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

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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

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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).

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,

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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

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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.

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	2007	2006
			(In thousands)		
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		
	Total Change	Resulting from Changes in: Volume	Rate	Total Change	Resulting from Changes in: Volume	Rate
	(Increase (decrease) in thousands)					
Interest income						
Loans and leases, including fees	$ 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.

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,

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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 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

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.

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.

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.

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

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

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.

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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,
10	115.9	6	Net interest income(b)		2,291.5	2,077.6	1,961.7	1,871.0	1,
(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,
			Less:						
	44.8	5	Salaries and employee benefits		999.7	1,001.9	957.1	908.3	
(6)	208.8	27	Other expense		915.1	978.7	769.9	719.3	
106	(220.5)	(29)	Income before income taxes		1,116.8	541.1	761.6	984.4	1,
			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	
94	$ (176.0)	(32)	Net income	$	736.2	379.9	555.9	654.3	

(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.

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 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

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 (Dollars in thousands)					
	2010		2009		2008	
	Amount	Rate(a)	Amount	Rate(a)	Amount	Rate(a)
Increase (decrease) in:						
Interest income	$	%	$	%	$	%
Interest expense	(41,885)	(.09)	(38,208)	(.08)	(15,857)	(.03)
Net interest income/margin	$ 41,885	.07%	$ 38,208	.07%	$ 15,857	.03%
Average notional amount	$ 1,012,786		$ 1,079,625		$ 1,269,017	
Rate received(b)		6.27%		6.32%		6.12%
Rate paid(b)		2.14%		2.78%		4.87%

(a) *Computed as a percentage of average earning assets or interest-bearing liabilities.*

(b) *Weighted-average rate paid or received on interest rate swap agreements in effect during year.*

Provision for Credit Losses

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. A provision for credit losses is recorded to adjust the level of the allowance as deemed necessary by management. The provision for credit losses was $368 million in 2010, compared with $604 million in 2009 and $412 million in 2008. Net loan charge-offs aggregated $346 million in 2010, $514 million in 2009 and $383 million in 2008. Net loan charge-offs as a percentage of average loans outstanding were .67% in 2010, compared with 1.01% in 2009 and .78% in 2008. While the Company experienced improvement in its credit quality metrics during 2010, the levels of the provision subsequent to 2007 have been higher than historical levels, reflecting a pronounced downturn in the U.S. economy and significant deterioration in the residential real estate market that began in early-2007. Declining real estate valuations and high levels of delinquencies and charge-offs significantly affected the quality of the Company s residential real estate-related loan portfolios. Specifically, the Company s Alt-A residential real estate loan portfolio and its residential real estate builder and developer loan portfolio experienced the majority of the credit problems related to the turmoil in the residential real estate marketplace. The Company also experienced higher levels of commercial and consumer loan charge-offs over the past three years due to, among other things, higher unemployment levels and the recessionary economy. A summary of the Company s loan charge-offs, provision and allowance for credit losses is presented in table 10 and in note 5 of Notes to Financial Statements.

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Table 10

LOAN CHARGE-OFFS, PROVISION AND ALLOWANCE FOR CREDIT LOSSES

	2010	2009	2008	2007	2006
			(Dollars in thousands)		
Allowance for credit losses beginning balance	$ 878,022	$ 787,904	$ 759,439	$ 649,948	$ 637,663
Charge-offs during year					
Commercial, financial, leasing, etc.	91,650	180,119	102,092	32,206	23,949
Real estate construction	86,603	127,728	105,940	3,830	
Real estate mortgage	108,500	95,109	73,485	23,552	6,406
Consumer	125,593	153,506	139,138	86,710	65,251
Total charge-offs	412,346	556,462	420,655	146,298	95,606
Recoveries during year					
Commercial, financial, leasing, etc.	26,621	7,999	8,587	8,366	4,119
Real estate construction	4,975	2,623	369		
Real estate mortgage	10,954	6,917	4,069	1,934	1,784
Consumer	23,963	25,041	24,620	22,243	21,988
Total recoveries	66,513	42,580	37,645	32,543	27,891
Net charge-offs	345,833	513,882	383,010	113,755	67,715
Provision for credit losses	368,000	604,000	412,000	192,000	80,000
Allowance for credit losses acquired during the year				32,668	
Allowance related to loans sold or securitized			(525)	(1,422)	
Consolidation of loan securitization trusts	2,752				
Allowance for credit losses ending balance	$ 902,941	$ 878,022	$ 787,904	$ 759,439	$ 649,948
Net charge-offs as a percent of:					
Provision for credit losses	93.98%	85.08%	92.96%	59.25%	84.64%
Average loans and leases, net of unearned discount	.67%	1.01%	.78%	.26%	.16%
Allowance for credit losses as a percent of loans and leases, net of unearned discount, at year-end:					
Legacy loans	1.82%	1.83%	1.61%	1.58%	1.51%
Total loans	1.74%	1.69%	1.61%	1.58%	1.51%

Loans acquired in connection with the 2010 and 2009 acquisition transactions were recorded at fair value with no carry-over of any previously recorded allowance for credit losses. Determining the fair value of the acquired loans required estimating cash flows expected to be collected on the loans and discounting those cash flows at current interest rates. The excess of cash flows expected at acquisition over the estimated fair value is recognized as interest income over the remaining lives of the loans. The difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition reflects estimated future credit losses and other contractually required payments that the Company does not expect to collect. The Company regularly evaluates the reasonableness of its cash flow projections. Any decreases to the expected cash flows require the Company to evaluate the need for an additional allowance for credit losses and could lead to charge-offs of acquired loan balances. Any significant increases in expected cash flows result in additional interest income to be recognized over the then-remaining lives of the loans.

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Nonaccrual loans totaled $1.24 billion or 2.38% of outstanding loans and leases at December 31, 2010, compared with $1.33 billion or 2.56% at December 31, 2009 and $755 million or 1.54% at December 31, 2008. The decline in nonaccrual loans at the end of 2010 as compared with December 31, 2009 was largely attributable to the impact of charge-offs, individually significant payments made in 2010 by a borrower that operates retirement communities and by a borrower that is a consumer finance and credit insurance company, and the transfer to real estate and other foreclosed assets of $98 million of collateral related to a commercial real estate loan that was placed in nonaccrual status during the fourth quarter of 2009. Those reductions were partially offset by additional loans being transferred to nonaccrual status. In particular, in the fourth quarter of 2010 such transfers included an $80 million relationship with a residential builder and developer and $66 million of commercial construction loans to an owner/operator of retirement and assisted living facilities. Major factors contributing to the rise in nonaccrual loans from December 31, 2008 to the 2009 year-end were a $209 million increase in commercial loans and leases and a $319 million increase in commercial real estate loans, including a $113 million rise in loans to builders and developers of residential real estate. The continuing turbulence in the residential real estate marketplace has resulted in depressed real estate values and high levels of delinquencies, both for loans to consumers and loans to builders and developers of residential real estate. The sluggish U.S. economy has resulted in generally higher levels of nonaccrual loans than historically experienced by the Company.

Accruing loans past due 90 days or more were $270 million or .52% of total loans and leases at December 31, 2010, compared with $208 million or .40% at December 31, 2009 and $159 million or .32% at December 31, 2008. Those loans included loans guaranteed by government-related entities of $214 million, $193 million and $114 million at December 31, 2010, 2009 and 2008, respectively. Such guaranteed loans included one-to-four family residential mortgage loans serviced by the Company that were repurchased to reduce associated servicing costs, including a requirement to advance principal and interest payments that had not been received from individual mortgagors. Despite the loans being purchased by the Company, the insurance or guarantee by the applicable government-related entity remains in force. The outstanding principal balances of the repurchased loans are fully guaranteed by government-related entities and totaled $191 million at December 31, 2010, $176 million at December 31, 2009 and $108 million at December 31, 2008. Loans past due 90 days or more and accruing interest that were guaranteed by government-related entities also included foreign commercial and industrial loans supported by the Export-Import Bank of the United States that totaled $11 million at December 31, 2010, $13 million at December 31, 2009 and $5 million at December 31, 2008. A summary of nonperforming assets and certain past due, renegotiated and impaired loan data and credit quality ratios is presented in table 11.

Table 11

NONPERFORMING ASSET AND PAST DUE, RENEGOTIATED AND IMPAIRED LOAN DATA

December 31	2010	2009	2008	2007	2006
			(Dollars in thousands)		
Nonaccrual loans	$ 1,239,194	$ 1,331,702	$ 755,397	$ 431,282	$ 209,272
Real estate and other foreclosed assets	220,049	94,604	99,617	40,175	12,141
Total nonperforming assets	$ 1,459,243	$ 1,426,306	$ 855,014	$ 471,457	$ 221,413
Accruing loans past due 90 days or more(a)	$ 269,593	$ 208,080	$ 158,991	$ 77,319	$ 111,307
Renegotiated loans	$ 233,342	$ 212,548	$ 91,575	$ 15,884	$ 14,956
Government guaranteed loans included in totals above:					
Nonaccrual loans	$ 56,787	$ 38,579	$ 32,506	$ 19,125	$ 17,586
Accruing loans past due 90 days or more	214,111	193,495	114,183	72,705	76,622
Purchased impaired loans(b):					
Outstanding customer balance	$ 219,477	$ 172,772			
Carrying amount	97,019	88,170			
Nonaccrual loans to total loans and leases, net of unearned discount	2.38%	2.56%	1.54%	.90%	.49%
Nonperforming assets to total net loans and leases and real estate and other foreclosed assets	2.79%	2.74%	1.74%	.98%	.52%
Accruing loans past due 90 days or more to total loans and leases, net of unearned discount	.52%	.40%	.32%	.16%	.26%

(a) *Predominately residential mortgage loans.*

(b) *Accruing loans that were impaired at acquisition date and recorded at fair value.*

Loans obtained in the 2010 and 2009 acquisition transactions that were impaired at the date of acquisition were recorded at estimated fair value and are generally delinquent in payments, but, in accordance with GAAP the Company continues to accrue interest income on such loans based on the estimated expected cash flows associated with the loans. The carrying amount of such loans was $97 million at December 31, 2010, or approximately .2% of total loans.

In an effort to assist borrowers, the Company modified the terms of select loans secured by residential real estate, largely from the Company s portfolio of Alt-A loans. Included in loans outstanding at December 31, 2010 were $308 million of such modified loans, of which $117 million were classified as nonaccrual. The remaining modified loans have demonstrated payment capability consistent with the modified terms and, accordingly, were classified as renegotiated loans and were accruing interest at the 2010 year-end. Loan modifications included such actions as the extension of loan maturity dates (generally from thirty to forty years) and the lowering of interest rates and monthly payments. The objective of the modifications was to increase loan repayments by customers and thereby reduce net charge-offs. In accordance with GAAP, the modified loans are included in impaired loans for purposes of determining the level of the allowance for credit losses. Modified residential real estate loans totaled $292 million at December 31, 2009, of which $108 million were in nonaccrual status. The Company has not generally granted loan modifications that involved a reduction of loan principal balance.

Net charge-offs of commercial loans and leases totaled $65 million in 2010, $172 million in 2009 and $94 million in 2008. The higher charge-offs experienced during 2009 were largely the result of a few individually significant charge-offs in that year, including a $45 million partial charge-off of an unsecured loan to a single customer in the commercial real estate sector and a $42 million partial charge-off of a relationship with an operator of retirement communities. Commercial loans and leases in nonaccrual status were $187 million at December 31, 2010, $322 million at December 31, 2009 and $114 million at

December 31, 2008. The decline from December 31, 2009 to the 2010 year-end reflects $62 million of payments related to a single borrower that operates retirement communities and the payoffs of a $37 million loan to a consumer finance and credit insurance company and a $36 million loan to a borrower in the commercial real estate sector. The rise in nonaccrual commercial loans from the 2008 year-end to December 31, 2009 reflects the impact of general economic conditions on borrowers abilities to repay loans. Specifically contributing to that increase were the additions of the relationship to a borrower that operates retirement communities ($41 million), a $37 million loan to a consumer finance and credit insurance company, the loan to a borrower in the commercial real estate sector ($36 million) and a $22 million loan to a business in the health care sector.

Net charge-offs of commercial real estate loans during 2010, 2009 and 2008 were $118 million, $121 million and $112 million, respectively. Reflected in 2010 s charge-offs were $71 million of loans to residential real estate builders and developers, compared with $92 million in 2009 and $100 million in 2008. Commercial real estate loans classified as nonaccrual totaled $682 million at December 31, 2010, compared with $638 million at December 31, 2009 and $319 million at December 31, 2008. The increase in such loans in 2010 reflects a $40 million rise in nonperforming loans to homebuilders and developers and the addition of $66 million of construction loans to an owner/operator of retirement and assisted living facilities. Those factors were partially offset by the removal from this category of a loan collateralized by real estate in New York City that was initially placed on nonaccrual status in the fourth quarter of 2009. Following a $7 million charge-off, the remaining $98 million of that loan s carrying value was transferred to Real Estate and Other Foreclosed Assets in the second quarter of 2010. Contributing to the rise in commercial real estate loans in nonaccrual status from December 31, 2008 to the 2009 year-end were an increase of $113 million in such loans to residential homebuilders and developers and the loan collateralized by real estate in New York City ($104 million). At December 31, 2010 and 2009, loans to residential homebuilders and developers classified as nonaccrual aggregated $362 million and $322 million, respectively, compared with $209 million at December 31, 2008. Information about the location of nonaccrual and charged-off loans to residential real estate builders and developers as of and for the year ended December 31, 2010 is presented in table 12.

Table 12

RESIDENTIAL BUILDER AND DEVELOPER LOANS, NET OF UNEARNED DISCOUNT

	December 31, 2010			Year Ended December 31, 2010 Net Charge-offs (Recoveries)	
		Nonaccrual			
	Outstanding Balances(a)	Balances	Percent of Outstanding Balances	Balances	Percent of Average Outstanding Balances
	(Dollars in thousands)				
New York	$ 250,045	$ 30,600	12.24%	$ 15,713	4.84%
Pennsylvania	192,793	95,808	49.70	7,387	3.14
Mid-Atlantic	732,011	178,166	24.34	30,364	3.90
Other	229,736	57,703	25.12	17,542	7.60
Total	$ 1,404,585	$ 362,277	25.79%	$ 71,006	4.53%

(a) *Includes approximately $53 million of loans not secured by real estate, of which approximately $16 million are in nonaccrual status.*

Residential real estate loans charged off, net of recoveries, were $61 million in 2010, $92 million in 2009 and $63 million in 2008. Nonaccrual residential real estate loans at the end of 2010 totaled $279 million, compared with $281 million and $256 million at December 31, 2009 and 2008, respectively. Depressed real estate values and high levels of delinquencies have contributed to the higher than historical levels of residential real estate loans classified as nonaccrual at the three most recent year-ends and to the elevated levels of charge-offs, largely in the Company s Alt-A portfolio. Net charge-offs of Alt-

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A loans were $34 million in 2010, $52 million in 2009 and $44 million in 2008. Nonaccrual Alt-A loans aggregated $106 million at December 31, 2010, compared with $112 million and $125 million at December 31, 2009 and 2008, respectively. Residential real estate loans past due 90 days or more and accruing interest totaled $192 million, $178 million and $108 million at December 31, 2010, 2009 and 2008, respectively. A substantial portion of such amounts related to guaranteed loans repurchased from government-related entities. Information about the location of nonaccrual and charged-off residential real estate loans as of and for the year ended December 31, 2010 is presented in table 13.

Net charge-offs of consumer loans during 2010 were $102 million, representing .87% of average consumer loans and leases outstanding, compared with $129 million or 1.10% in 2009 and $114 million or 1.03% in 2008. Automobile loans represented the most significant category of consumer loan charge-offs during the past three years. Net charge-offs of automobile loans were $32 million during 2010, $56 million during 2009 and $51 million during 2008. Consumer loan charge-offs also included recreational vehicle loans of $23 million, $25 million and $21 million during 2010, 2009 and 2008, respectively, and home equity loans and lines of credit secured by one-to-four family residential properties of $31 million during each of 2010 and 2008, and $39 million during 2009. Nonaccrual consumer loans were $91 million at each of December 31, 2010 and 2009, representing .79% and .75%, respectively, of outstanding consumer loans, compared with $66 million or .60% at December 31, 2008. Included in nonaccrual consumer loans and leases at the 2010, 2009 and 2008 year-ends were: indirect automobile loans of $32 million, $39 million and $21 million, respectively; recreational vehicle loans of $13 million, $15 million and $14 million; and outstanding balances of home equity loans and lines of credit, including second lien, Alt-A loans, of $43 million, $33 million and $29 million, respectively. At the 2010, 2009 and 2008 year-ends, consumer loans and leases delinquent 30-89 days totaled $120 million, $141 million and $118 million, respectively, or 1.04%, 1.17%, and 1.07% of outstanding consumer loans. Consumer loans past due 90 days or more and accruing interest totaled $4 million at each of December 31, 2010 and December 31, 2009 and $1 million at December 31, 2008. Information about the location of nonaccrual and charged-off home equity loans and lines of credit as of and for the year ended December 31, 2010 is presented in table 13.

