M&T BANK CORP
Form 10-K
February 21, 2008

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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, 2007

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 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, 2007: $7,204,996,501.

Number of shares of the Common Stock, $0.50 par value, outstanding as of the close of business on January 31, 2008: 109,999,781 shares.

Documents Incorporated By Reference:

(1) Portions of the Proxy Statement for the 2008 Annual Meeting of Stockholders of M&T Bank Corporation in Parts II and III.

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M&T BANK CORPORATION

Form 10-K for the year ended December 31, 2007

CROSS-REFERENCE SHEET

PART II

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PART I

Item 1. *Business.*

M&T Bank Corporation (Registrant or M&T) is a New York business corporation which is registered as a bank holding company under the Bank Holding Company Act of 1956, as amended (BHCA) and under Article III-A of the New York Banking Law (Banking Law). The principal executive offices of the Registrant are located at One M&T Plaza, Buffalo, New York 14203. The Registrant was incorporated in November 1969. The Registrant and its direct and indirect subsidiaries are collectively referred to herein as the Company. As of December 31, 2007 the Company had consolidated total assets of $64.9 billion, deposits of $41.3 billion and stockholders equity of $6.5 billion. The Company had 12,422 full-time and 1,447 part-time employees as of December 31, 2007.

At December 31, 2007, 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, 2007, M&T Bank represented 99% of consolidated assets of the Company. M&T Bank operates branch offices in New York, Maryland, Pennsylvania, Delaware, New Jersey, Virginia, West Virginia and the District of Columbia.

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

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

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

Board of Directors; Management

At December 31, 2007, AIB held approximately 24.3% of the issued and outstanding shares of M&T common stock. In defining their relationship after the acquisition, M&T and AIB negotiated certain agreements regarding share ownership and corporate governance issues such as board representation, with the number of AIB s representatives on the M&T and M&T Bank boards of directors being dependent upon the amount of M&T common stock held by AIB. M&T has the right to one seat on the AIB board of directors until AIB no longer holds at least 15% of the outstanding shares of M&T common stock. Pursuant to the Reorganization Agreement, AIB has the right to name four members to serve on the Boards of Directors of M&T and M&T Bank, each of whom must be reasonably acceptable to M&T (collectively, the AIB Designees). Further, one of the AIB Designees will serve on each of the Executive Committee, Nomination, Compensation and Governance Committee, and Audit and Risk Committee (or any committee or committees performing comparable functions) of the M&T board of directors. In order to serve, the AIB Designees must meet the requisite independence and expertise requirements prescribed under applicable law or stock exchange rules. In addition, the Reorganization Agreement provides that the board of directors of M&T Bank will include four members designated by AIB, each of whom must be reasonably acceptable to M&T.

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

As long as AIB holds at least 15% of the outstanding shares of M&T common stock, AIB will be entitled to designate four persons on both the M&T and M&T Bank boards of directors and representation on the committees of the M&T board described above.

If AIB holds at least 10%, but less than 15%, of the outstanding shares of M&T common stock, AIB will be entitled to designate at least two people on both the M&T and M&T Bank boards of directors.

If AIB s ownership interest in M&T is at least 5%, but less than 10%, of the outstanding shares of M&T common stock, AIB will be entitled to designate at least one person on both the M&T and M&T Bank boards of directors.

As long as AIB holds at least 15% of the outstanding shares of M&T common stock, neither M&T s board of directors nor M&T Bank s board of directors will consist of more than twenty-eight directors without the consent of the AIB Designees.

If AIB s holdings of M&T common stock fall below 15%, but not lower than 12% of the outstanding shares of M&T common stock, AIB will continue to have the same rights that it would have had if it owned 15% of the outstanding shares of M&T common stock, as long as AIB restores its ownership percentage to 15% within one year. Additionally, as described in more detail below, M&T has agreed to repurchase shares of M&T common stock in order to offset dilution to AIB s ownership interests that may otherwise be caused by issuances of M&T common stock under M&T employee and director benefit or stock purchase plans. Dilution of AIB s ownership position caused by such issuances will not be counted in determining whether the Sunset Date has occurred or whether any of AIB s other rights under the Reorganization Agreement have terminated. The Sunset Date is the date on which AIB no longer holds at least 15% of the M&T common stock, calculated as described in this paragraph.

The AIB Designees at December 31, 2007 were Michael D. Buckley, Colm E. Doherty, Richard G. King and Eugene J. Sheehy. Mr. Buckley serves as a member of the Executive Committee and the Nomination, Compensation and Governance Committee, and Mr. King serves as a member of the Audit and Risk Committee. Robert G. Wilmers, Chairman of the Board and Chief Executive Officer of M&T, is a member of the AIB board of directors.

Amendments to M&T s Bylaws

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

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

Any amendment of M&T s Certificate of Incorporation or bylaws that would be inconsistent with the rights described herein or that would otherwise have an adverse effect on the board representation, committee representation or other rights of AIB contemplated by the Reorganization Agreement;

Any activity not permissible for a U.S. bank holding company;

The adoption of any shareholder rights plan or other measures having the purpose or effect of preventing or materially delaying completion of any transaction involving a change in control of M&T; and

Any public announcement disclosing M&T s desire or intention to take any of the foregoing actions.

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

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

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

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

Investment Parameters

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

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

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

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

Anti-Dilution Protections

M&T has agreed that until the Sunset Date, in the event M&T issues shares of M&T stock (other than certain issuances to employees pursuant to option and benefit plans), subject to applicable law and regulatory requirements, AIB will have the right to purchase at fair market value up to the number of shares of M&T common stock required to increase or maintain its equity interest in M&T to 22.5% of the then outstanding M&T common stock.

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

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

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

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

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

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

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

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

Certain Post-Closing Bank Regulatory Matters

The Board of Governors of the Federal Reserve System (Federal Reserve Board) deems AIB to be M&T s bank holding company for purposes of the BHCA. In addition, the New York Banking Superintendent (Banking Superintendent) deems AIB to be M&T s bank holding company for purposes of Article III-A of the Banking Law. Among other things, this means that, should M&T propose to make an acquisition or engage in a new type of activity that requires the submission of an application or notice to the Federal Reserve Board or the Banking Superintendent, AIB, as well as M&T, may also be required to file an application or notice. The Reorganization Agreement generally provides that AIB will make any applications, notices or filings that M&T determines to be necessary or desirable.

The Reorganization Agreement also requires AIB not to take any action that would have a material adverse effect on M&T and to advise M&T prior to entering into any material transaction or activity. These provisions of the Reorganization Agreement would no longer apply if AIB ceased to be M&T s bank holding company and also was not otherwise considered to control M&T for purposes of the BHCA.

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

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

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

Subsidiaries

M&T Bank is a banking corporation that is incorporated under the laws of the State of New York. M&T Bank is a member of the Federal Reserve System and the Federal Home Loan Bank System, and its deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to applicable limits. M&T acquired all of the issued and outstanding shares of the capital stock of M&T Bank in December 1969. The stock of M&T Bank represents a major asset of M&T. M&T Bank operates under a charter granted by the State of New York in 1892, and the continuity of its banking business is traced to the organization of the Manufacturers and Traders Bank in 1856. The principal executive offices of M&T Bank are located at One M&T Plaza, Buffalo, New York 14203. As of December 31, 2007, M&T Bank had 704 banking offices located throughout New York State, Pennsylvania, Maryland, Delaware, New Jersey, Virginia, West Virginia and the District of Columbia, plus a branch in George Town, Cayman Islands. As of December 31, 2007, M&T Bank had consolidated total assets of $64.1 billion, deposits of $41.1 billion and stockholder s equity of $6.8 billion. The deposit liabilities of M&T Bank are insured by the FDIC through its Deposit Insurance Fund (DIF) of which, at December 31, 2007, $37.4 billion were assessable. As a commercial bank, M&T Bank offers a broad range of financial services to a diverse base of consumers, businesses, professional clients, governmental entities and financial institutions located in its markets. Lending is largely focused on consumers residing in New York State, Pennsylvania, Maryland, northern Virginia and Washington, D.C., and on small and medium-size businesses based in those areas, although residential and commercial real estate loans are originated through lending offices in 20 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. Effective January 1, 2007, M&T Mortgage Corporation, previously a wholly owned mortgage banking subsidiary of M&T Bank, was merged into M&T Bank.

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, primarily through direct mail and telephone marketing techniques. As of December 31, 2007, M&T Bank, N.A. had total assets of $376 million, deposits of $229 million and stockholder s equity of $81 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, 2007, M&T Life Insurance had assets of $33 million and stockholder s equity of $28 million. M&T Life Insurance recorded revenues of $2 million during 2007. Headquarters of M&T Life Insurance are located at 101 North First Avenue, Phoenix, Arizona 85003.

M&T Credit Services, LLC (M&T Credit), a wholly owned subsidiary of M&T Bank, is a New York limited liability company formed in June 2004, but its operations can be traced to a predecessor company that was a wholly owned subsidiary of M&T Bank formed in 1994. M&T Credit is a credit and leasing company offering consumer loans and commercial loans and leases. Its headquarters are located at M&T Center, One Fountain Plaza, Buffalo, New York 14203, and it has offices in Delaware, Massachusetts and Pennsylvania. As of December 31, 2007, M&T Credit had assets of $4.2 billion and stockholder s equity of $506 million. M&T Credit recorded $231 million of revenue during 2007.

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, 2007, M&T Insurance Agency had assets of $39 million and stockholder s equity of $24 million. M&T

Insurance Agency recorded revenues of $21 million during 2007. The headquarters of M&T Insurance Agency are located at 285 Delaware Avenue, Buffalo, New York 14202.

