

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

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

Form 10-K

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

For the fiscal year ended December 31, 2009

or

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

Commission file number 1-9861

M&T BANK CORPORATION

(Exact name of registrant as specified in its charter)

New York

(State of incorporation)

16-0968385

(I.R.S. Employer Identification No.)

One M&T Plaza, Buffalo, New York

(Address of principal executive offices)

14203

(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 No

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 No

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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 No

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

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.

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

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

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

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

Documents Incorporated By Reference:

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

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

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M&T Bank Corporation (Registrant or M&T) is a New York business corporation which is registered as a bank holding company under the Bank Holding Company Act of 1956, as amended (BHCA) and under Article III-A of the New York Banking Law (Banking Law). The principal executive offices of the Registrant are located at One M&T Plaza, Buffalo, New York 14203. The Registrant was incorporated in November 1969. The Registrant and its direct and indirect subsidiaries are collectively referred to herein as the Company. As of December 31, 2009 the Company had consolidated total assets of \$68.9 billion, deposits of \$47.4 billion and stockholders' equity of \$7.8 billion. The Company had 12,802 full-time and 1,424 part-time employees as of December 31, 2009.

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

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

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

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

Board of Directors; Management

At December 31, 2009, AIB held approximately 22.6% of the issued and outstanding shares of M&T common stock. In defining their relationship after the acquisition, M&T and AIB negotiated certain agreements regarding share ownership and corporate governance issues such as board representation, with the number of AIB's representatives on the M&T and M&T Bank boards of directors being dependent upon the amount of M&T common stock held by AIB. M&T has the right to one seat on the AIB board of directors until AIB no longer holds at least 15% of the outstanding shares of M&T common stock. Pursuant to the Reorganization Agreement, AIB has the right to name four members to serve on the Boards of Directors of M&T and M&T Bank, each of whom must be reasonably acceptable to M&T (collectively, the AIB Designees). Further, one of the AIB Designees will serve on each of the Executive Committee, Nomination, Compensation and Governance Committee, and Audit and Risk Committee (or any committee or committees performing comparable functions) of the M&T board of directors. In order to serve, the AIB Designees must meet the requisite independence and expertise requirements prescribed under applicable law or stock exchange

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

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

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

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

If AIB's ownership interest in M&T is at least 5%, but less than 10%, of the outstanding shares of M&T common stock, AIB will be entitled to designate at least one person on both the M&T and M&T Bank boards of directors.

As long as AIB holds at least 15% of the outstanding shares of M&T common stock, neither M&T's board of directors nor M&T Bank's board of directors will consist of more than twenty-eight directors without the consent of the AIB Designees.

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

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

Amendments to M&T's Bylaws

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

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

Any amendment of M&T's Certificate of Incorporation or bylaws that would be inconsistent with the rights described herein or that would otherwise have an adverse effect on the board representation, committee representation or other rights of AIB contemplated by the Reorganization Agreement;

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

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

Any public announcement disclosing M&T's desire or intention to take any of the foregoing actions.

The amended bylaws also provide that until the Sunset Date, the M&T board of directors may only take or make any recommendation to M&T's shareholders regarding the following actions if the action has been approved by the Executive Committee (in the case of the first four items and sixth item below) or Nomination, Compensation and Governance Committee (in the case of the fifth item below)

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

Any reduction in M&T's cash dividend policy such that the ratio of cash dividends to net income is less than 15%, or any extraordinary dividends or distributions to holders of M&T common stock;

Any acquisition of any assets or businesses, (1) if the consideration is in M&T common stock, where the stock consideration paid by M&T exceeds 10% of the aggregate voting power of M&T common stock and (2) if the consideration is cash, M&T stock or other consideration, where the fair market value of the consideration paid by M&T exceeds 10% of the market capitalization of M&T, as determined under the Reorganization Agreement;

Any sale of any assets or businesses in which the value of the aggregate consideration to be received exceeds 10% of the market capitalization of M&T, as determined under the Reorganization Agreement;

Any liquidation or dissolution of M&T;

The appointment or election of the Chairman of the board of directors or the Chief Executive Officer of M&T; and

Any public announcement disclosing M&T's desire or intention to take any of the foregoing actions prior to obtaining the requisite committee approval.

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

Investment Parameters

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

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

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

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

Anti-Dilution Protections

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

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

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

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

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

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

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

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

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

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

Certain Post-Closing Bank Regulatory Matters

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

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

As long as AIB is considered to control M&T for purposes of the BHCA or the federal Change in Bank Control Act, if AIB acquires any insured depository institution with total assets greater than 25% of the assets of M&T's largest insured depository institution subsidiary, then within two years AIB must terminate its affiliation with the insured depository institution or take such steps as may be necessary so that none of M&T's bank subsidiaries would be subject to cross guarantee liability for losses incurred if the institution AIB acquired potentially were to fail. This liability applies under the FDI Act to insured depository institutions that are commonly controlled. The actions AIB would take could include disposing of shares of M&T common stock and/or surrendering its representation or governance rights. Also, if such an insured depository institution that is controlled by AIB and of the size described in the first sentence of this paragraph that would be considered to be commonly controlled with M&T's insured depository institution subsidiaries fails to meet applicable requirements to be adequately capitalized under applicable U.S. banking laws, then AIB will have to take the actions described in the previous

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

Subsidiaries

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

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

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

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

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

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

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

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share of the premium for those policies in exchange for accepting a portion of the insurer's risk of borrower default. As of December 31, 2009, M&T Reinsurance had assets of \$39 million and stockholder's equity of \$23 million. M&T Reinsurance recorded approximately \$9 million of revenue during 2009. M&T Reinsurance's principal and registered office is at 148 College Street, Burlington, Vermont 05401.