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Table 13

SELECTED RESIDENTIAL REAL ESTATE-RELATED LOAN DATA

	December 31, 2010			Year Ended December 31, 2010 Net Charge-offs	
		Nonaccrual			
	Outstanding Balances	Balances	Percent of Outstanding Balances	Balances	Percent of Average Outstanding Balances
	(Dollars in thousands)				
Residential mortgages					
New York	$ 2,208,737	$ 45,132	2.04%	$ 4,140	0.20%
Pennsylvania	760,965	18,437	2.42	2,052	0.29
Mid-Atlantic	1,118,568	40,753	3.64	8,244	0.78
Other	1,144,347	62,625	5.47	9,204	0.81
Total	$ 5,232,617	$ 166,947	3.19%	$ 23,640	0.48%
Residential construction loans					
New York	$ 9,161	$ 555	6.06%	$ 54	0.48%
Pennsylvania	3,178	871	27.41	167	3.35
Mid-Atlantic	19,587	204	1.04	620	10.20
Other	39,134	4,152	10.61	2,798	6.46
Total	$ 71,060	$ 5,782	8.14%	$ 3,639	5.54%
Alt-A first mortgages					
New York	$ 93,564	$ 13,602	14.54%	$ 2,047	2.02%
Pennsylvania	23,136	3,192	13.80	1,110	4.11
Mid-Atlantic	114,930	16,960	14.76	4,142	3.27
Other	392,749	72,715	18.51	26,365	6.03
Total	$ 624,379	$ 106,469	17.05%	$ 33,664	4.86%
Alt-A junior lien					
New York	$ 2,894	$	%	$ 316	10.16%
Pennsylvania	694	35	5.04	360	38.78
Mid-Atlantic	4,592	305	6.64	374	7.41
Other	15,261	1,323	8.67	3,316	18.75
Total	$ 23,441	$ 1,663	7.09%	$ 4,366	16.31%
First lien home equity loans					
New York	$ 34,551	$ 268	0.78%	$ 6	0.02%

Pennsylvania	196,054	2,541	1.30	288	0.13
Mid-Atlantic	153,176	2,140	1.40	45	0.03
Other	1,113	136	12.22		
Total	$ 384,894	$ 5,085	1.32%	$ 339	0.08%
First lien home equity lines					
New York	$ 861,365	$ 2,111	0.25%	$ 329	0.04%
Pennsylvania	559,886	1,132	0.20	295	0.06
Mid-Atlantic	534,220	1,083	0.20	479	0.09
Other	12,973	367	2.83		
Total	$ 1,968,444	$ 4,693	0.24%	$ 1,103	0.06%
Junior lien home equity loans					
New York	$ 86,268	$ 940	1.09%	$ 876	0.86%
Pennsylvania	91,960	771	0.84	127	0.12
Mid-Atlantic	157,298	3,431	2.18	1,065	0.60
Other	16,901	1,152	6.82	457	2.89
Total	$ 352,427	$ 6,294	1.79%	$ 2,525	0.62%
Junior lien home equity lines					
New York	$ 1,698,111	$ 14,822	0.87%	$ 11,978	0.71%
Pennsylvania	573,125	1,273	0.22	1,519	0.25
Mid-Atlantic	1,479,394	6,981	0.47	7,325	0.47
Other	76,515	2,244	2.93	2,001	2.55
Total	$ 3,827,145	$ 25,320	0.66%	$ 22,823	0.58%

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Information about past due and nonaccrual loans as of December 31, 2010 is also included in note 4 of Notes to Financial Statements.

Management regularly assesses the adequacy of the allowance for credit losses by performing ongoing evaluations of the loan and lease portfolio, including such factors as the differing economic risks associated with each loan category, the financial condition of specific borrowers, the economic environment in which borrowers operate, the level of delinquent loans, the value of any collateral and, where applicable, the existence of any guarantees or indemnifications. Management evaluated the impact of changes in interest rates and overall economic conditions on the ability of borrowers to meet repayment obligations when quantifying the Company s exposure to credit losses and assessing the adequacy of the Company s allowance for such losses as of each reporting date. Factors also considered by management when performing its assessment, in addition to general economic conditions and the other factors described above, included, but were not limited to: (i) the impact of declining residential 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 Alt-A residential mortgage loans; (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 other loan types. The level of the allowance is adjusted based on the results of management s analysis.

Management cautiously and conservatively evaluated the allowance for credit losses as of December 31, 2010 in light of: (i) residential real estate values and the level of delinquencies of residential real estate loans; (ii) the sluggish economic conditions in many of the markets served by the Company; (iii) continuing weakness in industrial employment in upstate New York and central Pennsylvania; (iv) the significant subjectivity involved in commercial real estate valuations for properties located in areas with stagnant or low growth economies; and (v) the amount of loan growth experienced by the Company. Considerable concerns exist about economic conditions 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; 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. Although the U.S. economy experienced recession and weak economic conditions during recent years, the impact of those conditions was not as pronounced on borrowers in the traditionally slower growth or stagnant regions of upstate New York and central Pennsylvania. Approximately one-half of the Company s loans are to customers in upstate New York and Pennsylvania. Home prices in upstate New York and central Pennsylvania were largely unchanged in 2009 and 2010, in contrast to declines in values in many other regions of the country. Therefore, despite the conditions, as previously described, the most severe credit issues experienced by the Company have been centered around residential real estate, including loans to builders and developers of residential real estate, in areas other than New York State and Pennsylvania. In response, the Company has conducted detailed reviews of all loans to residential real estate builders and developers that exceeded $2.5 million. Those credit reviews often resulted in commencement of intensified collection efforts, including foreclosure. During 2009 and 2010, the Company also experienced increases in nonaccrual commercial real estate loans, in part due to builders and developers of residential real estate. 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 the Company s potential courses of action are reviewed. To the extent that these loans are collateral-dependent, they are evaluated based on

the fair value of the loan s collateral as estimated at or near the financial statement date. As the quality of a loan deteriorates to the point of classifying the loan as Special Mention, the process of obtaining updated collateral valuation information is usually initiated, unless it is not considered warranted given factors such as the relative size of the loan, the characteristics of the collateral or the age of the last valuation. In those cases where current appraisals may not yet be available, prior appraisals are utilized with adjustments, as deemed necessary, for estimates of subsequent declines in value as determined by line of business and/or loan workout personnel in the respective geographic regions. Those adjustments are reviewed and assessed for reasonableness by the Company s loan review department. Accordingly, for real estate collateral securing larger commercial and commercial real estate loans, estimated collateral values are based on current appraisals and estimates of value. For non-real estate loans, collateral is assigned a discounted estimated liquidation value and, depending on the nature of the collateral, is verified through field exams or other procedures. In assessing collateral, real estate and non-real estate values are reduced by an estimate of selling costs. With regard to residential real estate loans, the Company expanded its collections and loan work-out staff and further refined its loss identification and estimation techniques by reference to loan performance and house price depreciation data in specific areas of the country where collateral that was securing the Company s residential real estate loans was located. For residential real estate-related loans, including home equity loans and lines of credit, the excess of the loan balance over the net realizable value of the property collateralizing the loan is charged-off when the loan becomes 150 days delinquent. That charge-off is based on recent indications of value from external parties.

Factors that influence the Company s credit loss experience include overall economic conditions affecting businesses and consumers, generally, but also residential and commercial real estate valuations, in particular, given the size of the Company s real estate loan portfolios. Reflecting the factors and conditions as described herein, the Company has experienced historically high levels of nonaccrual loans and net charge-offs of residential real estate-related loans, including first and second lien Alt-A mortgage loans and loans to builders and developers of residential real estate. The Company has also experienced higher than historical levels of nonaccrual commercial real estate loans in 2009 and 2010. Commercial real estate valuations can be highly subjective, as they are based upon many assumptions. Such valuations can be significantly affected over relatively short periods of time by changes in business climate, economic conditions, interest rates, and, in many cases, the results of operations of businesses and other occupants of the real property. Similarly, residential real estate valuations can be impacted by housing trends, the availability of financing at reasonable interest rates, and general economic conditions affecting consumers.

In ascertaining the adequacy of the allowance for credit losses, the Company estimates losses attributable to specific troubled credits identified through both normal and detailed or intensified credit review processes and also estimates losses inherent in other loans and leases. In quantifying incurred losses, the Company considers the factors and uses the techniques described herein. For purposes of determining the level of the allowance for credit losses, the Company segments its loan and lease portfolio by loan type. The amount of specific loss components in the Company s loan and lease portfolios is determined through a loan by loan analysis of commercial loans and commercial real estate loans in nonaccrual status. Measurement of the specific loss components is typically based on expected future cash flows, collateral values and other factors that may impact the borrower s ability to pay. Except for consumer loans and leases and residential real estate loans that are considered smaller balance homogeneous loans and are evaluated collectively, the Company considers a loan to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts according to the contractual terms of the loan agreement or the loan is delinquent 90 days or more and has been placed in nonaccrual status. Those impaired loans are evaluated for specific loss components. Modified loans, including smaller balance homogenous loans, that are considered to be troubled debt restructurings are evaluated for impairment giving consideration to the impact of the modified loan terms on the present value of the loan s expected cash flows. Loans less than 90 days delinquent are deemed to have a minimal delay in payment and are generally not considered to be impaired.

The inherent base level loss components of the Company s allowance for credit losses are generally determined by applying loss factors to specific loan balances based on loan type and management s classification of such loans under the Company s loan grading system. The Company utilizes an extensive loan grading system which is applied to all commercial and commercial real estate credits. Loan officers are responsible for continually assigning grades to these loans based on standards outlined in the Company s Credit Policy. Internal loan grades are also extensively monitored by the Company s loan review department to ensure consistency and strict adherence to the prescribed standards. Loan balances utilized in the inherent base level loss component computations exclude loans and leases for which specific allocations are maintained. Loan grades are assigned loss component factors that reflect the Company s loss estimate for each group of loans and leases. Factors considered in assigning loan grades and loss component factors include borrower-specific information related to expected future cash flows and operating results, collateral values, financial condition, payment status, and other information; levels of and trends in portfolio charge-offs and recoveries; levels of and trends in portfolio delinquencies and impaired loans; changes in the risk profile of specific portfolios; trends in volume and terms of loans; effects of changes in credit concentrations; and observed trends and practices in the banking industry. In assessing the overall adequacy of the allowance for credit losses, management also gives consideration to such factors as customer, industry and geographic concentrations as well as national and local economic conditions including: (i) the comparatively poorer economic conditions and unfavorable business climate in many market regions served by the Company, specifically upstate New York and central Pennsylvania, that result in such regions generally experiencing significantly poorer economic growth and vitality as compared with much of the rest of the country; (ii) portfolio concentrations regarding loan type, collateral type and geographic location; and (iii) additional risk associated with the Company s portfolio of consumer loans, in particular automobile loans and leases, which generally have higher rates of loss than other types of collateralized loans.

In evaluating collateral, the Company relies extensively on internally and externally prepared valuations. In recent years, valuations of residential real estate, which are usually based on sales of comparable properties, declined significantly in many regions across the United States. Commercial real estate valuations also refer to sales of comparable properties but oftentimes are based on calculations that utilize many assumptions and, as a result, can be highly subjective. Specifically, commercial real estate values can be significantly affected over relatively short periods of time by changes in business climate, economic conditions and interest rates, and, in many cases, the results of operations of businesses and other occupants of the real property. Additionally, management is aware that there is oftentimes a delay in the recognition of credit quality changes in loans and, as a result, in changes to assigned loan grades due to time delays in the manifestation and reporting of underlying events that impact credit quality. Accordingly, loss estimates derived from the inherent base level loss component computation are adjusted for current national and local economic conditions and trends. Economic indicators in the most significant market regions served by the Company were weak, but stabilizing, during 2010, indicative of a sluggish economy. For example, during 2010, private sector employment declined in most market areas served by the Company. Such declines were generally similar to the national average decline of 0.5%. Private sector employment in 2010 declined 0.5% in upstate New York, 0.7% in areas of Pennsylvania served by the Company and 0.3% in Maryland, but increased by 0.4% in Greater Washington D.C. Private employment in areas of Pennsylvania served by the Company declined by 4.2% in 2009, while employment in the Maryland and Greater Washington D.C. regions fell by 4.0% and 2.9%, respectively, compared with the national average of a 5.2% decrease. In New York City, private sector employment increased by .2% in 2010, however, unemployment rates there remain elevated and are expected to continue at above historical levels during 2011. At the end of 2010 there remained significant concerns about the pace of national economic recovery from the recession, high unemployment, real estate valuations, high levels of consumer indebtedness, volatile energy prices and state and local government budget deficits. Those factors are expected to act as a significant drag on the national economy in 2011.

The specific loss components and the inherent base level loss components together comprise the total base level or allocated allowance for credit losses. Such allocated portion of the allowance represents management s assessment of losses existing in specific larger balance loans that are reviewed in detail by management and pools of other loans that are not individually analyzed. In addition, the

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Company has always provided an inherent unallocated portion of the allowance that is intended to recognize probable losses that are not otherwise identifiable. The inherent unallocated allowance includes management s subjective determination of amounts necessary for such things as the possible use of imprecise estimates in determining the allocated portion of the allowance and other risks associated with the Company s loan portfolio which may not be specifically allocable.

A comparative allocation of the allowance for credit losses for each of the past five year-ends is presented in table 14. Amounts were allocated to specific loan categories based on information available to management at the time of each year-end assessment and using the methodology described herein. Variations in the allocation of the allowance by loan category as a percentage of those loans reflect changes in management s estimate of specific loss components and inherent base level loss components, including the impact of delinquencies and nonaccrual loans. As described in note 5 of Notes to Financial Statements, loans considered impaired were $1.3 billion at each of December 31, 2010 and December 31, 2009. The allocated portion of the allowance for credit losses related to impaired loans totaled $214 million at December 31, 2010 and $244 million at December 31, 2009. The unallocated portion of the allowance for credit losses was equal to .13% of gross loans outstanding at each of December 31, 2010 and 2009. The declines in the unallocated portion of the allowance since 2007 reflect management s continued refinement of its loss estimation techniques, which has increased the precision of its calculation of the allocated portion of the allowance for credit losses. However, given the inherent imprecision in the many estimates used in the determination of the allocated portion of the allowance, management deliberately remained cautious and conservative in establishing the overall allowance for credit losses. Given the Company s high concentration of real estate loans and considering the other factors already discussed herein, management considers the allocated and unallocated portions of the allowance for credit losses to be prudent and reasonable. Furthermore, the Company s allowance is general in nature and is available to absorb losses from any loan or lease category. Additional information about the allowance for credit losses is included in note 5 of Notes to Financial Statements.

Table 14

ALLOCATION OF THE ALLOWANCE FOR CREDIT LOSSES TO LOAN CATEGORIES

December 31	2010	2009	2008	2007	2006
			(Dollars in thousands)		
Commercial, financial, leasing, etc.	$ 212,579	$ 219,170	$ 231,993	$ 216,833	$ 212,945
Real estate	486,913	451,352	340,588	283,127	221,747
Consumer	133,067	137,124	140,571	167,984	124,675
Unallocated	70,382	70,376	74,752	91,495	90,581
Total	$ 902,941	$ 878,022	$ 787,904	$ 759,439	$ 649,948
As a Percentage of Gross Loans and Leases Outstanding					
Commercial, financial, leasing, etc.	1.56%	1.59%	1.59%	1.62%	1.79%
Real estate	1.79	1.70	1.43	1.20	1.04
Consumer	1.16	1.14	1.28	1.49	1.26

Management believes that the allowance for credit losses at December 31, 2010 was adequate to absorb credit losses inherent in the portfolio as of that date. The allowance for credit losses was $903 million or 1.74% of total loans and leases at December 31, 2010, compared with $878 million or 1.69% at December 31, 2009 and $788 million or 1.61%

at December 31, 2008. The ratio of the allowance to total loans and leases at December 31, 2010 reflects the impact of loans obtained in 2010 associated with the K Bank transaction and in 2009 from the Provident and Bradford acquisition transactions that have been recorded at estimated fair value based on estimated future cash flows expected to be received on those loans. Those cash flows reflect the impact of expected defaults on customer repayment performance. As a result, and as required by GAAP, there was no carry-over of the allowance for credit losses recorded by K Bank, Provident or Bradford. The allowance for credit losses at

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December 31, 2010 related to the Company s legacy loans (that is, total loans excluding loans acquired during 2010 in the K Bank transaction and during 2009 in the Provident and Bradford transactions) expressed as a percentage of such legacy loans was 1.82%, compared with 1.83% at December 31, 2009. The level of the allowance reflects management s evaluation of the loan and lease portfolio using the methodology and considering the factors as described herein and the Company s loan charge-off policies. Should the various credit factors considered by management in establishing the allowance for credit losses change and should management s assessment of losses inherent in the loan portfolios also change, the level of the allowance as a percentage of loans could increase or decrease in future periods. The ratio of the allowance to nonaccrual loans at the end of 2010, 2009 and 2008 was 73%, 66% and 104%, respectively. Given the Company s position as a secured lender and its practice of charging off loan balances when collection is deemed doubtful, that ratio and changes in that ratio are generally not an indicative measure of the adequacy of the Company s allowance for credit losses, nor does management rely upon that ratio in assessing the adequacy of the allowance. The level of the allowance reflects management s evaluation of the loan and lease portfolio as of each respective date.

In establishing the allowance for credit losses, management follows the methodology described herein, including taking a conservative view of borrowers abilities to repay loans. The establishment of the allowance is extremely subjective and requires management to make many judgments about borrower, industry, regional and national economic health and performance. In order to present examples of the possible impact on the allowance from certain changes in credit quality factors, the Company assumed the following scenarios for possible deterioration of credit quality:

- For consumer loans and leases considered smaller balance homogenous loans and evaluated collectively, a 20 basis point increase in loss factors;
- For residential real estate loans and home equity loans and lines of credit, also considered smaller balance homogenous loans and evaluated collectively, a 15% increase in estimated inherent losses; and
- For commercial loans and commercial real estate loans, which are not similar in nature, a migration of loans to lower-ranked risk grades resulting in a 20% increase in the balance of classified credits in each risk grade.

For possible improvement in credit quality factors, the scenarios assumed were:

- For consumer loans and leases, a 10 basis point decrease in loss factors;
- For residential real estate loans and home equity loans and lines of credit, a 5% decrease in estimated inherent losses; and
- For commercial loans and commercial real estate loans, a migration of loans to higher-ranked risk grades resulting in a 5% decrease in the balance of classified credits in each risk grade.