M&T Investment Company of Delaware, Inc. (M&T Investment), is a subsidiary of M&T Bank that was formed on November 17, 2004. M&T Investment owns all of the outstanding common stock and 88% of the preferred stock of M&T Real Estate Trust. As of December 31, 2007, M&T Investment had assets and stockholder s equity of approximately $14.7 billion. Excluding dividends from M&T Real Estate Trust, M&T Investment realized $23 million of revenue in 2007. The headquarters of M&T Investment are located at 501 Silverside Road, Wilmington, Delaware 19809.

M&T Lease, LLC (M&T Lease), a wholly owned subsidiary of M&T Bank, is a Delaware limited liability company formed in June 2004, but its operations can be traced to a predecessor company that was a wholly owned subsidiary of M&T Bank formed in 1994. M&T Lease is a consumer leasing company with headquarters at One M&T Plaza, Buffalo, New York 14203. As of December 31, 2007, M&T Lease had assets of $51 million and stockholder s equity of $44 million. M&T Lease recorded $3 million of revenue during 2007.

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 Mortgage-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. M&T Reinsurance had assets and stockholder s equity of approximately $24 million each as of December 31, 2007, and recorded approximately $5 million of revenue during 2007. 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 and is a subsidiary of M&T Investment. M&T Real Estate was formed through the merger of two separate subsidiaries, but traces its origin to M&T Real Estate, Inc., a New York business corporation incorporated 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, 2007, M&T Real Estate had assets of $15.0 billion, common stockholder s equity of $14.2 billion, and preferred stockholders equity, consisting of 9% fixed-rate preferred stock (par value $1,000), of $1 million. All of the outstanding common stock and 88% of the preferred stock of M&T Real Estate is owned by M&T Investment. The remaining 12% of M&T Real Estate s outstanding preferred stock is owned by officers or former officers of the Company. M&T Real Estate recorded $965 million of revenue in 2007. 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 multi-family commercial real estate lending and provides loan servicing to purchasers of the loans it originates. As of December 31, 2007 M&T Realty Capital serviced $5.3 billion of commercial mortgage loans for non-affiliates and had assets of $145 million and stockholder s equity of $42 million. M&T Realty Capital recorded revenues of $31 million in 2007. 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, 2007, M&T Securities had assets of $40 million and stockholder s equity of $27 million. M&T Securities recorded $88 million of revenue during 2007. The headquarters of M&T Securities are located at One M&T Plaza, Buffalo, New York 14203.

M&T Auto Receivables I, LLC (M&T Auto Receivables), a wholly owned subsidiary of M&T Bank, was formed as a Delaware limited liability company in May 2002. M&T Auto Receivables is a special purpose entity whose activities are generally restricted to purchasing and owning automobile loans for the purpose of securing a revolving asset-backed structured borrowing. M&T Auto Receivables had

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assets of $557 million and stockholder s equity of $51 million as of December 31, 2007, and recorded approximately $23 million of revenue during 2007. M&T Auto Receivables registered office is at 1209 Orange Street, Wilmington, Delaware 19801.

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, 2007, MTB Investment Advisors had assets of $32 million and stockholder s equity of $28 million. MTB Investment Advisors recorded revenues of $47 million in 2007. The headquarters of MTB Investment Advisors are located at 100 East Pratt Street, Baltimore, Maryland 21202.

The Registrant and its banking subsidiaries have a number of other special-purpose or inactive subsidiaries. These other subsidiaries did not represent, individually and collectively, a significant portion of the Company s consolidated assets, net income and stockholders equity at December 31, 2007.

Segment Information, Principal Products/Services and Foreign Operations

Information about the Registrant s business segments is included in note 21 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 16 of Notes to Financial Statements filed herewith in Part II, Item 8, Financial Statements and Supplementary Data.

The only activity 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 was lending transactions. The amount of income from such sources during those years is set forth on the Company s Consolidated Statement of Income filed herewith in Part II, Item 8, Financial Statements and Supplementary Data.

Supervision and Regulation of the Company

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

Financial Services Modernization

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

In order to engage in these financial activities, a bank holding company must qualify and register with the Federal Reserve Board as a financial holding company by demonstrating that each of its bank subsidiaries is well capitalized, well managed, and has at least a satisfactory rating under the Community Reinvestment Act of 1977 (CRA). M&T currently satisfies the qualifications for registering as a financial holding company, but has not elected to do so to date.

For as long as AIB owns at least 15% of M&T s outstanding common stock, M&T may not become a financial holding company without

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the approval of the Executive Committee of the M&T board of directors, which must also include the affirmative approval of the AIB Designee on such committee, as described above under the caption Amendments to M&T s Bylaws.

The financial activities authorized by the BHCA may also be engaged in by a financial subsidiary of a national or state bank, except for insurance or annuity underwriting, insurance company portfolio investments, real estate investment and development, and merchant banking, which must be conducted in a financial holding company. In order for these financial activities to be engaged in by a financial subsidiary of a national or state bank, federal law requires each of the parent bank (and its sister-bank affiliates) to be well capitalized and well managed; the aggregate consolidated assets of all of that bank s financial subsidiaries may not exceed the lesser of 45% of its consolidated total assets or $50 billion; the bank must have at least a satisfactory CRA rating; and, if that bank is one of the 100 largest national banks, it must meet certain financial rating or other comparable requirements. M&T Bank and M&T Bank, N.A. currently satisfy the qualifications for engaging in financial activities through financial subsidiaries, but neither has elected to do so to date. Current federal law also establishes a system of functional regulation under which the federal banking agencies will regulate the banking activities of financial holding companies and banks financial subsidiaries, the U.S. Securities and Exchange Commission will regulate their securities activities, and state insurance regulators will regulate their insurance activities. Rules developed by the federal financial institutions regulators under these laws require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent the disclosure of certain personal information to nonaffiliated third parties.

Bank Holding Company Regulation

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

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

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

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

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

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

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

Supervision and Regulation of Bank Subsidiaries

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

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

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Dividends from Bank Subsidiaries

The Registrant is a legal entity separate and distinct from its banking and other subsidiaries. The majority of the Registrant s revenue is 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 22 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.

Supervision and Regulation of M&T Bank s Subsidiaries

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

Capital Adequacy

The Federal Reserve Board, the FDIC and the OCC have adopted risk-based capital adequacy guidelines for bank holding companies and banks under their supervision. Under these guidelines, the so-called Tier 1 capital and Total capital as a percentage of risk-weighted assets and certain off-balance sheet instruments must be at least 4% and 8%, respectively.

The Federal Reserve Board, the FDIC and the OCC have also imposed a leverage standard to supplement their risk-based ratios. This leverage standard focuses on a banking institution s ratio of Tier 1 capital to average total assets, adjusted for goodwill and certain other items. Under these guidelines, banking institutions that meet certain criteria, including excellent asset quality, high liquidity, low interest rate exposure and good earnings, and that have received the highest regulatory rating must maintain a ratio of Tier 1 capital to total adjusted average assets of at least 3%. Institutions not meeting these criteria, as well as institutions with supervisory, financial or operational weaknesses, along with those experiencing or anticipating significant growth are expected to maintain a Tier 1 capital to total adjusted average assets ratio equal to at least 4% to 5%. As reflected in the table in note 22 of Notes to Financial Statements filed herewith in Part II, Item 8, Financial Statements and Supplementary Data, the risk-based capital ratios and leverage ratios of the Registrant, M&T Bank and M&T Bank, N.A. as of December 31, 2007 exceeded the required capital ratios for classification as well capitalized, the highest classification under the regulatory capital guidelines.

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

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

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relevant capital measures, including a risk-based capital measure and a leverage ratio capital measure, and certain other factors.

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

Undercapitalized depository institutions, among other things, are subject to growth limitations, are prohibited, with certain exceptions, from making capital distributions, are limited in their ability to obtain funding from a Federal Reserve Bank and are required to submit a capital restoration plan. The federal banking agencies may not accept a capital plan without determining, among other things, that the plan is based on realistic assumptions and is likely to succeed in restoring the depository institution s capital. In addition, for a capital restoration plan to be acceptable, the depository institution s parent holding company must guarantee that the institution will comply with such capital restoration plan and provide appropriate assurances of performance. If a depository institution fails to submit an acceptable plan, including if the holding company refuses or is unable to make the guarantee described in the previous sentence, it is treated as if it is significantly undercapitalized. Failure to submit or implement an acceptable capital plan also is grounds for the appointment of a conservator or a receiver. Significantly undercapitalized depository institutions may be subject to a number of additional requirements and restrictions, including orders to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets and cessation of receipt of deposits from correspondent banks. Moreover, the parent holding company of a significantly undercapitalized depository institution may be ordered to divest itself of the institution or of nonbank subsidiaries of the holding company.

Critically undercapitalized institutions, among other things, are prohibited from making any payments of principal and interest on subordinated debt, and are subject to the appointment of a receiver or conservator.

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

Depository institutions that are not well capitalized or adequately capitalized and have not received a waiver from the FDIC are prohibited from accepting or renewing brokered deposits. As of December 31, 2007, M&T Bank had approximately $1.9 billion of brokered deposits, while M&T Bank, N.A. did not have any brokered deposits at that date.

Although M&T has issued shares of common stock in connection with acquisitions or at other times, the Company has generally maintained capital ratios in excess of minimum regulatory guidelines largely through internal capital generation (i.e. net income less dividends paid). Historically, M&T s

dividend payout ratio and dividend yield, when compared with other bank holding companies, has been relatively low, thereby allowing for capital retention to support growth or to facilitate purchases of M&T s common stock to be held as treasury stock. Management s policy of reinvestment of earnings and repurchase of shares of common stock is intended to enhance M&T s earnings per share prospects and thereby reward stockholders over time with capital gains in the form of increased stock price rather than high dividend income.

