437			6,247			6,041		
		65,132			58,545			55,839		
	3.21			3.01			3.01			