The scenario analyses resulted in an additional $79 million that could be identifiable under the assumptions for credit deterioration, whereas under the assumptions for credit improvement a $24 million reduction could occur. These examples are only a few of numerous reasonably possible scenarios that could be utilized in assessing the sensitivity of the allowance for credit losses based on changes in assumptions and other factors.

Investor-owned commercial real estate loans secured by retail properties in the New York City metropolitan area represented 4% of loans outstanding at December 31, 2010. The Company had no concentrations of credit extended to any specific industry that exceeded 10% of total loans at December 31, 2010. Outstanding loans to foreign borrowers were $107 million at December 31, 2010, or .2% of total loans and leases.

Real estate and other foreclosed assets totaled to $220 million at December 31, 2010, compared with $95 million at December 31, 2009 and $100 million at December 31, 2008. The increase in 2010 resulted from the second quarter addition of $98 million of the previously discussed commercial real estate property located in New York City, and from higher residential real estate loan defaults and additions from residential real estate development projects. At December 31, 2010, exclusive of that $98 million commercial real estate property, 74% of the remaining $122 million of foreclosed assets were comprised of residential real estate-related properties.

Other Income

Other income totaled $1.11 billion in 2010, compared with $1.05 billion in 2009. Reflected in such income were net losses on investment securities (including other-than-temporary impairment losses), which totaled to $84 million in 2010 and $137 million in 2009. During 2010, other-than-temporary impairment charges of $86 million were recognized related to certain of the Company s privately issued CMOs, CDOs and AIB ADSs. Similar charges of $138 million were recognized in 2009 related to certain of the Company s privately issued CMOs and CDOs. Also, reflected in noninterest income were the $28 million gain recognized on the K Bank acquisition transaction in 2010 and the $29 million gain recognized on the Bradford acquisition transaction in 2009. Excluding gains and losses from bank investment securities and those acquisition-related gains, noninterest income was $1.16 billion in each of 2010 and 2009. Higher revenues in 2010 related to commercial mortgage banking, service charges on deposit accounts, credit-related fees and other revenues from operations were offset by lower revenues from residential mortgage banking, brokerage services and M&T s trust business.

Other income in 2009 was 12% higher than the $939 million earned in 2008. As noted above, reflected in other income in 2009 were net losses from bank investment securities of $137 million, compared with net losses of $148 million in 2008 (including $182 million of other-than-temporary impairment losses). The impairment charges recognized in 2008 related to certain of the Company s CMOs, CDOs and preferred stock holdings of Fannie Mae and Freddie Mac. Excluding the impact of securities gains and losses from both years and the $29 million gain associated with the Bradford acquisition transaction in 2009, other 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, service charges on deposit accounts obtained in the 2009 acquisition transactions and a smaller loss related to M&T s equity in the operations of BLG. Partially offsetting those factors were declines in trust and brokerage services income.

Mortgage banking revenues were $185 million in 2010, $208 million in 2009 and $156 million in 2008. Mortgage banking revenues are comprised of both residential and commercial mortgage banking activities. The Company s involvement in commercial mortgage banking activities includes the origination, sales and servicing of loans under the multi-family loan programs of Fannie Mae, Freddie Mac and the U.S. Department of Housing and Urban Development.

Residential mortgage banking revenues, consisting of realized gains from sales of residential mortgage loans and loan servicing rights, unrealized gains and losses on residential mortgage loans held for sale and related commitments, residential mortgage loan servicing fees, and other residential mortgage loan-related fees and income, were $127 million in 2010, $166 million in 2009 and $117 million in 2008. The decline in such revenues in 2010 from 2009 reflects the impact of lower origination volumes, the Company s decision to retain for portfolio a higher proportion of originated loans rather than selling them, and increased costs associated with obligations to repurchase certain mortgage loans previously sold. The higher revenues in 2009 as compared with 2008 were attributable to significantly higher origination activity, due largely to refinancing of loans by consumers in response to relatively low interest rates, and wider margins associated with that activity.

New commitments to originate residential mortgage loans to be sold were approximately $4.1 billion in 2010, compared with $6.1 billion in 2009 and $4.8 billion in 2008. Similarly, closed residential mortgage loans originated for sale to other investors totaled approximately $4.2 billion in 2010, $6.2 billion in 2009 and $4.4 billion in 2008. Realized gains from sales of residential mortgage loans and loan servicing rights (net of the impact of costs associated with obligations to repurchase mortgage loans originated for sale) and recognized net unrealized gains or losses attributable to residential mortgage loans held for sale, commitments to originate loans for sale and commitments to sell loans totaled to a gain of $43 million in 2010, compared with gains of $79 million in 2009 and $31 million in 2008.

The Company is contractually obligated to repurchase previously sold loans that do not ultimately meet investor sale criteria related to underwriting procedures or loan documentation. When required to do so, the Company may reimburse loan purchasers for losses incurred or may repurchase certain loans. Since early 2007 when the Company recognized a $6 million charge related to declines in market values of previously sold residential real estate loans that the Company could have been required to repurchase,

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the Company has regularly reduced residential mortgage banking revenues by an estimate for losses related to its obligations to loan purchasers. The amount of those charges varies based on the volume of loans sold, the level of reimbursement requests received from loan purchasers and estimates of losses that may be associated with previously sold loans. During 2010 the Company received increased requests from loan purchasers for reimbursement. The Company has considered those requests in assessing the estimated impact on the Company s consolidated financial statements. Residential mortgage banking revenues during 2010, 2009 and 2008 were reduced by approximately $30 million, $10 million and $4 million, respectively, related to the actual or anticipated settlement of repurchase obligations from loan purchasers.

Loans held for sale that are secured by residential real estate totaled $341 million and $530 million at December 31, 2010 and 2009, respectively. Commitments to sell residential mortgage loans and commitments to originate residential mortgage loans for sale at pre-determined rates were $458 million and $162 million, respectively, at December 31, 2010, $936 million and $631 million, respectively, at December 31, 2009 and $898 million and $871 million, respectively, at December 31, 2008. Net unrealized gains on residential mortgage loans held for sale, commitments to sell loans, and commitments to originate loans for sale were $11 million and $15 million at December 31, 2010 and 2009, respectively, and $6 million at December 31, 2008. Changes in such net unrealized gains and losses are recorded in mortgage banking revenues and resulted in a net decrease in revenue of $5 million in 2010 and net increases in revenue of $9 million and $13 million in 2009 and 2008, respectively.

Late in the third quarter of 2010, the Company began to originate certain residential real estate loans to be held in its loan portfolio, rather than continuing to sell such loans. The loans conform to Fannie Mae and Freddie Mac underwriting guidelines. Retaining these residential real estate loans is expected to largely offset the impact of the declining investment securities portfolio resulting from maturities and pay-downs of residential mortgage-backed securities while providing high quality assets earning a reasonable yield. That decision resulted in a reduction of residential mortgage banking revenues of approximately $11 million in 2010.

Revenues from servicing residential mortgage loans for others were $80 million in 2010, compared with $82 million in 2009 and $81 million in 2008. Included in such servicing revenues were amounts related to purchased servicing rights associated with small balance commercial mortgage loans totaling $27 million in 2010 and $29 million in each of 2009 and 2008. Residential mortgage loans serviced for others aggregated $21.1 billion at December 31, 2010, $21.4 billion a year earlier and $21.3 billion at December 31, 2008, including the small balance commercial mortgage loans noted above of approximately $5.2 billion, $5.5 billion and $5.9 billion at December 31, 2010, 2009 and 2008, respectively. Capitalized residential mortgage loan servicing assets, net of any applicable valuation allowance for possible impairment, totaled $118 million at December 31, 2010, compared with $141 million and $143 million at December 31, 2009 and 2008, respectively. The valuation allowance for possible impairment of capitalized residential mortgage servicing assets totaled $50 thousand and $22 million at the 2009 and 2008 year-ends, respectively. There was no similar valuation allowance at December 31, 2010. Included in capitalized residential mortgage servicing assets were purchased servicing rights associated with the small balance commercial mortgage loans noted above of $26 million, $40 million and $58 million at December 31, 2010, 2009 and 2008, respectively. Servicing rights for the small balance commercial mortgage loans were purchased from BLG or its affiliates. In addition, at December 31, 2010 capitalized servicing rights included $9 million of servicing rights for $3.6 billion of residential real estate loans that were purchased from affiliates of BLG. Additional information about the Company s relationship with BLG and its affiliates is provided in note 25 of Notes to Financial Statements. Additional information about the Company s capitalized residential mortgage loan servicing assets, including information about the calculation of estimated fair value, is presented in note 7 of Notes to Financial Statements.

Commercial mortgage banking revenues totaled $58 million in 2010, $42 million in 2009 and $39 million in 2008. Revenues from loan origination and sales activities were $40 million in 2010 and $27 million in each of 2009 and 2008. The higher revenues in 2010 reflected higher loan origination volumes. As compared with 2008, improved margins in 2009 were offset by a decline in loan origination volume. Commercial mortgage loans originated for sale to other investors totaled approximately

$1.6 billion in 2010, compared with $1.1 billion in 2009 and $1.4 billion in 2008. Loan servicing revenues totaled $18 million in 2010, $15 million in 2009 and $12 million in 2008. Capitalized commercial mortgage loan servicing assets aggregated $43 million at December 31, 2010, $33 million at December 31, 2009 and $26 million at December 31, 2008. Commercial mortgage loans serviced for other investors totaled $8.1 billion, $7.1 billion and $6.4 billion at December 31, 2010, 2009 and 2008, respectively, and included $1.6 billion, $1.3 billion and $1.2 billion, respectively, of loan balances for which investors had recourse to the Company if such balances are ultimately uncollectible. Commitments to sell commercial mortgage loans and commitments to originate commercial mortgage loans for sale were $276 million and $73 million, respectively, at December 31, 2010, $303 million and $180 million, respectively, at December 31, 2009 and $408 million and $252 million, respectively, at December 31, 2008. Commercial mortgage loans held for sale totaled $204 million, $123 million and $156 million at December 31, 2010, 2009 and 2008, respectively.

Service charges on deposit accounts rose 2% to $478 million in 2010 from $469 million in 2009. That improvement resulted largely from the full-year impact of 2009 acquisition transactions and increased debit card fees resulting from higher transaction volumes. Those positive factors were partially offset by the impact of new regulations that went into effect during the third quarter of 2010. The Federal Reserve and other bank regulators have adopted regulations requiring expanded disclosure of overdraft and other fees assessed to consumers and have issued guidance that requires consumers to elect to be subject to fees for certain deposit account transactions which began on July 1, 2010 for new customers and on August 15, 2010 for pre-existing customers. The Company engaged in an outreach program to customers, particularly those who are frequent users of overdraft services, to ensure they understood such services and to allow them the opportunity to continue to receive those services. Nevertheless, the Company estimates that these regulations resulted in a reduction of service charges on deposit accounts in 2010 of approximately $35 million and expects that the full-year 2011 impact of the regulations on such revenues will be approximately $65 million to $80 million. Deposit account service charges in 2008 were $431 million. The 9% increase in those revenues in 2009 as compared with 2008 was predominately due to the impact of the Provident acquisition in May 2009. As part of the Dodd-Frank Act, the Federal Reserve has proposed new regulations related to debit card interchange rates that would also have a significant negative impact on revenues earned by financial institutions on debit card transactions. It is difficult to know what the final regulations will require and when they will become effective and, accordingly, the Company cannot estimate the impact that such regulations will have on its results of operations.

Trust income includes fees for trust and custody services provided to personal, corporate and institutional customers, and investment management and advisory fees that are often based on a percentage of the market value of assets under management. Trust income declined 5% to $123 million in 2010 from $129 million in 2009. During 2008, trust income totaled $156 million. Contributing to the lower levels of such income in 2010 and 2009 as compared with 2008 were the impact of lower balances in proprietary mutual funds and the impact of fee waivers by the Company in order to pay customers a yield on their investments in proprietary money-market mutual funds. Those waived fees were approximately $18 million in 2010 and $10 million in 2009. Waived fees in 2008 were not significant. Total trust assets, which include assets under management and assets under administration, aggregated $113.4 billion at December 31, 2010, compared with $111.6 billion at December 31, 2009. Trust assets under management were $13.2 billion and $13.8 billion at December 31, 2010 and 2009, respectively. The Company s proprietary mutual funds, the MTB Group of Funds, had assets of $7.7 billion and $7.9 billion at December 31, 2010 and 2009, respectively.

Brokerage services income, which includes revenues from the sale of mutual funds and annuities and securities brokerage fees, aggregated $50 million in 2010, $58 million in 2009 and $64 million in 2008. The decline in such revenues in 2010 as compared with 2009 was attributable to lower sales of annuity products. The decrease in revenues in 2009 as compared with the previous year was largely attributable to lower sales of mutual fund and annuity products. Trading account and foreign exchange activity resulted in gains of $27 million in 2010, $23 million in 2009 and $18 million in 2008. The rise in gains from 2009 to 2010 was due to higher new volumes of interest rate swap agreement transactions

executed on behalf of commercial customers. The higher revenues in 2009 as compared with 2008 were due to increases in market values of trading assets held in connection with deferred compensation plans. The Company enters into interest rate and foreign exchange contracts with customers who need such services and concomitantly enters into offsetting trading positions with third parties to minimize the risks involved with these types of transactions. Information about the notional amount of interest rate, foreign exchange and other contracts entered into by the Company for trading account purposes is included in note 18 of Notes to Financial Statements and herein under the heading Liquidity, Market Risk, and Interest Rate Sensitivity. Trading account revenues related to interest rate and foreign exchange contracts totaled $16 million in 2010, compared with $10 million in 2009 and $21 million in 2008. Those fluctuations related predominantly to changes in new volumes of interest rate swap agreement transactions executed on behalf of commercial customers. Trading account assets held in connection with deferred compensation plans were $35 million and $36 million at December 31, 2010 and 2009, respectively. Trading account revenues resulting from net increases or decreases in the market values of such assets were $3 million and $4 million in 2010 and 2009, respectively, compared with losses of $12 million in 2008. A largely offsetting impact on expenses resulting from corresponding increases or decreases in liabilities related to deferred compensation is included in other costs of operations.

Including other-than-temporary impairment losses, the Company recognized net losses on investment securities of $84 million during 2010, compared with $137 million and $148 million in 2009 and 2008, respectively. Other-than-temporary impairment charges of $86 million, $138 million and $182 million were recorded in 2010, 2009 and 2008, respectively. The Company recognized impairment charges during 2010 of $68 million related to certain 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 other entities, and a $12 million write-down of AIB ADSs. The AIB ADSs were obtained in a prior acquisition of a subsidiary of AIB and are held to satisfy options to purchase such shares granted by that subsidiary to certain of its employees. During 2009, the Company recognized impairment charges on certain privately issued CMOs backed by residential real estate loans of $128 million and CDOs backed by trust preferred securities of $10 million. The impairment charges recognized in 2008 included write-downs of $153 million related to preferred stock issuances of Fannie Mae and Freddie Mac and $29 million related to CMOs and CDOs in the investment securities portfolio, and were partially offset by a gain of $33 million related to the mandatory redemption of common shares of Visa during the first quarter of that year. Each reporting period the Company reviews its impaired investment securities for other-than-temporary impairment. For equity securities, such as the Company s holding of AIB ADSs and its investment in the preferred stock of Fannie Mae and Freddie Mac, the Company considers various factors to determine if the decline in value is other than temporary, including the duration and extent of the decline in value, the factors contributing to the decline in fair value, including the financial condition of the issuer as well as the conditions of the industry in which it operates, and the prospects for a recovery in fair value of the equity security. For debt securities, the Company analyzes the creditworthiness of the issuer or reviews the credit performance of the underlying collateral supporting the bond. For debt securities backed by pools of loans, such as privately issued mortgage-backed securities, the Company estimates the cash flows of the underlying loan collateral using forward-looking assumptions of default rates, loss severities and prepayment speeds. Estimated collateral cash flows are then utilized to estimate bond-specific cash flows to determine the ultimate collectibility of the bond. If the present value of the cash flows indicates that the Company should not expect to recover the entire amortized cost basis of a bond or if the Company intends to sell the bond or it more likely than not will be required to sell the bond before recovery of its amortized cost basis, an other-than-temporary impairment loss is recognized. If an other-than-temporary impairment loss is deemed to have occurred, the investment security s cost basis is adjusted, as appropriate for the circumstances. Additional information about other-than-temporary impairment losses is included herein under the heading Capital .

M&T s share of the operating losses of BLG was $26 million in each of 2010 and 2009, compared with $37 million in 2008. The operating losses of BLG in those years resulted from the disruptions in the privately issued mortgage-backed securities market and higher provisions for losses associated with securitized loans and other loans held by BLG, and costs associated with severance and certain lease

terminations incurred by BLG as it downsized its operations. Despite the credit and liquidity disruptions that began in 2007, BLG had been successfully securitizing and selling significant volumes of small-balance commercial real estate loans until the first quarter of 2008. In response to the illiquidity in the marketplace since that time, BLG reduced its originations activities, scaled back its workforce and made use of its contingent liquidity sources. As a result of past securitization activities, BLG is entitled to cash flows from mortgage assets that it owns or that are owned by its affiliates and is also entitled to receive distributions from affiliates that provide asset management and other services. Accordingly, the Company believes that BLG is capable of realizing positive cash flows that could be available for distribution to its owners, including M&T, despite a lack of positive GAAP-earnings. In assessing M&T s investment in BLG for other-than-temporary impairment at December 31, 2010, the Company projected no further commercial mortgage origination and securitization activities by BLG. With respect to mortgage assets held by BLG and its affiliates, M&T estimated future cash flows from those assets using various assumptions for future defaults and loss severities to arrive at an expected amount of cash flows that could be available to distribute to M&T. As of December 31, 2010, the weighted-average assumption of projected default percentage on the underlying mortgage loan collateral supporting those mortgage assets was 31% and the weighted-average loss severity assumption was 66%. Lastly, M&T considered different scenarios of projected cash flows that could be generated by the asset management and servicing operations of BLG s affiliates. M&T is contractually entitled to participate in distributions from those affiliates. Such estimates were derived from company-provided forecasts of financial results and through discussions with their senior management with respect to longer-term projections of growth in assets under management and asset servicing portfolios. M&T then discounted the various projections using discount rates that ranged from 8% to 17%. Upon evaluation of those results, management concluded that M&T s investment in BLG was not other-than-temporarily impaired at December 31, 2010. Nevertheless, if BLG is not able to realize sufficient cash flows for the benefit of M&T, the Company may be required to recognize an other-than-temporary impairment charge in a future period for some portion of the $220 million book value of its investment in BLG. Information about the Company s relationship with BLG and its affiliates is included in note 25 of Notes to Financial Statements.