FDIC Deposit Insurance Assessments

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

Under the FDI Act, the FDIC imposed deposit insurance assessments based on one of four assessment categories depending on the institution s capital classification under the prompt corrective action provisions described above, and an institution s long-term debt issuer ratings. Effective January 1, 2007, the adjusted assessment rates for insured institutions under the modified system range from .05% to .43% depending upon the assessment category into which the insured institution is placed. The annual assessment rates for M&T Bank and M&T Bank N.A. during 2007 were approximately .05%.

The FDI Act also allows for a one-time assessment credit for eligible insured depository institutions (those institutions that were in existence on December 31, 1996 and paid a deposit insurance assessment prior to that date, or are a successor to any such institution). The credit is determined based on the assessment base of the institution as of December 31, 1996 as compared with the combined aggregate assessment base of all eligible institutions as of that date. The credit may be used to offset up to 100% of the 2007 DIF assessment, and if not completely used in 2007, may be applied to not more than 90% of each of the aggregate 2008, 2009 and 2010 DIF assessments. M&T Bank and M&T Bank, N.A. offset 100% of their DIF assessments with available one-time assessment credits during 2007. For the first nine months of 2007, credits utilized to offset amounts assessed for M&T Bank and M&T Bank, N.A. totaled $14 million and $108 thousand, respectively. Fourth quarter 2007 assessments for M&T Bank and M&T Bank, N.A., which will be assessed in March 2008 and will also be completely offset by available credits, are estimated to be approximately $5 million and $30 thousand, respectively.

The current insurance assessment system is not expected to have a significant adverse impact on the results of operations and capital of M&T Bank or M&T Bank, N.A. in 2008, as available credits will offset 90% of such assessments. However, any significant increases in assessment rates or additional special assessments by the FDIC could have an adverse impact on the results of operations and capital of M&T Bank or M&T Bank, N.A. As of December 31, 2007, available credits for M&T Bank are expected to be fully utilized by mid-2009.

In addition to insurance fund assessments, the FDIC assesses deposits to fund the repayment of debt obligations of the Financing Corporation (FICO). FICO is a government agency-sponsored entity that was formed to borrow the money necessary to carry out the closing and ultimate disposition of failed thrift institutions by the Resolution Trust Corporation. The current annualized rate established by the FDIC is 1.14 basis points (hundredths of one percent).

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 population. 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

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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.

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) new requirements for audit committees, including independence, expertise, and responsibilities; (ii) additional 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) new standards for auditors and regulation of audits, including independence provisions that restrict non-audit services that accountants may provide to their audit clients; (vi) increased 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 new and increased civil and criminal penalties for fraud and other violations of the securities laws.

USA Patriot Act

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

Regulatory Impact of M&T s Relationship With AIB

As described above under the caption Relationship With Allied Irish Banks, p.l.c., AIB owns approximately 24.3% of the issued and outstanding shares of M&T common stock and has representation on the M&T and M&T Bank boards of directors. As a result, AIB has become M&T s bank holding company under the BHCA and the Banking Law and AIB s relationship with M&T is subject to the statutes and regulations governing bank holding companies described above. Among other things, AIB will have to join M&T in applications by M&T for acquisitions and new activities. The Reorganization Agreement requires AIB to join in such applications at M&T s request, subject to certain limitations. In addition, because AIB is regulated by the Central Bank of Ireland (CBI), the CBI may assert jurisdiction over M&T as a company controlled by AIB. Additional discussion of the regulatory implications of the Allfirst acquisition for M&T is set forth above under the caption Certain Post-Closing Bank Regulatory Matters.

Governmental Policies

The earnings of the Company are significantly affected by the monetary and fiscal policies of governmental authorities, including the Federal Reserve Board. Among the instruments of monetary policy used by the Federal Reserve Board to implement these objectives are open-market operations in U.S. Government

securities and federal funds, changes in the discount rate on member bank borrowings and changes in reserve requirements against member bank deposits. These instruments of monetary policy are used in varying combinations to influence the overall level of bank loans, investments and deposits, and the interest rates charged on loans and paid for deposits. The Federal Reserve Board frequently uses these instruments of monetary policy, especially its open-market operations and the discount rate, to influence the level of interest rates and to affect the strength of the economy, the level of inflation or the price of the dollar in foreign exchange markets. The monetary policies of the Federal Reserve Board have had a significant effect on the operating results of banking institutions in the past and are expected to continue to do so in the future. It is not possible to predict the nature of future changes in monetary and fiscal policies, or the effect which they may have on the Company s business and earnings.

Competition

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

Other Legislative Initiatives

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

Other Information

Through a link on the Investor Relations section of M&T s website at www.mtb.com, copies of M&T s Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, are made available, free of charge, as soon as reasonably practicable after electronically filing such material with, or furnishing it to, the Securities and Exchange Commission. Copies of such reports and other information are also available at no charge to any person who requests them or at www.sec.gov. Such requests may be directed to M&T Bank Corporation, Shareholder Relations Department, One M&T Plaza, 13th Floor, Buffalo, NY 14203-2399 (Telephone: (716) 842-5445).

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) 842-5445).

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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

	2007	2006	2005 (In thousands)	2004	2003
Interest-bearing deposits at banks	$ 18,431	$ 6,639	$ 8,408	$ 10,242	$ 13,194
Federal funds sold	48,038	19,458	11,220	28,150	21,220
Resell agreements		100,000		1,026	1,068
Trading account	281,244	136,752	191,617	159,946	214,833
Investment securities					
U.S. Treasury and federal agencies	3,540,641	2,381,584	3,016,374	3,965,110	3,398,547
Obligations of states and political subdivisions	153,231	130,207	181,938	204,792	249,193
Other	5,268,126	4,739,807	5,201,852	4,304,717	3,611,410
Total investment securities	8,961,998	7,251,598	8,400,164	8,474,619	7,259,150
Loans and leases					
Commercial, financial, leasing, etc.	13,387,026	11,896,556	11,105,827	10,169,695	9,406,399
Real estate construction	4,190,068	3,453,981	2,335,498	1,797,106	1,537,880
Real estate mortgage	19,468,449	17,940,083	16,636,557	15,538,227	13,932,731
Consumer	11,306,719	9,916,334	10,475,809	11,139,594	11,160,588
Total loans and leases	48,352,262	43,206,954	40,553,691	38,644,622	36,037,598
Unearned discount	(330,700)	(259,657)	(223,046)	(246,145)	(265,163)
Allowance for credit losses	(759,439)	(649,948)	(637,663)	(626,864)	(614,058)
Loans and leases, net	47,262,123	42,297,349	39,692,982	37,771,613	35,158,377
Goodwill	3,196,433	2,908,849	2,904,081	2,904,081	2,904,081
Core deposit and other intangible assets	248,556	250,233	108,260	165,507	240,830
Real estate and other assets owned	40,175	12,141	9,486	12,504	19,629
Total assets	64,875,639	57,064,905	55,146,406	52,938,721	49,826,081
Noninterest-bearing deposits	8,131,662	7,879,977	8,141,928	8,417,365	8,411,296
NOW accounts	1,190,161	940,439	901,938	828,999	1,738,427
Savings deposits	15,419,357	14,169,790	13,839,150	14,721,663	14,118,521
Time deposits	10,668,581	11,490,629	11,407,626	7,228,514	6,637,249
Deposits at foreign office	5,856,427	5,429,668	2,809,532	4,232,932	2,209,451

Total deposits	41,266,188	39,910,503	37,100,174	35,429,473	33,114,944
Short-term borrowings	5,821,897	3,094,214	5,152,872	4,703,664	4,442,246
Long-term borrowings	10,317,945	6,890,741	6,196,994	6,348,559	5,535,425
Total liabilities	58,390,383	50,783,810	49,270,020	47,209,107	44,108,871
Stockholders equity	6,485,256	6,281,095	5,876,386	5,729,614	5,717,210

Table 2

STOCKHOLDERS, EMPLOYEES AND OFFICES

Number at Year-End	**2007**	**2006**	**2005**	**2004**	**2003**
Stockholders	11,611	10,084	10,437	10,857	11,258
Employees	13,869	13,352	13,525	13,371	14,000
Offices	760	736	724	713	735

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Table 3

CONSOLIDATED EARNINGS

	2007	2006	2005	2004	2003
			(In thousands)		
Interest income					
Loans and leases, including fees	$ 3,155,967	$ 2,927,411	$ 2,420,660	$ 1,974,469	$ 1,897,701
Deposits at banks	300	372	169	65	147
Federal funds sold	857	1,670	807	123	122
Resell agreements	22,978	3,927	1	11	1,753
Trading account	744	2,446	1,544	375	592
Investment securities					
Fully taxable	352,628	363,401	351,423	309,141	210,968
Exempt from federal taxes	11,339	14,866	14,090	14,548	15,282
Total interest income	3,544,813	3,314,093	2,788,694	2,298,732	2,126,565
Interest expense					
NOW accounts	4,638	3,461	2,182	1,802	3,613
Savings deposits	250,313	201,543	139,445	92,064	102,190
Time deposits	496,378	551,514	294,782	154,722	159,700
Deposits at foreign office	207,990	178,348	120,122	43,034	14,991
Short-term borrowings	274,079	227,850	157,853	71,172	49,064
Long-term borrowings	461,178	333,836	279,967	201,366	198,252
Total interest expense	1,694,576	1,496,552	994,351	564,160	527,810
Net interest income	1,850,237	1,817,541	1,794,343	1,734,572	1,598,755
Provision for credit losses	192,000	80,000	88,000	95,000	131,000
Net interest income after provision for credit losses	1,658,237	1,737,541	1,706,343	1,639,572	1,467,755
Other income					
Mortgage banking revenues	111,893	143,181	136,114	124,353	149,105
Service charges on deposit accounts	409,462	380,950	369,918	366,301	309,749
Trust income	152,636	140,781	134,679	136,296	114,620
Brokerage services income	59,533	60,295	55,572	53,740	51,184
Trading account and foreign exchange gains	30,271	24,761	22,857	19,435	15,989
Gain (loss) on bank investment securities	(126,096)	2,566	(28,133)	2,874	2,487
Equity in earnings of Bayview Lending Group LLC	8,935				
Other revenues from operations	286,355	293,318	258,711	239,970	187,961