M&T Real Estate Trust (M&T Real Estate) is a Maryland Real Estate Investment Trust that was formed through the merger of two separate subsidiaries, but traces its origin to the incorporation of M&T Real Estate, Inc. in July 1995. M&T Real Estate engages in commercial real estate lending and provides loan servicing to M&T Bank. As of December 31, 2009, M&T Real Estate had assets of \$16.2 billion, common stockholder's equity of \$15.6 billion, and preferred stockholders' equity, consisting of 9% fixed-rate preferred stock (par value \$1,000), of \$1 million. All of the outstanding common stock and 89% of the preferred stock of M&T Real Estate is owned by M&T Bank. The remaining 11% of M&T Real Estate's outstanding preferred stock is owned by officers or former officers of the Company. M&T Real Estate recorded \$743 million of revenue in 2009. The headquarters of M&T Real Estate are located at M&T Center, One Fountain Plaza, Buffalo, New York 14203.

M&T Realty Capital Corporation (M&T Realty Capital), a wholly owned subsidiary of M&T Bank, was incorporated as a Maryland corporation in October 1973. M&T Realty Capital engages in multifamily commercial real estate lending and provides loan servicing to purchasers of the loans it originates. As of December 31, 2009 M&T Realty Capital serviced \$7.1 billion of commercial mortgage loans for non-affiliates and had assets of \$205 million and stockholder's equity of \$29 million. M&T Realty Capital recorded revenues of \$47 million in 2009. The headquarters of M&T Realty Capital are located at 25 South Charles Street, Baltimore, Maryland 21202.

M&T Securities, Inc. (M&T Securities) is a wholly owned subsidiary of M&T Bank that was incorporated as a New York business corporation in November 1985. M&T Securities is registered as a broker/dealer under the Securities Exchange Act of 1934, as amended, and as an investment advisor under the Investment Advisors Act of 1940, as amended. M&T Securities is licensed as a life insurance agent in each state where M&T Bank operates branch offices and in a number of other states. It provides securities brokerage, investment advisory and insurance services. As of December 31, 2009, M&T Securities had assets of \$55 million and stockholder's equity of \$44 million. M&T Securities recorded \$83 million of revenue during 2009. The headquarters of M&T Securities are located at One M&T Plaza, Buffalo, New York 14203.

MTB Investment Advisors, Inc. (MTB Investment Advisors), a wholly owned subsidiary of M&T Bank, was incorporated as a Maryland corporation on June 30, 1995. MTB Investment Advisors serves as investment advisor to the MTB Group of Funds, a family of proprietary mutual funds, and institutional clients. As of December 31, 2009, MTB Investment Advisors had assets of \$17 million and stockholder's equity of \$14 million. MTB Investment Advisors recorded revenues of \$43 million in 2009. The headquarters of MTB Investment Advisors are located at 100 East Pratt Street, Baltimore, Maryland 21202.

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

Segment Information, Principal Products/Services and Foreign Operations

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

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

Supervision and Regulation of the Company

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

Financial Services Modernization

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

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

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

Bank Holding Company Regulation

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

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The Registrant may not acquire direct or indirect ownership or control of more than 5% of the voting shares of any company, including a bank, without the prior approval of the Federal Reserve Board, except as specifically authorized under the BHCA. The Registrant is also subject to regulation under the Banking Law with respect to certain acquisitions of domestic banks. Under the BHCA, the Registrant, subject to the approval of the Federal Reserve Board, may acquire shares of non-banking corporations the activities of which are deemed by the Federal Reserve Board to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. The Federal Reserve Board has enforcement powers over bank holding companies and their non-banking subsidiaries, among other things, to interdict activities that represent unsafe or unsound practices or constitute violations of law, rule, regulation, administrative orders or written agreements with a federal bank regulator. These powers may be exercised through the issuance of cease-and-desist orders, civil money penalties or other actions.

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

The BHCA generally permits bank holding companies to acquire banks in any state, and preempts all state laws restricting the ownership by a bank holding company of banks in more than one state. The FDI Act also permits a bank to merge with an out-of-state bank and convert any offices into branches of the resulting bank if both states have not opted out of interstate branching; permits a bank to acquire branches from an out-of-state bank if the law of the state where the branches are located permits the interstate branch acquisition; and permits banks to establish and operate de novo interstate branches whenever the host state opts-in to de novo branching. Bank holding companies and banks seeking to engage in transactions authorized by these laws must be adequately capitalized and managed. The Banking Law authorizes interstate branching by merger or acquisition on a reciprocal basis, and permits the acquisition of a single branch without restriction, but does not provide for de novo interstate branching.