Other revenues from operations totaled $355 million in 2010, compared with $325 million in 2009 and $300 million in 2008. Contributing to the 9% improvement from 2009 to 2010 were a $12 million rise in letter of credit and other credit-related fees and increases in merchant discount and credit card fees, underwriting and investment advisory fees, and other miscellaneous fees and revenues. Reflected in other revenues from operations in 2010 and 2009 were merger-related gains of $28 million and $29 million, respectively, related to the K Bank and Bradford transactions. The improvement from 2008 to 2009 reflects the $29 million Bradford-related gain recognized in 2009 offset, in part, by modest declines in other miscellaneous fees and revenues.

Included in other revenues from operations were the following significant components. Letter of credit and other credit-related fees totaled $112 million, $100 million and $97 million in 2010, 2009 and 2008, respectively. The rise in such fees from 2009 to 2010 was due largely to higher income from providing letter of credit and loan syndication services. Tax-exempt income earned from bank owned life insurance aggregated $50 million in 2010 and $49 million in each of 2009 and 2008. Such income includes increases in cash surrender value of life insurance policies and benefits received. Revenues from merchant discount and credit card fees were $46 million in 2010 and $40 million in each of 2009 and 2008. The increased revenues in 2010 were largely attributable to higher transaction volumes related to merchant activity and usage of the Company s commercial credit card product. Insurance-related sales commissions and other revenues totaled $40 million in 2010, $42 million in 2009 and $31 million in 2008. Automated teller machine usage fees aggregated $18 million in 2010, $19 million in 2009 and $17 million in 2008.

Other Expense

Other expense aggregated $1.91 billion in 2010, compared with $1.98 billion in 2009 and $1.73 billion in 2008. Included in such amounts are expenses considered 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 thousand in 2010, $89 million in

2009 and $4 million in 2008. Exclusive of those nonoperating expenses, noninterest operating expenses were $1.86 billion in 2010, up 2% from $1.83 billion in 2009. That increase was largely attributable to higher costs for professional services, advertising and promotion, occupancy expenses related to the acquired operations of Provident, and a $22 million reduction of the allowance for impairment of capitalized residential mortgage servicing rights in 2009. There was no change to that impairment allowance for the year ended December 31, 2010. Reflected in noninterest operating expenses in 2010 was the full-year impact of the acquired operations of Provident and Bradford. Partially offsetting the higher costs in 2010 were declines in expenses related to foreclosed real estate properties and FDIC assessments. Noninterest operating expenses were $1.66 billion in 2008. The most significant factors for the rise in operating expenses from 2008 to 2009 were costs associated with the acquired operations of Provident and Bradford, a $90 million increase in FDIC assessments (including approximately $9 million relating to deposits from Provident and Bradford) and higher foreclosure-related expenses. The impact of those increases was mitigated by a reversal of the valuation allowance for capitalized residential mortgage servicing rights of $22 million in 2009, as compared with an addition to that valuation allowance of $16 million in 2008.

Salaries and employee benefits expense totaled $1.00 billion in each of 2010 and 2009, compared with $957 million in 2008. Increased incentive compensation costs and the full-year impact of the 2009 acquisition transactions in 2010 were largely offset by a $10 million decline in merger-related salaries and employee benefits expenses that consisted predominantly of severance expense for Provident employees. The higher expense levels in 2009 as compared with 2008 reflect the impact of the 2009 acquisition transactions. Also contributing to the increased expenses in 2009 were higher costs for providing medical and pension benefits. Stock-based compensation totaled $54 million in each of 2010 and 2009, and $50 million in 2008. The number of full-time equivalent employees was 12,802 at December 31, 2010, compared with 13,639 and 12,978 at December 31, 2009 and 2008, respectively.

The Company provides pension and other postretirement benefits (including a retirement savings plan) for its employees. Expenses related to such benefits totaled $66 million in 2010, $60 million in 2009 and $52 million in 2008. The Company sponsors both defined benefit and defined contribution pension plans. Pension benefit expense for those plans was $38 million in 2010, $32 million in 2009 and $23 million in 2008. Included in those amounts are $14 million in 2010, $11 million in 2009 and $10 million in 2008 for a defined contribution pension plan that the Company began on January 1, 2006. The determination of pension expense and the recognition of net pension assets and liabilities for defined benefit pension plans requires management to make various assumptions that can significantly impact the actuarial calculations related thereto. Those assumptions include the expected long-term rate of return on plan assets, the rate of increase in future compensation levels and the discount rate. Changes in any of those assumptions will impact the Company s pension expense. The expected long-term rate of return assumption is determined by taking into consideration asset allocations, historical returns on the types of assets held and current economic factors. Returns on invested assets are periodically compared with target market indices for each asset type to aid management in evaluating such returns. The discount rate used by the Company to determine the present value of the Company s future benefit obligations reflects specific market yields for a hypothetical portfolio of highly rated corporate bonds that would produce cash flows similar to the Company s benefit plan obligations and the level of market interest rates in general as of the year-end. Other factors used to estimate the projected benefit obligations include actuarial assumptions for mortality rate, turnover rate, retirement rate and disability rate. Those other factors do not tend to change significantly over time. The Company reviews its pension plan assumptions annually to ensure that such assumptions are reasonable and adjusts those assumptions, as necessary, to reflect changes in future expectations. The Company utilizes actuaries and others to aid in that assessment.

The Company s 2010 pension expense for its defined benefit plans was determined using the following assumptions: a long-term rate of return on assets of 6.50%; a rate of future compensation increase of 4.50%; and a discount rate of 5.75%. To demonstrate the sensitivity of pension expense to changes in the Company s pension plan assumptions, 25 basis point increases in: the rate of return on plan assets would have resulted in a decrease in pension expense of $2 million; the rate of increase in compensation would have resulted in an increase in pension expense of $.3 million; and the discount rate

would have resulted in a decrease in pension expense of $3 million. Decreases of 25 basis points in those assumptions would have resulted in similar changes in amount, but in the opposite direction from the changes presented in the preceding sentence. The accounting guidance for defined benefit pension plans reflects the long-term nature of benefit obligations and the investment horizon of plan assets, and has the effect of reducing expense volatility related to short-term changes in interest rates and market valuations. Actuarial gains and losses include the impact of plan amendments, in addition to various gains and losses resulting from changes in assumptions and investment returns which are different from that which was assumed. As of December 31, 2010, the Company had cumulative unrecognized actuarial losses of approximately $233 million that could result in an increase in the Company s future pension expense depending on several factors, including whether such losses at each measurement date exceed ten percent of the greater of the projected benefit obligation or the market-related value of plan assets. In accordance with GAAP, net unrecognized gains or losses that exceed that threshold are required to be amortized over the expected service period of active employees, and are included as a component of net pension cost. Amortization of these net unrealized losses had the effect of increasing the Company s pension expense by approximately $14 million in 2010, $10 million in 2009 and $4 million in 2008.

GAAP requires an employer to recognize in its balance sheet as an asset or liability the overfunded or underfunded status of a defined benefit postretirement plan, measured as the difference between the fair value of plan assets and the benefit obligation. For a pension plan, the benefit obligation is the projected benefit obligation; for any other postretirement benefit plan, such as a retiree health care plan, the benefit obligation is the accumulated postretirement benefit obligation. Gains or losses and prior service costs or credits that arise during the period, but are not included as components of net periodic benefit cost, are to be recognized as a component of other comprehensive income. As of December 31, 2010, the combined benefit obligations of the Company s defined benefit postretirement plans exceeded the fair value of the assets of such plans by approximately $171 million. Of that amount, $43 million was related to qualified defined benefit plans that are periodically funded by the Company and $128 million related to non-qualified pension and other postretirement benefit plans that are generally not funded until benefits are paid. The Company was required to have a net pension and postretirement benefit liability for those plans that was at least equal to $171 million at December 31, 2010. Accordingly, as of December 31, 2010 the Company recorded an additional postretirement benefit liability of $199 million. After applicable tax effect, that liability reduced accumulated other comprehensive income (and thereby shareholders equity) by $121 million. The result of this was a year-over-year increase of $6 million to the required minimum postretirement benefit liability from the $193 million recorded at December 31, 2009. After applicable tax effect, the $6 million increase in the minimum required liability decreased accumulated other comprehensive income in 2010 by $4 million from the prior year-end amount of $117 million. The $6 million increase to the liability was the result of losses that occurred during 2010 resulting from actual experience differing from actuarial assumptions and from changes in those assumptions. Those losses reflect a reduction in the discount rate used to measure the benefit obligations of the defined benefit plans at December 31, 2010 as compared with a year earlier, offset by actual investment returns in the qualified defined benefit pension plan that exceeded expected returns. In determining the benefit obligation for defined benefit postretirement plans the Company used a discount rate of 5.25% at December 31, 2010 and 5.75% at December 31, 2009. A 25 basis point decrease in the assumed discount rate as of December 31, 2010 to 5.0% would have resulted in increases in the combined benefit obligations of all defined benefit postretirement plans (including pension and other plans) of $35 million. Under that scenario, the minimum postretirement liability adjustment at December 31, 2010 would have been $234 million, rather than the $199 million that was actually recorded, and the corresponding after tax-effect charge to accumulated other comprehensive income at December 31, 2010 would have been $142 million, rather than the $121 million that was actually recorded. A 25 basis point increase in the assumed discount rate to 5.50% would have decreased the combined benefit obligations of all defined benefit postretirement plans by $33 million. Under this latter scenario, the aggregate minimum liability adjustment at December 31, 2010 would have been $166 million rather than the $199 million actually recorded and the corresponding after tax-effect charge to accumulated other comprehensive income would have been $101 million rather than $121 million. The Company was not required to and did not make any contributions to its qualified defined benefit pension plan in 2010. During the second quarter

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of 2009, the Company elected to contribute 900,000 shares of common stock of M&T having a fair value of $44 million to its qualified defined benefit pension plan. During 2008, the Company made cash contributions to its qualified defined benefit pension plan totaling $140 million. Information about the Company s pension plans, including significant assumptions utilized in completing actuarial calculations for the plans, is included in note 12 of Notes to Financial Statements.

The Company also provides a retirement savings plan (RSP) that is a defined contribution plan in which eligible employees of the Company may defer up to 50% of qualified compensation via contributions to the plan. The Company makes an employer matching contribution in an amount equal to 75% of an employee s contribution, up to 4.5% of the employee s qualified compensation. RSP expense totaled $25 million in 2010, $24 million in 2009 and $23 million in 2008.

Expenses associated with the defined benefit and defined contribution pension plans and the RSP totaled $62 million in 2010, $56 million in 2009 and $47 million in 2008. Expense associated with providing medical and other postretirement benefits was $4 million in each of 2010 and 2009 and $5 million in 2008.

Excluding the nonoperating expense items already noted, nonpersonnel operating expenses totaled $856 million in 2010, up 3% from $835 million in 2009. Contributing to that increase were higher costs for professional services, advertising and promotion, occupancy expenses related to the full-year impact of the acquired operations of Provident, and a $22 million reduction of the allowance for impairment of capitalized residential mortgage servicing rights in 2009. There was no change in such impairment allowance in 2010. Partially offsetting the factors described above were decreased costs related to foreclosed real estate properties and FDIC assessments in 2010. Nonpersonnel operating expenses were $700 million in 2008. Higher FDIC deposit assessments were a significant contributor to the rise in those expenses from 2008 to 2009. In total, FDIC assessments in 2009 were $97 million, including a $33 million special assessment in the second quarter, compared with $7 million in 2008. Also contributing to the higher level of operating expenses in 2009 as compared with 2008 were costs associated with the acquired operations of Provident and Bradford and expenses related to the foreclosure process for residential real estate properties. A $15 million reversal in the first quarter of 2008 of an accrual established in the fourth quarter of 2007 for estimated losses stemming from certain litigation involving Visa also contributed to the year-over-year variance. Partially offsetting those factors was the impact of partial reversals of the valuation allowance for impairment of residential mortgage servicing rights in 2009 of $22 million, compared with additions to the valuation allowance of $16 million in 2008.

Income Taxes

The provision for income taxes was $357 million in 2010, compared with $139 million in 2009 and $184 million in 2008. The effective tax rates were 32.6%, 26.8% and 24.9% in 2010, 2009 and 2008, respectively. Income taxes in 2008 reflect the resolution in that year of previously uncertain tax positions related to the Company s activities in various jurisdictions during the years 1999-2007 that allowed the Company to reduce its accrual for income taxes in the third quarter of 2008 by $40 million. The effective tax rate is affected by the level of income earned that is exempt from tax relative to the overall level of pre-tax income, the level of income allocated to the various state and local jurisdictions where the Company operates, because tax rates differ among such jurisdictions, and the impact of any large but infrequently occurring items. For example, although the merger-related expenses incurred during 2009 are predominantly deductible for purposes of computing income tax expense, those charges had an impact on the effective tax rate because they lowered pre-tax income relative to the amounts of tax-exempt income and other permanent differences that impact the effective tax rate. Excluding the impact of (i) other-than-temporary impairment charges in 2010, 2009 and 2008; (ii) net merger-related gains of $27 million in 2010 and net merger-related expenses of $60 million in 2009 and $4 million in 2008; and (iii) the credit to income tax expense noted above of $40 million in 2008, the Company s effective tax rates for 2010, 2009 and 2008 would have been 33.0%, 30.3%, and 32.1%, respectively.

The Company s effective tax rate in future periods will be affected by the results of operations allocated to the various tax jurisdictions within which the Company operates, any change in income tax laws or regulations within those jurisdictions, and interpretations of income tax regulations that differ from the Company s interpretations by any of various tax authorities that may examine tax returns filed by M&T or any of its subsidiaries. Information about amounts accrued for uncertain tax positions and a reconciliation of income tax expense to the amount computed by applying the statutory federal income tax rate to pre-tax income is provided in note 13 of Notes to Financial Statements.

International Activities

The Company s net investment in international assets totaled $113 million at December 31, 2010 and $62 million at December 31, 2009. Such assets included $107 million and $55 million, respectively, of loans to foreign borrowers. Deposits in the Company s branch in the Cayman Islands totaled $1.6 billion at December 31, 2010 and $1.1 billion at December 31, 2009. The Company uses such deposits to facilitate customer demand and as an alternative to short-term borrowings when the costs of such deposits seem reasonable. M&T Bank opened a full-service commercial branch in Ontario, Canada during the second quarter of 2010. Loans and deposits at that branch as of December 31, 2010 were $63 million and $4 million, respectively.

Liquidity, Market Risk, and Interest Rate Sensitivity

As a financial intermediary, the Company is exposed to various risks, including liquidity and market risk. Liquidity refers to the Company s ability to ensure that sufficient cash flow and liquid assets are available to satisfy current and future obligations, including demands for loans and deposit withdrawals, funding operating costs, and other corporate purposes. Liquidity risk arises whenever the maturities of financial instruments included in assets and liabilities differ. Core deposits have historically been the most significant funding source for the Company and are generated from a large base of consumer, corporate and institutional customers. That customer base has, over the past several years, become more geographically diverse as a result of acquisitions and expansion of the Company s businesses. Nevertheless, the Company faces competition in offering products and services from a large array of financial market participants, including banks, thrifts, mutual funds, securities dealers and others. Core deposits financed 77% of the Company s earning assets at December 31, 2010, compared with 72% and 60% at December 31, 2009 and 2008, respectively. The substantial increases in the amount of earning assets financed by core deposits at the 2010 and 2009 year-ends as compared with December 31, 2008 were the result of significantly higher levels of core deposits, largely due to higher noninterest-bearing deposits. Additionally, as of December 31, 2010 the Company changed it definition of core deposits to include time deposits below $250,000, as already noted, to reflect a provision in the Dodd-Frank Act which permanently increased the maximum amount of FDIC insurance for financial institutions to $250,000 per depositor. That maximum had been $100,000 per depositor until 2009, when it was temporarily raised to $250,000 through 2013. The impact of including time deposits with balances of $100,000 to $250,000 added $1.0 billion to the Company s core deposits total at December 31, 2010.

The Company supplements funding provided through core deposits with 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 FHLBs and others. At December 31, 2010, M&T Bank had short-term and long-term credit facilities with the FHLBs aggregating $6.0 billion. Outstanding borrowings under FHLB credit facilities totaled $2.9 billion and $5.4 billion at December 31, 2010 and 2009, respectively. Such borrowings were secured by loans and investment securities. M&T Bank and M&T Bank, N.A. had available lines of credit with the Federal Reserve Bank of New York that totaled approximately $9.9 billion at December 31, 2010. The amounts of those lines are dependent upon the balances of loans and securities pledged as collateral. There were no borrowings outstanding under such lines of credit at December 31, 2010 or December 31, 2009.

