M&T BANK CORP
Form 10-K
February 22, 2011

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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, 2010

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, 2010: $6,778,614,643.

Number of shares of the Common Stock, $0.50 par value, outstanding as of the close of business on January 31, 2011: 120,207,579 shares.

Documents Incorporated By Reference:

(1) Portions of the Proxy Statement for the 2011 Annual Meeting of Shareholders 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, 2010

CROSS-REFERENCE SHEET

PART II

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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, 2010 the Company had consolidated total assets of $68.0 billion, deposits of $49.8 billion and shareholders equity of $8.4 billion. The Company had 12,031 full-time and 1,334 part-time employees as of December 31, 2010.

At December 31, 2010, 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, 2010, M&T Bank represented 99% of consolidated assets of the Company.

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, 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. Those shares of common stock owned by AIB represented 22.4% of the issued and outstanding shares of M&T common stock on September 30, 2010. In an effort to raise its capital position to meet new Irish government-mandated capital requirements, on November 4, 2010 AIB sold those 26,700,000 shares. As a result, the provisions of the Agreement and Plan of Reorganization between M&T and AIB, which included several provisions related to AIB s rights as a substantial shareholder in the corporate governance of M&T, became inoperative.

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, 2010, M&T Bank had 738 domestic banking offices located throughout New York State, Pennsylvania, Maryland, Delaware, New Jersey, Virginia, West Virginia, and the District of Columbia, a full-service commercial banking office in Ontario, Canada, and an office in George Town, Cayman Islands. As of December 31, 2010, M&T Bank had consolidated total assets of $67.1 billion, deposits of $49.8 billion and shareholder s equity of $8.9 billion. The deposit liabilities of M&T Bank are insured by the FDIC through its Deposit Insurance Fund (DIF) of which, at December 31, 2010, $49.3 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 loans are originated through lending offices in 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, 2010, M&T Bank, N.A. had total assets of $797 million, deposits of $472 million and shareholder s equity of $162 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, 2010, M&T Life Insurance had assets of $33 million and shareholder s equity of $31 million. M&T Life Insurance recorded revenues of $1 million during 2010. Headquarters of M&T Life Insurance are located at 101 North First Avenue, Phoenix, Arizona 85003.

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, 2010, M&T Insurance Agency had assets of $41 million and shareholder s equity of $28 million. M&T Insurance Agency recorded revenues of $24 million during 2010. 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 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, 2010, M&T Reinsurance had assets of $38 million and shareholder s equity of $20 million. M&T Reinsurance recorded approximately $4 million of revenue during 2010. 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, 2010, M&T Real Estate had assets of $16.3 billion, common shareholder s equity of $15.6 billion, and preferred shareholders 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 $774 million of revenue in 2010. 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, 2010 M&T Realty Capital serviced $8.1 billion of commercial mortgage loans for non-affiliates and had assets of $321 million and shareholder s equity of $47 million. M&T Realty Capital recorded revenues of $64 million in 2010. 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, 2010, M&T Securities had assets of $43 million and shareholder s equity of $32 million. M&T Securities recorded

$78 million of revenue during 2010. 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, 2010, MTB Investment Advisors had assets of $17 million and shareholder s equity of $13 million. MTB Investment Advisors recorded revenues of $34 million in 2010. 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 shareholders equity at December 31, 2010.

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.

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

M&T and its subsidiaries are subject to the extensive regulatory framework applicable to bank holding companies and their subsidiaries. Regulation of financial institutions such as M&T and its subsidiaries is intended primarily for the protection of depositors, the FDIC s DIF and the banking system as a whole, and generally is not intended for the protection of stockholders, creditors or other investors. Described below are the material elements of selected laws and regulations applicable to M&T and its subsidiaries. The descriptions are not intended to be complete and are qualified in their entirety by reference to the full text of the statutes and regulations described. Changes in applicable law or regulation, and in their application by regulatory agencies, cannot be predicted, but they may have a material effect on the business and results of M&T and its subsidiaries.

Overview

M&T is registered with the Board of Governors of the Federal Reserve Board System (the Federal Reserve Board) as a bank holding company under the Bank Holding Company Act of 1956, as amended (BHCA). As such, M&T and its subsidiaries are subject to the supervision, examination and reporting requirements of the BHCA and the regulations of the Federal Reserve Board.

In general, the BHCA limits the business of bank holding companies to banking, managing or controlling banks and other activities that the Federal Reserve Board has determined to be so closely related to banking as to be a proper incident thereto. In addition, bank holding companies that qualify and elect to be financial holding companies may engage in any activity, or acquire and retain the shares of a company engaged in any activity, that is either (i) financial in nature or incidental to such financial activity (as determined by the Federal Reserve Board in consultation with the

Secretary of the Treasury)
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or (ii) complementary to a financial activity and does not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally (as solely determined by the Federal Reserve Board), without prior approval of the Federal Reserve Board. Activities that are financial in nature include securities underwriting and dealing, insurance underwriting and making merchant banking investments.

In order to qualify and register with the Federal Reserve Board as a financial holding company, a bank holding company must demonstrate 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). Beginning in July 2011, a bank holding company s eligibility to elect financial holding company status will also depend upon the holding company being well-capitalized and well-managed. M&T filed a declaration to elect to become a financial holding company on January 26, 2011.

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.

Recent Developments

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), which was enacted in July 2010, significantly restructures the financial regulatory regime in the United States, including through the creation of a new resolution authority, mandating higher capital and liquidity requirements, requiring banks to pay increased fees to regulatory agencies, and through numerous other provisions aimed at strengthening the sound operation of the financial services sector. The Dodd-Frank Act also creates a new systemic risk oversight body, the Financial Stability Oversight Council (FSOC). The FSOC will oversee and coordinate the efforts of the primary U.S. financial regulatory agencies (including the Federal Reserve Board, the FDIC and the SEC) in establishing regulations to address financial stability concerns. The Dodd-Frank Act directs the FSOC to make recommendations to the Federal Reserve Board regarding supervisory requirements and prudential standards applicable to systemically important financial institutions which, based upon the proposed rule issued on February 8, 2011, is expected to include M&T, including capital, leverage, liquidity and risk-management requirements. The Dodd-Frank Act mandates that the requirements applicable to systemically important financial institutions be more stringent than those applicable to other financial companies.

In addition to the framework for systemic risk oversight implemented through the FSOC, the Dodd-Frank Act imposes heightened prudential requirements on bank holding companies with at least $50 billion in total consolidated assets, such as M&T, and requires the Federal Reserve Board to establish prudential standards for such large bank holding companies that are more stringent than those applicable to other bank holding companies, including standards for risk-based capital requirements and leverage limits, liquidity, risk-management requirements, resolution plan and credit exposure reporting, and concentration. The Federal Reserve Board has discretionary authority to establish additional prudential standards, on its own or at the FSOC s recommendation, regarding contingent capital, enhanced public disclosures, short-term debt limits, and otherwise as it deems appropriate. The Dodd-Frank Act also

requires the Federal Reserve Board to conduct annual analyses of such bank holding companies to evaluate whether the companies have sufficient capital on a total consolidated basis necessary to absorb losses as a result of adverse economic conditions.

Title X of the Dodd-Frank Act provides for the creation of the Consumer Financial Protection Bureau (the CFPB), a new consumer financial services regulator. The CFPB is directed to prevent unfair, deceptive and abusive practices and ensure that all consumers have access to markets for consumer financial products and services, and that such markets are fair, transparent and competitive. The Dodd-Frank Act gives the CFPB authority to enforce and issue rules and regulations implementing existing consumer protection laws and responsibility for all such existing regulations. Depository institutions with assets exceeding $10 billion, such as M&T Bank, their affiliates, and other larger participants in the markets for consumer financial services (as determined by the CFPB) will be subject to direct supervision by the CFPB, including any applicable examination, enforcement and reporting requirements the CFPB may establish.

New laws or regulations or changes to existing laws and regulations (including changes in interpretation or enforcement) could materially adversely affect M&T s financial condition or results of operations. As discussed further throughout this section, many aspects of the Dodd-Frank Act are subject to further rulemaking and will take effect over several years, making it difficult to anticipate the overall financial impact on M&T and its subsidiaries or the financial services industry generally. In addition to the discussion in this section, see Recent Legislative Developments in Part II, Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations for a discussion of the potential impact legislative and regulatory reforms may have on our results of operations and financial condition.

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 U.S. Treasury Capital Purchase Program , in connection with the issuance of Series A Preferred Stock to the U.S. Department of the Treasury (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 Requirements

M&T and its subsidiary banks are required to comply with the applicable capital adequacy standards established by the Federal Reserve Board. There are two basic measures of capital adequacy for bank holding companies that have been promulgated by the Federal Reserve Board: a risk-based measure and a leverage measure.

Risk-based Capital Standards. The risk-based capital standards are designed to make regulatory capital requirements more sensitive to differences in credit and market risk profiles among banks and

financial holding companies, to account for off-balance sheet exposure, and to minimize disincentives for holding liquid assets. Assets and off-balance sheet items are assigned to broad risk categories, each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance sheet items. The minimum guideline for the ratio of total capital (Total Capital) to risk-weighted assets (including certain off-balance sheet items, such as standby letters of credit) is 8.0%. At least half of the Total Capital must be Tier 1 Capital, which currently consists of qualifying common equity, qualifying noncumulative perpetual preferred stock (including related surplus), senior perpetual preferred stock issued to the U.S. Department of the Treasury (the U.S. Treasury) as part of the Troubled Asset Relief Program Capital Purchase Program (the CPP), minority interests relating to qualifying common or noncumulative perpetual preferred stock issued by a consolidated U.S. depository institution or foreign bank subsidiary, and certain restricted core capital elements, as discussed below, less goodwill and certain other intangible assets. Currently, Tier 2 Capital may consist of, among other things, qualifying subordinated debt, mandatorily convertible debt securities, preferred stock and trust preferred securities not included in the definition of Tier 1 Capital, and a limited amount of the allowance for loan losses. Non-cumulative perpetual preferred stock, trust preferred securities and other so-called restricted core capital elements are currently limited to 25% of Tier 1 Capital. Pursuant to the Dodd-Frank Act, trust preferred securities will be phased-out of the definition of Tier 1 Capital of bank holding companies having consolidated assets exceeding $500 million, such as M&T, over a three-year period beginning in January 2013.

The minimum guideline to be considered well-capitalized for Tier 1 Capital and Total Capital is 6.0% and 10.0%, respectively. At December 31, 2010, the Registrant s consolidated Tier 1 Capital ratio was 9.47% and its Total Capital ratio was 13.08%. The elements currently comprising Tier 1 Capital and Tier 2 Capital and the minimum Tier 1 Capital and Total Capital ratios may in the future be subject to change, as discussed in greater detail below.

Basel I and II Standards. M&T currently calculates its risk-based capital ratios under guidelines adopted by the Federal Reserve Board based on the 1988 Capital Accord (Basel I) of the Basel Committee on Banking Supervision (the Basel Committee). In 2004, the Basel Committee published a new set of risk-based capital standards (Basel II) in order to update Basel I. Basel II provides two approaches for setting capital standards for credit risk an internal ratings-based approach tailored to individual institutions circumstances and a standardized approach that bases risk-weighting on external credit assessments to a much greater extent than permitted in the existing risk-based capital guidelines. Basel II also would set capital requirements for operational risk and refine the existing capital requirements for market risk exposures. A definitive final rule for implementing the advanced approaches of Basel II in the United States, which applies only to internationally active banking organizations, or core banks (defined as those with consolidated total assets of $250 billion or more or consolidated on-balance sheet foreign exposures of $10 billion or more) became effective on April 1, 2008. Other U.S. banking organizations may elect to adopt the requirements of this rule (if they meet applicable qualification requirements), but are not required to comply. The rule also allows a banking organization s primary federal supervisor to determine that application of the rule would not be appropriate in light of the bank s asset size, level of complexity, risk profile or scope of operations. Neither M&T Bank nor M&T Bank, N.A. is currently required to comply with Basel II.

In July 2008, the U.S. bank regulatory agencies issued a proposed rule that would provide banking organizations that do not use the advanced approaches with the option to implement a new risk-based capital framework. This framework would adopt the standardized approach of Basel II for credit risk, the basic indicator approach of Basel II for operational risk, and related disclosure requirements. While this proposed rule generally parallels the relevant approaches under Basel II, it diverges where United States markets have unique characteristics and risk profiles, most notably with respect to risk weighting residential mortgage exposures. The proposed rule, if adopted, would replace the agencies earlier proposed amendments to existing risk-based capital guidelines to make them more risk sensitive (formerly referred to as the Basel I-A approach).

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Leverage Requirements. Neither Basel I nor Basel II includes a leverage requirement as an international standard, however, the Federal Reserve Board has established minimum leverage ratio guidelines to be considered well-capitalized for bank holding companies. These guidelines provide for a minimum ratio of Tier 1 Capital to average total assets, less goodwill and certain other intangible assets (the Leverage Ratio), of 3.0% for bank holding companies that meet certain specified criteria, including having the highest regulatory rating. All other bank holding companies generally are required to maintain a Leverage Ratio of at least 4%. M&T s Leverage Ratio at December 31, 2010 was 9.33%.

The guidelines also provide that bank holding companies experiencing internal growth or making acquisitions will be expected to maintain strong capital positions substantially above the minimum supervisory levels without significant reliance on intangible assets. Furthermore, the Federal Reserve Board has indicated that it will consider a tangible Tier 1 Capital leverage ratio (deducting all intangibles) and other indicators of capital strength in evaluating proposals for expansion or new activities.