Total other income	932,989	1,045,852	949,718	942,969	831,095
Other expense					
Salaries and employee benefits	908,315	873,353	822,239	806,552	740,324
Equipment and net occupancy	169,050	168,776	173,689	179,595	170,623
Printing, postage and supplies	35,765	33,956	33,743	34,476	36,985
Amortization of core deposit and other intangible assets	66,486	63,008	56,805	75,410	78,152
Other costs of operations	448,073	412,658	398,666	419,985	422,096
Total other expense	1,627,689	1,551,751	1,485,142	1,516,018	1,448,180
Income before income taxes	963,537	1,231,642	1,170,919	1,066,523	850,670
Income taxes	309,278	392,453	388,736	344,002	276,728
Net income	$ 654,259	$ 839,189	$ 782,183	$ 722,521	$ 573,942
Dividends declared Common	$ 281,900	$ 249,817	$ 198,619	$ 187,669	$ 135,423

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Table 4

COMMON SHAREHOLDER DATA

	2007	2006	2005	2004	2003
Per share					
Net income					
Basic	$ 6.05	$ 7.55	$ 6.88	$ 6.14	$ 5.08
Diluted	5.95	7.37	6.73	6.00	4.95
Cash dividends declared	2.60	2.25	1.75	1.60	1.20
Stockholders equity at year-end	58.99	56.94	52.39	49.68	47.55
Tangible stockholders equity at year-end	27.98	28.57	25.91	23.62	21.97
Dividend payout ratio	43.12%	29.79%	25.42%	26.00%	23.62%

Table 5

CHANGES IN INTEREST INCOME AND EXPENSE(a)

	2007 Compared with 2006			2006 Compared with 2005		
		Resulting from Changes in:			Resulting from Changes in:	
	Total Change	Volume	Rate	Total Change	Volume	Rate
	(Increase (decrease) in thousands)					
Interest income						
Loans and leases, including fees	$ 231,565	190,322	41,243	$ 508,777	121,931	386,846
Deposits at banks	(72)	(112)	40	203	39	164
Federal funds sold and agreements to resell securities	18,238	19,560	(1,322)	4,789	3,495	1,294
Trading account	(1,702)	(612)	(1,090)	902	204	698
Investment securities						
U.S. Treasury and federal agencies	(21,058)	(26,626)	5,568	(12,859)	(24,339)	11,480
Obligations of states and political subdivisions	(1,604)	(2,618)	1,014	(637)	(1,479)	842
Other	6,519	(3,559)	10,078	26,580	8,545	18,035
Total interest income	$ 231,886			$ 527,755		
Interest expense						
Interest-bearing deposits						
NOW accounts	$ 1,177	208	969	$ 1,279	216	1,063
Savings deposits	48,770	8,463	40,307	62,098	(4,684)	66,782
Time deposits	(55,136)	(83,855)	28,719	256,732	124,211	132,521
Deposits at foreign office	29,642	28,553	1,089	58,226	(6,908)	65,134
Short-term borrowings	46,229	43,484	2,745	69,997	(12,406)	82,403

Long-term borrowings	127,342	132,210	(4,868)	53,869	(18,229)	72,098
Total interest expense	$ 198,024			$ 502,201		

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

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

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

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

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

Credit Risk   Factors that influence the Company s credit loss experience include overall economic conditions affecting businesses and consumers, in general, and, due to the size of the Company s real estate loan portfolio and mortgage-related investment securities portfolio, real estate valuations, in particular. Other factors that can influence the Company s credit loss experience, in addition to general economic conditions and borrowers specific abilities to repay loans, include: (i) the impact of declining real estate values on the Company s portfolio of loans to residential real estate builders and developers; (ii) the repayment performance associated with the Company s portfolio of alternative residential mortgage loans and residential and other mortgage loans supporting mortgage-related securities; (iii) the concentration of commercial real estate loans in the Company s loan portfolio, particularly the large concentration of loans secured by properties in New York State, in general, and in the New York City metropolitan area, in particular; (iv) the amount of commercial and industrial loans to businesses in areas of New York State outside of the New York City metropolitan area and in central Pennsylvania that have historically experienced less economic growth and vitality than the vast majority of other regions of the country; and (v) the size of the Company s portfolio of loans to individual consumers, which historically have experienced higher net charge-offs as a percentage of loans outstanding than many other loan types. Although the national economy experienced moderate growth in 2007 with inflation being reasonably well contained, concerns exist about the level and volatility of energy prices; a weakening housing market; the troubled state of financial and credit markets; Federal Reserve positioning of monetary policy; sluggish job creation and rising unemployment, which could cause consumer spending to slow; the underlying impact on businesses operations and abilities to repay loans should consumer spending slow; continued stagnant population growth in the upstate New York and central Pennsylvania regions; and continued slowing of domestic automobile sales. All of these 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
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Company s loan and lease portfolios to ensure compliance with established credit policy. 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.

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

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

In addition, the market price of M&T common stock may fluctuate significantly in response to a number of other factors, including changes in securities analysts estimates of financial performance, volatility of stock market prices and volumes, rumors or erroneous information, changes in market valuations of similar companies and changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board or other regulatory agencies.

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 278,000 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 88% of the building and the remainder is leased to non-affiliated tenants. At December 31, 2007, the cost of this property (including improvements subsequent to the initial construction), net of accumulated depreciation, was $6.2 million.

In September 1992, M&T Bank acquired an additional facility in Buffalo, New York with approximately 365,000 rentable square feet of space. Approximately 89% of this facility, known as M&T Center, is occupied by M&T Bank and its subsidiaries, with the remainder leased to non-affiliated tenants. At December 31, 2007, the cost of this building (including improvements subsequent to acquisition), net of accumulated depreciation, was $12.1 million.

M&T Bank also owns and occupies two separate facilities in the Buffalo area which support certain back-office and operations functions of the Company. The total square footage of these facilities approximates 215,000 square feet and their combined cost (including improvements subsequent to acquisition), net of accumulated depreciation, was $17.3 million at December 31, 2007.

M&T Bank also owns a facility in Syracuse, New York with approximately 150,000 rentable square feet of space. Approximately 43% of this facility is occupied by M&T Bank. At December 31, 2007, the cost of this building (including improvements subsequent to acquisition), net of accumulated depreciation, was $7.9 million.

M&T Bank also owns facilities in Harrisburg, Pennsylvania and Millsboro, Delaware with approximately 206,000 and 322,000 rentable square feet of space, respectively. M&T Bank occupies approximately 38% and 84% of these respective facilities. At December 31, 2007, the cost of these buildings

(including improvements subsequent to acquisition), net of accumulated depreciation, was $12.8 million and $7.7 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 705 domestic banking offices of the Registrant s subsidiary banks at December 31, 2007, 293 are owned in fee and 412 are leased.

Item 3. *Legal Proceedings.*

In October 2007, Visa completed a reorganization in contemplation of its initial public offering (IPO) expected to occur in 2008. As part of that reorganization, M&T Bank and other member banks of Visa received shares of common stock of Visa, Inc. Those banks are also obligated under various agreements with Visa to share in losses stemming from certain litigation (Covered Litigation). M&T Bank is not a named defendant in any of the Covered Litigation. Although Visa is expected to set aside a portion of the proceeds from its IPO in an escrow account to fund any judgments or settlements that may arise out of the Covered Litigation, recent guidance from the Securities and Exchange Commission (SEC) indicates that Visa member banks should record a liability for the fair value of the contingent obligation to Visa. The estimation of the Company s proportionate share of any potential losses related to the Covered Litigation is extremely difficult and involves a great deal of judgment. Nevertheless, in the fourth quarter of 2007 the Company recorded a pre-tax charge of $23 million ($14 million after tax effect) related to the Covered Litigation. In accordance with GAAP and consistent with the SEC guidance, the Company did not recognize any value for its common stock ownership interest in Visa, Inc.

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

No matters were submitted to a vote of M&T s security holders during the fourth quarter of 2007.

Executive Officers of the Registrant

Information concerning the Registrant s executive officers is presented below as of February 20, 2008. The year the officer was first appointed to the indicated position with the Registrant or its subsidiaries is shown parenthetically. In the case of each corporation noted below, officers terms run until the first meeting of the board of directors after such corporation s annual meeting, which in the case of the Registrant takes place immediately following the Annual Meeting of Stockholders, and until their successors are elected and qualified.

Robert G. Wilmers, age 73, 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 52, 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. Mr. Pinto
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is a director of M&T Investment (2004). 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 52, 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 chairman of the board (2007) and 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 61, is an executive vice president (2003) of the Registrant and M&T Bank, and is responsible for managing the Company s Corporate Services, Central Operations, Automobile Floor Plan and Lending Services Groups. Previously, Mr. Beardi was in charge of the Company s Residential Mortgage business and the General Counsel s Office. He was president and a director of M&T Mortgage (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 52, is an executive vice president and chief credit officer (2004) of the Registrant and M&T Bank. 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) and M&T Credit (2004).

Stephen J. Braunscheidel, age 51, 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 61, 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).

Richard S. Gold, age 47, 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) and a director of M&T Securities (2002).

Brian E. Hickey, age 55, 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 the Western New York and the Northern and Central Pennsylvania regions.

René F. Jones, age 43, 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 a trustee of M&T Real Estate (2005). He is a director of M&T Investment (2005), M&T Insurance Agency (2007) and M&T Securities (2007).