Bank holding companies and their subsidiary banks are also subject to the provisions of the CRA. Under the terms of the CRA, the Federal Reserve Board (or other appropriate bank regulatory agency) is required, in connection with its examination of a bank, to assess such bank's record in meeting the credit needs of the communities served by that bank, including low- and moderate-income neighborhoods. During these examinations, the Federal Reserve Board (or other appropriate bank regulatory agency) rates such bank's compliance with the CRA as Outstanding, Satisfactory, Needs to Improve or Substantial Noncompliance. The failure of a bank to receive at least a Satisfactory rating could inhibit such bank or its bank holding company from undertaking certain activities, including acquisitions of other financial institutions or opening or relocating a branch office, as further discussed below. M&T Bank has a CRA rating of Outstanding and M&T Bank, N.A. has a CRA rating of Satisfactory. Furthermore, such assessment is also required of any bank that has applied, among other things, to merge or consolidate with or acquire the assets or assume the liabilities of a federally-regulated financial institution, or to open or relocate a branch office. In the case of a bank holding company applying for approval to acquire a bank or bank holding company, the Federal Reserve Board will assess the record of each subsidiary bank of the applicant bank holding company in considering the application.

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

Supervision and Regulation of Bank Subsidiaries

The Registrant's bank subsidiaries are subject to supervision and regulation, and are examined regularly, by various bank regulatory agencies: M&T Bank by the Federal Reserve Board and the Banking Superintendent; and M&T Bank, N.A. by the Comptroller of the Currency (OCC). The Registrant and its direct non-banking subsidiaries are affiliates, within the meaning of the Federal Reserve Act, of the Registrant's subsidiary banks and their subsidiaries. As a result, the Registrant's subsidiary banks and their subsidiaries are subject to restrictions on loans or extensions of credit to, purchases of assets from, investments in, and transactions with the Registrant and its direct non-banking subsidiaries and on certain other transactions with them or involving their securities. Similar restrictions are imposed on the Registrant's subsidiary banks making loans or extending credit to, purchasing assets from, investing in, or entering into transactions with, their financial subsidiaries.

Under the cross-guarantee provisions of the FDI Act, insured depository institutions under common control are required to reimburse the FDIC for any loss suffered by the FDIC as a result of the default of a commonly controlled insured depository institution or for any assistance provided by the FDIC to a commonly controlled insured depository institution in danger of default. Thus, any insured depository institution subsidiary of M&T could incur liability to the FDIC in the event of a default of another insured depository institution owned or controlled by M&T. The FDIC's claim under the cross-guarantee provisions is superior to claims of stockholders of the insured depository institution or its holding company and to most claims arising out of obligations or liabilities owed to affiliates of the institution, but is subordinate to claims of depositors, secured creditors and holders of subordinated debt (other than affiliates) of the commonly controlled insured depository institution. The FDIC may decline to enforce the cross-guarantee provisions if it determines that a waiver is in the best interest of the DIF.

Dividends

The Registrant is a legal entity separate and distinct from its banking and other subsidiaries. Historically, the majority of the Registrant's revenue has been from dividends paid to the Registrant by its subsidiary banks. M&T Bank and M&T Bank, N.A. are subject, under one or more of the banking laws, to restrictions on the amount of dividend declarations. Future dividend payments to the Registrant by its subsidiary banks will be dependent on a number of factors, including the earnings and financial condition of each such bank, and are subject to the limitations referred to in note 23 of Notes to Financial Statements filed herewith in Part II, Item 8, Financial Statements and Supplementary Data, and to other statutory powers of bank regulatory agencies.

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

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

Supervision and Regulation of M&T Bank's Subsidiaries

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

Capital Adequacy

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

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

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

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

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

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

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

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

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

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

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

Although M&T has issued shares of common stock in connection with acquisitions or at other times, the Company has generally maintained capital ratios in excess of minimum regulatory guidelines largely through internal capital generation (i.e. net income less dividends paid). Management's policy of managing capital through reinvestment of earnings, repurchases of shares of common stock and dividends is intended to enhance M&T's earnings per share prospects and thereby reward stockholders over time with capital gains in the form of increased stock price.

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

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

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

ARRA, an economic stimulus package signed into law on February 17, 2009, significantly expanded the restrictions on executive compensation that were included in Section 111 of EESA and imposed various corporate governance standards on recipients of TARP funds, including under the U.S. Treasury's capital purchase program, until such funds are repaid. On June 10, 2009, the U.S. Treasury issued the TARP Interim Final Rule to clarify and provide additional guidance with respect to the restrictions on executive compensation that apply to executives and certain other employees of TARP to M&T, include: (i) a prohibition on paying bonuses, retention awards and incentive compensation, other than long-term restricted stock or pursuant to certain preexisting employment contracts, to its Senior Executive Officers (SEOs) and next 20 most highly-compensated employees; (ii) a prohibition on the payment of golden parachute payments to its SEOs and next five most highly compensated employees; (iii) a prohibition on paying incentive compensation for unnecessary and excessive risks and earnings manipulations; (iv) a requirement to clawback any bonus, retention award, or incentive compensation paid to a SEO and any of the next twenty most highly compensated employees based on statements of earnings, revenues, gains, or other criteria later found to be materially inaccurate; (v) a requirement to establish a policy on luxury or excessive expenditures, including entertainment or events, office and facility renovations, company owned aircraft and other transportation and similar activities or events; (vi) a requirement to provide shareholders with a non-binding advisory say on pay vote on executive compensation; (vii) a prohibition on deducting more than \$500,000 in annual compensation or performance based compensation for the SEOs under Internal Revenue Code Section 162(m); (viii) a requirement that the compensation committee of the board of directors evaluate and review on a semi-annual basis the risks involved in employee compensation plans; and (ix) a requirement that the chief executive officer and chief financial officer provide written certifications of compliance with the foregoing requirements.