Basel III Standards. In December 2010, the Basel Committee released its final framework for strengthening international capital and liquidity regulation, now officially identified by the Basel Committee as Basel III. Basel III, when implemented by the U.S. bank regulatory agencies and fully phased-in, will require bank holding companies and their bank subsidiaries to maintain substantially more capital, with a greater emphasis on common equity. The Basel III final capital framework, among other things:

- introduces as a new capital measure Common Equity Tier 1 , or CET1 , specifies that Tier 1 capital consists of CET1 and Additional Tier 1 capital instruments meeting specified requirements, defines CET1 narrowly by requiring that most deductions or adjustments to regulatory capital measures be made to CET1 and not to the other components of capital, and expands the scope of the deductions or adjustments as compared to existing regulations;
- when fully phased in on January 1, 2019, requires banks to maintain:
  - as a newly adopted international standard, a minimum ratio of CET1 to risk-weighted assets of at least 4.5%, plus a 2.5% capital conservation buffer (which is added to the 4.5% CET1 ratio as that buffer is phased in, effectively resulting in a minimum ratio of CET1 to risk-weighted assets of at least 7%);
  - a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the capital conservation buffer (which is added to the 6.0% Tier 1 capital ratio as that buffer is phased in, effectively resulting in a minimum Tier 1 capital ratio of 8.5% upon full implementation);
  - a minimum ratio of Total (that is, Tier 1 plus Tier 2) capital to risk-weighted assets of at least 8.0%, plus the capital conservation buffer (which is added to the 8.0% total capital ratio as that buffer is phased in, effectively resulting in a minimum total capital ratio of 10.5% upon full implementation);
  - as a newly adopted international standard, a minimum leverage ratio of 3%, calculated as the ratio of Tier 1 capital to balance sheet exposures plus certain off-balance sheet exposures (as the average for each quarter of the month-end ratios for the quarter); and
- provides for a countercyclical capital buffer , generally to be imposed when national regulators determine that excess aggregate credit growth becomes associated with a buildup of systemic risk, that would be a CET1 add-on to the capital conservation buffer in the range of 0% to 2.5% when fully implemented (potentially resulting in total buffers of between 2.5% and 5%).

The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the conservation buffer (or below the combined capital conservation buffer and countercyclical capital buffer, when the latter is applied) will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall.

The implementation of the Basel III final framework will commence January 1, 2013. On that date, banking institutions will be required to meet the following minimum capital ratios before the application of any buffer:

- 3.5% CET1 to risk-weighted assets;
- 4.5% Tier 1 capital to risk-weighted assets; and

8.0% Total capital to risk-weighted assets.

The Basel III final framework provides for a number of new deductions from and adjustments to CET1. These include, for example, the requirement that mortgage servicing rights, deferred tax assets dependent upon future taxable income and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such categories in the aggregate exceed 15% of CET1. Implementation of the deductions and other adjustments to CET1 will begin on January 1, 2014 and will be phased-in over a five-year period (20% per year). The implementation of the capital conservation buffer will begin on January 1, 2016 at 0.625% and be phased in over a four-year period (increasing by that amount on each subsequent January 1, until it reaches 2.5% on January 1, 2019).

The U.S. banking agencies have indicated informally that they expect to propose regulations implementing Basel III in mid-2011 with final adoption of implementing regulations in mid-2012. Notwithstanding its release of the Basel III framework as a final framework, the Basel Committee is considering further amendments to Basel III, including the imposition of additional capital surcharges on globally systemically important financial institutions. In addition to Basel III, the Dodd-Frank Act requires or permits the Federal banking agencies to adopt regulations affecting banking institutions capital requirements in a number of respects, including potentially more stringent capital requirements for systemically important financial institutions. Accordingly, the regulations ultimately applicable to M&T may be substantially different from the Basel III final framework as published in December 2010.

Liquidity Ratios under Basel III. Historically, regulation and monitoring of bank and bank holding company liquidity has been addressed as a supervisory matter, both in the U.S. and internationally, without required formulaic measures. The Basel III final framework requires banks and bank holding companies to measure their liquidity against specific liquidity tests that, although similar in some respects to liquidity measures historically applied by banks and regulators for management and supervisory purposes, going forward will be required by regulation. One test, referred to as the liquidity coverage ratio (LCR), is designed to ensure that the banking entity maintains an adequate level of unencumbered high-quality liquid assets equal to the entity s expected net cash outflow for a 30-day time horizon (or, if greater, 25% of its expected total cash outflow) under an acute liquidity stress scenario. The other, referred to as the net stable funding ratio (NSFR), is designed to promote more medium- and long-term funding of the assets and activities of banking entities over a one-year time horizon. These requirements will incent banking entities to increase their holdings of U.S. Treasury securities and other sovereign debt as a component of assets and increase the use of long-term debt as a funding source. The LCR would be implemented subject to an observation period beginning in 2011, but would not be introduced as a requirement until January 1, 2015, and the NSFR would not be introduced as a requirement until January 1, 2018. These new standards are subject to further rulemaking and their terms may well change before implementation.

Capital Requirements of Subsidiary Depository Institutions. M&T Bank and M&T Bank, N.A. are subject to substantially similar capital requirements as those applicable to M&T. As of December 31, 2010, both M&T Bank and M&T Bank, N.A. were in compliance with applicable minimum capital requirements. None of M&T, M&T Bank or M&T Bank, N.A. has been advised by any federal banking agency of any specific minimum capital ratio requirement applicable to it as of December 31, 2010. Failure to meet capital guidelines could subject a bank to a variety of enforcement remedies, including the termination of deposit insurance by the FDIC, and to certain restrictions on its business. See Regulatory Remedies under the FDIA below.

Given that the Basel III rules are subject to change and the scope and content of capital regulations that U.S. federal banking agencies may adopt under the Dodd-Frank Act is uncertain, M&T cannot be certain of the impact new capital regulations will have on its capital ratios or those of its bank subsidiaries.

Safety and Soundness Standards

Guidelines adopted by the federal bank regulatory agencies pursuant to the Federal Deposit Insurance Act, as amended (the FDIA), establish general standards relating to internal controls and information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth and compensation, fees and benefits. In general, these guidelines require, among other things,

appropriate systems and practices to identify and manage the risk and exposures specified in the guidelines. Additionally, the agencies adopted regulations that authorize, but do not require, an agency to order an institution that has been given notice by an agency that it is not satisfying any of such safety and soundness standards to submit a compliance plan. If, after being so notified, an institution fails to submit an acceptable compliance plan or fails in any material respect to implement an acceptable compliance plan, the agency must issue an order directing action to correct the deficiency and may issue an order directing other actions of the types to which an undercapitalized institution is subject under the prompt corrective action provisions of the FDIA. See Regulatory Remedies under the FDIA below. If an institution fails to comply with such an order, the agency may seek to enforce such order in judicial proceedings and to impose civil money penalties.

Regulatory Remedies under the FDIA

The FDIA establishes a system of regulatory remedies to resolve the problems of undercapitalized institutions. The federal banking regulators have established five capital categories (well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized) and must take certain mandatory supervisory actions, and are authorized to take other discretionary actions, with respect to institutions which are undercapitalized, significantly undercapitalized or critically undercapitalized. The severity of these mandatory and discretionary supervisory actions depend upon the capital category in which the institution is placed. Generally, subject to a narrow exception, the FDIA requires the banking regulator to appoint a receiver or conservator for an institution that is critically undercapitalized. The federal bank regulatory agencies have specified by regulation the relevant capital levels for each category:

Well-Capitalized

Leverage Ratio of 5%,
Tier 1 Capital ratio of 6%,
Total Capital ratio of 10%, and
Not subject to a written agreement, order, capital directive or regulatory remedy directive requiring a specific capital level.

Adequately Capitalized

Leverage Ratio of 4%,
Tier 1 Capital ratio of 4%, and
Total Capital ratio of 8%.

Undercapitalized

Leverage Ratio less than 4%,
Tier 1 Capital ratio less than 4%, or
Total Capital ratio less than 8%.

Significantly Undercapitalized

Leverage Ratio less than 3%,
Tier 1 Capital ratio less than 3%, or
Total Capital ratio less than 6%.

Critically undercapitalized

Tangible equity to total assets less than 2%.

For purposes of these regulations, the term tangible equity includes core capital elements counted as Tier 1 Capital for purposes of the risk-based capital standards plus the amount of outstanding cumulative perpetual preferred stock (including related surplus), minus all intangible assets with certain exceptions. An institution that is classified as well-capitalized based on its capital levels may be classified as adequately capitalized, and an institution that is adequately capitalized or undercapitalized based upon its capital levels may be treated as though it were undercapitalized or significantly undercapitalized, respectively, if the appropriate federal banking agency, after notice and opportunity for hearing, determines that an unsafe or unsound condition or an unsafe or unsound practice warrants such treatment.

An institution that is categorized as undercapitalized, significantly undercapitalized or critically undercapitalized is required to submit an acceptable capital restoration plan to its appropriate federal banking regulator. Under the FDIA, in order for the capital restoration plan to be accepted by the appropriate federal banking agency, a bank holding company must guarantee that a subsidiary depository institution will comply with its capital restoration plan, subject to certain limitations. The bank holding company must also provide appropriate assurances of performance. The obligation of a controlling bank holding company under the FDIA to fund a capital restoration plan is limited to the lesser of 5.0% of an undercapitalized subsidiary s assets or the amount required to meet regulatory capital requirements. An undercapitalized institution is also generally prohibited from increasing its average total assets, making acquisitions, establishing any branches or engaging in any new line of business, except in accordance with an accepted capital restoration plan or with the approval of the FDIC. Institutions that are significantly undercapitalized or undercapitalized and either fail to submit an acceptable capital restoration plan or fail to implement an approved capital restoration plan may be subject to a number of 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. Critically undercapitalized depository institutions failing to submit or implement an acceptable capital restoration plan are subject to appointment of a receiver or conservator.

Support of Subsidiary Banks

Under longstanding Federal Reserve Board policy which has been codified by the Dodd-Frank Act, M&T is expected to act as a source of financial strength to, and to commit resources to support, its subsidiary banks. This support may be required at times when M&T may not be inclined to provide it. In addition, any capital loans by a bank holding company to a subsidiary bank are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary bank. In the event of a bank holding company s bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to a priority of payment.

Cross-Guarantee Provisions

Each insured depository institution controlled (as defined in the BHCA) by the same bank holding company can be held liable to the FDIC for any loss incurred, or reasonably expected to be incurred, by the FDIC due to the default of any other insured depository institution controlled by that holding company and for any assistance provided by the FDIC to any of those banks that is in danger of default. The FDIC s claim under the cross-guarantee provisions is superior to claims of shareholders 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.

Transactions with Affiliates

There are various legal restrictions on the extent to which M&T and its non-bank subsidiaries may borrow or otherwise obtain funding from M&T Bank and M&T Bank, N.A. In general, Sections 23A and 23B of the Federal Reserve Board Act and Federal Reserve Board Regulation W require that any covered transaction by M&T Bank and M&T Bank, N.A. (or any of their respective subsidiaries) with an affiliate must be secured by designated amounts of specified collateral and must be limited to (a) in the case of any single such affiliate, the aggregate amount of covered transactions of the insured depository institution and its subsidiaries may not exceed 10% of the capital stock and surplus of such insured depository institution, and (b) in the case of all affiliates, the aggregate amount of covered transactions of an insured depository institution and its subsidiaries may not exceed 20% of the capital stock and surplus of such insured depository institution. The Dodd-Frank Act significantly expands the coverage and scope of the limitations on affiliate transactions within a banking organization. For example, commencing in July 2011, the Dodd-Frank Act will require that the 10% of capital limit on covered transactions begin to apply to financial subsidiaries. Covered transactions are defined by statute to include, among other things, a loan or extension of credit, as well as a purchase of securities issued by an affiliate, a purchase of assets (unless otherwise exempted by the Federal Reserve Board) from the affiliate, the acceptance of securities issued by the affiliate as collateral for a loan, and the issuance of a guarantee, acceptance or letter of credit on behalf of an affiliate. All covered transactions, including certain additional transactions (such as transactions with a third party in which an affiliate has a financial interest), must be conducted on market terms.

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FDIC Insurance Assessments

Deposit Insurance Assessments. M&T Bank and M&T Bank, N.A. pay deposit insurance premiums to the FDIC based on an assessment rate established by the FDIC. FDIC assessment rates generally depend upon a combination of regulatory ratings and financial ratios. Regulatory ratings reflect the applicable bank regulatory agency s evaluation of the financial institution s capital, asset quality, management, earnings, liquidity and sensitivity (or CAMELS ratings) to risk. The assessment rate for large institutions with long-term debt issuer ratings, such as M&T Bank, are currently determined using a combination of the institutions weighted-average regulatory ratings, its long-term debt issuer ratings and the institution s financial ratios, each equally weighted. Assessment rates for institutions that are in the lowest risk category currently vary from seven to twenty-four basis points per $100 of insured deposits, and may be increased or decreased by the FDIC on a semi-annual basis. Such base assessment rates are subject to adjustments based upon the institution s ratio of (i) long-term unsecured debt to its domestic deposits, (ii) secured liabilities to domestic deposits and (iii) brokered deposits to domestic deposits (if greater than 10%).

In February 2011, the FDIC adopted a final rule (the New Assessment Rule) that changes the deposit insurance assessment system for large institutions. The New Assessment Rule creates a two scorecard system for large institutions, one for most large institutions that have more than $10 billion in assets, such as M&T Bank, and another for highly complex institutions that have over $50 billion in assets and are fully owned by a parent with over $500 billion in assets. Each scorecard will have a performance score and a loss-severity score that will be combined to produce a total score, which will be translated into an initial assessment rate. In calculating these scores, the FDIC will continue to utilize CAMELS ratings and will introduce certain new forward-looking financial measures to assess an institution s ability to withstand asset-related stress and funding-related stress. The New Assessment Rule also eliminates the use of risk categories and long-term debt issuer ratings for calculating risk-based assessments for institutions having more than $10 billion in assets. The FDIC will continue to have the ability under the New Assessment Rule to make discretionary adjustments to the total score, up or down, based upon significant risk factors that are not adequately captured in the scorecard. The total score will then translate to an initial base assessment rate on a non-linear, sharply-increasing scale. The New Assessment Rule preserves the adjustments to an institution s base assessment rates based on its long-term unsecured debt and brokered deposits (if greater than 10%) and creates a new adjustment based on the institution s holdings of long-term unsecured debt issued by a different insured depository institution. The New Assessment Rule eliminates the adjustment to an institution s base assessment rate based on its secured liabilities. The final rule will be effective April 1, 2011.

M&T Bank and M&T Bank, N.A. s deposit insurance assessments are currently based on the total domestic deposits held by such insured depository institution. The Dodd-Frank Act requires the FDIC to amend its regulations to base insurance assessments on the average consolidated assets less the average tangible equity of the insured depository institution during the assessment period. Under the New Assessment Rule, which implements these requirements effective April 1, 2011, assessments paid by M&T Bank and M&T Bank, N.A. are expected to increase in 2011.

On November 17, 2009, the FDIC implemented a final rule requiring insured institutions, such as M&T Bank and M&T Bank, N.A., to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009, and for all of 2010, 2011 and 2012. Such prepaid assessments were paid on December 30, 2009, along with each institution s quarterly risk-based deposit insurance assessment for the third quarter of 2009 (assuming 5% annual growth in deposits between the third quarter of 2009 and the end of 2012 and taking into account, for 2011 and 2012, the annualized three basis point increase discussed below). The remaining amount of prepaid insurance assessments at December 31, 2010 related to 2011 and 2012 for M&T Bank was $178.5 million and for M&T Bank, N.A. was $2.5 million.