Adam C. Kugler, age 50, is an executive vice president and treasurer (1997) of the Registrant and M&T Bank, and is in charge of the Company s Treasury Division. Mr. Kugler is chairman of the board and a director of M&T Investment (2004), chairman of the board, president and a trustee of M&T Real Estate (2007), a director of M&T Securities (1997) and is an executive vice president, treasurer and a director of M&T Bank, N.A. (1997).

Kevin J. Pearson, age 46, is an executive vice president (2002) of the Registrant and M&T Bank. He 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. Mr. Pearson is an executive vice

president of M&T Real Estate (2003) and a director of M&T Realty Capital (2003). He served as senior vice president of M&T Bank from 2000 to 2002.
Michele D. Trolli, age 46, is an executive vice president (2005) of the Registrant and M&T Bank. She is chief information officer and is in charge of the Company s Retail Banking Division as well as the Company s Technology and Global Sourcing groups. Previously, Ms. Trolli was in charge of the Technology and Banking Operations Division and the Corporate Services Group of M&T Bank. Ms. Trolli served as senior director, global systems support, with Franklin Resources, Inc., a worldwide investment management company, from May 2000 through December 2004.

PART II

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

The Registrant s common stock is traded under the symbol MTB on the New York Stock Exchange. See cross-reference sheet for disclosures incorporated elsewhere in this Annual Report on Form 10-K for market prices of the Registrant s common stock, approximate number of common stockholders at year-end, frequency and amounts of dividends on common stock and restrictions on the payment of dividends.
During the fourth quarter of 2007, 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, 2007 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 are the M&T Bank Corporation 1983 Stock Option Plan (the 1983 Stock Option Plan); the M&T Bank Corporation 2001 Stock Option Plan (the 2001 Stock Option Plan); the M&T Bank Corporation 2005 Incentive Compensation Plan (the 2005 Incentive Compensation Plan), which replaced the 2001 Stock Option Plan; and the M&T Bank Corporation Employee Stock Purchase Plan (the Employee Stock Purchase Plan), each of which has been previously approved by stockholders, and the M&T Bank Corporation Directors Stock Plan (the Directors Stock Plan) and the M&T Bank Corporation Deferred Bonus Plan (the Deferred Bonus Plan), each of which did not require stockholder approval.

The table does not include information with respect to shares of common stock subject to outstanding options and rights assumed by M&T Bank Corporation in connection with mergers and acquisitions of the companies that originally granted those options and rights. Footnote (1) to the table sets forth the total number of shares of common stock issuable upon the exercise of such assumed options and rights as of December 31, 2007, 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	2,254,678	$ 53.98	
2001 Stock Option Plan	5,427,947	88.27	
2005 Incentive Compensation Plan	3,251,063	115.07	5,685,802
Employee Stock Purchase Plan			607,045
Equity compensation plans not approved by security holders:			
Directors Stock Plan	3,981	81.57	2,413
Deferred Bonus Plan	56,630	61.12	
Total	10,994,299	$ 89.02	6,295,260

(1) *As of December 31, 2007, a total of 127,059 shares of M&T 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 $62.26 per share.*

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

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

Deferred Bonus Plan. M&T Bank Corporation maintains a deferred bonus plan pursuant to which its eligible officers and those of its subsidiaries may elect to defer all or a portion of their current annual incentive compensation awards and allocate such awards to several investment options, including M&T common stock. Participants may elect the timing of distributions from the plan. Such distributions are payable in cash, with the exception of balances allocated to M&T common stock, which are distributable in the form of shares of common stock.

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Performance Graph

The following graph contains a comparison of the cumulative stockholder return on M&T common stock against the cumulative total returns of the KBW Bank Index and the KBW 50 Index, each 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, 2002 and ending on December 31, 2007. The KBW Bank Index is a market capitalization index consisting of 24 leading national money-center banks and regional institutions. The KBW 50 Index is comprised of the top fifty American banking companies, including all money-center and most major regional banks. The Company has elected to transition to the KBW Bank Index from the KBW 50 Index for future filing as the KBW 50 Index is no longer publicly accessible.

Comparison of Five-Year Cumulative Return*

Stockholder Value at Year End*

	2002	2003	2004	2005	2006	2007
M&T Bank Corporation	$ 100	126	140	144	164	113
KBW Bank Index	$ 100	134	146	151	179	137
KBW 50 Index	$ 100	134	148	149	178	137
S&P 500 Index	$ 100	129	143	150	173	183

* Assumes a $100 investment on December 31, 2002 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. Pursuant to such plan, M&T repurchased 2,818,500 shares during 2007 at an average per share cost of $108.30.

During the fourth quarter of 2007, 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, 2007	125,000	$ 98.78	125,000	2,181,500
November 1 - November 30, 2007	2,994	89.66		2,181,500
December 1 - December 31, 2007	226	82.26		2,181,500
Total	128,220	$ 98.54	125,000	

(1) *The total number of shares purchased during the periods indicated includes shares purchased as part of publicly announced programs and 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.*

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 $64.9 billion at December 31, 2007. 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 $64.1 billion at December 31, 2007, is a New York-chartered commercial bank with 704 banking offices in New York State, Pennsylvania, Maryland, Delaware, New Jersey, Virginia, West Virginia and the District of Columbia, and an office in the Cayman Islands. M&T Bank and its subsidiaries offer a broad range of financial services to a diverse base of consumers, businesses, professional clients, governmental entities and financial institutions located in its markets. Lending is largely focused on consumers residing in New York State, Pennsylvania, Maryland, northern Virginia and Washington, D.C., and on small and medium size businesses based in those areas, although residential and commercial real estate loans are originated through lending offices in 20 other states. Certain lending activities are also conducted in other states through various subsidiaries. M&T Bank s subsidiaries include:

M&T Credit Services, LLC, a consumer lending and commercial leasing and lending company; M&T Real Estate Trust, a commercial mortgage lender; M&T Realty Capital Corporation, a multi-family 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 $376 million at December 31, 2007, 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 and direct mail marketing techniques.

On November 30, 2007, M&T acquired Partners Trust Financial Group, Inc. (Partners Trust), a bank holding company headquartered in Utica, New York. Partners Trust Bank, the primary banking subsidiary of Partners Trust, was merged into M&T Bank on that date. Partners Trust Bank operated 33 branch offices in upstate New York at the date of acquisition. The results of operations acquired in the Partners Trust transaction have been included in the Company s financial results since November 30, 2007, but did not have a significant effect on the Company s results of operations in 2007. After application of the election, allocation and proration procedures contained in the merger agreement with Partners Trust, M&T paid $282 million in cash and issued 3,096,861 shares of M&T common stock in exchange for Partners Trust shares outstanding at the time of acquisition. In addition, based on the merger agreement, M&T paid $9 million in cash to holders of outstanding and unexercised stock options granted by Partners Trust. The purchase price was approximately $559 million based on the cash paid to Partners Trust shareholders, the fair value of M&T common stock exchanged, and the cash paid to holders of Partners Trust stock options. The acquisition of Partners Trust expands M&T s presence in upstate New York, making M&T Bank the deposit market share leader in the Utica-Rome and Binghamton markets, while strengthening its lead position in Syracuse.

Assets acquired from Partners Trust on November 30, 2007 totaled $3.5 billion, including $2.2 billion of loans and leases, (largely residential real estate and consumer loans), liabilities assumed aggregated $3.0 billion, including $2.2 billion of deposits (largely savings, money-market and time deposits), and $277 million was added to stockholders equity. In connection with the acquisition, the Company recorded approximately $288 million of goodwill and $50 million of core deposit intangible. The core deposit intangible is being amortized over 7 years using an accelerated method.

As a condition of the approval of the Partners Trust acquisition by regulators, M&T Bank was required to divest three of the acquired branch offices in Binghamton, New York having approximately $95 million of deposits as of June 30, 2006. M&T Bank has reached an agreement to sell three branches in a transaction expected to close in 2008.

On December 7, 2007, M&T Bank acquired the Mid-Atlantic retail banking franchise of First Horizon Bank (First Horizon), a subsidiary of First Horizon National Corporation, in a cash transaction, including $214 million of loans, $216 million of deposits and $80 million of trust and investment assets under management. The transaction did not have a significant effect on the Company s results of operations during 2007. In connection with the transaction, the Company recorded approximately $15 million of core deposit and other intangible assets that are being amortized using accelerated methods over a weighted average life of 7 years.

The Company incurred merger-related expenses associated with the Partners Trust and First Horizon transactions related to systems conversions and other costs of integrating and conforming acquired operations with and into the Company of approximately $15 million ($9 million net of applicable income taxes, or $.08 of diluted earnings per share) during 2007. Those expenses consisted largely of 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; incentive compensation; initial marketing and promotion expenses designed to introduce the Company to customers of the acquired operations; travel costs; printing, postage and supplies; and other costs of commencing operations in new offices. The Company expects to incur additional merger-related expenses relating to those transactions, although such costs are expected to be substantially less than the amount incurred in 2007. In accordance with generally accepted accounting principles, (GAAP), included in the determination of goodwill associated with the Partners Trust acquisition were charges totaling $14 million, net of applicable income taxes ($18 million before tax effect), for severance costs for former Partners Trust employees, termination of Partners Trust contracts for various services and other items. As of December 31, 2007, the remaining unpaid portion of merger-related expenses and charges included in the determination of goodwill were $5 million and $13 million, respectively. The resolution of Partners Trust s preacquisition contingencies in future periods could have an impact on the purchase price and the amount of goodwill recorded as part of the acquisition, however, management does not presently expect that any such adjustments will be material to the Company s consolidated balance sheet.