The Company has, from time to time, issued subordinated capital notes and junior subordinated debentures associated with preferred capital securities to provide liquidity and enhance regulatory capital ratios. Such notes qualify for inclusion in the Company s capital as defined by Federal regulators. Information about the Company s borrowings is included in note 9 of Notes to Financial Statements.

The Company has informal and sometimes reciprocal sources of funding available through various arrangements for unsecured short-term borrowings from a wide group of banks and other financial

institutions. Short-term federal funds borrowings were $826 million and $2.1 billion at December 31, 2010 and 2009, respectively. In general, those borrowings were unsecured and matured on the next business day. As already noted, Cayman Islands branch deposits and brokered certificates of deposit have been used by the Company as an alternative to short-term borrowings. Cayman Islands branch deposits also generally mature on the next business day and totaled $1.6 billion and $1.1 billion at December 31, 2010 and 2009, respectively. Outstanding brokered time deposits at December 31, 2010 and December 31, 2009 were $485 million and $868 million, respectively. At December 31, 2010, the weighted-average remaining term to maturity of brokered time deposits was 20 months. Certain of these brokered deposits have provisions that allow for early redemption. The Company also had brokered NOW and brokered money-market deposit accounts which aggregated $1.3 billion and $618 million at December 31, 2010 and 2009, respectively. The higher level of such deposits at the 2010 year-end resulted from higher demand for these deposits due to the unsettled economy and the need for brokerage firms to ensure that customer deposits are fully insured while earning a yield on such deposits.

The Company s ability to obtain funding from these or other sources could be negatively impacted should the Company experience a substantial deterioration in its financial condition or its debt ratings, or should the availability of short-term funding become restricted due to a disruption in the financial markets. 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. Such impact is estimated by attempting to measure the effect on available unsecured lines of credit, available capacity from secured borrowing sources and securitizable assets. Information about the credit ratings of M&T and M&T Bank is presented in table 15. Additional information regarding the terms and maturities of all of the Company s short-term and long-term borrowings is provided in note 9 of Notes to Financial Statements. In addition to deposits and borrowings, other sources of liquidity include maturities of investment securities and other earning assets, repayments of loans and investment securities, and cash generated from operations, such as fees collected for services.

Table 15

DEBT RATINGS

	Moody s	**Standard and Poor s**	**Fitch**
M&T Bank Corporation			
Senior debt	A3	A	A
Subordinated debt	Baa1	BBB+	BBB+
M&T Bank			
Short-term deposits	Prime-1	A-1	F1
Long-term deposits	A2	A	A
Senior debt	A2	A	A
Subordinated debt	A3	A	BBB+

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Certain customers of the Company obtain financing through the issuance of variable rate demand bonds (VRDBs). The VRDBs are generally enhanced by direct-pay letters of credit provided by M&T Bank. M&T Bank oftentimes acts as remarketing agent for the VRDBs and, at its discretion, may from time-to-time own some of the VRDBs while such instruments are remarketed. When this occurs, the VRDBs are classified as trading assets in the Company s consolidated balance sheet. Nevertheless, M&T Bank is not contractually obligated to purchase the VRDBs. The value of VRDBs in the Company s trading account totaled $107 million and $19 million at December 31, 2010 and 2009, respectively. At December 31, 2010 and 2009, the VRDBs outstanding backed by M&T Bank letters of credit totaled $2.0 billion and $1.9 billion, respectively. M&T Bank also serves as remarketing agent for most of those bonds.

Table 16

MATURITY DISTRIBUTION OF SELECTED LOANS(a)

December 31, 2010	Demand	2011	2012-2015	After 2015
		(In thousands)		
Commercial, financial, etc.	$ 5,287,647	$ 1,861,639	$ 4,206,958	$ 473,742
Real estate construction	500,909	1,850,873	1,294,347	207,462
Total	$ 5,788,556	$ 3,712,512	$ 5,501,305	$ 681,204
Floating or adjustable interest rates			$ 3,532,758	$ 297,805
Fixed or predetermined interest rates			1,968,547	383,399
Total			$ 5,501,305	$ 681,204

(a) The data do not include nonaccrual loans.

The Company enters into contractual obligations in the normal course of business which require future cash payments. The contractual amounts and timing of those payments as of December 31, 2010 are summarized in table 17. Off-balance sheet commitments to customers may impact liquidity, including commitments to extend credit, standby letters of credit, commercial letters of credit, financial guarantees and indemnification contracts, and commitments to sell real estate loans. Because many of these commitments or contracts expire without being funded in whole or in part, the contract amounts are not necessarily indicative of future cash flows. Further discussion of these commitments is provided in note 21 of Notes to Financial Statements. Table 17 summarizes the Company s other commitments as of December 31, 2010 and the timing of the expiration of such commitments.

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Table 17

CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

December 31, 2010	Less Than One Year	One to Three Years	Three to Five Years	Over Five Years	Total
			(In thousands)		
Payments due for contractual obligations					
Time deposits	$ 4,663,091	$ 1,006,644	$ 136,879	$ 10,556	$ 5,817,170
Deposits at Cayman Islands office	1,605,916				1,605,916
Federal funds purchased and agreements to repurchase securities	866,555				866,555
Other short-term borrowings	80,877				80,877
Long-term borrowings	1,886,860	1,953,486	7,570	3,992,235	7,840,151
Operating leases	78,325	135,745	93,234	137,592	444,896
Other	68,014	38,001	13,646	13,264	132,925
Total	$ 9,249,638	$ 3,133,876	$ 251,329	$ 4,153,647	$ 16,788,490
Other commitments					
Commitments to extend credit	$ 6,544,241	$ 4,075,968	$ 2,686,143	$ 3,364,843	$ 16,671,195
Standby letters of credit	1,849,732	1,432,641	479,858	155,087	3,917,318
Commercial letters of credit	73,361	3,601			76,962
Financial guarantees and indemnification contracts	39,036	312,288	282,027	976,593	1,609,944
Commitments to sell real estate loans	729,327	5,369			734,696
Total	$ 9,235,697	$ 5,829,867	$ 3,448,028	$ 4,496,523	$ 23,010,115

M&T s primary source of funds to pay for operating expenses, shareholder dividends and treasury stock repurchases has historically been the receipt of dividends from its banking subsidiaries, which are subject to various regulatory limitations. Dividends from any banking subsidiary to M&T are limited by the amount of earnings of the banking subsidiary in the current year and the two preceding years. For purposes of the test, approximately $1.4 billion at December 31, 2010 was available for payment of dividends to M&T from banking subsidiaries. These historic sources of cash flow have been augmented in the past by the issuance of trust preferred securities and senior notes payable. Information regarding trust preferred securities and the related junior subordinated debentures are included in note 9 of Notes to Financial Statements. M&T also maintains a $30 million line of credit with an unaffiliated commercial bank, of which there were no borrowings outstanding at December 31, 2010. A similar $30 million line of credit was entirely available for borrowing at December 31, 2009.

Table 18

MATURITY AND TAXABLE-EQUIVALENT YIELD OF INVESTMENT SECURITIES

December 31, 2010	One Year or Less	One to Five Years	Five to Ten Years	Over Ten Years	Total
			(Dollars in thousands)		
Investment securities available for sale(a)					
U.S. Treasury and federal agencies					
Carrying value	$ 35,222	$ 24,606	$ 2,108	$ 1,498	$ 63,434
Yield	1.51%	3.27%	4.02%	4.57%	2.35%
Obligations of states and political subdivisions					
Carrying value	2,153	21,528	8,617	28,127	60,425
Yield	6.49%	2.74%	6.64%	4.55%	4.27%
Mortgage-backed securities(b)					
Government issued or guaranteed					
Carrying value	195,673	738,905	826,369	1,545,294	3,306,241
Yield	4.29%	4.39%	4.42%	4.16%	4.28%
Privately issued residential					
Carrying value	33,834	136,246	193,432	1,072,049	1,435,561
Yield	3.74%	3.87%	3.96%	3.95%	3.94%
Privately issued commercial					
Carrying value				22,407	22,407
Yield				1.30%	1.30%
Other debt securities					
Carrying value	2,992	11,092	13,933	381,639	409,656
Yield	2.58%	6.03%	8.16%	5.17%	5.28%
Equity securities					
Carrying value					115,768
Yield					0.61%
Total investment securities available for sale					
Carrying value	269,874	932,377	1,044,459	3,051,014	5,413,492
Yield	3.86%	4.26%	4.40%	4.19%	4.15%
Investment securities held to maturity					
Obligations of states and political subdivisions					
Carrying value	28,161	10,628	138,361	13,969	191,119
Yield	4.69%	5.50%	5.45%	9.74%	5.65%

Mortgage-backed securities(b)					
Government issued or guaranteed					
Carrying value	44,469	198,946	303,757	260,936	808,108
Yield	3.15%	3.15%	3.15%	3.15%	3.15%
Privately issued					
Carrying value	22,050	81,597	99,905	108,985	312,537
Yield	2.98%	2.89%	2.67%	3.06%	2.89%
Other debt securities					
Carrying value				12,575	12,575
Yield				5.42%	5.42%
Total investment securities held to maturity					
Carrying value	94,680	291,171	542,023	396,465	1,324,339
Yield	3.57%	3.16%	3.65%	3.43%	3.47%
Other investment securities					412,709
Total investment securities					
Carrying value	$ 364,554	$ 1,223,548	1,586,482	3,447,479	7,150,540
Yield	3.78%	4.00%	4.14%	4.09%	3.78%

(a) Investment securities available for sale are presented at estimated fair value. Yields on such securities are based on amortized cost.

(b) Maturities are reflected based upon contractual payments due. Actual maturities are expected to be significantly shorter as a result of loan repayments in the underlying mortgage pools.

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Management closely monitors the Company s liquidity position on an ongoing basis for compliance with internal policies and believes that available sources of liquidity are adequate to meet funding needs anticipated in the normal course of business. Management does not anticipate engaging in any activities, either currently or in the long-term, for which adequate funding would not be available and would therefore result in a significant strain on liquidity at either M&T or its subsidiary banks.
Market risk is the risk of loss from adverse changes in the market prices and/or interest rates of the Company s financial instruments. The primary market risk the Company is exposed to is interest rate risk. Interest rate risk arises from the Company s core banking activities of lending and deposit-taking, because assets and liabilities reprice at different times and by different amounts as interest rates change. As a result, net interest income earned by the Company is subject to the effects of changing interest rates. The Company measures interest rate risk by calculating the variability of net interest income in future periods under various interest rate scenarios using projected balances for earning assets, interest-bearing liabilities and derivatives used to hedge interest rate risk. Management s philosophy toward interest rate risk management is to limit the variability of net interest income. The balances of financial instruments used in the projections are based on expected growth from forecasted business opportunities, anticipated prepayments of loans and investment securities, and expected maturities of investment securities, loans and deposits. Management uses a value of equity model to supplement the modeling technique described above. Those supplemental analyses are based on discounted cash flows associated with on- and off-balance sheet financial instruments. Such analyses are modeled to reflect changes in interest rates and provide management with a long-term interest rate risk metric. The Company has entered into interest rate swap agreements to help manage exposure to interest rate risk. At December 31, 2010, the aggregate notional amount of interest rate swap agreements entered into for interest rate risk management purposes was $900 million. Information about interest rate swap agreements entered into for interest rate risk management purposes is included herein under the heading Net Interest Income/Lending and Funding Activities and in note 18 of Notes to Financial Statements.

Table 19

MATURITY OF DOMESTIC CERTIFICATES OF DEPOSIT AND TIME DEPOSITS WITH BALANCES OF $100,000 OR MORE

	December 31, 2010 (In thousands)
Under 3 months	$ 462,285
3 to 6 months	318,372
6 to 12 months	513,970
Over 12 months	227,771
Total	$ 1,522,398

The Company s Risk Management Committee, which includes members of senior management, monitors the sensitivity of the Company s net interest income to changes in interest rates with the aid of a computer model that forecasts net interest income under different interest rate scenarios. In modeling changing interest rates, the Company considers different yield curve shapes that consider both parallel (that is, simultaneous changes in interest rates at each point on the yield curve) and non-parallel (that is, allowing interest rates at points on the yield curve to vary by different amounts) shifts in the yield curve. In utilizing the model, market implied forward interest rates over the subsequent twelve months are generally used to determine a base interest rate scenario for the net interest income simulation. That calculated base net interest income is then compared to the income calculated under the varying interest rate scenarios. The model considers the impact of ongoing lending and deposit-gathering activities, as well as interrelationships in the magnitude and timing of the repricing of financial instruments, including the effect of changing interest rates on expected prepayments and maturities. When deemed prudent, management has taken actions to mitigate exposure to interest rate risk through the use of on-or off-balance sheet financial instruments and intends to do so in the future. Possible actions 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 existing interest rate swap agreements or other financial instruments used for interest rate risk management purposes.

Table 20 displays as of December 31, 2010 and 2009 the estimated impact on net interest income from non-trading financial instruments in the base scenario described above resulting from parallel changes in interest rates across repricing categories during the first modeling year.

Table 20

SENSITIVITY OF NET INTEREST INCOME TO CHANGES IN INTEREST RATES

Changes in Interest Rates	**Calculated Increase (Decrease) in Projected Net Interest Income December 31 2010**	**2009**
	(In thousands)	
+ 200 basis points	$ 67,255	$ 33,974
+ 100 basis points	35,594	19,989
−100 basis points	(40,760)	(37,775)
−200 basis points	(61,720)	(61,729)

The Company utilized many assumptions to calculate the impact that changes in interest rates may have on net interest income. The more significant of those assumptions included the rate of prepayments of mortgage-related assets, cash flows from derivative and other financial instruments held for non-trading purposes, loan and deposit volumes and pricing, and deposit maturities. In the scenarios presented, the Company also assumed gradual changes in rates during a twelve-month period of 100 and 200 basis points, as compared with the assumed base scenario. In the event that a 100 or 200 basis point rate change cannot be achieved, the applicable rate changes are limited to lesser amounts such that interest rates cannot be less than zero. The assumptions used in interest rate sensitivity modeling are inherently uncertain and, as a result, the Company cannot precisely predict the impact of changes in interest rates on net interest income. Actual results may differ significantly from those presented due to the timing, magnitude and frequency of changes in interest rates and changes in market conditions and interest rate differentials (spreads) between maturity/repricing categories, as well as any actions, such as those previously described, which management may take to counter such changes. In light of the uncertainties and assumptions associated with the process, the amounts presented in the table are not considered significant to the Company s past or projected net interest income.

Table 21 presents cumulative totals of net assets (liabilities) repricing on a contractual basis within the specified time frames, as adjusted for the impact of interest rate swap agreements entered into for interest rate risk management purposes. Management believes that this measure does not appropriately depict interest rate risk since changes in interest rates do not necessarily affect all categories of earning assets and interest-bearing liabilities equally nor, as assumed in the table, on the contractual maturity or repricing date. Furthermore, this static presentation of interest rate risk fails to consider the effect of ongoing lending and deposit gathering activities, projected changes in balance sheet composition or any subsequent interest rate risk management activities the Company is likely to implement.

Table 21

CONTRACTUAL REPRICING DATA

December 31, 2010	Three Months or Less	Four to Twelve Months	One to Five Years	After Five Years	Total
			(Dollars in thousands)		
Loans and leases, net	$ 27,784,030	$ 4,365,598	$ 11,749,151	$ 8,091,603	$ 51,990,382
Investment securities	1,627,491	409,068	545,073	4,568,908	7,150,540
Other earning assets	292,361	700	96		293,157
Total earning assets	29,703,882	4,775,366	12,294,320	12,660,511	59,434,079
NOW accounts	1,393,349				1,393,349
Savings deposits	26,431,281				26,431,281
Time deposits	1,520,052	3,150,092	1,136,470	10,556	5,817,170
Deposits at Cayman Islands office	1,604,252	1,664			1,605,916
Total interest-bearing deposits	30,948,934	3,151,756	1,136,470	10,556	35,247,716
Short-term borrowings	947,432				947,432
Long-term borrowings	3,153,303	242,707	958,951	3,485,190	7,840,151
Total interest-bearing liabilities	35,049,669	3,394,463	2,095,421	3,495,746	44,035,299
Interest rate swaps	(900,000)			900,000	
Periodic gap	$ (6,245,787)	$ 1,380,903	$ 10,198,899	$ 10,064,765	
Cumulative gap	(6,245,787)	(4,864,884)	5,334,015	15,398,780	
Cumulative gap as a % of total earning assets	(10.5)%	(8.2)%	9.0%	25.9%	

Changes in fair value of the Company s financial instruments can also result from a lack of trading activity for similar instruments in the financial markets. That impact is most notable on the values assigned to the Company s investment securities. Information about the fair valuation of such securities is presented herein under the heading Capital and in notes 3 and 20 of Notes to Financial Statements.

The Company engages in trading activities to meet the financial needs of customers, to fund the Company s obligations under certain deferred compensation plans and, to a limited extent, to profit from perceived market opportunities. Financial instruments utilized in trading activities consist predominantly of interest rate contracts, such as swap agreements, and forward and futures contracts related to foreign currencies, but have also included forward and futures contracts related to mortgage-backed securities and investments in U.S. Treasury and other government securities, mortgage-backed securities and mutual funds and, as previously described, a limited number of VRDBs.

The Company generally mitigates the foreign currency and interest rate risk associated with trading activities by entering into offsetting trading positions. The fair values of the offsetting trading positions associated with interest rate contracts and foreign currency and other option and futures contracts is presented in note 18 of Notes to Financial Statements. The amounts of gross and net trading positions, as well as the type of trading activities conducted by the Company, are subject to a well-defined series of potential loss exposure limits established by management and approved by M&T s Board of Directors. However, as with any non-government guaranteed financial instrument, the Company is exposed to credit risk associated with counterparties to the Company s trading activities.