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

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On August 26, 2009, the FDIC extended the TAG for an additional six months for those insured depository institutions that elected to continue in the program. M&T Bank and M&T Bank, N.A. elected to continue in the TAG through June 30, 2010, when the program will end. The surcharge for coverage in the program after December 31, 2009 was raised to 15 basis points based upon M&T Bank and M&T Bank, N.A. being assigned the lowest risk category by the FDIC under its risk-based premium system. Pursuant to the terms of the TAG, after June 30, 2010 funds held at M&T Bank and M&T Bank N.A. in noninterest-bearing transaction accounts will no longer be guaranteed in full, but will be insured under the FDIC's general deposit insurance rules. As a result of the FDIC's actions to phase out the Debt Guarantee Program under the TLGP, M&T Bank and M&T Bank, N.A. ceased their participation in that program on October 31, 2009.

FDIC Deposit Insurance Assessments

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

Under the FDI Act, the FDIC imposed deposit insurance assessments based on one of four assessment categories depending on an institution's capital classification under the prompt corrective action provisions described above and an institution's long-term debt issuer ratings. The adjusted assessment rates for insured institutions under the modified system range from .05% to .43% of assessable deposits depending upon the assessment category into which the insured institution is placed. The annual assessment rates for M&T Bank and M&T Bank N.A. during 2008 were each between .05% and .06%.

The FDI Act also allows for a one-time assessment credit for eligible insured depository institutions (those institutions that were in existence on December 31, 1996 and paid a deposit insurance assessment prior to that date, or are a successor to any such institution). The credit is determined based on the assessment base of the institution as of December 31, 1996 as compared with the combined aggregate assessment base of all eligible institutions as of that date. Those institutions having credits could use them to offset up to 100% of the 2007 DIF assessment, and if not completely used in 2007, may apply the remaining credits to not more than 90% of each of the aggregate 2008, 2009 and 2010 DIF assessments. M&T Bank and M&T Bank, N.A. offset 90% of their DIF assessments with available one-time assessment credits during 2008. During 2008, credits utilized to offset amounts assessed for M&T Bank and M&T Bank, N.A. totaled \$18 million and \$268 thousand, respectively. Assessments for M&T Bank and M&T Bank, N.A., during 2009 which were offset by available credits, were \$9 million and \$261 thousand, respectively. All credits available to M&T Bank and M&T Bank, N.A. to offset DIF assessments had been utilized as of December 31, 2009. In December 2008, the FDIC approved a final rule on deposit assessment rates for the first quarter of 2009. The rule raised assessment rates uniformly by 7 basis points (annually) for the first quarter of 2009 only. On February 27, 2009, the FDIC adopted a final rule modifying the risk-based assessment system and setting initial base assessment rates beginning April 1, 2009 and an interim final rule imposing a special assessment on each insured depository institution to increase the DIF reserve ratio. The final rule revising the FDIC risk-based assessment system, which was first proposed in October 2008, adjusted the risk-based calculation for an institution's unsecured debt, secured liabilities and brokered deposits. The revisions effectively result in a range of possible assessments under the risk-based system of 7 to 77.5 basis points of assessable deposits. The basic assessments for Risk Category I, applicable to the least risky institutions, including M&T, range from 12 to 16 basis points, but can be adjusted to from 7 to 24 basis points under the revised system. The interim final rule proposing the emergency assessment contemplated a 20 basis point assessment on each insured depository institution's insured deposits as of June 30, 2009 and collected on September 30, 2009.

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

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

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

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

Consumer Protection Laws

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

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

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

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Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 implemented a broad range of corporate governance, accounting and reporting measures for companies that have securities registered under the Exchange Act, including publicly-held bank holding companies such as M&T. Specifically, the Sarbanes-Oxley Act of 2002 and the various regulations promulgated thereunder, established, among other things: (i) requirements for audit committees, including independence, expertise, and responsibilities; (ii) responsibilities regarding financial statements for the Chief Executive Officer and Chief Financial Officer of the reporting company; (iii) the forfeiture of bonuses or other incentive-based compensation and profits from the sale of the reporting company's securities by the Chief Executive Officer and Chief Financial Officer in the twelve-month period following the initial publication of any financial statements that later require restatement; (iv) the creation of an independent accounting oversight board; (v) standards for auditors and regulation of audits, including independence provisions that restrict non-audit services that accountants may provide to their audit clients; (vi) disclosure and reporting obligations for the reporting company and their directors and executive officers, including accelerated reporting of stock transactions and a prohibition on trading during pension blackout periods; (vii) a prohibition on personal loans to directors and officers, except certain loans made by insured financial institutions on nonpreferential terms and in compliance with other bank regulatory requirements; and (viii) a range of civil and criminal penalties for fraud and other violations of the securities laws.