The FDIA establishes a minimum ratio of deposit insurance reserves to estimated insured deposits, the designated reserve ratio (the DRR), of 1.15% prior to September 2020 and 1.35% thereafter. On December 20, 2010, the FDIC issued a final rule setting the DRR at 2%. Because the DRR fell below 1.15% as of June 30, 2008, and was expected to remain below 1.15% the FDIC was required to establish and implement a Restoration Plan that would restore the reserve ratio to at least 1.15% within five years. In October 2008, the FDIC adopted such a restoration plan (the Restoration Plan). In February 2009,

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in light of the extraordinary challenges facing the banking industry, the FDIC amended the Restoration Plan to allow seven years for the reserve ratio to return to 1.15%. In May 2009, the FDIC adopted a final rule that imposed a five basis point special assessment on each institution s assets minus Tier 1 Capital (as of June 30, 2009). Such special assessment was collected on September 30, 2009. In October 2009, the FDIC passed a final rule extending the term of the Restoration Plan to eight years. Such final rule also included a provision that implements a uniform three basis point increase in assessment rates, effective January 1, 2011, to help ensure that the reserve ratio returns to at least 1.15% within the eight year period called for by the Restoration Plan. In October 2010, the FDIC adopted a new restoration plan to ensure the DRR reaches 1.35% by September 2020. As part of the revised plan, the FDIC will forego the uniform three-basis point increase in assessment rates scheduled to take place in January 2011. The FDIC will, at least semi-annually, update its income and loss projections for the DIF and, if necessary, propose rules to further increase assessment rates. In addition, on January 12, 2010, the FDIC announced that it would seek public comment on whether banks with compensation plans that encourage risky behavior should be charged higher deposit assessment rates than such banks would otherwise be charged. See also Executive and Incentive Compensation below. It cannot predicted whether, as a result of an adverse change in economic conditions or other reasons, the FDIC will in the future further increase deposit insurance assessment levels.

Under the FDIA, insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC.

FICO Assessments. In addition, the Deposit Insurance Funds Act of 1996 authorized the Financing Corporation (FICO) to impose assessments on DIF applicable deposits in order to service the interest on FICO s bond obligations from deposit insurance fund assessments. The amount assessed on individual institutions by FICO is in addition to the amount, if any, paid for deposit insurance according to the FDIC s risk-related assessment rate schedules. FICO assessment rates may be adjusted quarterly to reflect a change in assessment base. M&T Bank recognized $5 million of expense related to its FICO assessments and M&T Bank, N.A. recognized $57 thousand of such expense in 2010.

Acquisitions

The BHCA requires every bank holding company to obtain the prior approval of the Federal Reserve Board before: (1) it may acquire direct or indirect ownership or control of any voting shares of any bank or savings and loan association, if after such acquisition, the bank holding company will directly or indirectly own or control 5% or more of the voting shares of the institution; (2) it or any of its subsidiaries, other than a bank, may acquire all or substantially all of the assets of any bank or savings and loan association; or (3) it may merge or consolidate with any other bank holding company. Effective July 2011, financial holding companies and bank holding companies with consolidated assets exceeding $50 billion, such as M&T, must (i) obtain prior approval from the Federal Reserve Board before acquiring certain nonbank financial companies with assets exceeding $10 billion and (ii) provide prior written notice to the Federal Reserve Board before acquiring direct or indirect ownership or control of any voting shares of any company having consolidated assets of $10 billion or more. Bank holding companies seeking approval to complete an acquisition must be well-capitalized and well-managed effective July 2011.

The BHCA further provides that the Federal Reserve Board may not approve any transaction that would result in a monopoly or would be in furtherance of any combination or conspiracy to monopolize or attempt to monopolize the business of banking in any section of the United States, or the effect of which may be substantially to lessen competition or to tend to create a monopoly in any section of the country, or that in any other manner would be in restraint of trade, unless the anticompetitive effects of the proposed transaction are clearly outweighed by the public interest in meeting the convenience and needs of the community to be served. The Federal Reserve Board is also required to consider the financial and managerial resources and future prospects of the bank holding companies and banks concerned and the convenience and needs of the community to be served. Consideration of financial resources generally focuses on capital adequacy, and consideration of convenience and needs issues includes the parties performance under the CRA, both of which are discussed below. In addition, the Federal Reserve Board must take into account the institutions   effectiveness in combating money laundering.

FDIC Temporary Liquidity Guarantee Program

In October 2008, the FDIC announced the Temporary Liquidity Guarantee Program (TLGP   ), under which the FDIC would guarantee certain senior unsecured debt of FDIC-insured U.S. depository institutions and U.S. bank holding companies as well as non-interest bearing transaction account deposits at FDIC-insured U.S. depository institutions, unless such institutions opted out of the program. M&T participated in the Debt Guarantee Program through October 31, 2009. Although the guarantee of non-interest bearing transaction account deposits under the TLGP ended on June 30, 2010, the Dodd-Frank Act extended this guarantee to all insured institutions, regardless of participation in the TLGP, until January 1, 2013.

U.S. Treasury Capital Purchase Program

Pursuant to the CPP, on December 23, 2008, M&T issued and sold to the U.S. Treasury in a private offering (i) $600 million of Series A Preferred Stock and (ii) a warrant to purchase 1,218,522 shares of M&T Common Stock at an exercise price of $73.86 per share, subject to certain anti-dilution and other adjustments. 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 issued $152 million of Series C Preferred Stock in exchange for the securities issued by Provident to the U.S. Treasury on November 14, 2008, and assumed a warrant issued by Provident to the U.S. Treasury, which, on a converted basis, provides for the purchase of 407,542 shares of M&T Common Stock at $55.76 per share.

The securities purchase agreement, dated December 23, 2008, pursuant to which the securities issued to the U.S. Treasury under the CPP were sold, limits the payment of quarterly dividends on M&T   s common stock to $0.70 per share without prior approval of the U.S. Treasury, limits M&T   s ability to repurchase shares of its common stock (with certain exceptions, including the repurchase of our common stock to offset share dilution from equity-based compensation awards), grants the holders of the Series A Preferred Stock, the Warrant and the common stock of M&T to be issued under the warrant certain registration rights, and subjects M&T to certain of the executive compensation limitations included in the Emergency Economic Stabilization Act of 2008 (EESA   ), as amended by the American Recovery and Reinvestment Act of 2009 (ARRA   ), described below under   Executive and Incentive Compensation   . The securities purchase agreement between Provident and the U.S. Treasury, to which M&T succeeded, has the same limitations and effects.

Depositor Preference

Under federal law, depositors and certain claims for administrative expenses and employee compensation against an insured depository institution would be afforded a priority over other general unsecured claims against such an institution in the   liquidation or other resolution   of such an institution by any receiver. If an insured depository institution fails, insured and uninsured depositors, along with the FDIC, will have priority in payment ahead of unsecured, non-deposit creditors, including depositors whose deposits are payable only outside of the United States and the parent bank holding company, with respect to any extensions of credit they have made to such insured depository institution.

Executive and Incentive Compensation

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 recipients that includes: (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
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(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.

Guidelines adopted by the federal banking agencies pursuant to the FDIA prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal stockholder. In June 2010, the Federal Reserve Board issued comprehensive guidance on incentive compensation policies (the Incentive Compensation Guidance) intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of such organizations by encouraging excessive risk-taking. The Incentive Compensation Guidance, which covers all employees that have the ability to materially affect the risk profile of an organization, either individually or as part of a group, is based upon the key principles that a banking organization s incentive compensation arrangements should (i) provide incentives that do not encourage risk-taking beyond the organization s ability to effectively identify and manage risks, (ii) be compatible with effective internal controls and risk management, and (iii) be supported by strong corporate governance, including active and effective oversight by the organization s board of directors. Any deficiencies in compensation practices that are identified may be incorporated into the organization s supervisory ratings, which can affect its ability to make acquisitions or perform other actions. The Incentive Compensation Guidance provides that enforcement actions may be taken against a banking organization if its incentive compensation arrangements or related risk-management control or governance processes pose a risk to the organization s safety and soundness and the organization is not taking prompt and effective measures to correct the deficiencies. In addition, on January 12, 2010, the FDIC announced that it would seek public comment on whether banks with compensation plans that encourage risky behavior should be charged higher deposit assessment rates than such banks would otherwise be charged.

The scope and content of the U.S. banking regulators policies on incentive compensation are continuing to develop and are likely to continue evolving in the near future. It cannot be determined at this time whether compliance with such policies will adversely affect the ability of M&T and its subsidiaries to hire, retain and motivate their key employees.

Orderly Liquidation Authority

The Dodd-Frank Act creates the Orderly Liquidation Authority (OLA), a resolution regime for systemically important non-bank financial companies, including bank holding companies, under which the FDIC may be appointed receiver to liquidate such a company if the company is in danger of default and presents a systemic risk to U.S. financial stability. This determination must come after supermajority recommendations by the Federal Reserve Board and the FDIC and consultation between the Secretary of the U.S. Treasury and the President. This resolution authority is similar to the FDIC resolution model for depository institutions, with certain modifications to reflect differences between depository institutions and non-financial companies and to reduce disparities between the treatment of creditors claims under the U.S. Bankruptcy Code and in an orderly liquidation authority proceeding compared to those that would exist under the resolution model for insured depository institutions.

An Orderly Liquidation Fund will fund OLA liquidation proceedings through borrowings from the Treasury Department and risk-based assessments made, first, on entities that received more in the resolution than they would have received in liquidation to the extent of such excess, and second, if necessary, on bank holding companies with total consolidated assets of $50 billion or more, such as M&T. If an orderly liquidation is triggered, M&T could face assessments for the Orderly Liquidation Fund.

Financial Privacy

The federal banking regulators have adopted rules that limit the ability of banks and other financial institutions to disclose non-public information about consumers to non-affiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a non-affiliated third party. These regulations affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors. In addition, consumers may also prevent disclosure of certain information among affiliated companies that is assembled or used to determine eligibility for a product or service, such as that shown on consumer credit reports and asset and income information from applications. Consumers also have the option to direct banks and other financial institutions not to share information about transactions and experiences with affiliated companies for the purpose of marketing products or services.

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 prohibits 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.

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.

Community Reinvestment Act

M&T Bank and M&T Bank, N.A. are subject to the provisions of the CRA. Under the terms of the CRA, each appropriate federal bank regulatory agency is required, in connection with its examination of a bank, to assess such bank s record in assessing and meeting the credit needs of the communities served by that bank, including low- and moderate-income neighborhoods. During these examinations, the regulatory agency rates such bank s compliance with the CRA as Outstanding, Satisfactory, Needs to Improve or Substantial Noncompliance. The regulatory agency s assessment of the institution s record is part of the regulatory agency s consideration of applications to acquire, merge or consolidate with another banking institution or its holding company, or to open or relocate a branch office. M&T Bank has a CRA rating of Outstanding and M&T Bank, N.A. has a CRA rating of Satisfactory. 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, and such records may be the basis for denying the application. The Banking 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.

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 and maintain appropriate policies, procedures and controls which are reasonably designed to prevent, detect and report instances of money laundering and the financing of terrorism and to verify the identity of their customers. 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. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing could have serious legal and reputational consequences for the institution. The Registrant and its impacted subsidiaries have approved policies and procedures that are believed to be compliant with the USA Patriot Act.

Office of Foreign Assets Control Regulation

The United States has imposed economic sanctions that affect transactions with designated foreign countries, nationals and others. These are typically known as the OFAC rules based on their administration by the U.S. Treasury Department Office of Foreign Assets Control (OFAC). The OFAC-administered sanctions targeting countries take many different forms. Generally, however, they contain one or more of the following elements: (i) restrictions on trade with or investment in a sanctioned country, including prohibitions against direct or indirect imports from and exports to a sanctioned country and prohibitions on U.S. persons engaging in financial transactions relating to making investments in, or providing investment-related advice or assistance to, a sanctioned country; and (ii) a blocking of assets in which the government or specially designated nationals of the sanctioned country

have an interest, by prohibiting transfers of property subject to U.S. jurisdiction (including property in the possession or control of U.S. persons). Blocked assets (e.g. property and bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC. Failure to comply with these sanctions could have serious legal and reputational consequences.

Regulation of Insurers and Insurance Brokers

M&T s operations in the areas of insurance brokerage and reinsurance of credit life insurance are subject to regulation and supervision by various state insurance regulatory authorities. Although the scope of regulation and form of supervision may vary from state to state, insurance laws generally grant broad discretion to regulatory authorities in adopting regulations and supervising regulated activities. This supervision generally includes the licensing of insurance brokers and agents and the regulation of the handling of customer funds held in a fiduciary capacity. Certain of M&T s insurance company subsidiaries are subject to extensive regulatory supervision and to insurance laws and regulations requiring, among other things, maintenance of capital, record keeping, reporting and examinations.

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 and Regulatory Initiatives

Proposals may be introduced in the United States Congress and state legislatures, as well as by regulatory agencies. Such initiatives may include proposals to expand or contract the powers of bank holding companies and depository institutions or proposals to substantially change the financial institution regulatory system. Such legislation could change banking statutes and the operating environment of the Registrant in substantial and unpredictable ways. If enacted, such legislation could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. M&T cannot predict whether any such legislation will be enacted, and, if enacted, the effect that it, or any implementing regulations, would have on the financial condition or results of operations of the Registrant. A change in statutes, regulations or regulatory policies applicable to M&T or any of its subsidiaries could have a material effect on the business of the Registrant. See the section captioned Recent Developments included elsewhere in this item.