The notional amounts of interest rate contracts entered into for trading purposes aggregated $12.8 billion at December 31, 2010 and $13.9 billion at December 31, 2009. The notional amounts of foreign currency and other option and futures contracts entered into for trading purposes totaled $769 million and $608 million at December 31, 2010 and 2009, respectively. Although the notional amounts of these trading contracts are not recorded in the consolidated balance sheet, the fair values of all financial instruments used for trading activities are recorded in the consolidated balance sheet. The fair values of trading account assets and liabilities were $524 million and $333 million, respectively, at December 31, 2010 and $387 million and $302 million, respectively, at December 31, 2009. Included in trading account assets at December 31, 2010 and 2009 were $35 million and $36 million, respectively, of assets related to deferred compensation plans. Changes in the fair value of such assets are recorded as trading account and foreign exchange gains in the consolidated statement of income. Included in other liabilities in the consolidated balance sheet at December 31, 2010 and 2009 were $36 million and $38 million, respectively, of liabilities related to deferred compensation plans. Changes in the balances of such liabilities due to the valuation of allocated investment options to which the liabilities are indexed are recorded in other costs of operations in the consolidated statement of income.

Given the Company s policies, limits and positions, management believes that the potential loss exposure to the Company resulting from market risk associated with trading activities was not material, however, as previously noted, the Company is exposed to credit risk associated with counterparties to transactions associated with the Company s trading activities. Additional information about the Company s use of derivative financial instruments in its trading activities is included in note 18 of Notes to Financial Statements.

Capital

Shareholders equity was $8.4 billion at December 31, 2010 and represented 12.29% of total assets, compared with $7.8 billion or 11.26% at December 31, 2009 and $6.8 billion or 10.31% at December 31, 2008. Included in shareholders equity at each of those dates was $600 million of Fixed Rate Cumulative Perpetual Preferred Stock, Series A, and warrants to purchase M&T common stock issued on December 23, 2008 as part of the U.S. Treasury Capital Purchase Program. The financial statement value of that preferred stock was $579 million at December 31, 2010, $573 million at December 31, 2009 and $567 million at December 31, 2008. Provident also participated in that program on November 14, 2008. As a result, Provident s $151.5 million of preferred stock related thereto was converted to M&T Fixed Rate Cumulative Perpetual Preferred Stock, Series C, with warrants to purchase M&T common stock. The estimated fair value ascribed to the Series C Preferred Stock was $129 million on the May 23, 2009 acquisition date. The financial statement value of the Series C Preferred Stock was $135 million and $131 million at December 31, 2010 and December 31, 2009, respectively. The holder of the Series A and Series C preferred stock is entitled to cumulative cash dividends of 5% per annum for five years after the date of initial issuance and 9% per annum thereafter, payable quarterly in arrears. That preferred stock is redeemable at the option of M&T, subject to regulatory approval. M&T also obtained another series of preferred stock as part of the Provident acquisition that was converted to $26.5 million of M&T Series B Mandatory Convertible Non-Cumulative Preferred Stock, liquidation preference of $1,000 per share. The 26,500 shares of the Series B Preferred Stock will automatically convert into 433,148 shares of M&T common stock on April 1, 2011. The Series B Preferred Stock pays dividends at a rate of 10% per annum on the liquidation preference of $1,000 per share, payable quarterly in arrears. The estimated acquisition date fair value of the Series B Preferred Stock was approximately equal to that stock s $26.5 million redemption value. Further information concerning M&T s preferred stock can be found in note 10 of Notes to Financial Statements.

Common shareholders equity was $7.6 billion, or $63.54 per share, at December 31, 2010, compared with $7.0 billion, or $59.31 per share, at December 31, 2009 and $6.2 billion, or $56.29 per share, at December 31, 2008. Tangible equity per common share, which excludes goodwill and core deposit and other intangible assets and applicable deferred tax balances, was $33.26 at December 31, 2010, compared with $28.27 and $25.94 at December 31, 2009 and 2008, respectively. The Company s ratio of tangible common equity to tangible assets was 6.19% at December 31, 2010, compared with 5.13% and 4.59% at December 31, 2009 and December 31, 2008, respectively. Reconciliations of total common shareholders equity and tangible common equity as of December 31, 2010, 2009 and 2008 are presented in table 2. During 2010, 2009 and 2008, the ratio of average total shareholders equity to average total assets was 11.85%, 10.79% and 9.88%, respectively. The ratio of average common shareholders equity to average total assets was 10.77%, 9.81% and 9.86% in 2010, 2009 and 2008, respectively.

Shareholders equity reflects accumulated other comprehensive income or loss, which includes the net after-tax impact of unrealized gains or losses on investment securities classified as available for sale, gains or losses associated with interest rate swap agreements designated as cash flow hedges, and

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adjustments to reflect the funded status of defined benefit pension and other postretirement plans. Net unrealized losses on available-for-sale investment securities, net of applicable tax effect, were $85 million, or $.71 per common share, at December 31, 2010, compared with net unrealized losses of $220 million, or $1.86 per common share, at December 31, 2009, and $557 million, or $5.04 per common share, at December 31, 2008. Such unrealized losses represent the difference, net of applicable income tax effect, between the estimated fair value and amortized cost of investment securities classified as available for sale, including the remaining unamortized unrealized losses on investment securities that have been transferred to held-to-maturity classification. Information about unrealized gains and losses as of December 31, 2010 and 2009 is included in note 3 of Notes to Financial Statements.

Reflected in net unrealized losses at December 31, 2010 were pre tax-effect unrealized losses of $312 million on available-for-sale investment securities with an amortized cost of $1.7 billion and pre-tax effect unrealized gains of $231 million on securities with an amortized cost of $3.8 billion. The pre-tax effect unrealized losses reflect $252 million of losses on privately issued mortgage-backed securities with an amortized cost of $1.4 billion and an estimated fair value of $1.1 billion (considered Level 3 valuations) and $38 million of losses on trust preferred securities issued by financial institutions having an amortized cost of $127 million and an estimated fair value of $89 million (generally considered Level 2 valuations).

The Company s privately issued residential mortgage-backed securities classified as available for sale are generally collateralized by prime and Alt-A residential mortgage loans as depicted in table 22. Information in the table is as of December 31, 2010. As with any accounting estimate or other data, changes in fair values and investment ratings may occur at any time.

Table 22

PRIVATELY ISSUED MORTGAGE-BACKED SECURITIES CLASSIFIED AS AVAILABLE FOR SALE (a)

				As a Percentage of Carrying Value		
Collateral Type	**Amortized Cost**	**Fair Value**	**Net Unrealized Gains (Losses)**	**AAA Rated**	**Investment Grade**	**Senior Tranche**
			(Dollars in thousands)			
Residential Mortgage Loans						
Prime Fixed	$ 93,104	$ 98,665	$ 5,561	67%	69%	98%
Prime Hybrid ARMs	1,397,365	1,212,048	(185 ,317)	12	55	95
Prime Other	1,751	1,576	(175)			100
Alt-A Fixed	7,797	8,978	1,181	13	13	99
Alt-A Hybrid ARMs	171,608	111,055	(60,553)		47	83
Alt-A Option ARMs	216	150	(66)			
Other	5,223	3,089	(2,134)			7
Subtotal	1,677,064	1,435,561	(241,503)	15%	55%	94%
Commercial Mortgage Loans	25,357	22,407	(2,950)	100%	100%	100%

Total	$ 1,702,421	$ 1,457,968	$ (244,453)	16%	56%	94%

(a) All information is as of December 31, 2010.

Reflecting the credit stress associated with residential mortgage loans, trading activity for privately issued mortgage-backed securities has been dramatically reduced. In estimating values for such securities, the Company was significantly restricted in the level of market observable assumptions used in the valuation of its privately issued mortgage-backed securities portfolio. Because of the relative inactivity and lack of observable valuation inputs, the Company considers the estimated fair value associated with its holdings of privately issued mortgage-backed securities to be Level 3 valuations. To assist in the determination of fair value for its privately issued mortgage-backed securities, the Company engaged two independent pricing sources at December 31, 2010 and December 31, 2009. In April 2009, guidance was provided by the FASB for estimating fair value when the volume and level of trading activity for an asset or liability have significantly decreased. In consideration of that guidance, the Company performed internal modeling to estimate the cash flows and fair value of privately issued residential mortgage-backed securities with an amortized cost basis of $1.5 billion at December 31, 2010 and $1.9 billion at December 31, 2009. The Company s internal modeling techniques included discounting estimated bond-specific cash flows using assumptions about cash flows associated with loans underlying each of the bonds. In estimating those cash flows, the Company used conservative assumptions as to future delinquency, default and loss rates in order to mitigate exposure that might be attributable to the risk that actual future credit losses could exceed assumed credit losses. Differences between internal model valuations and external pricing indications were generally considered to be reflective of the lack of liquidity in the market for privately issued mortgage-backed securities. To determine the most representative fair value for those bonds under current market conditions, the Company computed values based on judgmentally applied weightings of the internal model valuations and the indications obtained from the average of the two independent pricing sources. Weightings applied to internal model valuations were generally dependent on bond structure and collateral type, with prices for bonds in non-senior tranches generally receiving lower weightings on the internal model results and greater weightings of the valuation data provided by the independent pricing sources. As a result, certain valuations of privately issued residential mortgage-backed securities were determined by reference to independent pricing sources without adjustment. The average weight placed on internal model valuations at December 31, 2010 was 34%, compared with a 66% weighting on valuations provided by the independent sources. Generally, the range of weights placed on internal valuations was between 0% and 40%. Further information concerning the Company s valuations of privately issued mortgage-backed securities can be found in note 20 of Notes to Financial Statements.

During 2010 the Company recognized $86 million (pre-tax) of other-than-temporary impairment losses including $63 million related to privately issued residential mortgage-backed securities with an amortized cost basis (before impairment charge) of $585 million, $6 million related to securities backed largely by trust preferred securities issued by financial institutions with an amortized cost basis (before impairment charge) of $13 million, $5 million related to commercial mortgage-backed CMOs with an amortized cost basis (before impairment charge) of $9 million, and $12 million related to AIB ADSs with an amortized cost basis (before impairment charge) of $13 million. In assessing impairment losses for debt securities, the Company performed internal modeling to estimate bond-specific cash flows, which considered the placement of the bond in the overall securitization structure and the remaining levels of subordination. For privately issued residential mortgage-backed securities, the model utilized assumptions about the underlying performance of the mortgage loan collateral considering recent collateral performance and future assumptions regarding default and loss severity. At December 31, 2010, projected model default percentages on the underlying mortgage loan collateral ranged from 1% to 43% and loss severities ranged from 10% to 71%. For bonds in which the Company has recognized an other-than-temporary impairment charge, the weighted-average percentage of defaulted collateral was 25% and the weighted-average loss severity was 49%. For bonds without other-than-temporary impairment losses, the weighted-average default percentage and loss severity were 11% and 39%, respectively. Underlying mortgage loan collateral cash flows, after considering the impact of estimated credit losses, were distributed by the model to the various securities within the securitization structure to determine the timing and extent of losses at the bond-level, if any. Despite continuing high levels of delinquencies and losses in the underlying residential mortgage loan collateral, given credit enhancements resulting from the structures of individual bonds, the Company has concluded that as of December 31, 2010 its remaining privately issued mortgage-backed securities were not other-than-temporarily impaired. Nevertheless, given recent market conditions, it is possible that adverse changes in repayment performance and fair value could occur in 2011 and later years that could impact the Company s conclusions. Management has modeled cash flows from privately issued mortgage-backed securities under various scenarios and has concluded that even if home price depreciation and current delinquency trends persist for an extended period of time, the Company s principal losses on its privately issued mortgage-backed securities would be substantially less than their current fair valuation losses. Information comparing the amortized cost and fair value of investment securities is included in note 3 of Notes to Financial Statements.

At December 31, 2010, the Company also had net pre-tax unrealized gains of $5 million on $410 million of trust preferred securities issued by financial institutions, securities backed by trust preferred securities issued by financial institutions and other entities, and other debt securities (including $16 million of net unrealized gains on $111 million of securities using a Level 3 valuation and $11 million of net unrealized losses on $299 million of securities classified as Level 2 valuations). Pre-tax unrealized losses of $29 million existed on $384 million of such securities at December 31, 2009. After evaluating the expected repayment performance of financial institutions where trust preferred securities were held directly by the Company or were within CDOs backed by trust preferred securities obtained in acquisitions, the Company, during 2010 and 2009, recognized pre-tax other-than-temporary impairment losses of $6 million and $8 million, respectively, related to those securities.

The Company also holds municipal bonds, mortgage-backed securities guaranteed by government agencies and certain CMOs securitized by Bayview Financial Holdings, L.P. (together with its affiliates, Bayview Financial), a privately-held specialty mortgage finance company and the majority investor of BLG, in its held-to-maturity investment securities portfolio. The Company purchased certain private placement CMOs during 2008 that had been securitized by Bayview Financial. Given the Company s relationship with Bayview Financial and related entities at that time, the Company reconsidered its intention to hold other CMOs securitized by Bayview Financial with a cost basis of $385 million and a fair value of $298 million and transferred such securities from its available-for-sale investment securities portfolio to its held-to-maturity investment securities portfolio. During 2010, the Company recognized a $5 million (pre-tax) other-than-temporary impairment loss related to CMOs in the held-to-maturity portfolio having an amortized cost (before impairment charge) of $9 million. Similar to its evaluation of privately issued residential mortgage-backed securities, the Company assessed impairment losses on these CMOs by performing internal modeling to estimate bond-specific cash flows, which considered the placement of the bond in the overall securitization structure and the remaining subordination levels. In total, at December 31, 2010 and 2009, the Company had in its held-to-maturity portfolio CMOs with an amortized cost basis of $313 million (after impairment charge) and $352 million, respectively, and a fair value of $198 million and $201 million, respectively. At December 31, 2010, the amortized cost and fair value of CMOs securitized by Bayview Financial in the Company s available-for-sale investment securities portfolio were $25 million and $22 million, respectively, and at December 31, 2009 were $33 million and $25 million, respectively. Given the credit enhancements within each of the individual bond structures, the Company has determined that the remaining private CMOs securitized by Bayview Financial were not other-than-temporarily impaired at December 31, 2010.

The AIB ADSs were obtained in a 2003 acquisition and are held to satisfy options to purchase such shares granted by the acquired entity to certain employees. Factors contributing to the $12 million other-than-temporary impairment charge in 2010 related to the AIB ADSs 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.

During 2009 the Company recognized $138 million (pre-tax) of other-than-temporary losses, including $128 million related to CMOs backed by privately issued mortgage-backed securities with an amortized cost basis (before impairment charge) of $486 million and $10 million related to CDOs backed largely by trust preferred securities issued by financial institutions with an amortized cost basis (before impairment charge) of $18 million. During 2008 the Company recognized $182 million (pre-tax) of other-than-temporary losses, $18 million of which related to privately issued mortgage-backed securities with an amortized cost basis (before impairment charge) of $20 million and $11 million related to securities backed by trust preferred securities issued by financial institutions with an amortized cost basis (before impairment charge) of $12 million. The remaining $153 million of other-than-temporary impairment in 2008 related to the Company s holdings of preferred stock of Fannie Mae and Freddie Mac with an amortized cost basis (before impairment charge) of $162 million.

As of December 31, 2010, based on a review of each of the remaining securities in the investment securities portfolio, the Company concluded that the declines in the values of those securities were temporary and that any additional other-than-temporary impairment charges were not appropriate. As of that date, the Company did not intend to sell nor is it anticipated that it would be required to sell any of its impaired securities, that is, where fair value is less than the cost basis of the security. The Company intends to continue to closely monitor the performance of the privately issued mortgage-backed securities and other securities because changes in their underlying credit performance or other events could cause the cost basis of those securities to become other-than-temporarily impaired. However, because the unrealized losses on available-for-sale investment securities have generally already been reflected in the financial statement values for investment securities and shareholders equity, any recognition of an other-than-temporary decline in value of those investment securities would not have a material effect on the Company s consolidated financial condition. Any additional other-than-temporary impairment charge related to held-to-maturity securities would result in reductions in the financial statement values for investment securities and shareholders equity. Additional information concerning fair value measurements and the Company s approach to the classification of such measurements is included in note 20 of the Notes to Financial Statements.

Adjustments to reflect the funded status of defined benefit pension and other postretirement plans, net of applicable tax effect, reduced accumulated other comprehensive income by $121 million, or $1.01 per common share, at December 31, 2010, $117 million, or $.99 per common share, at December 31, 2009, and $174 million, or $1.58 per common share, at December 31, 2008. The decrease in such adjustment at December 31, 2009 as compared with December 31, 2008 was predominantly the result of actual investment performance of assets held by the Company s qualified pension plans being significantly better than assumed for actuarial purposes. During the second quarter of 2009, the Company contributed 900,000 shares of M&T common stock having a then fair value of $44 million to the Company s qualified defined benefit pension plan. Those shares were issued from previously held treasury stock. Information about the funded status of the Company s pension and other postretirement benefit plans is included in note 12 of Notes to Financial Statements.

Cash dividends declared on M&T s common stock totaled $336 million in 2010, compared with $327 million and $309 million in 2009 and 2008, respectively. Dividends per common share totaled $2.80 in each of 2010, 2009 and 2008. During 2010, cash dividends of $38 million, or $50.00 per share, were declared and paid to the U.S. Treasury on M&T s Series A ($30 million) and Series C ($8 million) Preferred Stock. Similar dividends of $31 million were declared and paid in 2009. Cash dividends of $3 million and $1 million ($100.00 per share and $50.00 per share) were declared and paid during 2010 and 2009, respectively, on M&T s Series B Preferred Stock. The Series B and Series C Preferred Stock were created in connection with the Provident transaction. The Company did not repurchase any of its common stock in 2010, 2009 or 2008.