USA Patriot Act

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

Regulatory Impact of M&T's Relationship With AIB

As described above under the caption Relationship With Allied Irish Banks, p.l.c., AIB owns approximately 22.6% of the issued and outstanding shares of M&T common stock and has representation on the M&T and M&T Bank boards of directors. As a result, AIB has become M&T's bank holding company under the BHCA and the Banking Law and AIB's relationship with M&T is subject to the statutes and regulations governing bank holding companies described above. Among other things, AIB will have to join M&T in applications by M&T for acquisitions and new activities. The Reorganization Agreement requires AIB to join in such applications at M&T's request, subject to certain limitations. In addition, because AIB is regulated by the Central Bank of Ireland (CBI), the CBI may assert jurisdiction over M&T as a company controlled by AIB. Additional discussion of the regulatory implications of the Allfirst acquisition for M&T is set forth above under the caption Certain Post-Closing Bank Regulatory Matters.

Governmental Policies

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

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

Competition

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

Other Legislative Initiatives

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

Other Information

Through a link on the Investor Relations section of M&T's website at www.mtb.com, copies of M&T's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, are made available, free of charge, as soon as reasonably practicable after electronically filing such material with, or furnishing it to, the Securities and Exchange Commission. Copies of such reports and other information are also available at no charge to any person who requests them or at www.sec.gov. Such requests may be directed to M&T Bank Corporation, Shareholder Relations Department, One M&T Plaza, 13th Floor, Buffalo, NY 14203-2399 (Telephone: (716) 842-5138).

Corporate Governance

M&T's Corporate Governance Standards and the following corporate governance documents are also available on M&T's website at the Investor Relations link: Disclosure Policy; Executive Committee Charter; Nomination, Compensation and Governance Committee Charter; Audit and Risk Committee Charter; Financial Reporting and Disclosure Controls and Procedures Policy; Code of Ethics for CEO and Senior Financial Officers; Code of Business Conduct and Ethics; and Employee Complaint Procedures for Accounting and Auditing Matters. Copies of such governance documents are also available, free of charge, to any person who requests them. Such requests may be directed to M&T Bank Corporation, Shareholder Relations Department, One M&T Plaza, 13th Floor, Buffalo, NY 14203-2399 (Telephone: (716) 842-5138).

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

Table 1**SELECTED CONSOLIDATED YEAR-END BALANCES**

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

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

Table 2

STOCKHOLDERS, EMPLOYEES AND OFFICES

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

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

Portion of OTTI losses recognized in other comprehensive income (before taxes)

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

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

Table 5**CHANGES IN INTEREST INCOME AND EXPENSE(a)**

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

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

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

Item 1A. Risk Factors.

M&T and its subsidiaries could be adversely impacted by various risks and uncertainties which are difficult to predict. As a financial institution, the Company has significant exposure to market risk, including interest-rate risk, liquidity risk and credit risk, among others. Adverse experience with these or other risks could have a material impact on the Company's financial condition and results of operations, as well as on the value of the Company's financial instruments in general, and M&T's common stock, in particular.

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

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

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

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

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

The significant downturn in the residential real estate market that began in 2007 had continued in 2008 and 2009. The impact of that downturn has resulted in declining home prices, higher foreclosures and loan charge-offs, and lower market prices on investment securities backed by residential real estate. These factors have negatively impacted M&T's results of operations and could continue to do so.

Lower demand for the Company's products and services and lower revenues and earnings could result from ongoing weak economic conditions. Those conditions could also result in higher loan charge-offs due to the inability of borrowers to repay loans.

Lower fee income from the Company's brokerage and trust businesses could result from significant declines in stock market prices.

Lower earnings could result from other-than-temporary impairment charges related to the Company's investment securities portfolio.

Higher FDIC assessments could be imposed on the Company due to bank failures that have caused the FDIC Deposit Insurance Fund to fall below minimum required levels.

There is no assurance that the Emergency Economic Stabilization Act of 2008 or the American Recovery and Reinvestment Act of 2009 will improve the condition of the financial markets.

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

Detailed discussions of the specific risks outlined above and other risks facing the Company are included within this Annual Report on Form 10-K in Part I, Item 1 Business, and Part II, Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations. Furthermore, in Part II, Item 7 under the heading Forward-Looking Statements is included a description of certain risks, uncertainties and assumptions identified by management that are difficult to predict and that could materially affect the Company's financial condition and results of operations, as well as the value of the Company's financial instruments in general, and M&T common stock, in particular.

In addition, the market price of M&T common stock may fluctuate significantly in response to a number of other factors, including changes in securities analysts' estimates of financial performance, volatility of stock market prices and volumes, rumors or erroneous information, changes in market valuations of similar companies and changes in

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

Table of Contents**Item 1B. *Unresolved Staff Comments.***

None.