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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

	2010	2009	2008 (In thousands)	2007	2006
Interest-bearing deposits at banks	$ 101,222	$ 133,335	$ 10,284	$ 18,431	$ 6,639
Federal funds sold	25,000	20,119	21,347	48,038	19,458
Resell agreements			90,000		100,000
Trading account	523,834	386,984	617,821	281,244	136,752
Investment securities					
U.S. Treasury and federal agencies	4,177,783	4,006,968	3,909,493	3,540,641	2,381,584
Obligations of states and political subdivisions	251,544	266,748	135,585	153,231	130,207
Other	2,721,213	3,506,893	3,874,129	5,268,126	4,739,807
Total investment securities	7,150,540	7,780,609	7,919,207	8,961,998	7,251,598
Loans and leases					
Commercial, financial, leasing, etc.	13,645,600	13,790,737	14,563,091	13,387,026	11,896,556
Real estate construction	4,332,618	4,726,570	4,568,368	4,190,068	3,453,981
Real estate mortgage	22,854,160	21,747,533	19,224,003	19,468,449	17,940,083
Consumer	11,483,564	12,041,617	11,004,275	11,306,719	9,916,334
Total loans and leases	52,315,942	52,306,457	49,359,737	48,352,262	43,206,954
Unearned discount	(325,560)	(369,771)	(359,274)	(330,700)	(259,657)
Loans and leases, net of unearned discount	51,990,382	51,936,686	49,000,463	48,021,562	42,947,297
Allowance for credit losses	(902,941)	(878,022)	(787,904)	(759,439)	(649,948)
Loans and leases, net	51,087,441	51,058,664	48,212,559	47,262,123	42,297,349
Goodwill	3,524,625	3,524,625	3,192,128	3,196,433	2,908,849
Core deposit and other intangible assets	125,917	182,418	183,496	248,556	250,233
Real estate and other assets owned	220,049	94,604	99,617	40,175	12,141
Total assets	68,021,263	68,880,399	65,815,757	64,875,639	57,064,905

Noninterest-bearing deposits	14,557,568	13,794,636	8,856,114	8,131,662	7,879,977
NOW accounts	1,393,349	1,396,471	1,141,308	1,190,161	940,439
Savings deposits	26,431,281	23,676,798	19,488,918	15,419,357	14,169,790
Time deposits	5,817,170	7,531,495	9,046,937	10,668,581	11,490,629
Deposits at Cayman Islands office	1,605,916	1,050,438	4,047,986	5,856,427	5,429,668
Total deposits	49,805,284	47,449,838	42,581,263	41,266,188	39,910,503
Short-term borrowings	947,432	2,442,582	3,009,735	5,821,897	3,094,214
Long-term borrowings	7,840,151	10,240,016	12,075,149	10,317,945	6,890,741
Total liabilities	59,663,568	61,127,492	59,031,026	58,390,383	50,783,810
Shareholders equity	8,357,695	7,752,907	6,784,731	6,485,256	6,281,095

Table 2

SHAREHOLDERS, EMPLOYEES AND OFFICES

Number at Year-End	**2010**	**2009**	**2008**	**2007**	**2006**
Shareholders	12,773	13,207	11,197	11,611	10,084
Employees	13,365	14,226	13,620	13,869	13,352
Offices	778	832	725	760	736

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Table 3

CONSOLIDATED EARNINGS

	2010	2009	2008	2007	2006
			(In thousands)		
Interest income					
Loans and leases, including fees	$ 2,394,082	$ 2,326,748	$ 2,825,587	$ 3,155,967	$ 2,927,411
Deposits at banks	88	34	109	300	372
Federal funds sold	42	63	254	857	1,670
Resell agreements	404	66	1,817	22,978	3,927
Trading account	615	534	1,469	744	2,446
Investment securities					
Fully taxable	324,695	389,268	438,409	352,628	363,401
Exempt from federal taxes	9,869	8,484	9,946	11,339	14,866
Total interest income	2,729,795	2,725,197	3,277,591	3,544,813	3,314,093
Interest expense					
NOW accounts	850	1,122	2,894	4,638	3,461
Savings deposits	85,226	112,550	248,083	250,313	201,543
Time deposits	100,241	206,220	330,389	496,378	551,514
Deposits at Cayman Islands office	1,368	2,391	84,483	207,990	178,348
Short-term borrowings	3,006	7,129	142,627	274,079	227,850
Long-term borrowings	271,578	340,037	529,319	461,178	333,836
Total interest expense	462,269	669,449	1,337,795	1,694,576	1,496,552
Net interest income	2,267,526	2,055,748	1,939,796	1,850,237	1,817,541
Provision for credit losses	368,000	604,000	412,000	192,000	80,000
Net interest income after provision for credit losses	1,899,526	1,451,748	1,527,796	1,658,237	1,737,541
Other income					
Mortgage banking revenues	184,625	207,561	156,012	111,893	143,181
Service charges on deposit accounts	478,133	469,195	430,532	409,462	380,950
Trust income	122,613	128,568	156,149	152,636	140,781
Brokerage services income	49,669	57,611	64,186	59,533	60,295
Trading account and foreign exchange gains	27,286	23,125	17,630	30,271	24,761
Gain on bank investment securities	2,770	1,165	34,471	1,204	2,566
Total other-than-temporary impairment (OTTI) losses	(115,947)	(264,363)	(182,222)	(127,300)	
Portion of OTTI losses recognized in other comprehensive income (before	29,666	126,066			

taxes)										
Net OTTI losses recognized in earnings		(86,281)		(138,297)		(182,222)		(127,300)		
Equity in earnings of Bayview Lending Group LLC		(25,768)		(25,898)		(37,453)		8,935		
Other revenues from operations		355,053		325,076		299,674		286,355		293,318
Total other income		1,108,100		1,048,106		938,979		932,989		1,045,852
Other expense										
Salaries and employee benefits		999,709		1,001,873		957,086		908,315		873,353
Equipment and net occupancy		216,064		211,391		188,845		169,050		168,776
Printing, postage and supplies		33,847		38,216		35,860		35,765		33,956
Amortization of core deposit and other intangible assets		58,103		64,255		66,646		66,486		63,008
FDIC assessments		79,324		96,519		6,689		4,203		4,505
Other costs of operations		527,790		568,309		471,870		443,870		408,153
Total other expense		1,914,837		1,980,563		1,726,996		1,627,689		1,551,751
Income before income taxes		1,092,789		519,291		739,779		963,537		1,231,642
Income taxes		356,628		139,400		183,892		309,278		392,453
Net income	$	736,161	$	379,891	$	555,887	$	654,259	$	839,189
Dividends declared										
Common	$	335,502	$	326,617	$	308,501	$	281,900	$	249,817
Preferred		40,225		31,946						

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Table 4

COMMON SHAREHOLDER DATA

	2010	2009	2008	2007	2006
Per share					
Net income					
Basic	$ 5.72	$ 2.90	$ 5.04	$ 6.05	$ 7.55
Diluted	5.69	2.89	5.01	5.95	7.37
Cash dividends declared	2.80	2.80	2.80	2.60	2.25
Common shareholders equity at year-end	63.54	59.31	56.29	58.99	56.94
Tangible common shareholders equity at year-end	33.26	28.27	25.94	27.98	28.57
Dividend payout ratio	48.98%	97.36%	55.62%	43.12%	29.79%

Table 5

CHANGES IN INTEREST INCOME AND EXPENSE(a)

	2010 Compared with 2009			2009 Compared with 2008		
		Resulting from Changes in:			Resulting from Changes in:	
	Total Change	Volume	Rate	Total Change	Volume	Rate
	(Increase (decrease) in thousands)					
Interest income						
Loans and leases, including fees	$ 68,687	16,046	52,641	$ (498,433)	118,677	(617,110)
Deposits at banks	54	42	12	(75)	103	(178)
Federal funds sold and agreements to resell securities	317	348	(31)	(1,942)	(729)	(1,213)
Trading account	149	56	93	(906)	127	(1,033)
Investment securities						
U.S. Treasury and federal agencies	9,514	30,242	(20,728)	1,065	3,008	(1,943)
Obligations of states and political subdivisions	1,964	2,584	(620)	3,900	5,179	(1,279)
Other	(73,893)	(47,671)	(26,222)	(56,035)	(35,242)	(20,793)
Total interest income	$ 6,792			$ (552,426)		
Interest expense						
Interest-bearing deposits						
NOW accounts	$ (272)	119	(391)	$ (1,772)	220	(1,992)
Savings deposits	(27,324)	14,209	(41,533)	(135,533)	52,405	(187,938)

Time deposits	(105,979)	(44,066)	(61,913)	(124,169)	(25,770)	(98,399)
Deposits at Cayman Islands office	(1,023)	(1,023)		(82,092)	(31,707)	(50,385)
Short-term borrowings	(4,123)	(2,151)	(1,972)	(135,498)	(49,651)	(85,847)
Long-term borrowings	(68,459)	(56,729)	(11,730)	(189,282)	(22,502)	(166,780)
Total interest expense	$ (207,180)			$ (668,346)		

(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.

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, Cayman Islands 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 concentrations of commercial real estate loans in the Company s loan portfolio; (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 levels of unemployment; the impact of economic conditions on businesses operations and abilities to repay loans in light of continued stagnant population growth in the upstate New York and central Pennsylvania regions; and continued uncertainty about possible responses to state and local 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 commercial loans and commercial real estate loans 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 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 continued through the 2010 year-end. The impact of that downturn has resulted in depressed home prices, higher than historical levels of foreclosures and loan charge-offs, and lower market prices on investment securities backed by residential real estate. Those 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. For example, the Dodd-Frank Act represents a comprehensive overhaul of the financial services industry within the United States and requires federal agencies to implement many new rules. It is expected that at a minimum those new rules will result in increased costs, decreased revenues and more stringent capital and liquidity requirements.

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.

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 300,000 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, 2010, the cost of this property (including improvements subsequent to the initial construction), net of accumulated depreciation, was $8.6 million.

In September 1992, M&T Bank acquired an additional facility in Buffalo, New York with approximately 395,000 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, 2010, the cost of this building (including improvements subsequent to acquisition), net of accumulated depreciation, was $10.4 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 225,000 square feet and their combined cost (including improvements subsequent to acquisition), net of accumulated depreciation, was $20.4 million at December 31, 2010.

M&T Bank also owns a facility in Syracuse, New York with approximately 160,000 rentable square feet of space. Approximately 65% of this facility is occupied by M&T Bank. At December 31, 2010, the cost of this building (including improvements subsequent to acquisition), net of accumulated depreciation, was $5.7 million.

M&T Bank also owns facilities in Harrisburg, Pennsylvania and Millsboro, Delaware with approximately 215,000 and 325,000 rentable square feet of space, respectively. M&T Bank occupies approximately 35% and 85% of these respective facilities. At December 31, 2010, the cost of these buildings (including improvements subsequent to acquisition), net of accumulated depreciation, was $11.9 million and $7.2 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 739 domestic banking offices of the Registrant s subsidiary banks at December 31, 2010, 286 are owned in fee and 453 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.

Item 4. *(Removed and Reserved)*

Executive Officers of the Registrant

Information concerning the Registrant s executive officers is presented below as of February 18, 2011. 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

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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 Shareholders, and until their successors are elected and qualified.

Robert G. Wilmers, age 76, 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 55, 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 55, 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 64, 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, 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 55, 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 54, 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 64, 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 50, 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 58, 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/Western Pennsylvania regions. Mr. Hickey is also responsible for the Auto Floor Plan lending business.

René F. Jones, age 46, 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).

Darren J. King, age 41, is an executive vice president of the Registrant (2010) and M&T Bank (2009), and is in charge of the Retail Banking Division. Mr. King previously served as senior vice president of M&T Bank, most recently responsible for the Business Banking Division, and has held a number of management positions within M&T Bank since 2000. Mr. King is an executive vice president of M&T Bank, N.A. (2009).

Kevin J. Pearson, age 49, 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 49, 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 Technology and Global Sourcing groups. Previously, Ms. Trolli was in charge of the Technology and Banking Operations Division, the Retail Banking 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.

D. Scott N. Warman, age 45, is an executive vice president (2009) and treasurer (2008) of the Registrant and M&T Bank. He is responsible for managing the Company s Treasury Division. Mr. Warman previously served as senior vice president of M&T Bank and has held a number of management positions within M&T Bank since 1995. He is an executive vice president and treasurer of M&T Bank, N.A. (2008), a trustee of M&T Real Estate (2009) and a director of M&T Securities (2008).

PART II

Item 5. ***Market for Registrant s Common Equity, Related Shareholder 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 shareholders at year-end, frequency and amounts of dividends on common stock and restrictions on the payment of dividends.

During the fourth quarter of 2010, 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, 2010 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

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Stock Purchase Plan, each of which has been previously approved by shareholders, 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 shareholder 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 sets forth the total number of shares of common stock issuable upon the exercise of such assumed options and rights as of December 31, 2010, 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	182,374	$ 65.80	
2001 Stock Option Plan	4,481,002	88.43	
2005 Incentive Compensation Plan	5,562,417	103.50	2,629,326
2009 Equity Incentive Compensation Plan	61,711	40.82	3,330,502
Employee Stock Purchase Plan	126,450	78.74	304,664
Equity compensation plans not approved by security holders:			
2008 Directors Stock Plan	3,131	87.05	148,534
Deferred Bonus Plan	51,439	61.12	
Total	10,468,524	$ 95.51	6,413,026

(1) *As of December 31, 2010, a total of* 310,817 *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 $142.80 per common share.*

Equity compensation plans adopted without the approval of shareholders 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 which was frozen effective January 1, 2010 and did not allow any deferrals after that date. Prior to January 1, 2010, the plan allowed eligible officers of M&T and its subsidiaries to elect to defer all or a portion of their annual incentive compensation awards and allocate such awards to several investment options, including M&T common stock. At the time of the deferral election, participants also elected 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 shareholder 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, 2005 and ending on December 31, 2010. 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*

Shareholder Value at Year End*

	2005	2006	2007	2008	2009	2010
M&T Bank Corporation	100	114	78	57	70	95
KBW Bank Index	100	120	93	49	52	59
S&P 500 Index	100	116	122	77	97	112

* Assumes a $100 investment on December 31, 2005 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 2010.

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During the fourth quarter of 2010 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, 2010		$		2,181,500
November 1 - November 30, 2010	142,934	81.15		2,181,500
December 1 - December 31, 2010	80,933	83.48		2,181,500
Total	223,867	$ 81.99		

(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 $68.0 billion at December 31, 2010. 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 $67.1 billion at December 31, 2010, is a New York-chartered commercial bank with 738 domestic banking offices in New York State, Pennsylvania, Maryland, Delaware, New Jersey, Virginia, West Virginia, and the District of Columbia, a full-service commercial banking office in Ontario, Canada, 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 loans are originated through lending offices in other states and in Ontario, Canada. 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 $797 million at December 31, 2010, 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 November 5, 2010, M&T Bank entered into a purchase and assumption agreement with the Federal Deposit Insurance Corporation (FDIC) to assume all of the deposits, except certain brokered deposits, and acquire certain assets of K Bank, based in Randallstown, Maryland. As part of the transaction, M&T Bank entered into a loss-share arrangement with the FDIC whereby M&T Bank will be

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reimbursed by the FDIC for most 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 $556 million, including $154 million of loans and $186 million in cash, and liabilities assumed aggregated $528 million, including $491 million of deposits. In accordance with generally accepted accounting principles (GAAP), M&T Bank recorded an after-tax gain on the transaction of $17 million ($28 million before taxes).