Federal regulators generally require banking institutions to maintain Tier 1 capital and total capital ratios of at least 4% and 8%, respectively, of risk-adjusted total assets. In addition to the risk-based measures, Federal bank regulators have also implemented a minimum leverage ratio guideline of 3% of the quarterly average of total assets. At December 31, 2010, Tier 1 capital included $1.1 billion of trust preferred securities as described in note 9 of Notes to Financial Statements and total capital further included $1.5 billion of subordinated capital notes. Pursuant to the Dodd-Frank Act, trust preferred securities will be phased-out of the definition of Tier 1 capital of bank holding companies. The capital ratios of the Company and its banking subsidiaries as of December 31, 2010 and 2009 are presented in note 23 of Notes to Financial Statements.

Fourth Quarter Results

Net income during the fourth quarter of 2010 rose 49% to $204 million from $137 million in the year-earlier quarter. Diluted and basic earnings per common share were each $1.59 in the final 2010 quarter, 53% and 51% higher than $1.04 and $1.05 of diluted and basic earnings per common share, respectively, in the corresponding quarter of 2009. The annualized rates of return on average assets and average common shareholders equity for the recently completed quarter were 1.18% and 10.03%, respectively, compared with .79% and 7.09%, respectively, in the fourth quarter of 2009.

Net operating income totaled $196 million in the recent quarter, compared with $151 million in the fourth quarter of 2009. Diluted net operating earnings per common share were $1.52 in the final 2010 quarter, compared with $1.16 in the year-earlier quarter. The annualized net operating returns on

average tangible assets and average tangible common equity in the fourth quarter of 2010 were 1.20% and 18.43%, respectively, compared with .92% and 16.73%, respectively, in the similar 2009 quarter. Core deposit and other intangible asset amortization, after tax effect, totaled $8 million and $10 million in the fourth quarters of 2010 and 2009 ($.07 and $.09 per diluted common share, respectively). The after-tax impact of merger-related expenses and the gain associated with the K Bank acquisition transaction totaled to a net gain of $16 million ($27 million pre-tax) or $.14 of diluted earnings per common share in the fourth quarter of 2010. The after-tax impact of merger-related expenses related to the Provident and Bradford acquisition transactions was $4 million ($6 million pre-tax) or $.03 of diluted earnings per common share in the final quarter of 2009. Reconciliations of GAAP results with non-GAAP results for the quarterly periods of 2010 and 2009 are provided in table 24.

Taxable-equivalent net interest income increased 3% to $580 million in the fourth quarter of 2010 from $565 million in the year-earlier quarter. That growth reflects a 14 basis point widening of the Company s net interest margin. The yield on earning assets was 4.58% in each of the fourth quarters of 2010 and 2009. The rate paid on interest-bearing liabilities declined 16 basis points to .97% in the final quarter of 2010 from 1.13% in the corresponding quarter of 2009. The resulting net interest spread was 3.61% in the recent quarter, up 16 basis points from 3.45% in the fourth quarter of 2009. That improvement was largely due to lower interest rates paid on deposits. The contribution of net interest-free funds to the Company s net interest margin was .24% in the recent quarter, down slightly from .26% in the year-earlier quarter. That decline reflects the impact of lower interest rates on interest-bearing liabilities used to value such contribution. As a result, the Company s net interest margin widened to 3.85% in the final 2010 quarter from 3.71% in the similar quarter of 2009. Average earning assets in the fourth quarter of 2010 totaled $59.7 billion, down 1% from $60.5 billion in the year-earlier quarter. That decline resulted from lower average loans and leases, which decreased 2% to $51.1 billion in the recent quarter from $52.1 billion in 2009 s final quarter. Average commercial loan and lease balances were $13.0 billion in the recent quarter, down $514 million or 4% from $13.5 billion in the fourth quarter of 2009. That decline was the result of generally lower demand for commercial loans throughout most of 2010. Commercial real estate loans averaged $20.6 billion in the fourth quarter of 2010, down $326 million from $21.0 billion in the year-earlier quarter. Average residential real estate loans outstanding rose 8% or $453 million to $5.9 billion in the recent quarter from $5.5 billion in the fourth quarter of 2009. That increase was predominantly the result of the impact of adopting the already discussed new accounting rules on January 1, 2010 related to non-recourse securitization transactions using qualified special-purpose trusts. Included in the residential real estate loan portfolio were loans held for sale, which averaged $556 million and $497 million in the fourth quarters of 2010 and 2009, respectively. Consumer loans averaged $11.6 billion in the recent quarter, down $558 million, or 5%, from $12.1 billion in the final 2009 quarter. That decline was largely due to lower outstanding automobile and home equity loan balances. Despite sluggish loan demand throughout much of 2010, total loans increased $1.2 billion to $52.0 billion at December 31, 2010 from $50.8 billion at September 30, 2010. That growth was largely attributable to December increases in commercial loans and commercial real estate loans.

The provision for credit losses was $85 million in the three-month period ended December 31, 2010, compared with $145 million in the year-earlier period. Net charge-offs of loans were $77 million in the final quarter of 2010, representing an annualized .60% of average loans and leases outstanding, compared with $135 million or 1.03% during the year-earlier quarter. Net charge-offs included: residential real estate loans of $15 million in the recently completed quarter, compared with $21 million a year earlier; loans to builders and developers of residential real estate properties of $22 million, compared with $40 million in the fourth quarter of 2009; other commercial real estate loans of $13 million, compared with $11 million a year earlier; commercial loans of $5 million, compared with $31 million in 2009; and consumer loans of $22 million, compared with $32 million in the prior year s fourth quarter.

Other income totaled $287 million in the recent quarter, up 8% from $266 million in the year-earlier quarter. Net losses on investment securities (including other-than-temporary impairment charges) were $27 million during the fourth quarter of 2010, compared with $34 million in the year-earlier quarter. The losses were predominantly due to other-than-temporary impairment charges related to certain of the Company s privately issued CMOs. Reflected in other income for the fourth quarter of 2010 was the $28 million gain recorded on the K Bank acquisition transaction. Excluding net losses on

investment securities and the merger-related gain, other income was $286 million, down 5% from $300 million in the year-earlier quarter. The most significant contributors to that decline were lower residential mortgage banking revenues and service charges on deposit accounts, partially offset by higher trading account and foreign exchange gains and letter of credit and other credit-related fees. The decline in residential mortgage banking revenues in the recent quarter reflects lower origination volumes, the Company s decision to retain for portfolio a higher proportion of originated loans rather than selling them, and increased settlements related to obligations to repurchase previously sold loans. Charges against mortgage banking revenues related to such repurchase obligations were $14 million in the recent quarter and $6 million in the fourth quarter of 2009. The lower service charges on deposit accounts reflect the new regulations that went into effect in the third quarter of 2010. The Federal Reserve and other regulators have adopted regulations requiring expanded disclosure of overdraft and other fees assessed to consumers and issued guidance that requires consumers to elect to be subject to fees for certain deposit account transactions that began July 1, 2010 for new customers and August 15, 2010 for pre-existing customers. The Company estimates that these new regulations resulted in a decrease in deposit account service charges of approximately $16 million in the fourth quarter of 2010.

Other expense in the fourth quarter of 2010 totaled $469 million, compared with $478 million in the year-earlier quarter. Included in such amounts are expenses considered to be nonoperating in nature consisting of amortization of core deposit and other intangible assets of $13 million and $17 million in the final quarters of 2010 and 2009, respectively, and merger-related expenses of $771 thousand and $6 million in the fourth quarters of 2010 and 2009, respectively. Exclusive of those nonoperating expenses, noninterest operating expenses were $455 million in each of the fourth quarters of 2010 and 2009. As compared with the fourth quarter of 2009, higher costs for professional services and advertising and promotion in the recent quarter were offset by lower expenses for salaries and employee benefits, equipment and occupancy, and other operating costs. The Company s efficiency ratio during the fourth quarter of 2010 and 2009 was 52.5% and 52.7%, respectively. Table 24 includes a reconciliation of other expense to noninterest operating expense for each of the quarters of 2010 and 2009.

Segment Information

In accordance with GAAP, the Company 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 financial information of the Company s segments was compiled utilizing the accounting policies described in note 22 of Notes to Financial Statements. The management accounting policies and processes utilized in compiling segment financial information are highly subjective and, unlike financial accounting, are not based on authoritative guidance similar to GAAP. As a result, reported segments and the financial information of the reported segments are not necessarily comparable with similar information reported by other financial institutions. Furthermore, changes in management structure or allocation methodologies and procedures may result in changes in reported segment financial data. Financial information about the Company s segments is presented in note 22 of Notes to Financial Statements.

The Business Banking segment provides a wide range of services to small businesses and professionals through the Company s branch network, business banking centers and other delivery channels such as telephone banking, Internet banking and automated teller machines within markets served by the Company. Services and products offered by this segment include various business loans and leases, including loans guaranteed by the Small Business Administration, business credit cards, deposit products, and financial services such as cash management, payroll and direct deposit, merchant credit card and letters of credit. The Business Banking segment contributed net income of $99 million in 2010, 21% lower than the $124 million recorded in 2009. That decline was predominately due to a $33 million increase in the provision for credit losses, the result of increased net charge-offs of loans. Net income earned in 2008 totaled $120 million. The favorable performance in 2009 as compared with 2008 was due

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to higher net interest income of $33 million, largely attributable to higher average deposit and loan balances of $869 million and $416 million, respectively, partially offset by a $20 million increase in total noninterest expenses, reflecting higher FDIC assessments of $10 million, and an $8 million increase in the provision for credit losses, the result of higher net charge-offs of loans. Approximately three-fourths of the higher net interest income was due to the Provident transaction.

The Commercial Banking segment provides a wide range of credit products and banking services for middle-market and large commercial customers, mainly within the markets served by the Company. Services provided by this segment include commercial lending and leasing, letters of credit, deposit products, and cash management services. The Commercial Banking segment earned $314 million in 2010, up 31% from $239 million in 2009. The increase in net income in 2010 as compared with 2009 reflects a $60 million decline in the provision for credit losses, due to lower net loan charge-offs, as well as a $51 million rise in net interest income, due to a $2.0 billion increase in average deposit balances and a 26 basis point widening of the net interest margin on loans. Net income contributed by this segment in 2008 was $213 million. The higher net income in 2009 as compared with 2008 reflects a $98 million increase in net interest income, primarily due to a $3.0 billion increase in average deposit balances. Approximately 15% of the increase in net interest income was due to the Provident acquisition. Partially offsetting that increase were a $31 million increase in the provision for credit losses, predominately due to higher net charge-offs of loans, and a $15 million rise in FDIC assessments.

The Commercial Real Estate segment provides credit and deposit services to its customers. Real estate securing loans in this segment is generally located in the New York City metropolitan area, upstate New York, Pennsylvania, Maryland, the District of Columbia, Delaware, Virginia, West Virginia, and the northwestern portion of the United States. Commercial real estate loans may be secured by apartment/multifamily buildings; office, retail and industrial space; or other types of collateral. Activities of this segment also include the origination, sales and servicing of commercial real estate loans through the Fannie Mae DUS program and other programs. Net income for the Commercial Real Estate segment improved 31% to $203 million in 2010 from $155 million in 2009. Factors contributing to the significant rise in net income include: a $39 million decline in the provision for credit losses, mainly due to lower net charge-offs of loans; a $38 million increase in net interest income; and higher revenues from mortgage banking activities of $13 million, the result of increased loan origination and sales activities. The rise in net interest income was attributable to a 28 basis point expansion of the net interest margin on loans and increases in average deposit and loan balances of $430 million and $249 million, respectively, partially offset by a 57 basis point narrowing of the net interest margin on deposits. Partially offsetting the favorable factors were higher noninterest expenses, which include increased personnel-related costs and foreclosure-related expenses of $8 million and $5 million, respectively. In 2008, net income for the Commercial Real Estate segment was $164 million. Factors contributing to the 5% decline in net income in 2009 when compared with 2008 were a $69 million increase in the provision for credit losses, primarily due to higher net charge-offs of loans, and higher noninterest expenses of $15 million, including increased FDIC assessments of $4 million. Those increased costs were partially offset by higher net interest income of $59 million, largely attributable to higher average loan and deposit balances of $1.4 billion and $489 million, respectively, and an 18 basis point widening of the net interest margin on loans. Approximately one-half of the increase in net interest income was due to the Provident acquisition.

The Discretionary Portfolio segment includes investment and trading securities, residential mortgage loans and other assets; short-term and long-term borrowed funds; brokered certificates of deposit and interest rate swap agreements related thereto; and Cayman Islands branch deposits. This segment also provides foreign exchange services to customers. Included in the assets of the Discretionary Portfolio segment are most of the investment securities for which the Company has recognized other-than-temporary impairment charges in each of the last three years and the portfolio of Alt-A mortgage loans. The Discretionary Portfolio segment incurred net losses of $39 million, $28 million and $48 million in 2010, 2009 and 2008, respectively. Included in this segment s results were other-than-temporary impairment charges of $74 million in 2010, $138 million in 2009 and $182 million in 2008. The impairment charges recorded in 2010 and 2009 predominately related to privately issued CMOs, while the 2008 impairment

charges were largely from the Company s holdings of preferred stock issuances of Fannie Mae and Freddie Mac. In addition to the impact of impairment charges, the higher net loss incurred in 2010 as compared with 2009 reflects a decrease in net interest income of $114 million, resulting from a 42 basis point narrowing of this segment s net interest margin, offset, in part, by a $27 million reduction in the provision for credit losses, due to lower net charge-offs of loans. Factors contributing to this segment s lower net loss in 2009 as compared with 2008 were a $44 million decline in other-than-temporary impairment charges, the impact of a partial reversal of the valuation allowance for capitalized residential mortgage servicing rights of $6 million in 2009, compared with an addition to the valuation allowance of $6 million in 2008, and lower foreclosure-related costs of $10 million. Partially offsetting those favorable factors were a $14 million increase in the provision for credit losses, driven by higher net charge-offs, and a $7 million decline in net interest income, reflecting lower average balances of investment securities and loans of $529 million and $290 million, respectively.

The Residential Mortgage Banking segment originates and services residential mortgage loans and sells substantially all of those loans in the secondary market to investors or to the Discretionary Portfolio segment. This segment also originates and services loans to developers of residential real estate properties, although that origination activity has been significantly curtailed. In addition to the geographic regions served by or contiguous with the Company s branch network, the Company maintains mortgage loan origination offices in several states throughout the western United States. The Company also periodically purchases the rights to service mortgage loans. Residential mortgage loans held for sale are included in this segment. This segment recorded net income of $11 million in 2010, compared with net losses of $13 million and $48 million in 2009 and 2008, respectively. The net losses incurred in 2009 and 2008 reflect significant net charge-offs of loans to builders and developers of residential real estate. The improvement of this segment s results in 2010 as compared with 2009 was attributable to the following: a $49 million reduction in the provision for credit losses, including a decline in net charge-offs of loans to builders and developers of residential real estate; lower foreclosure-related expenses of $20 million, the result of updated appraised values on certain previously foreclosed-upon residential real estate development projects in 2009; and an $8 million decrease in personnel-related expenses. Partially offsetting those favorable factors were a $16 million partial reversal of the capitalized mortgage servicing rights valuation allowance in 2009 (as compared with no change in such allowance in 2010) and a decline in revenues relating to residential mortgage origination and sales activities of $19 million. The lower residential mortgage revenues in 2010 reflect lower origination volumes and increased settlements related to the Company s obligation to repurchase previously sold loans. The lower net loss in 2009 as compared with 2008 was due to: a $55 million rise in noninterest revenues from residential mortgage loan origination activities, due to increased volume and wider margins; the impact of a partial reversal of the capitalized mortgage servicing rights valuation allowance of $16 million in 2009, compared with a $10 million addition to such allowance in 2008; and a $13 million increase in net interest income, partly due to a 68 basis point widening of the net interest margin on loans. A rise in total noninterest expenses of $43 million (excluding the capitalized mortgage servicing rights valuation allowance reversal), reflecting higher foreclosure-related costs of $23 million, partially offset those favorable factors.

The Retail Banking segment offers a variety of services to consumers through several delivery channels which include branch offices, automated teller machines, telephone banking and Internet banking. The Company has branch offices in New York State, Pennsylvania, Maryland, Virginia, the District of Columbia, West Virginia, Delaware and New Jersey. The Retail Banking segment also offers certain deposit products on a nationwide basis through the delivery channels of M&T Bank, N.A. Credit services offered by this segment include consumer installment loans, automobile loans (originated both directly and indirectly through dealers), home equity loans and lines of credit and credit cards. The segment also offers to its customers deposit products, including demand, savings and time accounts; investment products, including mutual funds and annuities; and other services. Net income contributed by the Retail Banking segment aggregated $225 million in 2010, down from $237 million in 2009. Lower net interest income of $39 million, the result of a 25 basis point narrowing of the net interest margin on deposits, and an $8 million rise in net occupancy expenses contributed to the decline in net income. Those factors were partially offset by a decrease in the provision for credit losses of $21 million (due to lower net charge-offs of loans), a decline in FDIC assessments of $7 million, and higher fees earned for

providing deposit account services of $5 million. Net income for this segment decreased 5% in 2009 from the $250 million earned in 2008. Factors contributing to that decline included: a $42 million increase in FDIC assessments; a rise in the provision for credit losses of $32 million, resulting from higher net charge-offs of consumer loans; and increases in personnel and net occupancy costs of $17 million and $16 million, respectively, related to the operations added with the Provident acquisition. Partially offsetting those unfavorable factors were a $48 million increase in net interest income and a $34 million rise in fees earned for providing deposit account services to Provident customers. The higher net interest income was due to a $2.4 billion increase in average deposit balances (approximately 60 percent of which was due to the impact of the Provident acquisition) and a 26 basis point widening of the net interest margin on loans, offset, in part, by a 26 basis point narrowing of the deposit net interest margin.