Item 2. *Properties.*

Both M&T and M&T Bank maintain their executive offices at One M&T Plaza in Buffalo, New York. This twenty-one story headquarters building, containing approximately 279,000 rentable square feet of space, is owned in fee by M&T Bank and was completed in 1967. M&T, M&T Bank and their subsidiaries occupy approximately 98% of the building and the remainder is leased to non-affiliated tenants. At December 31, 2009, the cost of this property (including improvements subsequent to the initial construction), net of accumulated depreciation, was \$5.7 million. In September 1992, M&T Bank acquired an additional facility in Buffalo, New York with approximately 365,000 rentable square feet of space. Approximately 89% of this facility, known as M&T Center, is occupied by M&T Bank and its subsidiaries, with the remainder leased to non-affiliated tenants. At December 31, 2009, the cost of this building (including improvements subsequent to acquisition), net of accumulated depreciation, was \$11.2 million. M&T Bank also owns and occupies two separate facilities in the Buffalo area which support certain back-office and operations functions of the Company. The total square footage of these facilities approximates 215,000 square feet and their combined cost (including improvements subsequent to acquisition), net of accumulated depreciation, was \$20.6 million at December 31, 2009.

M&T Bank also owns a facility in Syracuse, New York with approximately 150,000 rentable square feet of space. Approximately 45% of this facility is occupied by M&T Bank. At December 31, 2009, the cost of this building (including improvements subsequent to acquisition), net of accumulated depreciation, was \$6.5 million.

M&T Bank also owns facilities in Harrisburg, Pennsylvania and Millsboro, Delaware with approximately 207,000 and 322,000 rentable square feet of space, respectively. M&T Bank occupies approximately 38% and 85% of these respective facilities. At December 31, 2009, the cost of these buildings (including improvements subsequent to acquisition), net of accumulated depreciation, was \$12.2 million and \$7.3 million, respectively.

No other properties owned by M&T Bank have more than 100,000 square feet of space. The cost, net of accumulated depreciation and amortization, of the Company's premises and equipment is detailed in note 6 of Notes to Financial Statements filed herewith in Part II, Item 8, Financial Statements and Supplementary Data. Of the 794 domestic banking offices of the Registrant's subsidiary banks at December 31, 2009, 302 are owned in fee and 492 are leased.

Item 3. *Legal Proceedings.*

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

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

No matters were submitted to a vote of M&T's security holders during the fourth quarter of 2009.

Executive Officers of the Registrant

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

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

Michael P. Pinto, age 54, is a vice chairman (2007) and a director (2003) of the Registrant. Previously, he was an executive vice president of the Registrant (1997). He is a vice chairman and a director (2003) of M&T Bank and is the chairman and chief executive officer of M&T Bank's Mid-Atlantic Division (2005). Prior to April 2005, Mr. Pinto was the chief financial officer of the Registrant (1997) and M&T Bank (1996), and he oversaw the Company's Finance Division, Technology and Banking Operations Division, Corporate Services Group, Treasury Division and General Counsel's Office. He is an executive vice president (1996) and a director (1998) of M&T Bank, N.A. Mr. Pinto is chairman of the board and a director of MTB Investment Advisors (2006).

Mark J. Czarnecki, age 54, is president and a director (2007) of the Registrant and president and a director (2007) of M&T Bank. Previously, he was an executive vice president of the Registrant (1999) and M&T Bank (1997) and was responsible for the M&T Investment Group and the Company's Retail Banking network. Mr. Czarnecki is a director (1999) of M&T Securities and chairman of the board, president and chief executive officer (2007) and a director (2005) of M&T Bank, N.A.

James J. Beardi, age 63, is an executive vice president (2003) of the Registrant and M&T Bank, and is responsible for managing the Company's Corporate Services, Central Operations, Automobile Floor Plan and Lending Services Groups. Previously, Mr. Beardi was in charge of the Company's Residential Mortgage business and the General Counsel's Office. He was president and a director of M&T Mortgage Corporation (1991) until its merger into M&T Bank on January 1, 2007. Mr. Beardi served as senior vice president of M&T Bank from 1989 to 2003.

Robert J. Bojdak, age 54, is an executive vice president and chief credit officer (2004) of the Registrant and M&T Bank, and is responsible for managing the Company's enterprise-wide risk including credit, operational, compliance and investment risk. From April 2002 to April 2004, Mr. Bojdak served as senior vice president and credit deputy for M&T Bank. Previous to joining M&T Bank in 2002, Mr. Bojdak served in several senior management positions at KeyCorp., most recently as executive vice president and regional credit executive. He is an executive vice president and a director of M&T Bank, N.A. (2004).

Stephen J. Braunscheidel, age 53, is an executive vice president (2004) of the Registrant and M&T Bank, and is in charge of the Company's Human Resources Division. Previously, he was a senior vice president in the M&T Investment Group, where he managed the Private Client Services and Employee Benefits departments.

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

Atwood Collins, III, age 63, is an executive vice president of the Registrant (1997) and M&T Bank (1996), and is the president and chief operating officer of M&T Bank's Mid-Atlantic Division. Mr. Collins is a trustee of M&T Real Estate (1995) and a director of M&T Securities (2008).