On November 1, 2010, M&T entered into a definitive agreement with Wilmington Trust Corporation (Wilmington Trust), headquartered in Wilmington, Delaware, under which Wilmington Trust will be acquired by M&T. Pursuant to the terms of the agreement, Wilmington Trust common shareholders will receive .051372 shares of M&T common stock in exchange for each share of Wilmington Trust common stock in a stock-for-stock transaction valued at $351 million (with the price based on M&T s closing price of $74.75 per share as of October 29, 2010), plus the assumption of $330 million in preferred stock issued by Wilmington Trust as part of the Troubled Asset Relief Program Capital Purchase Program of the U.S. Department of Treasury (U.S. Treasury).

At December 31, 2010, Wilmington Trust had approximately $10.9 billion of assets, including $7.5 billion of loans, $10.1 billion of liabilities, including $9.0 billion of deposits, and $60.1 billion of combined assets under management, including $43.6 billion managed by Wilmington Trust and $16.5 billion managed by affiliates. The merger is subject to a number of conditions, including the approval of various state and Federal regulators and Wilmington Trust s common shareholders, and is expected to be completed by mid-year 2011.

Net acquisition and integration-related gains and expenses (included herein as merger-related expenses) associated with the K Bank acquisition transaction and with the pending Wilmington Trust acquisition incurred during 2010 totaled to a net gain of $27 million ($16 million after tax-effect, or $.14 of diluted earnings per common share). Reflected in that amount are the $28 million gain ($17 million after tax-effect, or $.14 of diluted earnings per common share) on the K Bank transaction and $771 thousand ($469 thousand after tax-effect) of expenses associated with the K Bank and Wilmington Trust transactions. The gain reflects the amount of financial support and indemnification against loan losses that M&T Bank obtained from the FDIC.

The condition of the domestic and global economy over the last three years has significantly impacted the financial services industry as a whole, and specifically, the financial results of the Company. In particular, rising unemployment and significantly depressed residential real estate valuations have led to elevated levels of loan charge-offs experienced by financial institutions throughout that time period, resulting in reduced capital levels. Although most economists believe that the recession in the United States ended sometime in the latter half of 2009, the recovery of the economy since then has been very slow. While the Company experienced lower levels of loan charge-offs during 2010 as compared with 2009, such charge-offs continued to be at higher than historical levels. In addition, many financial institutions have continued to experience unrealized losses related to investment securities backed by residential and commercial real estate 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.

Allied Irish Banks (AIB) received 26,700,000 shares of M&T common stock on April 1, 2003 as a result of M&T s acquisition of a subsidiary of AIB on that date. Those shares of common stock owned by AIB represented 22.4% of the issued and outstanding shares of M&T common stock on September 30, 2010. In an effort to raise its capital position to meet new Irish government-mandated capital requirements, AIB completed the sale of the 26,700,000 shares on November 4, 2010. As a result, the provisions of the Agreement and Plan of Reorganization between M&T and AIB related to AIB s rights as a substantial shareholder in the corporate governance of M&T became inoperative as of that date.

The Financial Accounting Standards Board (FASB) amended GAAP in June 2009 relating to: (1) the consolidation of variable interest entities to eliminate the quantitative approach previously required for determining the primary beneficiary of a variable interest entity and (2) accounting for transfers of financial assets to eliminate the exceptions for qualifying special-purpose entities from the consolidation guidance and the exception that permitted sale accounting for certain mortgage

securitizations when a transferor has not surrendered control over the transferred assets. The amended guidance became effective as of January 1, 2010. The recognition and measurement provisions of the amended guidance were applied to transfers that occurred on or after the effective date. Additionally, beginning January 1, 2010, the concept of a qualifying special-purpose entity is no longer relevant for accounting purposes. Therefore, formerly qualifying special-purpose entities must now be evaluated for consolidation in accordance with applicable consolidation guidance, including the new accounting guidance relating to the consolidation of variable interest entities.

In accordance with the new accounting requirements, effective January 1, 2010 the Company included in its consolidated financial statements one-to-four family residential mortgage loans that were included in non-recourse securitization transactions using qualified special-purpose trusts. The effect of that consolidation as of January 1, 2010 was to increase residential real estate loans by $424 million, decrease the amortized cost of available-for-sale investment securities by $360 million (fair value of $355 million as of January 1, 2010), and increase borrowings by $65 million. Information concerning those loans is included in note 19 of Notes to Financial Statements.

On August 28, 2009, M&T Bank entered into a purchase and assumption agreement with the FDIC to assume all of the deposits and acquire certain assets of Bradford Bank (Bradford), based in 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 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 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 shareholders 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. Treasury under the Troubled Asset Relief Program Capital Purchase Program.

The Provident transaction was 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 shareholders 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 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 the $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 Bank 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.

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.

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Additional information regarding preferred stock of M&T is included in note 10 of Notes to Financial Statements.

Recent Legislative Developments

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) was signed into law on July 21, 2010. This new law has and will continue to significantly change the current bank regulatory structure and affect the lending, deposit, investment, trading and operating activities of financial institutions and their holding companies, and will fundamentally change the system of regulatory oversight of the Company, including through the creation of the Financial Stability Oversight Council. The Dodd-Frank Act requires various federal agencies to adopt a broad range of new implementing rules and regulations, and to prepare numerous studies and reports for Congress. The federal agencies are given significant discretion in drafting the implementing rules and regulations, and, as a result, many of the details and much of the impact of the Dodd-Frank Act is not yet known. The Dodd-Frank Act, however, could have a material adverse impact either on the financial services industry as a whole, or on M&T s business, results of operations, financial condition and liquidity.

The Dodd-Frank Act broadens the base for FDIC insurance assessments. Assessments will now be based on the average consolidated total assets less tangible equity capital of a financial institution. The Dodd-Frank Act also permanently increases the maximum amount of deposit insurance for banks, savings institutions and credit unions to $250,000 per depositor, retroactive to January 1, 2009, and non-interest bearing transaction accounts have unlimited deposit insurance through December 31, 2013.

The legislation also requires that publicly traded companies give shareholders a non-binding vote on executive compensation and golden parachute payments, and authorizes the Securities and Exchange Commission to promulgate rules that would allow shareholders to nominate their own candidates using a company s proxy materials. The Dodd-Frank Act also directs the Federal Reserve Board to promulgate rules prohibiting excessive compensation paid to bank holding company executives, regardless of whether the company is publicly traded.

The Dodd-Frank Act established a new Bureau of Consumer Financial Protection with broad powers to supervise and enforce consumer protection laws. The Bureau of Consumer Financial Protection has broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions, including the authority to prohibit unfair, deceptive or abusive acts and practices. The Bureau of Consumer Financial Protection has examination and enforcement authority over all banks and savings institutions with more than $10 billion in assets.

In addition, the Dodd-Frank Act, among other things:

- Weakens the federal preemption rules that have been applicable for national banks and gives state attorneys general the ability to enforce federal consumer protection laws;
- Amends the Electronic Fund Transfer Act (EFTA) which has resulted in, among other things, the Federal Reserve Board issuing rules aimed at limiting debit-card interchange fees;
- Applies the same leverage and risk-based capital requirements that apply to insured depository institutions to most bank holding companies which, among other things, will, after a three-year phase-in period which begins January 1, 2013, remove trust preferred securities as a permitted component of a holding company s Tier 1 capital;
- Provides for an increase in the FDIC assessment for depository institutions with assets of $10 billion or more and increases the minimum reserve ratio for the deposit insurance fund from 1.15% to 1.35%;
- Imposes comprehensive regulation of the over-the-counter derivatives market, which would include certain provisions that would effectively prohibit insured depository institutions from conducting certain derivatives businesses in the institution itself;
- Repeals the federal prohibitions on the payment of interest on demand deposits, thereby permitting depository institutions to pay interest on business transaction and other accounts;
- Provides mortgage reform provisions regarding a customer s ability to repay, restricting variable-rate lending by requiring the ability to repay to be determined for variable-rate loans by using the maximum rate that will apply during the first five years of a variable-rate loan term, and making

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more loans subject to provisions for higher cost loans, new disclosures, and certain other revisions; and
Creates the Financial Stability Oversight Council, which will recommend to the Federal Reserve Board increasingly strict rules for capital, leverage, liquidity, risk management and other requirements as companies grow in size and complexity.

The environment in which banking organizations will operate after the financial crisis, including legislative and regulatory changes affecting capital, liquidity, supervision, permissible activities, corporate governance and compensation, changes in fiscal policy and steps to eliminate government support for banking organizations, may have long-term effects on the business model and profitability of banking organizations, the full extent of which cannot now be foreseen. Many aspects of the Dodd-Frank Act remain subject to rulemaking and will take effect over several years, making it difficult to anticipate the overall financial impact on M&T, its customers or the financial industry more generally. Provisions in the legislation that affect deposit insurance assessments, payment of interest on demand deposits and interchange fees could increase the costs associated with deposits as well as place limitations on certain revenues those deposits may generate. Provisions in the legislation that revoke the Tier 1 capital treatment of trust preferred securities and otherwise require revisions to the capital requirements of M&T and M&T Bank could require M&T and M&T Bank to seek other sources of capital in the future. The impact of new rules relating to overdraft fee practices is included herein under the heading Other Income.

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 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, privately issued mortgage-backed securities, 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

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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 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

The Company recorded net income during 2010 of $736 million or $5.69 of diluted earnings per common share, up 94% and 97%, respectively, from $380 million or $2.89 of diluted earnings per common share in 2009. Basic earnings per common share rose 97% to $5.72 in 2010 from $2.90 in 2009. Net income in 2008 aggregated $556 million, while diluted and basic earnings per common share were $5.01 and $5.04, respectively. The after-tax impact of net merger-related gains and expenses associated with the acquisition transactions previously described totaled to a net gain of $16 million ($27 million pre-tax) or $.14 of basic and diluted earnings per common share in 2010, and net expenses of $36 million ($60 million pre-tax) or $.31 of basic and diluted earnings per common share in 2009. Similar expenses of $2 million ($4 million pre-tax) or $.02 of basic and diluted earnings per common share were incurred in 2008 related to acquisition transactions completed in 2007. Net income expressed as a rate of return on average assets in 2010 was 1.08%, compared with .56% in 2009 and .85% in 2008. The return on average common shareholders equity was 9.30% in 2010, 5.07% in 2009 and 8.64% in 2008.

The Company s improved financial performance in 2010 as compared with 2009 was largely driven by higher net interest income and lower credit costs. The higher net interest income was the result of a 35 basis point (hundredths of one percent) widening of the net interest margin, or taxable-equivalent net interest income divided by average earning assets. That widening reflects a 38 basis point reduction of rates paid on interest-bearing liabilities, including a 40 basis point reduction in rates paid on interest-bearing deposits. Reflecting the wider net interest margin, taxable-equivalent net interest income increased $214 million, or 10%, to $2.29 billion in 2010 from $2.08 billion in 2009.

While the provision for credit losses during 2010 was elevated when compared to historical levels, it declined 39% to $368 million from $604 million in 2009. Net charge-offs dropped 33% to $346 million in 2010 from $514 million in 2009. As a percentage of average loans outstanding, net charge-offs were .67% in 2010 and 1.01% in 2009. The lower level of net charge-offs in 2010 was led by a decrease in

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commercial loan charge-offs, which declined to $65 million from $172 million in 2009. Another significant factor in the higher net income in 2010 was a decrease in other-than-temporary impairment charges on investment securities to $86 million ($53 million after tax-effect) from $138 million ($84 million after tax-effect) in 2009. Those impairment charges were largely related to certain privately issued collateralized mortgage obligations (CMOs) backed by residential real estate loans and collateralized debt obligations (CDOs) backed by trust preferred securities issued by other financial institutions.

Several noteworthy items were 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, net charge-offs of residential real estate loans rose to $92 million in 2009 from $63 million in 2008, reflecting turbulence in the residential real estate market place that resulted in deteriorating real estate values and increased delinquencies. The Company also incurred elevated costs in 2009 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. The Company also experienced substantially higher costs related to deposit assessments by the 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 in 2008 rose 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 the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (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 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 was recorded as gain on bank investment securities in the consolidated statement of income, adding $.18 to diluted earnings per common share. In accordance with GAAP, the Company has not recognized any value for its remaining common stock ownership interest in Visa. During the first quarter of 2008, Visa completed its IPO of common stock 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 certain litigation against Visa. As a result, during the first three months of 2008, the Company reversed approximately $15 million of a liability accrued during the fourth quarter of 2007 related to such litigation, adding $9 million to net income ($.08 per diluted common share). That liability had been accrued in 2007 because M&T Bank and other member banks of Visa are obligated under various agreements to share in losses stemming from certain litigation against Visa. Visa subsequently announced that it had further funded the escrow account to provide for the settlement of the 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, 2010, 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.

As previously noted, net interest income recorded on a taxable-equivalent basis rose 10% to $2.29 billion in 2010 from $2.08 billion in 2009, reflecting a wider net interest margin. Average earning assets during 2010 were $59.7 billion, little changed from $59.6 billion in 2009.

Taxable-equivalent net interest income 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. 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. The net interest margin widened 11 basis points to 3.49% in 2009 from 3.38% in 2008, largely due to lower interest rates paid on deposits and borrowings.

As previously noted, the provision for credit losses of $368 million in 2010 was down 39% from $604 million in 2009. Net charge-offs totaled $346 million in 2010, down from $514 million in 2009. The provision for credit losses and net charge-offs in 2009 were up significantly from $412 million and $383 million, respectively, in 2008. Deteriorating economic conditions impacting the quality of outstanding loans to businesses and consumers, and depressed residential real estate valuations and their impact on the Company s portfolios of residential mortgage loans and loans to residential real estate builders and developers, were the most significant factors contributing to the higher levels of the provision and net charge-offs in 2009 as compared with the preceding year. Net charge-offs as a percentage of average loans and leases outstanding were .78% in 2008. 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 rose 6% to $1.11 billion in 2010 from $1.05 billion in 2009. Gains and losses on bank investment securities (consisting predominantly of other-than-temporary impairment charges) totaled to net losses of $84 million in 2010 and $137 million in 2009. Excluding gains and losses from bank investment securities, the $28 million gain recorded on the K Bank transaction in 2010 and the $29 million gain recorded on the Bradford transaction in 2009, noninterest income was $1.16 billion in each of 2010 and 2009. Declines in revenues related to residential mortgage banking, brokerage services and the Company s trust business were offset by higher service charges on deposit accounts, credit-related fees and other revenues from operations.