On February 5, 2007, M&T invested $300 million to acquire a minority interest in Bayview Lending Group LLC (BLG), a privately-held commercial mortgage lender that specializes in originating, securitizing and servicing small balance commercial real estate loans in the United States, and to a significantly lesser extent, in Canada and the United Kingdom. M&T recognizes income from BLG using the equity method of accounting. M&T s pro-rata portion of the results of operations of BLG was pre-tax

income of $9 million ($5 million after tax effect) in 2007, which has been recorded as a component of other income in the consolidated statement of income. Including expenses associated with M&T s investment in BLG, most notably interest expense, that investment reduced the Company s net income in 2007 by $4 million (after tax effect) or $.04 per diluted share.

On June 30, 2006, M&T Bank completed the acquisition of 21 branch offices in Buffalo and Rochester, New York from Citibank, N.A., including approximately $269 million of loans, mostly to consumers, small businesses and middle market customers, and approximately $1.0 billion of deposits. Expenses associated with integrating the acquired branches into M&T Bank and introducing the customers associated with those branches to M&T Bank s products and services aggregated $3 million, after applicable tax effect, or $.03 of diluted earnings per share during the year ended December 31, 2006.

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 capitalized servicing assets, goodwill, core deposit and other intangible assets, pension and other postretirement benefit obligations, value ascribed to stock-based compensation, estimated residual values of property associated with commercial and consumer 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, 10, 11, 17, 18 and 19 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 20 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 12 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. Information relating to the Company s involvement in such entities and the accounting treatment afforded each such involvement is included in note 18 of Notes to Financial Statements.

Overview

The Company s net income for 2007 was $654 million or $5.95 of diluted earnings per common share, representing declines of 22% and 19%, respectively, from $839 million or $7.37 of diluted earnings per share in 2006. Basic earnings per common share decreased 20% to $6.05 in 2007 from $7.55 in 2006. Net income in 2005 aggregated $782 million, while diluted and basic earnings per share were $6.73 and $6.88, respectively. The after-tax impact of acquisition and integration-related expenses (included herein as merger-related expenses) associated with the November 30 acquisition of Partners Trust and the December 7 transaction with First Horizon was $9 million ($15 million pre-tax) or $.08 of basic and diluted earnings per share in 2007. Similar costs related to the June 30, 2006 branch acquisition were $3 million ($5 million pre-tax) or $.03 of basic and diluted earnings per share in 2006. There were no similar expenses in 2005. Net income expressed as a rate of return on average assets in 2007 was 1.12%, compared with 1.50% in 2006 and 1.44% in 2005. The return on average common stockholders equity was 10.47% in 2007, 13.89% in 2006 and 13.49% in 2005.

The Company s financial results for 2007 were adversely impacted by several events. Turmoil in the residential real estate market, which began in early 2007, significantly affected the Company s financial results in a number of ways. Problems experienced by lenders in the sub-prime residential mortgage lending market also had negative repercussions on the rest of the residential real estate marketplace. Through early 2007, the Company had been an active participant in the origination of alternative (Alt-A) residential real estate loans and the sale of such loans in the secondary market. Alt-A loans originated by M&T typically included some form of limited documentation requirements as compared with more traditional residential real estate loans. Unfavorable market conditions during the first quarter of 2007, including a lack of liquidity, impacted the Company s willingness to sell Alt-A loans, as an auction of such loans initiated by the Company received fewer bids than normal and the pricing of those bids was substantially lower than expected. As a result, $883 million of Alt-A loans previously held for sale (including $808 million of first mortgage loans and $75 million of second mortgage loans) were transferred in March to the Company s held-for-investment loan portfolio. In accordance with GAAP, loans held for sale must be recorded at the lower of cost or market value. Accordingly, prior to reclassifying the Alt-A mortgage loans to the held-for-investment portfolio, the carrying value of such loans was reduced by $12 million ($7 million after tax effect, or $.07 of diluted earnings per share). Those loans were reclassified because management believed at that time that the value of the Alt-A residential real estate loans was greater than the amount implied by the few bidders who were active in the market. The downturn in the residential real estate market, specifically related to declining real estate valuations and higher delinquencies, continued throughout the remainder of 2007 and had a negative

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effect on the majority of financial institutions active in residential real estate lending. Margins earned by the Company from sales of residential real estate loans in the secondary market were lower in 2007 than in 2006.

The Company is contractually obligated to repurchase some previously sold residential real estate loans that do not ultimately meet investor sale criteria, including instances where mortgagors fail to make timely payments during the first 90 days subsequent to the sale date. Requests from investors for the Company to repurchase residential real estate loans increased significantly in early 2007, particularly related to Alt-A loans. As a result, during 2007 s first quarter the Company reduced mortgage banking revenues by $6 million ($4 million after tax effect, or $.03 of diluted earnings per share) related to declines in market values of previously sold residential real estate loans that the Company may be required to repurchase.

The Company had $1.2 billion of Alt-A residential real estate loans in its held-for-investment loan portfolio at December 31, 2007. Lower real estate values and higher levels of delinquencies and charge-offs contributed to increased losses in that portfolio during 2007, which led to an assessment of the Company s accounting practices during the fourth quarter as they relate to the timing of the classification of residential real estate loans as nonaccrual and when such loans are charged off. Residential real estate loans previously classified as nonaccrual when payments were 180 days past due now stop accruing interest when principal or interest is delinquent 90 days. The excess of such loan balances over the net realizable value of the property collateralizing the loan is now charged off when the loans become 150 days delinquent, whereas previously the Company provided an allowance for credit losses for such amounts and charged-off loans upon foreclosure of the underlying property. The impact of the acceleration of the classification of residential real estate loans as nonaccrual resulted in an increase in nonperforming loans of $84 million at December 31, 2007 and a corresponding decrease in loans past due 90 days and accruing interest. As a result of that acceleration, previously accrued interest of $2 million was reversed and charged against income. Included in the $114 million of net charge-offs for 2007 were $15 million resulting from the change in accounting procedure. The declining residential real estate values also contributed to specific allocations of the allowance for credit losses related to two residential real estate builders and developers during the fourth quarter of 2007. Considering these and other factors as discussed herein under the heading Provision for Credit Losses, the Company significantly increased the provision for credit losses in 2007 to $192 million, compared with $80 million in 2006.

The turmoil in the residential real estate market in 2007 also negatively affected the Company s investment securities portfolio. Three collateralized debt obligations were purchased in the first quarter of 2007 for approximately $132 million. The securities are backed largely by residential mortgage-backed securities (collateralized by a mix of prime, mid-prime and sub-prime residential mortgage loans) and are held in the Company s available-for-sale portfolio. Although these securities were highly rated when purchased, two of the three securities were downgraded by the rating agencies in late-2007. After a thorough analysis, management concluded that the impairment of the market value of these securities was other than temporary. As a result, the Company recorded an impairment charge of $127 million ($78 million after tax effect, or $.71 of diluted earnings per share) in the fourth quarter of 2007. The impairment charge reduced the Company s exposure to collateralized debt obligations backed by residential mortgage securities to approximately $4 million.

Finally, during the last quarter of 2007, Visa completed a reorganization in contemplation of its initial public offering (IPO) expected to occur in 2008. As part of that reorganization M&T Bank and other member banks of Visa received shares of common stock of Visa, Inc. Those banks are also obligated under various agreements with Visa to share in losses stemming from certain litigation involving Visa (Covered Litigation). Although Visa is expected to set aside a portion of the proceeds from its IPO in an escrow account to fund any judgments or settlements that may arise out of the Covered Litigation, recent guidance from the Securities and Exchange Commission (SEC) indicates that Visa member banks should record a liability for the fair value of the contingent obligation to Visa. The estimation of the Company s proportionate share of any potential losses related to the Covered Litigation is extremely difficult and involves a great deal of judgment. Nevertheless, in the fourth quarter of 2007 the Company recorded a pre-tax charge of $23 million ($14 million after tax effect, or $.13 per diluted share) related to the Covered Litigation. In accordance with GAAP and consistent with the SEC guidance, the Company did not recognize any value for its common stock ownership interest in Visa, Inc.

Taxable-equivalent net interest income increased 2% to $1.87 billion in 2007 from $1.84 billion in 2006. The impact of higher average earning asset balances was largely offset by a decline in the Company s net interest margin, or taxable-equivalent net interest income expressed as a percentage of average earning assets. Average earning assets increased 5% to $52.0 billion in 2007 from $49.7 billion in 2006 due to higher loan and lease balances, partially offset by lower average balances of investment securities. Average loans and leases outstanding in 2007 rose $2.7 billion or 7% to $44.1 billion from $41.4 billion in 2006, the result of growth in commercial loans and leases of $858 million, or 8%, commercial real estate loans of $653 million, or 4%, consumer real estate loans of $1.0 billion, or 20%, and consumer loans and leases of $186 million, or 2%. The $2.4 billion of loans acquired in the Partners Trust and First Horizon transactions did not have a significant impact on average loans and leases for 2007. The average balance of investment securities outstanding declined $717 million, or 9%, to $7.3 billion in 2007 from $8.0 billion in 2006 due largely to net paydowns and maturities of mortgage-backed securities, collateralized mortgage obligations and U.S. federal agency securities. The Company s net interest margin narrowed 10 basis points (hundredths of one percent) to 3.60% in 2007 from 3.70% in 2006. That narrowing was the result of several factors, including higher rates paid on deposit accounts and variable-rate borrowings that were only partially offset by higher yields earned on loans and investment securities.