Richard S. Gold, age 49, is an executive vice president of the Registrant (2007) and M&T Bank (2006) and is responsible for managing the Company's Residential Mortgage and Consumer Lending

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

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

René F. Jones, age 45, is an executive vice president (2006) and chief financial officer (2005) of the Registrant and M&T Bank. Previously, Mr. Jones was a senior vice president in charge of the Financial Performance Measurement department within M&T Bank's Finance Division. Mr. Jones has held a number of management positions within M&T Bank's Finance Division since 1992. Mr. Jones is an executive vice president and chief financial officer (2005) and a director (2007) of M&T Bank, N.A., and he is chairman of the board, president (2009) and a trustee (2005) of M&T Real Estate. He is a director of M&T Insurance Agency (2007) and M&T Securities (2005).

Kevin J. Pearson, age 48, is an executive vice president (2002) of the Registrant and M&T Bank. He is a member of the Directors Advisory Council (2006) of the New York City/Long Island Division of M&T Bank. Mr. Pearson is responsible for managing all of the non-retail segments in the New York City, Philadelphia, Connecticut, New Jersey and Tarrytown markets of M&T Bank, as well as the Company's commercial real estate business, Commercial Marketing and Treasury Management. He is an executive vice president of M&T Real Estate (2003), chairman of the board (2009) and a director (2003) of M&T Realty Capital and an executive vice president and a director of M&T Bank, N.A. (2008). Mr. Pearson served as senior vice president of M&T Bank from 2000 to 2002.

Michele D. Trolli, age 48, is an executive vice president and chief information officer of the Registrant and M&T Bank (2005). She is in charge of the Company's Retail Banking Division as well as the Company's Technology and Global Sourcing groups. Previously, Ms. Trolli was in charge of the Technology and Banking Operations Division and the Corporate Services Group of M&T Bank. Ms. Trolli served as senior director, global systems support, with Franklin Resources, Inc., a worldwide investment management company, from May 2000 through December 2004.

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

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

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

Equity Compensation Plan Information

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

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

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

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

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

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

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

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

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

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

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The following graph contains a comparison of the cumulative stockholder return on M&T common stock against the cumulative total returns of the KBW Bank Index, compiled by Keefe, Bruyette & Woods Inc., and the S&P 500 Index, compiled by Standard & Poor's Corporation, for the five-year period beginning on December 31, 2004 and ending on December 31, 2009. The KBW Bank Index is a market capitalization index consisting of 24 leading national money-center banks and regional institutions.

Comparison of Five-Year Cumulative Return***Stockholder Value at Year End***

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

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

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

Issuer Purchases of Equity Securities

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

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

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

(1) The total number of shares purchased during the periods indicated reflects shares deemed to have been received from employees who exercised stock options by attesting to previously acquired common shares in satisfaction of the exercise price, as is permitted under M&T's stock option plans.

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

Item 6. Selected Financial Data.

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

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.**Corporate Profile and Significant Developments**

M&T Bank Corporation (M&T) is a bank holding company headquartered in Buffalo, New York with consolidated assets of \$68.9 billion at December 31, 2009. The consolidated financial information presented herein reflects M&T and all of its subsidiaries, which are referred to collectively as the Company. M&T's wholly owned bank subsidiaries are M&T Bank and M&T Bank, National Association (M&T Bank, N.A.).

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

Certain lending activities are also conducted in other states through various subsidiaries. M&T Bank's subsidiaries include: M&T Real Estate Trust, a commercial mortgage lender; M&T Realty Capital Corporation, a multifamily commercial mortgage lender; M&T Securities, Inc., which provides brokerage, investment advisory and insurance services; MTB Investment Advisors, Inc., which serves as investment advisor to the MTB Group of Funds, a family of proprietary mutual funds, and other funds and institutional clients; and M&T Insurance Agency, Inc., an insurance agency.

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

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

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

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

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

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

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

marketing and promotion expenses designed to introduce M&T Bank to customers of Bradford
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and Provident; severance for former employees of Provident; incentive compensation costs; travel costs; and printing, supplies and other costs of commencing operations in new markets and offices.