Noninterest income in 2009 was 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

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$148 million in 2008. Those losses in 2008 were due to other-than-temporary impairment charges related to certain of the Company s privately issued CMOs, CDOs and preferred stock holdings of Fannie Mae and Freddie Mac. The investment securities losses in 2008 are net of the $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, noninterest income of $1.16 billion in 2009 was 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 expense in 2010 totaled $1.91 billion, down 3% from $1.98 billion in 2009. During 2008, noninterest expense aggregated $1.73 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 $58 million, $64 million and $67 million in 2010, 2009 and 2008, respectively, and merger-related expenses of $771,000 in 2010, $89 million in 2009 and $4 million in 2008. Exclusive of those nonoperating expenses, noninterest operating expenses aggregated $1.86 billion in 2010, $1.83 billion in 2009 and $1.66 billion in 2008. The increase in such expenses from 2009 to 2010 was largely attributable to higher costs for professional services and advertising in 2010, and a $22 million reduction of the allowance for impairment of capitalized residential mortgage servicing rights in 2009. For the year ended December 31, 2010, there was no change to that impairment allowance. Partially offsetting those factors were declines in expenses in 2010 related to foreclosed properties and FDIC assessments. The most significant factors for the higher level of noninterest operating expenses in 2009 as compared with 2008 were the higher FDIC 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. Included in operating expenses in 2010 were $15 million of tax-deductible contributions made to The M&T Charitable Foundation, a tax-exempt private charitable foundation. Similar contributions of $12 million and $6 million were made in 2009 and 2008, respectively.

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 53.7% in 2010, compared with 56.5% in 2009 and 54.4% in 2008.

Table 1

EARNINGS SUMMARY
Dollars in millions

crease (Decrease)(a)								
10	2008 to 2009							
%	Amount	%		2010	2009	2008	2007	20
	$ (552.4)	(17)	Interest income(b)	$ 2,753.8	2,747.0	3,299.5	3,565.6	3,
(31)	(668.3)	(50)	Interest expense	462.3	669.4	1,337.8	1,694.6	1,4
10	115.9	6	Net interest income(b)	2,291.5	2,077.6	1,961.7	1,871.0	1,8
(39)	192.0	47	Less: provision for credit losses	368.0	604.0	412.0	192.0	
	10.7		Gain (loss) on bank investment securities(c)	(83.5)	(137.1)	(147.8)	(126.1)	
1	98.5	9	Other income	1,191.6	1,185.2	1,086.7	1,059.1	1,0
			Less:					
	44.8	5	Salaries and employee benefits	999.7	1,001.9	957.1	908.3	8
(6)	208.8	27	Other expense	915.1	978.7	769.9	719.3	6
106	(220.5)	(29)	Income before income taxes	1,116.8	541.1	761.6	984.4	1,2
			Less:					
10			Taxable-equivalent adjustment(b)	24.0	21.8	21.8	20.8	
156	(44.5)	(24)	Income taxes	356.6	139.4	183.9	309.3	3
94	$ (176.0)	(32)	Net income	$ 736.2	379.9	555.9	654.3	8

(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 each of December 31, 2010 and 2009 and $3.4 billion at December 31, 2008. Included in such intangible assets was goodwill of $3.5 billion at each of

December 31, 2010 and 2009 and $3.2 billion at December 31, 2008. Amortization of core deposit and other intangible assets, after tax effect, totaled $35 million, $39 million and $41 million during 2010, 2009 and 2008, 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 aggregated $755 million in 2010, up 66% from $455 million in 2009. Diluted net operating earnings per common share in 2010 rose 65% to $5.84 from $3.54 in 2009. Net operating income and diluted net operating earnings per common share were $599 million and $5.39, respectively, during 2008.

Net operating income expressed as a rate of return on average tangible assets was 1.17% in 2010, compared with .71% in 2009 and .97% in 2008. Net operating return on average tangible common equity was 18.95% in 2010, compared with 13.42% and 19.63% in 2009 and 2008, 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

	2010	2009	2008
Income statement data			
In thousands, except per share			
Net income			
Net income	$ 736,161	$ 379,891	$ 555,887
Amortization of core deposit and other intangible assets(a)	35,265	39,006	40,504
Merger-related gains(a)	(16,730)	(17,684)	
Merger-related expenses(a)	469	54,163	2,160
Net operating income	$ 755,165	$ 455,376	$ 598,551
Earnings per common share			
Diluted earnings per common share	$ 5.69	$ 2.89	$ 5.01
Amortization of core deposit and other intangible assets(a)	.29	.34	.36
Merger-related gains(a)	(.14)	(.15)	
Merger-related expenses(a)		.46	.02
Diluted net operating earnings per common share	$ 5.84	$ 3.54	$ 5.39
Other expense			
Other expense	$ 1,914,837	$ 1,980,563	$ 1,726,996
Amortization of core deposit and other intangible assets	(58,103)	(64,255)	(66,646)
Merger-related expenses	(771)	(89,157)	(3,547)
Noninterest operating expense	$ 1,855,963	$ 1,827,151	$ 1,656,803
Merger-related expenses			
Salaries and employee benefits	$ 7	$ 10,030	$ 62
Equipment and net occupancy	44	2,975	49
Printing, postage and supplies	74	3,677	367
Other costs of operations	646	72,475	3,069
Total	$ 771	$ 89,157	$ 3,547
Balance sheet data			
In millions			
Average assets			
Average assets	$ 68,380	$ 67,472	$ 65,132
Goodwill	(3,525)	(3,393)	(3,193)
Core deposit and other intangible assets	(153)	(191)	(214)
Deferred taxes	29	33	30

Average tangible assets	$ 64,731	$ 63,921	$ 61,755
Average common equity			
Average total equity	$ 8,103	$ 7,282	$ 6,437
Preferred stock	(736)	(666)	(14)
Average common equity	7,367	6,616	6,423
Goodwill	(3,525)	(3,393)	(3,193)
Core deposit and other intangible assets	(153)	(191)	(214)
Deferred taxes	29	33	30
Average tangible common equity	$ 3,718	$ 3,065	$ 3,046
At end of year			
Total assets			
Total assets	$ 68,021	$ 68,880	$ 65,816
Goodwill	(3,525)	(3,525)	(3,192)
Core deposit and other intangible assets	(126)	(182)	(183)
Deferred taxes	23	35	23
Total tangible assets	$ 64,393	$ 65,208	$ 62,464
Total common equity			
Total equity	$ 8,358	$ 7,753	$ 6,785
Preferred stock	(741)	(730)	(568)
Undeclared dividends preferred stock	(6)	(6)	
Common equity, net of undeclared preferred dividends	7,611	7,017	6,217
Goodwill	(3,525)	(3,525)	(3,192)
Core deposit and other intangible assets	(126)	(182)	(183)
Deferred taxes	23	35	23
Total tangible common equity	$ 3,983	$ 3,345	$ 2,865

(a) After any related tax effect.

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Net Interest Income/Lending and Funding Activities

Reflecting a 35 basis point widening of the net interest margin, taxable-equivalent net interest income rose 10% to $2.29 billion in 2010 from $2.08 billion in 2009. The Company s net interest margin increased to 3.84% in 2010 from 3.49% in 2009, predominantly the result of lower interest rates paid on deposits and borrowings. Average earning assets were $59.7 billion in 2010, compared with $59.6 billion in 2009. As compared with 2009, a slight increase in average outstanding balances of loans and leases was offset by a decline in average outstanding balances of investment securities.

Average loans and leases were $51.3 billion in 2010, up 1% from $51.0 billion in 2009. The full-year impact of the loans obtained in the Provident and Bradford acquisition transactions was offset by sluggish borrower demand for commercial loans. Average commercial loans and leases declined 6% to $13.1 billion in 2010 from $13.9 billion in 2009. Commercial real estate loans averaged $20.7 billion in 2010, up 3% from $20.1 billion in 2009. Average residential real estate loans increased 8% to $5.7 billion in 2010 from $5.3 billion in 2009, largely due to the impact of adopting the previously noted new accounting rules on January 1, 2010. The Company s consumer loan portfolio averaged $11.7 billion in each of 2010 and 2009.

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 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. 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.

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Table 3

AVERAGE BALANCE SHEETS AND TAXABLE-EQUIVALENT RATES

2010			2009			2008			2007	
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)										
$ 521,747	3.99%	13,855	524,609	3.79%	13,802	723,851	5.24%	12,177	871,743	7
974,047	4.70	20,085	894,691	4.45	18,428	1,072,178	5.82	15,748	1,157,156	7
303,262	5.28	5,297	288,474	5.45	5,465	329,574	6.03	6,015	384,101	6
613,479	5.22	11,722	636,074	5.43	11,150	716,678	6.43	10,190	757,876	7
2,412,535	4.70	50,959	2,343,848	4.60	48,845	2,842,281	5.82	44,130	3,170,876	7
88	.09	50	34	.07	10	109	1.07	9	300	3
446	.20	52	129	.25	109	2,071	1.91	432	23,835	5
789	.84	87	640	.74	79	1,546	1.95	62	744	1
191,677	4.28	3,805	182,163	4.79	3,740	181,098	4.84	2,274	100,611	4
15,107	5.67	221	13,143	5.94	136	9,243	6.79	119	8,619	7
133,176	4.07	4,377	207,069	4.73	5,097	263,104	5.16	4,925	260,661	5
339,960	4.24	8,403	402,375	4.79	8,973	453,445	5.05	7,318	369,891	5
2,753,818	4.61	59,551	2,747,026	4.61	58,016	3,299,452	5.69	51,951	3,565,646	6
		(864)			(791)			(677)		
		1,121			1,224			1,271		
		7,664			6,683			6,000		
		67,472			65,132			58,545		

850	.14	543	1,122	.21	502	2,894	.58	461	4,638	1
85,226	.33	22,832	112,550	.49	18,170	248,083	1.37	14,985	250,313	1
100,241	1.52	8,782	206,220	2.35	9,583	330,389	3.45	10,597	496,378	4
1,368	.14	1,665	2,391	.14	3,986	84,483	2.12	4,185	207,990	4
187,685	.55	33,822	322,283	.95	32,241	665,849	2.07	30,228	959,319	3
3,006	.16	2,911	7,129	.24	6,086	142,627	2.34	5,386	274,079	5
271,578	2.96	11,092	340,037	3.07	11,605	529,319	4.56	8,428	461,178	5
462,269	1.02	47,825	669,449	1.40	49,932	1,337,795	2.68	44,042	1,694,576	3
		11,054			7,674			7,400		
		1,311			1,089			856		
		60,190			58,695			52,298		
		7,282			6,437			6,247		
		67,472			65,132			58,545		
	3.59			3.21			3.01			3
	.25			.28			.37			
$ 2,291,549	3.84%		2,077,577	3.49%		1,961,657	3.38%		1,871,070	3

(a) Includes nonaccrual loans.

(b) Includes available-for-sale investment securities at amortized cost.

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Table 4 summarizes average loans and leases outstanding in 2010 and percentage changes in the major components of the portfolio over the past two years.

Table 4

AVERAGE LOANS AND LEASES
(Net of unearned discount)

		Percent Increase (Decrease) from	
	2010	**2009 to 2010**	**2008 to 2009**
	(In millions)		
Commercial, financial, etc	$ 13,092	(6)%	%
Real estate commercial	20,714	3	9
Real estate consumer	5,746	8	(3)
Consumer			
Automobile	2,801	(11)	(11)
Home equity lines	5,845	8	21
Home equity loans	871	(13)	(6)
Other	2,228	3	6
Total consumer	11,745		5
Total	$ 51,297	1%	4%

Commercial loans and leases, excluding loans secured by real estate, aggregated $13.4 billion at December 31, 2010, representing 26% of total loans and leases. Table 5 presents information on commercial loans and leases as of December 31, 2010 relating to geographic area, size, borrower industry and whether the loans are secured by collateral or unsecured. Of the $13.4 billion of commercial loans and leases outstanding at the end of 2010, approximately $11.4 billion, or 85%, were secured, while 46%, 24% and 18% were granted to businesses in New York State, Pennsylvania and the Mid-Atlantic area (which includes Maryland, Delaware, Virginia, West Virginia and the District of Columbia), respectively. The Company provides financing for leases to commercial customers, primarily for equipment. Commercial leases included in total commercial loans and leases at December 31, 2010 aggregated $1.4 billion, of which 44% were secured by collateral located in New York State, 16% were secured by collateral in the Mid-Atlantic area and another 10% were secured by collateral in Pennsylvania.

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Table 5

COMMERCIAL LOANS AND LEASES, NET OF UNEARNED DISCOUNT
(Excludes Loans Secured by Real Estate)

December 31, 2010

	New York	Pennsylvania	Mid-Atlantic	Other	Total	Percent of Total
			(Dollars in millions)			
Manufacturing	$ 1,150	$ 672	$ 337	$ 215	$ 2,374	18%
Services	817	371	613	187	1,988	15
Automobile dealerships	836	457	102	399	1,794	13
Wholesale	666	271	300	81	1,318	10
Real estate investors	637	136	135	59	967	7
Transportation, communications, utilities	211	248	84	282	825	6
Public administration	293	239	110	83	725	6
Financial and insurance	251	173	195	72	691	5
Health services	400	92	105	88	685	5
Construction	263	197	135	23	618	5
Retail	256	188	75	60	579	4
Agriculture, forestry, fishing, mining, etc.	75	72	9	24	180	1
Other	337	134	163	13	647	5
Total	$ 6,192	$ 3,250	$ 2,363	$ 1,586	$ 13,391	100%
Percent of total	46%	24%	18%	12%	100%	
Percent of dollars outstanding						
Secured	79%	77%	72%	56%	75%	
Unsecured	11	19	19	17	15	
Leases	10	4	9	27	10	
Total	100%	100%	100%	100%	100%	
Percent of dollars outstanding by size of loan						
Less than $1 million	30%	24%	33%	14%	27%	
$1 million to $5 million	27	30	24	28	28	
$5 million to $10 million	15	18	17	26	17	
$10 million to $20 million	15	15	14	21	16	
$20 million to $30 million	6	6	9	4	6	
$30 million to $50 million	5	1	3	7	4	
$50 million to $70 million	2	6			2	

Total	100%	100%	100%	100%	100%

International loans included in commercial loans and leases totaled $105 million and $55 million at December 31, 2010 and 2009, respectively. The increase in such loans was due to $61 million of loans at M&T Bank s commercial branch in Ontario, Canada, which opened in the second quarter of 2010. The Company participates in the insurance and guarantee programs of the Export-Import Bank of the United States. These programs provide U.S. government repayment coverage of 90% to 100% on loans supporting foreign borrowers purchases of U.S. goods and services and coverage of 90% on loans to U.S. exporters of goods and services to foreign buyers. The loans generally range up to $10 million. The outstanding balances of loans under those programs at December 31, 2010 and 2009 were $32 million and $43 million, respectively.