Net interest income expressed on a taxable-equivalent basis in 2006 was 1% higher than $1.81 billion in 2005. The positive impact of higher average earning assets was largely offset by a decline in net interest margin. Average earning assets rose 3% to $49.7 billion in 2006 from $48.1 billion in 2005, the result of increased balances of loans and leases, offset, in part, by a decline in average outstanding balances of investment securities. Average loans and leases of $41.4 billion in 2006 were $1.9 billion or 5% higher than $39.5 billion in 2005, due to growth in commercial loans and leases of $863 million, or 8%, commercial real estate loans of $755 million, or 5%, and consumer real estate loans of $1.1 billion, or 28%, partially offset by an $804 million, or 7%, decline in consumer loans and leases. Average balances of investment securities decreased 5% to $8.0 billion in 2006 from $8.5 billion in 2005. The net interest margin declined 7 basis points to 3.70% in 2006 from 3.77% in 2005, largely due to higher short-term interest rates resulting from the Federal Reserve raising its benchmark overnight federal funds target rate 100 basis points during the first six months of 2006, continuing a trend of rate increases that began in June 2004. Such interest rate increases had the effect of increasing rates paid on interest-bearing liabilities more rapidly than yields on earning assets during 2005 and the first half of 2006.

The provision for credit losses rose to $192 million in 2007 from $80 million in 2006 and $88 million in 2005. Deteriorating credit conditions that were reflected in rising levels of charge-offs and delinquencies as well as rapidly declining residential real estate valuations during 2007 and their impact on the Company s portfolio of Alt-A residential mortgage loans and loans to residential builders and developers contributed significantly to the increase in the provision from 2006 to 2007. The levels of the provision during 2006 and 2005 were reflective of generally favorable credit quality during those years. Net charge-offs were $114 million in 2007, up from $68 million in 2006 and $77 million in 2005. Net charge-offs as a percentage of average loans and leases outstanding rose to .26% in 2007 from .16% in 2006 and .19% in 2005. 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 declined 11% to $933 million in 2007 from $1.05 billion in 2006. That decline resulted from the $127 million other-than-temporary impairment charge in 2007 related to collateralized debt obligations held in the Company s available-for-sale investment securities portfolio. The market value of those collateralized debt obligations, which are backed by residential mortgage-backed securities, declined sharply as a result of the residential real estate market crisis in 2007. That charge is reflected in losses from bank investment securities in the consolidated statement of income. Excluding the impairment charge, noninterest income was $1.06 billion in 2007, 1% higher than in 2006. Higher service charges on deposit accounts, trust income, and trading account and foreign exchange gains, and

$9 million related to M&T s pro-rata portion of the operating results of BLG were largely offset by a $31 million decline in mortgage banking revenues. Contributing to the decline in mortgage banking revenues were changing market conditions, which led to slimmer margins realized on sales of residential real estate loans. In addition, the Company recognized $18 million of losses in the first quarter related to its Alt-A loan portfolio due to declines in the market values of such loans. Included in noninterest income in 2006 was a $13 million gain resulting from the accelerated recognition of a purchase accounting premium related to the call of a $200 million Federal Home Loan Bank (FHLB) of Atlanta borrowing assumed in a previous acquisition.

Noninterest income in 2006 increased 10% from $950 million in 2005. In addition to the $13 million gain noted above, higher mortgage banking revenues, service charges on deposit accounts, trust income, brokerage services income, and other revenues contributed to that improvement. Furthermore, losses from bank investment securities in 2005 included a $29 million other-than-temporary impairment charge related to preferred stock issuances of the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC). Excluding the impact of securities gains and losses in both years and the $13 million gain on the called borrowing in 2006, noninterest income rose 5% from 2005 to 2006.

Noninterest expense in 2007 aggregated $1.63 billion, up 5% from $1.55 billion in 2006. Noninterest expense in 2005 was $1.49 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 $66 million, $63 million and $57 million in 2007, 2006 and 2005, respectively, and merger- related expenses of $15 million in 2007 and $5 million in 2006. There were no merger-related expenses in 2005. Exclusive of these nonoperating expenses, noninterest operating expenses aggregated $1.55 billion in 2007, $1.48 billion in 2006 and $1.43 billion in 2005. Noninterest operating expenses in 2007 included a $23 million charge representing the Company s estimated liability related to litigation involving Visa as already discussed. Included in operating expenses in 2006 was an $18 million tax-deductible contribution made to The M&T Charitable Foundation, a tax-exempt private charitable foundation. There were no similar contributions made in 2007 or in 2005. Excluding the impact of the Visa charge in 2007 and the charitable contribution in 2006, operating expenses in 2007 were up 4% from 2006, largely due to a higher level of salaries and employee benefits expense reflecting the impact of merit pay increases, increased incentive compensation and higher costs for providing medical benefits to employees. Excluding the impact of the charitable contribution, operating expenses in 2006 increased $37 million, or 3%, from 2005. The most significant contributor to that increase was a higher level of salaries expense, reflecting the impact of merit pay increases and higher stock-based compensation costs and other incentive pay.

The efficiency ratio expresses the relationship of operating expenses to revenues. The Company s efficiency ratio, or noninterest operating expenses divided by the sum of taxable-equivalent net interest income and noninterest income (exclusive of gains and losses from bank investment securities), was 52.8% in 2007, compared with 51.5% in 2006 and 51.2% in 2005.

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Table 1

EARNINGS SUMMARY
Dollars in millions

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Increase (Decrease)(a)									
to 2007		2005 to 2006							
t	%	Amount	%		2007	2006	2005	2004	2003
9	7	$ 527.8	19	Interest income(b)	$ 3,565.6	3,333.8	2,806.0	2,316.1	2,142.9
0	13	502.2	51	Interest expense	1,694.6	1,496.6	994.4	564.2	527.8
9	2	25.6	1	Net interest income(b)	1,871.0	1,837.2	1,811.6	1,751.9	1,615.1
0	140	(8.0)	(9)	Less: provision for credit losses	192.0	80.0	88.0	95.0	131.0
7)		30.7		Gain (loss) on bank investment securities	(126.1)	2.6	(28.1)	2.9	2.5
3	2	65.4	7	Other income	1,059.1	1,043.2	977.8	940.1	828.6
				Less:					
0	4	51.1	6	Salaries and employee benefits	908.3	873.3	822.2	806.6	740.3
9	6	15.5	2	Other expense	719.3	678.4	662.9	709.5	708.0
9)	(21)	63.1	5	Income before income taxes	984.4	1,251.3	1,188.2	1,083.8	866.9
				Less:					
2	6	2.4	14	Taxable-equivalent adjustment(b)	20.8	19.7	17.3	17.3	16.3
2)	(21)	3.7	1	Income taxes	309.3	392.4	388.7	344.0	276.7
9)	(22)	$ 57.0	7	Net income	$ 654.3	839.2	782.2	722.5	573.9

(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% for 2007, 2006, 2005 and 2004, and 36% for 2003.

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 $3.4 billion at December 31, 2007, $3.2 billion at December 31, 2006 and $3.0 billion at December 31, 2005. Included in such intangible assets was goodwill of $3.2 billion at December 31, 2007 and $2.9 billion at each of December 31, 2006 and 2005. Amortization of core deposit and other intangible assets, after tax effect, totaled $40 million, $38 million and $35 million during 2007, 2006 and 2005, respectively.

M&T consistently provides supplemental reporting of its results on a net operating or tangible basis, in 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, when calculating certain performance ratios) and expenses associated with integrating acquired operations into the Company, since such expenses are considered by management to be nonoperating in nature. Although net operating income as defined by M&T is not a GAAP measure, M&T s management believes that this information helps investors understand the effect of acquisition activity in reported results.

Net operating income totaled $704 million in 2007, compared with $881 million in 2006. Diluted net operating earnings per share in 2007 declined 17% to $6.40 from $7.73 in 2006. Net operating income and diluted net operating earnings per share were $817 million and $7.03, respectively, during 2005.

Reconciliations of net income and diluted earnings per share with net operating income and diluted net operating earnings per share are presented in table 2.

Net operating income expressed as a rate of return on average tangible assets was 1.27% in 2007, compared with 1.67% in 2006 and 1.60% in 2005. Net operating return on average tangible common equity was 22.58% in 2007, compared with 29.55% and 29.06% in 2006 and 2005, respectively.

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Reconciliations of average assets and equity with average tangible assets and average tangible equity are also presented in table 2.

Table 2

RECONCILIATION OF GAAP TO NON-GAAP MEASURES

	2007	2006	2005
Income statement data			
In thousands, except per share			
Net income			
Net income	$ 654,259	$ 839,189	$ 782,183
Amortization of core deposit and other intangible assets(a)	40,491	38,418	34,682
Merger-related expenses(a)	9,070	3,048	
Net operating income	$ 703,820	$ 880,655	$ 816,865
Earnings per share			
Diluted earnings per common share	$ 5.95	$ 7.37	$ 6.73
Amortization of core deposit and other intangible assets(a)	.37	.33	.30
Merger-related expenses(a)	.08	.03	
Diluted net operating earnings per share	$ 6.40	$ 7.73	$ 7.03
Other expense			
Other expense	$ 1,627,689	$ 1,551,751	$ 1,485,142
Amortization of core deposit and other intangible assets	(66,486)	(63,008)	(56,805)
Merger-related expenses	(14,887)	(4,997)	
Noninterest operating expense	$ 1,546,316	$ 1,483,746	$ 1,428,337
Merger-related expenses			
Salaries and employee benefits	$ 1,333	$ 815	$
Equipment and net occupancy	238	224	
Printing, postage and supplies	1,474	155	
Other costs of operations	11,842	3,803	
Total	$ 14,887	$ 4,997	$
Balance sheet data			
In millions			
Average assets			
Average assets	$ 58,545	$ 55,839	$ 54,135
Goodwill	(2,933)	(2,908)	(2,904)
Core deposit and other intangible assets	(221)	(191)	(135)
Deferred taxes	24	38	52

Average tangible assets	$	55,415	$	52,778	$	51,148
Average equity						
Average equity	$	6,247	$	6,041	$	5,798
Goodwill		(2,933)		(2,908)		(2,904)
Core deposit and other intangible assets		(221)		(191)		(135)
Deferred taxes		24		38		52
Average tangible equity	$	3,117	$	2,980	$	2,811
At end of year						
Total assets						
Total assets	$	64,876	$	57,065	$	55,146
Goodwill		(3,196)		(2,909)		(2,904)
Core deposit and other intangible assets		(249)		(250)		(108)
Deferred taxes		36		30		42
Total tangible assets	$	61,467	$	53,936	$	52,176
Total equity						
Total equity	$	6,485	$	6,281	$	5,876
Goodwill		(3,196)		(2,909)		(2,904)
Core deposit and other intangible assets		(249)		(250)		(108)
Deferred taxes		36		30		42
Total tangible equity	$	3,076	$	3,152	$	2,906

(a) After any related tax effect.