The All Other category reflects other activities of the Company that are not directly attributable to the reported segments. Reflected in this category are the amortization of core deposit and other intangible assets resulting from the acquisitions of financial institutions, M&T s share of the operating losses of BLG, merger-related gains and expenses resulting from acquisitions and the net impact of the Company s allocation methodologies for internal transfers for funding charges and credits associated with the earning assets and interest-bearing liabilities of the Company s reportable segments and the provision for credit losses. The various components of the All Other category resulted in net losses of $78 million, $335 million and $95 million in 2010, 2009 and 2008, respectively. The improved performance in 2010 as compared with 2009 was largely due to the favorable impact from the Company s allocation methodologies for internal transfers for funding charges and credits associated with the earning assets and interest-bearing liabilities of the Company s reportable segments and the provision for credit losses and a net merger-related gain in 2010 of $27 million, compared with net merger-related expenses in 2009 totaling $60 million. The following unfavorable factors contributed to the higher net loss in 2009 as compared with 2008: the impact from the Company s allocation methodologies for internal transfers for funding charges and credits associated with the earning assets and interest-bearing liabilities of the Company s reportable segments and the provision for credit losses; $60 million of net merger-related expenses associated with the Provident and Bradford acquisitions recorded in 2009, compared with $4 million of merger-related expenses in 2008 related to acquisition transactions completed in the fourth quarter of 2007; Visa-related transactions that were recorded in the first quarter of 2008, including a $33 million gain realized from the mandatory partial redemption of Visa stock owned by M&T Bank and $15 million related to the reversal of Visa litigation-related accruals initially recorded in 2007 s fourth quarter; increased personnel costs associated with the business and support units included in the All Other category of $35 million, including higher costs for medical, pension and post-retirement benefits; the impact of a $40 million reduction of income tax expense recorded in 2008 s third quarter relating to M&T s resolution of certain tax issues from its activities in various jurisdictions during the years 1999-2007; lower trust income of $28 million; a $16 million increase in FDIC assessments; and a $6 million increase in charitable contributions made to the M&T Charitable Foundation. A $13 million (pre-tax) improvement from M&T s share of the operating results of BLG (inclusive of interest expense to fund that investment) partially offset the favorable factors.

Recent Accounting Developments

In June 2009, the FASB amended accounting guidance relating to the consolidation of variable interest entities to eliminate the quantitative approach previously required for determining the primary beneficiary of a variable interest entity. The amended guidance instead requires a reporting entity to qualitatively assess the determination of the primary beneficiary of a variable interest entity based on whether the reporting entity has the power to direct the activities that most significantly impact the variable interest entity s economic performance and has the obligation to absorb losses or the right to receive benefits of the variable interest entity that could potentially be significant to the variable interest entity. The amended guidance requires ongoing reassessments of whether the reporting entity is the primary beneficiary of a variable interest entity. The amended guidance became effective as of January 1, 2010.

Also in June 2009, the FASB issued amended accounting guidance relating to 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 occur 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 discussed in the previous paragraph.

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

In January 2010, the FASB amended fair value measurement and disclosure guidance to require disclosure of significant transfers in and out of Level 1 and Level 2 fair value measurements and the reasons for the transfers and to require separate presentation of information about purchases, sales, issuances and settlements in the rollforward of activity in Level 3 fair value measurements. The amended guidance also clarifies existing requirements that (i) fair value measurement disclosures should be disaggregated for each class of asset and liability and (ii) disclosures about valuation techniques and inputs for both recurring and nonrecurring Level 2 and Level 3 fair value measurements should be provided. The guidance is effective for interim and annual periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the rollforward of activity in Level 3 fair value measurements, which are effective for fiscal years beginning after December 15, 2010 and for interim periods within those years. The adoption of this guidance did not impact the Company s financial position or results of operations.

In March 2010, the FASB amended accounting guidance relating to a scope exception for derivative accounting to clarify that only embedded credit derivative features related to the transfer of credit risk in the form of subordination of one financial instrument to another should not be analyzed for potential bifurcation from the host contract and separate accounting as a derivative. Embedded credit derivative features in a form other than subordination do not qualify for the scope exception, even if their effects are allocated according to subordination provisions. The guidance was effective at the beginning of the first quarter beginning after June 15, 2010. The adoption of this guidance did not have a significant impact on the reporting of the Company s financial position or results of operations.

In April 2010, the FASB issued amended accounting guidance relating to the effect of a loan modification when the loan is part of a pool that is accounted for as a single asset under the guidance for loans and debt securities acquired with deteriorated credit quality. The amended guidance requires modifications of loans that are accounted for within a pool to remain in the pool even if the modification would be considered a troubled debt restructuring. Companies are required to continue to review the pool of assets in which the modified loan is included to determine whether the pool is impaired if the expected cash flows for the pool change. The guidance was effective for prospective modifications of loans accounted for within pools occurring in the first interim or annual period ending on or after July 15, 2010. The adoption of this guidance did not have a significant impact on the reporting of the Company s financial position or results of operations.

In July 2010, the FASB issued amended disclosure guidance relating to credit risk inherent in an entity s portfolio of financing receivables and the related allowance for credit losses. The amended disclosures are required at two disaggregated levels. One level of disaggregation is the portfolio segment which represents the level at which an entity develops and documents a systematic method for determining its allowance for credit losses. The second level of disaggregation is the class of financing receivables which generally represents a disaggregation of a portfolio segment. The amended disclosures

include a rollforward of the allowance for credit losses by portfolio segment with the ending balance further disaggregated on the basis of the impairment method, the related recorded investment in each portfolio segment, the nonaccrual status of financing receivables by class, the impaired financing receivables by class, the credit quality indicators of financing receivables at the end of the reporting period by class, the aging of past due financing receivables at the end of the reporting period by class, the nature and extent of troubled debt restructurings that occurred during the period by class and their effect on the allowance for credit losses, the nature and extent of financing receivables modified as troubled debt restructurings within the previous twelve months that defaulted during the reporting period by class and their effect on the allowance for credit losses, and the significant purchases and sales of financing receivables during the reporting period by portfolio segment. The disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010 and the disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. Upon initial application, the disclosures are not required for earlier periods that are presented for comparative purposes. The Company has complied with the disclosures required as of December 31, 2010 and intends to comply with the remaining disclosure requirements when they become effective.

In October 2010, the FASB issued amended accounting guidance relating to the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units with zero or negative carrying amounts, an entity is required to perform Step Two of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. The Company does not anticipate that the adoption of this guidance will have a significant impact on the reporting of its financial position or results of its operations.

In December 2010, the FASB issued amended disclosure guidance relating to the pro forma information for business combinations that occurred in the current reporting period. The amended disclosure states that if an entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period. The guidance is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The Company intends to comply with the disclosure requirements when they become effective.

Forward-Looking Statements

Management s Discussion and Analysis of Financial Condition and Results of Operations and other sections of this Annual Report contain forward-looking statements that are based on current expectations, estimates and projections about the Company s business, management s beliefs and assumptions made by management. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions (Future Factors) which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements.

Future Factors include changes in interest rates, spreads on earning assets and interest-bearing liabilities, and interest rate sensitivity; prepayment speeds, loan originations, credit losses and market values on loans, collateral securing loans and other assets; sources of liquidity; common shares outstanding; common stock price volatility; fair value of and number of stock-based compensation awards to be issued in future periods; legislation affecting the financial services industry as a whole, and M&T and its subsidiaries individually or collectively, including tax legislation; regulatory supervision and oversight, including monetary policy and capital requirements; changes in accounting policies or procedures as may be required by the FASB or other regulatory agencies; increasing price and product/service competition by competitors, including new entrants; rapid technological developments and changes; the ability to continue to introduce competitive new products and services on a timely, cost-effective basis; the mix of products/services; containing costs and expenses; governmental and public policy changes; protection and

validity of intellectual property rights; reliance on large customers; technological, implementation and cost/financial risks in large, multi-year contracts; the outcome of pending and future litigation and governmental proceedings, including tax-related examinations and other matters; continued availability of financing; financial resources in the amounts, at the times and on the terms required to support M&T and its subsidiaries future businesses; and material differences in the actual financial results of merger, acquisition and investment activities compared with M&T s initial expectations, including the full realization of anticipated cost savings and revenue enhancements.

These are representative of the Future Factors that could affect the outcome of the forward-looking statements. In addition, such statements could be affected by general industry and market conditions and growth rates, general economic and political conditions, either nationally or in the states in which M&T and its subsidiaries do business, including interest rate and currency exchange rate fluctuations, changes and trends in the securities markets, and other Future Factors.

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Table 23

QUARTERLY TRENDS

	2010 Quarters				2009 Quarters			
and dividends	**Fourth**	**Third**	**Second**	**First**	**Fourth**	**Third**	**Second**	**F**
n thousands, except								
come								
quivalent basis)	$ 688,855	$ 691,765	$ 690,889	$ 682,309	$ 698,556	$ 706,388	$ 682,637	$ 6
pense	108,628	116,032	117,557	120,052	133,950	152,938	175,856	2
st income	580,227	575,733	573,332	562,257	564,606	553,450	506,781	4
ision for credit losses	85,000	93,000	85,000	105,000	145,000	154,000	147,000	1
ome	286,938	289,899	273,557	257,706	265,890	278,226	271,649	2
r expense	469,274	480,133	476,068	489,362	478,451	500,056	563,710	4
fore income taxes	312,891	292,499	285,821	225,601	207,045	177,620	67,720	
e income taxes	102,319	94,619	90,967	68,723	64,340	44,161	11,318	
quivalent adjustment	6,130	5,865	6,105	5,923	5,887	5,795	5,214	
e	$ 204,442	$ 192,015	$ 188,749	$ 150,955	$ 136,818	$ 127,664	$ 51,188	$
e available to								
hareholders-diluted	$ 189,678	$ 176,789	$ 173,597	$ 136,431	$ 122,910	$ 113,894	40,516	
on share data								
ings	$ 1.59	$ 1.49	$ 1.47	$ 1.16	$ 1.05	$ .97	$ .36	$
rnings	1.59	1.48	1.46	1.15	1.04	.97	.36	
lends	$ .70	$ .70	$ .70	$ .70	$ .70	$ .70	$ .70	$
ommon shares								
g								
	118,613	118,320	118,054	117,765	117,506	117,370	113,218	1
	119,503	119,155	118,878	118,256	117,672	117,547	113,521	1
nce ratios,								
d								
ssets	1.18%	1.12%	1.11%	.89%	.79%	.73%	.31%	
ommon shareholders								
	10.03%	9.56%	9.67%	7.86%	7.09%	6.72%	2.53%	
st margin on average								
sets								
quivalent basis)	3.85%	3.87%	3.84%	3.78%	3.71%	3.61%	3.43%	
al loans to total loans								
, net of unearned								
	2.38%	2.16%	2.13%	2.60%	2.56%	2.35%	2.11%	
ratio(a)	54.08%	54.95%	54.77%	57.82%	54.62%	57.21%	61.93%	

ting (tangible)

ting income (in)	$ 196,235	$ 200,225	$ 197,752	$ 160,953	$ 150,776	$ 128,761	$ 100,805	$
t operating income on share	1.52	1.55	1.53	1.23	1.16	.98	.79	
d return on angible assets	1.20%	1.24%	1.23%	1.00%	.92%	.78%	.64%	
angible common ers equity	18.43%	19.58%	20.36%	17.34%	16.73%	14.87%	12.08%	
ratio(a)	52.55%	53.40%	53.06%	55.88%	52.69%	55.21%	60.03%	
heet data								
s, except per share								
alances								
ts(c)	$ 68,502	$ 67,811	$ 68,334	$ 68,883	$ 68,919	$ 69,154	$ 66,984	$
ible assets(c)	64,869	64,167	64,679	65,216	65,240	65,462	63,500	
ssets	59,737	59,066	59,811	60,331	60,451	60,900	59,297	
t securities	7,541	7,993	8,376	8,172	8,197	8,420	8,508	
leases, net of discount	51,141	50,835	51,278	51,948	52,087	52,320	50,554	
	49,271	47,530	47,932	47,394	47,365	46,720	43,846	
shareholders	7,582	7,444	7,302	7,136	6,957	6,794	6,491	
common shareholders	3,949	3,800	3,647	3,469	3,278	3,102	3,007	
quarter								
ts(c)	$ 68,021	$ 68,247	$ 68,154	$ 68,439	$ 68,880	$ 68,997	$ 69,913	$
ible assets(c)	64,393	64,609	64,505	64,778	65,208	65,312	66,215	
ssets	59,434	59,388	59,368	59,741	59,928	59,993	61,044	
t securities	7,151	7,663	8,098	8,105	7,781	7,634	8,155	
leases, net of discount	51,990	50,792	51,061	51,444	51,937	52,204	52,715	
	49,805	48,655	47,523	47,538	47,450	46,862	46,755	
shareholders equity, eclared preferred (c)	7,611	7,488	7,360	7,177	7,017	6,879	6,669	
common shareholders	3,983	3,850	3,711	3,516	3,345	3,194	2,971	
r common share	63.54	62.69	61.77	60.40	59.31	58.22	56.51	
equity per common	33.26	32.23	31.15	29.59	28.27	27.03	25.17	
rice per common								
	$ 87.87	$ 95.00	$ 96.15	$ 85.00	$ 69.89	$ 67.46	$ 61.87	$
	72.03	81.08	74.11	66.32	59.09	50.33	43.50	
	87.05	81.81	84.95	79.38	66.89	62.32	50.93	

(a) *Excludes impact of merger-related gains and expenses and net securities transactions.*

(b) *Excludes amortization and balances related to goodwill and core deposit and other intangible assets and merger-related gains and expenses which, except in the calculation of the efficiency ratio, are net of applicable* *income tax effects. A reconciliation of net income and net operating income appears in Table 24.*

(c) The difference between total assets and total tangible assets, and common shareholders equity and tangible common shareholders equity, represents goodwill, core deposit and other intangible assets, net of applicable deferred tax balances. A reconciliation of such balances appears in Table 24.

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Table 24

RECONCILIATION OF QUARTERLY GAAP TO NON-GAAP MEASURES

	2010 Quarters				2009 Quarters			
	Fourth	**Third**	**Second**	**First**	**Fourth**	**Third**	**Second**	**First**
ome statement data								
housands, except per re								
income								
income	$ 204,442	$ 192,015	$ 188,749	$ 150,955	$ 136,818	$ 127,664	$ 51,188	$ 64,22
ortization of core osit and other intangible ets(a)	8,054	8,210	9,003	9,998	10,152	10,270	9,247	9,33
rger-related gains(a)	(16,730)					(17,684)		
rger-related expenses(a)	469				3,806	8,511	40,370	1,47
operating income	$ 196,235	$ 200,225	$ 197,752	$ 160,953	$ 150,776	$ 128,761	$ 100,805	$ 75,03
rnings per common re								
uted earnings per nmon share	$ 1.59	$ 1.48	$ 1.46	$ 1.15	$ 1.04	$ .97	$ .36	$ .4
ortization of core osit and other intangible ets(a)	.07	.07	.07	.08	.09	.09	.08	.0
rger-related gains(a)	(.14)					(.15)		
rger-related expenses(a)					.03	.07	.35	.0
uted net operating nings per common share	$ 1.52	$ 1.55	$ 1.53	$ 1.23	$ 1.16	$ .98	$ .79	$ .5
her expense								
er expense	$ 469,274	$ 480,133	$ 476,068	$ 489,362	$ 478,451	$ 500,056	$ 563,710	$ 438,34
ortization of core osit and other intangible ets	(13,269)	(13,526)	(14,833)	(16,475)	(16,730)	(16,924)	(15,231)	(15,37
rger-related expenses	(771)				(6,264)	(14,010)	(66,457)	(2,42
ninterest operating ense	$ 455,234	$ 466,607	$ 461,235	$ 472,887	$ 455,457	$ 469,122	$ 482,022	$ 420,55
rger-related expenses								
aries and employee efits	$ 7	$	$	$	$ 381	$ 870	$ 8,768	$ 1
	44				545	1,845	581	

uipment and net upancy								
nting, postage and plies	74				233	629	2,514	30
er costs of operations	646				5,105	10,666	54,594	2,11
al	$ 771	$	$	$	$ 6,264	$ 14,010	$ 66,457	$ 2,42
ance sheet data								
nillions								
erage assets								
erage assets	$ 68,502	$ 67,811	$ 68,334	$ 68,883	$ 68,919	$ 69,154	$ 66,984	$ 64,76
odwill	(3,525)	(3,525)	(3,525)	(3,525)	(3,525)	(3,525)	(3,326)	(3,19
re deposit and other ngible assets	(132)	(146)	(160)	(176)	(191)	(208)	(188)	(17
ferred taxes	24	27	30	34	37	41	30	2
erage tangible assets	$ 64,869	$ 64,167	$ 64,679	$ 65,216	$ 65,240	$ 65,462	$ 63,500	$ 61,42
erage common equity								
erage total equity	$ 8,322	$ 8,181	$ 8,036	$ 7,868	$ 7,686	$ 7,521	$ 7,127	$ 6,78
ferred stock	(740)	(737)	(734)	(732)	(729)	(727)	(636)	(56
erage common equity	7,582	7,444	7,302	7,136	6,957	6,794	6,491	6,21
odwill	(3,525)	(3,525)	(3,525)	(3,525)	(3,525)	(3,525)	(3,326)	(3,19
re deposit and other ngible assets	(132)	(146)	(160)	(176)	(191)	(208)	(188)	(17
ferred taxes	24	27	30	34	37	41	30	2
erage tangible common ity	$ 3,949	$ 3,800	$ 3,647	$ 3,469	$ 3,278	$ 3,102	$ 3,007	$ 2,86
end of quarter								
al assets								
al assets								