Loans secured by real estate, including outstanding balances of home equity loans and lines of credit which the Company classifies as consumer loans, represented approximately 65% of the loan and lease portfolio during 2010, compared with 62% in 2009 and 60% in 2008. At December 31, 2010, the Company held approximately $21.2 billion of commercial real estate loans, $5.9 billion of consumer real estate loans secured by one-to-four family residential properties (including $341 million of loans held for sale) and $6.6 billion of outstanding balances of home equity loans and lines of credit, compared with $20.9 billion, $5.5 billion and $6.8 billion, respectively, at December 31, 2009. Loans obtained in the 2009 Provident and Bradford acquisition transactions included $1.8 billion of commercial real estate loans, $400 million of consumer real estate loans secured by one-to-four family residential properties and $1.1 billion of outstanding home equity loans and lines of credit. Included in total loans and leases were amounts due from builders and developers of residential real estate aggregating $1.4 billion and $1.7 billion at December 31, 2010 and 2009, respectively, of which $1.35 billion and $1.6 billion, respectively, were classified as commercial real estate loans.

Commercial real estate loans originated by the Company include fixed-rate instruments with monthly payments and a balloon payment of the remaining unpaid principal at maturity, in many cases five years after origination. For borrowers in good standing, the terms of such loans may be extended by the customer for an additional five years at the then current market rate of interest. The Company also originates fixed-rate commercial real estate loans with maturities of greater than five years, generally having original maturity terms of approximately seven to ten years, and adjustable-rate commercial real estate loans. Excluding construction and development loans made to investors, adjustable-rate commercial real estate loans represented approximately 51% of the commercial real estate loan portfolio as of December 31, 2010. Table 6 presents commercial real estate loans by geographic area, type of collateral and size of the loans outstanding at December 31, 2010. New York City metropolitan area commercial real estate loans totaled $7.3 billion at the 2010 year-end. The $6.1 billion of investor-owned commercial real estate loans in the New York City metropolitan area were largely secured by multifamily residential properties, retail space, and office space. The Company s experience has been that office, retail and service-related properties tend to demonstrate more volatile fluctuations in value through economic cycles and changing economic conditions than do multifamily residential properties. Approximately 49% of the aggregate dollar amount of New York City-area loans were for loans with outstanding balances of $10 million or less, while loans of more than $50 million made up approximately 14% of the total.

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Table 6

COMMERCIAL REAL ESTATE LOANS, NET OF UNEARNED DISCOUNT

December 31, 2010

	Metropolitan New York City	Other New York State	Pennsylvania	Mid-Atlantic	Other	Total	Percent of Total
	(Dollars in millions)						
Investor-owned							
Permanent finance by property type							
Retail	$ 2,216	$ 346	$ 243	$ 507	$ 412	$ 3,724	17%
Office	984	680	246	412	150	2,472	12
Apartments/Multifamily	1,252	252	137	153	242	2,036	10
Hotel	597	251	250	143	62	1,303	6
Industrial/Warehouse	199	151	150	166	98	764	4
Health facilities	35	175	60	75	37	382	2
Other	211	39	60	135	13	458	2
Total permanent	5,494	1,894	1,146	1,591	1,014	11,139	53%
Construction/Development							
Commercial							
Construction	355	283	352	888	106	1,984	9%
Land/Land development	112	16	55	238	41	462	2
Residential builder and developer							
Construction	100	20	108	224	112	564	3
Land/Land development	65	65	71	474	113	788	4
Total construction/development	632	384	586	1,824	372	3,798	18%
Total investor-owned	6,126	2,278	1,732	3,415	1,386	14,937	71%
Owner-occupied by industry(a)							
Health services	552	345	173	370	204	1,644	8%
Other services	181	374	242	413	7	1,217	6
Retail	121	197	195	183	4	700	3
Real estate investors	111	237	87	137	12	584	3
Manufacturing	68	203	120	111	3	505	2
Automobile dealerships	37	152	128	45	79	441	2
Wholesale	41	65	126	121	19	372	2
Other	111	207	197	245	23	783	3

Total owner-occupied	1,222	1,780	1,268	1,625	351	6,246	29%
Total commercial real estate	$ 7,348	$ 4,058	$ 3,000	$ 5,040	$ 1,737	$ 21,183	100%
Percent of total	35%	19%	14%	24%	8%	100%	
Percent of dollars outstanding by size of loan							
Less than $1 million	6%	26%	27%	18%	10%	16%	
$1 million to $5 million	25	38	35	32	19	31	
$5 million to $10 million	18	16	15	18	17	17	
$10 million to $30 million	30	15	20	23	27	24	
$30 million to $50 million	7	3	1	8	17	6	
$50 million to $100 million	10	2	2	1	10	5	
Greater than $100 million	4					1	
Total	100%	100%	100%	100%	100%	100%	

(a) Includes approximately $450 million of construction loans.

Commercial real estate loans secured by properties located in other parts of New York State, Pennsylvania and the Mid-Atlantic area tend to have a greater diversity of collateral types and include a significant amount of lending to customers who use the mortgaged property in their trade or business (owner-occupied). Approximately 80% of the aggregate dollar amount of commercial real estate loans in New York State secured by properties located outside of the metropolitan New York City area were for

loans with outstanding balances of $10 million or less. Of the outstanding balances of commercial real estate loans in Pennsylvania and the Mid-Atlantic area, approximately 77% and 68%, respectively, were for loans with outstanding balances of $10 million or less.
Commercial real estate loans secured by properties located outside of Pennsylvania, the Mid-Atlantic area, New York State and areas of states neighboring New York considered to be part of the New York City metropolitan area, comprised 8% of total commercial real estate loans as of December 31, 2010.
Commercial real estate construction and development loans made to investors presented in table 6 totaled $3.8 billion at December 31, 2010, or 7% of total loans and leases. Approximately 96% of those construction loans had adjustable interest rates. Included in such loans at December 31, 2010 were $1.35 billion of loans to developers of residential real estate properties. Information about the credit performance of the Company s loans to builders and developers of residential real estate properties is included herein under the heading Provision For Credit Losses. The remainder of the commercial real estate construction loan portfolio was comprised of loans made for various purposes, including the construction of office buildings, multifamily residential housing, retail space and other commercial development.
M&T Realty Capital Corporation, a commercial real estate lending subsidiary of M&T Bank, participates in the Fannie Mae Delegated Underwriting and Servicing (DUS) program, pursuant to which commercial real estate loans are originated in accordance with terms and conditions specified by Fannie Mae and sold. Under this program, loans are sold with partial credit recourse to M&T Realty Capital Corporation. The amount of recourse is generally limited to one-third of any credit loss incurred by the purchaser on an individual loan, although in some cases the recourse amount is less than one-third of the outstanding principal balance. At December 31, 2010 and 2009, approximately $1.6 billion and $1.3 billion, respectively, of commercial real estate loan balances serviced for others had been sold with recourse. There have been no material losses incurred as a result of those recourse arrangements. Commercial real estate loans held for sale at December 31, 2010 and 2009 aggregated $204 million and $123 million, respectively. At December 31, 2010 and 2009, commercial real estate loans serviced for other investors by the Company were $8.1 billion and $7.1 billion, respectively. Those serviced loans are not included in the Company s consolidated balance sheet.
Real estate loans secured by one-to-four family residential properties were $5.9 billion at December 31, 2010, including approximately 39% secured by properties located in New York State, 13% secured by properties located in Pennsylvania and 21% secured by properties located in the Mid-Atlantic area. At December 31, 2010, $341 million of residential real estate loans were held for sale, compared with $530 million at December 31, 2009. The Company s portfolio of Alt-A loans held for investment at December 31, 2010 totaled $648 million, compared with $789 million at December 31, 2009. Loans to individuals to finance the construction of one-to-four family residential properties totaled $71 million at December 31, 2010, or approximately .1% of total loans and leases, compared with $76 million or .1% at December 31, 2009. Information about the credit performance of the Company s Alt-A mortgage loans and other residential mortgage loans is included herein under the heading Provision For Credit Losses.
Consumer loans comprised approximately 23% of the average loan portfolio during each of 2010 and 2009. The two largest components of the consumer loan portfolio are outstanding balances of home equity lines of credit and automobile loans. Average balances of home equity lines of credit outstanding represented approximately 11% of average loans outstanding in each of 2010 and 2009. Automobile loans represented approximately 5% and 6% of the Company s average loan portfolio during 2010 and 2009, respectively. No other consumer loan product represented more than 4% of average loans outstanding in 2010. Approximately 44% of home equity lines of credit outstanding at December 31, 2010 were secured by properties in New York State, and 19% and 35% were secured by properties in Pennsylvania and the Mid-Atlantic area, respectively. Average outstanding balances on home equity lines of credit were approximately $5.8 billion and $5.4 billion in 2010 and 2009, respectively. At December 31, 2010, 35% and 26% of the automobile loan portfolio were to customers residing in New York State and Pennsylvania, respectively. Although automobile loans have generally been originated through dealers, all applications submitted through dealers are subject to the Company s normal underwriting and loan approval

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procedures. Outstanding automobile loan balances declined to $2.7 billion at December 31, 2010 from $2.9 billion at December 31, 2009.

Table 7 presents the composition of the Company s loan and lease portfolio at the end of 2010, including outstanding balances to businesses and consumers in New York State, Pennsylvania, the Mid-Atlantic area and other states. Approximately 47% of total loans and leases at December 31, 2010 were to New York State customers, while 18% and 23% were to Pennsylvania and the Mid-Atlantic area customers, respectively.

Table 7

LOANS AND LEASES, NET OF UNEARNED DISCOUNT

December 31, 2010

			Percent of Dollars Outstanding			
		Outstandings (In millions)	**New York State**	**Pennsylvania**	**Mid-Atlantic**	**Other**
Real estate						
Residential	$	5,928	39%	13%	21%	27%
Commercial		21,183	54(a)	14	24	8
Total real estate		27,111	51%	14%	23%	12%
Commercial, financial, etc.		11,989	46%	26%	18%	10%
Consumer						
Home equity lines		5,796	44%	19%	35%	2%
Home equity loans		761	16	38	42	4
Automobile		2,685	35	26	15	24
Other secured or guaranteed		1,966	35	13	12	40
Other unsecured		280	44	29	23	4
Total consumer		11,488	39%	21%	26%	14%
Total loans		50,588	46%	19%	23%	12%
Commercial leases		1,402	44%	10%	16%	30%
Total loans and leases	$	51,990	47%	18%	23%	12%

(a) Includes loans secured by properties located in neighboring states generally considered to be within commuting distance of New York City.

Balances of investment securities averaged $8.0 billion in 2010, compared with $8.4 billion and $9.0 billion in 2009 and 2008, respectively. The decrease in such balances from 2009 to 2010 largely reflects maturities and paydowns of mortgage-backed securities, maturities of federal agency notes and the impact of adopting the new accounting rules on January 1, 2010 as already noted, partially offset by purchases of mortgage-backed securities issued by Fannie Mae and Freddie Mac during the first half of 2010, aggregating approximately $1.3 billion. The decline in average investment securities balances during 2009 as compared with 2008 largely reflects paydowns of mortgage-backed securities, partially offset by the investment securities obtained in the Provident transaction and the impact of a first quarter 2009 residential real estate loan securitization. The Company securitized approximately $141 million of residential real estate loans in a guaranteed mortgage securitization with Fannie Mae. During June and July 2008, the Company securitized approximately $875 million of residential real estate loans in guaranteed mortgage securitizations with Fannie Mae. The Company recognized no gain or loss on the 2009 and 2008 securitizations because it retained all of the resulting securities.

The investment securities portfolio is largely comprised of residential mortgage-backed securities and CMOs, debt securities issued by municipalities, capital preferred securities issued by certain financial institutions, and shorter-term U.S. Treasury and federal agency notes. When purchasing investment securities, the Company considers its overall interest-rate risk profile as well as the adequacy of expected returns relative to risks assumed, including prepayments. In managing the investment securities portfolio, the Company occasionally sells investment securities as a result of changes in interest rates and spreads, actual or anticipated prepayments, credit risk associated with a particular security, or as a result of restructuring its investment securities portfolio following completion of a business combination.

During the third quarter of 2008, the Company purchased a $142 million AAA-rated private placement mortgage-backed security that had been securitized by Bayview Financial Holdings, L.P. (together with its affiliates, Bayview Financial). Bayview Financial is a privately-held company and is the majority investor of Bayview Lending Group, LLC (BLG), a commercial mortgage lender in which M&T invested $300 million during 2007. Upon purchase, the mortgage-backed security was placed in the Company s held-to-maturity portfolio, as management determined that it had the intent and ability to hold the security to maturity. Management subsequently reconsidered whether certain other similar mortgage-backed securities previously purchased from Bayview Financial and held in the Company s available-for-sale portfolio should more appropriately be in the held-to-maturity portfolio. Concluding that it had the intent and ability to hold those securities to maturity as well, the Company transferred CMOs having a fair value of $298 million and a cost basis of $385 million from its available-for-sale investment securities portfolio to the held-to-maturity portfolio during the third quarter of 2008.