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Net Interest Income/Lending and Funding Activities

Net interest income expressed on a taxable-equivalent basis increased 2% to $1.87 billion in 2007 from $1.84 billion in 2006, largely the result of growth in average earning assets. Such assets aggregated $52.0 billion in 2007, 5% higher than $49.7 billion in 2006. Growth in average loan and lease balances outstanding, which rose 7% to $44.1 billion in 2007 from $41.4 billion in 2006, was the leading factor in that improvement, partially offset by a decline of $717 million, or 9%, in average balances of investment securities. A lower net interest margin, which declined to 3.60% in 2007 from 3.70% in 2006, partially offset the positive impact on taxable-equivalent net interest income resulting from growth in average earning assets.

The Company experienced growth in all major loan categories in 2007, particularly during the second half of the year. Average commercial loans and leases increased 8% to $12.2 billion in 2007 from $11.3 billion in 2006. Commercial real estate loans averaged $15.7 billion in 2007, up 4% from $15.1 billion in 2006, due, in part, to higher average balances of construction loans. Average residential real estate loans rose 20% in 2007 to $6.0 billion from $5.0 billion in 2006. In March 2007, the Company transferred $883 million of Alt-A residential real estate loans from the Company s held-for-sale loan portfolio to its held-for-investment portfolio. Residential real estate loans held for sale averaged $1.1 billion in 2007 and $1.5 billion during 2006. Consumer loans and leases averaged $10.2 billion in 2007, up 2% from $10.0 billion in 2006, due in part to growth in the automobile loan portfolio. Annualized growth experienced during 2007 s fourth quarter as compared with the third quarter of 2007 for average commercial loans and leases, commercial real estate loans, residential real estate loans and consumer loans and leases were 8%, 22%, 6% and 14%, respectively, excluding the impact of the fourth quarter acquisition transactions.

Reflecting growth in average earning assets that was largely offset by a narrowing of the net interest margin, taxable-equivalent net interest income increased 1% to $1.84 billion in 2006 from $1.81 billion in 2005. Average earning assets increased 3% to $49.7 billion in 2006 from $48.1 billion in 2005. That growth resulted from a 5% increase in average outstanding balances of loans and leases of $1.9 billion, offset in part by a 5% decline in average outstanding balances of investment securities of $441 million. The positive impact of higher average earning assets on taxable-equivalent net interest income was largely offset by a narrowing of the Company s net interest margin, which declined to 3.70% in 2006 from 3.77% in 2005.

Average loans and leases outstanding aggregated $41.4 billion in 2006, up 5% from $39.5 billion in 2005. The higher average outstanding loan balances were the result of growth in commercial loans and leases, commercial real estate loans and residential real estate loans. Average commercial loans and leases rose 8% to $11.3 billion in 2006 from $10.5 billion in 2005. Commercial real estate loans averaged $15.1 billion during 2006, 5% higher than $14.3 billion in 2005, reflecting a $336 million rise in construction loans to developers of residential real estate properties. The Company s residential real estate loan portfolio averaged $5.0 billion in 2006, up 28% from $3.9 billion in 2005. Included in that portfolio were loans held for sale, which averaged $1.5 billion in 2006, 19% above the $1.2 billion averaged in 2005. Excluding such loans, average residential real estate loans increased $861 million from 2005 to 2006. That increase was largely the result of the Company s decision to retain higher levels of residential real estate loans having certain characteristics, due to narrowing margins available in the marketplace when selling such loans and the lack of availability of investment securities to acquire that met the Company s desired characteristics and provided suitable returns. Consumer loans and leases averaged $10.0 billion in 2006, down 7% from $10.8 billion in 2005. That decline was the result of lower average balances of automobile loans and leases, which decreased 22% to $2.9 billion in 2006 from $3.7 billion in 2005, reflecting the Company s decision to allow such balances to decline rather than matching interest rates offered by competitors. During late 2006, the interest rate environment relating to the Company s automobile lending business improved and from September 30 to December 31, outstanding balances of such loans increased slightly.

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Table 3

AVERAGE BALANCE SHEETS AND TAXABLE-EQUIVALENT RATES

2007			2006			2005			2004	
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)								
$ 871,743	7.16%	11,319	802,451	7.09%	10,455	589,644	5.64%	9,534	410,258	4
1,157,156	7.35	15,096	1,104,518	7.32	14,341	941,017	6.56	13,264	763,134	5
384,101	6.39	5,015	319,858	6.38	3,925	235,364	6.00	3,111	184,125	5
757,876	7.44	10,003	712,484	7.12	10,808	664,509	6.15	11,220	626,255	5
3,170,876	7.19	41,433	2,939,311	7.09	39,529	2,430,534	6.15	37,129	1,983,772	5
300	3.36	12	372	3.01	10	169	1.64	13	65	
23,835	5.52	81	5,597	6.91	23	808	3.55	8	134	1
744	1.20	90	2,446	2.71	80	1,544	1.92	53	418	
100,611	4.42	2,884	121,669	4.22	3,479	134,528	3.87	4,169	158,953	3
8,619	7.23	157	10,223	6.53	180	10,860	6.04	218	15,017	6
260,661	5.29	4,995	254,142	5.09	4,817	227,562	4.72	3,610	157,703	4
369,891	5.05	8,036	386,034	4.80	8,476	372,950	4.40	7,997	331,673	4
3,565,646	6.86	49,652	3,333,760	6.71	48,118	2,806,005	5.83	45,200	2,316,062	5
		(646)			(638)			(626)		
		1,346			1,400			1,599		
		5,487			5,255			5,344		
		55,839			54,135			51,517		

4,638	1.01	435	3,461	.79	400	2,182	.55	550	1,802	
250,313	1.67	14,401	201,543	1.40	14,889	139,445	.94	15,305	92,064	
496,378	4.68	12,420	551,514	4.44	9,158	294,782	3.22	6,948	154,722	2
207,990	4.97	3,610	178,348	4.94	3,819	120,122	3.15	3,136	43,034	1
959,319	3.17	30,866	934,866	3.03	28,266	556,531	1.97	25,939	291,622	1
274,079	5.09	4,530	227,850	5.03	4,890	157,853	3.23	5,142	71,172	1
461,178	5.47	6,013	333,836	5.55	6,411	279,967	4.37	5,832	201,366	3
1,694,576	3.85	41,409	1,496,552	3.61	39,567	994,351	2.51	36,913	564,160	1
		7,555			8,050			8,039		
		834			720			864		
		49,798			48,337			45,816		
		6,041			5,798			5,701		
		55,839			54,135			51,517		
	3.01			3.10			3.32			3
	.59			.60			.45			
$ 1,871,070	3.60%		1,837,208	3.70%		1,811,654	3.77%		1,751,902	3

(a) *Includes nonaccrual loans.*

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

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Table 4 summarizes average loans and leases outstanding in 2007 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)

	2007 (Dollars in millions)	Percent Increase (Decrease) from 2006 to 2007	2005 to 2006
Commercial, financial, etc	$ 12,177	8%	8%
Real estate commercial	15,748	4	5
Real estate consumer	6,015	20	28
Consumer			
Automobile	3,043	5	(22)
Home equity lines	4,167	(1)	5
Home equity loans	1,133	(6)	(5)
Other	1,847	8	(6)
Total consumer	10,190	2	(7)
Total	$ 44,130	7%	5%

Commercial loans and leases, excluding loans secured by real estate, aggregated $13.1 billion at December 31, 2007, representing 27% of total loans and leases. Approximately $259 million of commercial loans were obtained in the December 2007 acquisition transactions. Table 5 presents information on commercial loans and leases as of December 31, 2007 relating to geographic area, size, and whether the loans are secured by collateral or unsecured. Of the $13.1 billion of commercial loans and leases outstanding at the end of 2007, approximately $10.4 billion, or 80%, were secured, while 51%, 23% and 12% were granted to businesses in New York State, Pennsylvania and Maryland, 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, 2007 aggregated $1.4 billion, of which 47% were secured by collateral located in New York State, 13% were secured by collateral in Maryland and another 11% were secured by collateral in Pennsylvania.

International loans included in commercial loans and leases totaled $107 million and $176 million at December 31, 2007 and 2006, respectively. 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. The loans generally range from $1 million to $10 million. The outstanding balances of loans under these programs at December 31, 2007 and 2006 were $95 million and $143 million, respectively.

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Table 5

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

December 31, 2007

		Percent of Dollars Outstanding by Loan Size				
	Outstandings	$0-1	$1-5	$5-10	$10-15	$15+
	(Dollars in millions)					
New York State						
Secured	$ 4,655	20%	23%	11%	6%	9%
Unsecured	1,426	5	6	2	2	6
Leases	631	4	4	2		
Total New York State	6,712	29%	33%	15%	8%	15%
Pennsylvania						
Secured	2,389	23%	25%	14%	7%	9%
Unsecured	514	6	6	2	1	2
Leases	156	3	2			
Total Pennsylvania	3,059	32%	33%	16%	8%	11%
Maryland						
Secured	1,008	25%	18%	8%	4%	8%
Unsecured	439	7	4	3	1	12
Leases	171	6	2	1		1
Total Maryland	1,618	38%	24%	12%	5%	21%
Other						