The Company regularly reviews its investment securities for declines in value below amortized cost that might be characterized as other than temporary. Other-than-temporary impairment charges of $86 million (pre-tax) were recognized during 2010. Approximately $68 million of those charges related to privately issued CMOs backed by residential and commercial real estate loans, $6 million related to CDOs backed by trust preferred securities issued by financial institutions and $12 million related to American Depositary Shares (ADSs) of AIB. The AIB ADSs were obtained in the 2003 acquisition of a subsidiary of AIB and are held to satisfy options to purchase such shares granted by that subsidiary to certain employees. Factors contributing to the impairment charge included mounting credit and other losses incurred by AIB, the issuance of AIB common stock in lieu of dividend payments on certain preferred stock issuances held by the Irish government resulting in significant dilution of AIB common shareholders, and public announcements by Irish government officials suggesting that increased government support, which could further dilute AIB common shareholders, may be necessary. Other-than-temporary impairment charges of $138 million (pre-tax) were recognized during 2009 related to certain privately issued CMOs and CDOs held in the Company s available-for-sale investment securities portfolio. Specifically, $130 million of such impairment charges related to privately issued CMOs and CDOs backed by residential real estate loans and $8 million related to CDOs backed by trust preferred securities of financial institutions. During the third quarter of 2008, the Company recognized an other-than-temporary impairment charge of $153 million related to its holdings of preferred stock of Fannie Mae and Freddie Mac. Additional other-than-temporary impairment charges of $29 million were recognized in 2008 on CMOs backed by option adjustable rate residential mortgage loans (ARMs) and CDOs backed by trust preferred securities of financial institutions. Poor economic conditions, high unemployment and depressed real estate values are significant factors contributing to the recognition of the other-than-temporary impairment charges related to CMOs and CDOs. Based on management s assessment of future cash flows associated with individual investment securities, as of December 31, 2010, the Company concluded that the remaining declines associated with the rest of the investment securities portfolio were temporary in nature. A further discussion of fair values of investment securities is included herein under the heading Capital. Additional information about the investment securities portfolio is included in notes 3 and 20 of Notes to Financial Statements.

Other earning assets include interest-earning deposits at the Federal Reserve Bank of New York and other banks, trading account assets, federal funds sold and agreements to resell securities. Those other earning assets in the aggregate averaged $417 million in 2010, $189 million in 2009 and $198 million in 2008. Reflected in those balances were purchases of investment securities under agreements to resell, which averaged $214 million, $41 million and

$96 million during 2010, 2009 and 2008, respectively. The
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higher level of resell agreements in 2010 as compared with 2009 and 2008 was due, in part, to the need to fulfill collateral requirements associated with certain municipal deposits. Agreements to resell securities, of which there were none outstanding at the 2010 and 2009 year-ends, are accounted for similar to collateralized loans, with changes in market value of the collateral monitored by the Company to ensure sufficient coverage. The amounts of investment securities and other earning assets held by the Company are influenced by such factors as demand for loans, which generally yield more than investment securities and other earning assets, ongoing repayments, the levels of deposits, and management of balance sheet size and resulting capital ratios.

The most significant source of funding for the Company is core deposits. During 2010 and prior years, the Company considered noninterest-bearing deposits, interest-bearing transaction accounts, savings deposits and domestic time deposits under $100,000 as core deposits. The Company s branch network is its principal source of core deposits, which generally carry lower interest rates than wholesale funds of comparable maturities. Certificates of deposit under $100,000 generated on a nationwide basis by M&T Bank, N.A. were also included in core deposits. Average core deposits totaled $43.6 billion in 2010, up from $39.1 billion in 2009 and $31.7 billion in 2008. The K Bank acquisition transaction added $491 million of core deposits on November 5, 2010, while the acquisition transactions in 2009 added $3.8 billion of core deposits on the respective acquisition dates. Average core deposits of M&T Bank, N.A. were $217 million in 2010, $337 million in 2009 and $274 million in 2008. Excluding deposits obtained in the acquisition transactions, the growth in core deposits from 2008 to 2009 and from 2009 to 2010 was due, in part, to the lack of attractive alternative investments available to the Company s customers resulting from lower interest rates and from the economic environment in the U.S. The low interest rate environment has resulted in a shift in customer savings trends, as average time deposits have continued to decline, while average noninterest-bearing deposits and savings deposits have increased. Funding provided by core deposits represented 73% of average earning assets in 2010, compared with 66% and 55% in 2009 and 2008, respectively. Table 8 summarizes average core deposits in 2010 and percentage changes in the components of such deposits over the past two years.

Table 8

AVERAGE CORE DEPOSITS

		Percentage Increase (Decrease) from	
	2010	**2009 to 2010**	**2008 to 2009**
	(In millions)		
NOW accounts	$ 581	10%	6%
Savings deposits	25,027	13	23
Time deposits under $100,000	4,278	(21)	(4)
Noninterest-bearing deposits	13,709	24	44
Total	$ 43,595	12%	23%

A provision of the Dodd-Frank Act permanently increased the maximum amount of FDIC deposit insurance for financial institutions to $250,000 per depositor. That maximum was $100,000 per depositor until 2009, when it was raised to $250,000 temporarily through December 31, 2013. As a result of the permanently increased deposit insurance coverage, effective December 31, 2010 the Company considers time deposits under $250,000 as core deposits. That change added $1.0 billion to core deposits, which aggregated $45.9 billion at December 31, 2010, but did not have an effect on average core deposits for 2010. As previously defined, core deposits totaled $43.1 billion at December 31, 2009.

Additional funding sources for the Company included domestic time deposits of $100,000 or more, deposits originated through the Company s Cayman Islands branch office, and brokered deposits. Domestic time deposits over $100,000, excluding brokered certificates of deposit, averaged $1.7 billion in 2010, compared with $2.6 billion in each of 2009 and 2008. Cayman Islands branch deposits, primarily comprised of accounts with balances of $100,000 or more, averaged $1.0 billion in 2010, $1.7 billion in

2009 and $4.0 billion in 2008. Average brokered time deposits totaled $642 million in 2010, compared with $822 million in 2009 and $1.4 billion in 2008, and at December 31, 2010 and 2009 totaled $485 million and $868 million, respectively. The Company also had brokered NOW and brokered money-market deposit accounts, which in the aggregate averaged $1.2 billion, $757 million and $218 million in 2010, 2009 and 2008, respectively. The significant increases in such average brokered deposit balances since 2008 reflect continued uncertain economic markets and the desire of brokerage firms to earn reasonable yields while ensuring that customer deposits were fully insured. Cayman Islands branch deposits and brokered deposits have been used by the Company as alternatives to short-term borrowings. Additional amounts of Cayman Islands branch deposits or brokered deposits may be added in the future depending on market conditions, including demand by customers and other investors for those deposits, and the cost of funds available from alternative sources at the time.

The Company also uses borrowings from banks, securities dealers, various Federal Home Loan Banks, the Federal Reserve and others as sources of funding. Average short-term borrowings were $1.9 billion in 2010, $2.9 billion in 2009 and $6.1 billion in 2008. Included in short-term borrowings were unsecured federal funds borrowings, which generally mature on the next business day, which averaged $1.7 billion, $1.8 billion and $4.5 billion in 2010, 2009 and 2008, respectively. Overnight federal funds borrowings represented the largest component of average short-term borrowings and were obtained from a wide variety of banks and other financial institutions. Overnight federal funds borrowings totaled $826 million at December 31, 2010 and $2.1 billion at December 31, 2009. Average short-term borrowings during 2010, 2009 and 2008 included $31 million, $688 million and $682 million, respectively, of borrowings from the Federal Home Loan Bank (FHLB) of New York and the FHLB of Atlanta. Also included in average short-term borrowings in 2009 and 2008 were secured borrowings with the Federal Reserve through their Term Auction Facility (TAF). Borrowings under the TAF averaged $268 million and $238 million during 2009 and 2008, respectively. There were no outstanding borrowings under the TAF at either December 31, 2010 or 2009. The need for short-term borrowings from the FHLBs and the Federal Reserve Bank of New York has diminished with the continued growth in the Company s core deposits. Also included in average short-term borrowings in 2008 was a $500 million revolving asset-backed structured borrowing secured by automobile loans that was paid off during late-2008. The average balance of that borrowing was $463 million in 2008.

Long-term borrowings averaged $9.2 billion in 2010, $11.1 billion in 2009 and $11.6 billion in 2008. Included in average long-term borrowings were amounts borrowed from FHLBs of $4.2 billion in 2010, $6.1 billion in 2009 and $6.7 billion in 2008, and subordinated capital notes of $1.8 billion in 2010 and $1.9 billion in each of 2009 and 2008. The Company has utilized interest rate swap agreements to modify the repricing characteristics of certain components of long-term debt. As of December 31, 2010, swap agreements were used to hedge approximately $900 million of fixed rate subordinated notes. Further information on interest rate swap agreements is provided in note 18 of Notes to Financial Statements. Junior subordinated debentures associated with trust preferred securities that were included in average long-term borrowings were $1.2 billion in 2010 and $1.1 billion in each of 2009 and 2008. Additional information regarding junior subordinated debentures, as well as information regarding contractual maturities of long-term borrowings, is provided in note 9 of Notes to Financial Statements. Also included in long-term borrowings were agreements to repurchase securities, which averaged $1.6 billion during 2010, 2009 and 2008. The agreements, which were entered into due to favorable rates available, have various repurchase dates through 2017, however, the contractual maturities of the underlying securities extend beyond such repurchase dates.

Changes in the composition of the Company s earning assets and interest-bearing liabilities as discussed herein, as well as changes in interest rates and spreads, can impact net interest income. Net interest spread, or the difference between the taxable-equivalent yield on earning assets and the rate paid on interest-bearing liabilities, was 3.59% in 2010, compared with 3.21% in 2009. The yield on the Company s earning assets was 4.61% in each of 2010 and 2009, while the rate paid on interest-bearing liabilities declined 38 basis points to 1.02% in 2010 from 1.40% in 2009. The yield on earning assets during 2009 was 108 basis points lower than 5.69% in 2008, while the rate paid on interest-bearing liabilities decreased 128 basis points from 2.68% in 2008. The improvement in spread in 2010 as compared with 2009 was due predominantly to lower average rates paid on deposits. The improvement

in spread from 2008 to 2009 reflected lower rates paid on deposits and borrowings. Those lower rates reflected the impact of the sluggish economy and the Federal Reserve s monetary policies on both short-term and long-term interest rates. In addition, the Federal Open Market Committee noted in December 2010 that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, were likely to warrant exceptionally low levels for the federal funds rate for an extended period of time. At December 31, 2010 and 2009, the Federal Reserve s target range for the overnight federal funds rate was 0% to .25%.

Net interest-free funds consist largely of noninterest-bearing demand deposits and shareholders equity, partially offset by bank owned life insurance and non-earning assets, including goodwill and core deposit and other intangible assets. Net interest-free funds averaged $14.4 billion in 2010, compared with $11.7 billion in 2009 and $8.1 billion in 2008. The significant increases in average net interest-free funds in 2010 and 2009 were largely the result of higher balances of noninterest-bearing deposits, which averaged $13.7 billion in 2010, $11.1 billion in 2009, and $7.7 billion in 2008. In connection with the Provident and Bradford transactions, the Company added noninterest-bearing deposits totaling $946 million at the respective 2009 acquisition dates. Goodwill and core deposit and other intangible assets averaged $3.7 billion in 2010, $3.6 billion in 2009, and $3.4 billion in 2008. The cash surrender value of bank owned life insurance averaged $1.5 billion in 2010, $1.4 billion in 2009 and $1.2 billion in 2008. Increases in the cash surrender value of bank owned life insurance are not included in interest income, but rather are recorded in other revenues from operations. The contribution of net interest-free funds to net interest margin was .25% in 2010, .28% in 2009 and .37% in 2008. The decline in the contribution to net interest margin ascribed to net interest-free funds in 2010 as compared with 2009 and in 2009 as compared with 2008 resulted largely from the impact of lower interest rates on interest-bearing liabilities used to value such contribution.

Reflecting the changes to the net interest spread and the contribution of interest-free funds as described herein, the Company s net interest margin was 3.84% in 2010, compared with 3.49% in 2009 and 3.38% in 2008. Future changes in market interest rates or spreads, as well as changes in the composition of the Company s portfolios of earning assets and interest-bearing liabilities that result in reductions in spreads, could adversely impact the Company s net interest income and net interest margin.

Management assesses the potential impact of future changes in interest rates and spreads by projecting net interest income under several interest rate scenarios. In managing interest rate risk, the Company has utilized interest rate swap agreements to modify the repricing characteristics of certain portions of its portfolios of earning assets and interest-bearing liabilities. Periodic settlement amounts arising from these agreements are generally reflected in either the yields earned on assets or the rates paid on interest-bearing liabilities. The notional amount of interest rate swap agreements entered into for interest rate risk management purposes was $900 million and $1.1 billion at December 31, 2010 and 2009, respectively. Under the terms of those swap agreements, the Company received payments based on the outstanding notional amount of the agreements at fixed rates and made payments at variable rates. Those swap agreements were designated as fair value hedges of certain fixed rate long-term borrowings and, to a lesser extent at December 31, 2009, certain fixed rate time deposits. There were no interest rate swap agreements designated as cash flow hedges at those respective dates.

In a fair value hedge, the fair value of the derivative (the interest rate swap agreement) and changes in the fair value of the hedged item are recorded in the Company s consolidated balance sheet with the corresponding gain or loss recognized in current earnings. The difference between changes in the fair value of the interest rate swap agreements and the hedged items represents hedge ineffectiveness and is recorded in other revenues from operations in the Company s consolidated statement of income. In a cash flow hedge, unlike in a fair value hedge, the effective portion of the derivative s gain or loss is initially reported as a component of other comprehensive income and subsequently reclassified into earnings when the forecasted transaction affects earnings. The ineffective portion of the gain or loss is reported in other revenues from operations immediately. The amounts of hedge ineffectiveness recognized in 2010, 2009 and 2008 were not material to the Company s results of operations. The estimated aggregate fair value of interest rate swap agreements designated as fair value hedges represented gains of approximately $97 million at December 31, 2010 and $54 million at December 31, 2009. The fair values of such swap agreements were substantially offset by changes in the fair values of the hedged

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items. The changes in the fair values of the interest rate swap agreements and the hedged items primarily result from the effects of changing interest rates and spreads. The Company s credit exposure as of December 31, 2010 with respect to the estimated fair value of interest rate swap agreements used for managing interest rate risk has been substantially mitigated through master netting arrangements with trading account interest rate contracts with the same counterparty as well as counterparty postings of $55 million of collateral with the Company. Additional information about swap agreements and the items being hedged is included in note 18 of Notes to Financial Statements. The average notional amounts of interest rate swap agreements entered into for interest rate risk management purposes, the related effect on net interest income and margin, and the weighted-average interest rates paid or received on those swap agreements are presented in table 9.

Table 9

INTEREST RATE SWAP AGREEMENTS

	Year Ended December 31					
	2010		**2009**		**2008**	
	Amount	**Rate(a)**	**Amount**	**Rate(a)**	**Amount**	**Rate(a)**
	(Dollars in thousands)					
Increase (decrease) in:						