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

In the third quarter of 2008, the Federal Reserve, the U.S. Treasury and the FDIC initiated measures to stabilize the financial markets and to provide liquidity for financial institutions. The Emergency Economic Stabilization Act of 2008 (EESA) was signed into law on October 3, 2008 and authorized the U.S. Treasury to provide funds to be used to restore liquidity and stability to the U.S. financial system pursuant to the Troubled Asset Relief Program (TARP). Under the authority of EESA, the U.S. Treasury instituted a voluntary capital purchase program under TARP to encourage U.S. financial institutions to build capital to increase the flow of financing to U.S. businesses and consumers and to support the U.S. economy. Under the program, the U.S. Treasury purchased senior preferred shares of financial institutions which pay cumulative dividends at a rate of 5% per year for five years and thereafter at a rate of 9% per year. The terms of the senior preferred shares, as amended by the American Recovery and Reinvestment Act of 2009 (ARRA), provide that the shares may be redeemed, in whole or in part, at par value plus accrued and unpaid dividends upon approval of the U.S. Treasury and the participating financial institution's primary banking regulator. The senior preferred shares are non-voting and qualify as Tier 1 capital for regulatory reporting purposes. In connection with purchasing senior preferred shares, the U.S. Treasury also received warrants to purchase the common stock of participating financial institutions having a market price of 15% of the amount of senior preferred shares on the date of investment with an exercise price equal to the market price of the participating institution's common stock at the time of approval, calculated on a 20-trading day trailing average. The warrants have a term of ten years and are immediately exercisable, in whole or in part. For a period of three years, the consent of the U.S. Treasury will be required for participating institutions to increase their common stock dividend or repurchase their common stock, other than in connection with benefit plans consistent with past practice. Participation in the capital purchase program also includes certain restrictions on executive compensation that were modified by ARRA and further defined by the U.S. Treasury in its Interim Final Rule on TARP Standards for Compensation and Corporate Governance. The minimum subscription amount available to a participating institution was one percent of total risk-weighted assets. The maximum suggested subscription amount was three percent of risk-weighted assets. On December 23, 2008, M&T issued to the U.S. Treasury \$600 million of Series A Preferred Stock and warrants to purchase 1,218,522 shares of M&T common stock at \$73.86 per share. M&T elected to participate in the capital purchase program at an amount equal to approximately 1% of its risk-weighted assets at the time. As already noted, Provident also participated in the capital purchase program. Preferred stock resulting from that participation was converted into \$152 million of M&T Series C Preferred Stock and warrants to purchase 407,542 shares of M&T common stock at \$55.76 per share. In total, M&T has \$752 million of preferred stock outstanding related to the capital purchase program. Additional information regarding preferred stock of M&T is included in note 10 of Notes to Financial Statements.

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

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branch offices in upstate New York at the date of acquisition. The results of operations acquired in the Partners Trust transaction have been included in the Company's financial results since November 30, 2007. After application of the election, allocation and proration procedures contained in the merger agreement with Partners Trust, M&T paid \$282 million in cash and issued 3,096,861 shares of M&T common stock in exchange for Partners Trust shares outstanding at the time of acquisition. In addition, based on the merger agreement, M&T paid \$9 million in cash to holders of outstanding and unexercised stock options granted by Partners Trust. The purchase price was approximately \$559 million based on the cash paid to Partners Trust shareholders, the fair value of M&T common stock exchanged, and the cash paid to holders of Partners Trust stock options. The acquisition of Partners Trust expanded the Company's presence in upstate New York, making M&T Bank the deposit market share leader in the Utica-Rome and Binghamton markets, while strengthening its lead position in Syracuse.

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

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

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

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

On February 5, 2007, M&T invested \$300 million to acquire a 20 percent minority interest in Bayview Lending Group LLC (BLG), a privately-held commercial mortgage lender that specialized in originating, securitizing and servicing small balance commercial real estate loans. M&T recognizes income from BLG using the equity method of accounting. M&T's pro-rata portion of the results of operations of BLG were losses of \$26 million (\$16 million after tax effect) in 2009 and \$37 million (\$23 million after tax effect) in 2008, and income of \$9 million (\$5 million after tax effect) in 2007, which have been recorded as a component of other income in the consolidated statement of income. Including expenses associated with M&T's investment in BLG, most notably interest expense, that investment reduced the Company's net income in 2009, 2008 and 2007 by \$24 million (after tax effect) or \$.21 per diluted common share, \$32 million (after tax effect) or \$.29 per diluted common share, and \$4 million (after tax effect) or \$.04 per diluted common share, respectively.

Critical Accounting Estimates

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

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

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

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

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

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

Overview

Net income for the Company during 2009 was \$380 million or \$2.89 of diluted earnings per common share, representing declines of 32% and 42%, respectively, from \$556 million or \$5.01 of diluted earnings per common share in 2008. Basic earnings per common share decreased 42% to \$2.90 in 2009 from \$5.04 in 2008. Net income in 2007 aggregated \$654 million, while diluted and basic earnings per common share were \$5.95 and \$6.05, respectively. The after-tax impact of net merger-related gains and expenses associated with the 2009 and 2007 acquisition transactions previously described were \$36 million (\$60 million pre-tax) or \$.31 of basic and diluted earnings per common share in 2009, \$2 million (\$4 million pre-tax) or \$.02 of basic and diluted earnings per common share in 2008 and \$9 million (\$15 million pre-tax) or \$.08 of basic and diluted earnings per common share in 2007. Net income expressed as a rate of return on average assets in 2009 was .56%, compared with .85% in 2008 and 1.12% in 2007. The return on average common stockholders' equity was 5.07% in 2009, 8.64% in 2008 and 10.47% in 2007. Several noteworthy items are reflected in the Company's financial results in 2009. The provision for credit losses and net loan charge-offs during 2009 were at higher than historical levels, due largely to the recessionary state of the U.S. economy and its impact on consumers and businesses, and the continuation of a distressed residential real estate market. The provision for credit losses in 2009 was \$604 million, up from \$412 million in 2008. Net charge-offs during 2009 aggregated \$514 million, compared with \$383 million in 2008. As a percentage of average loans outstanding, net charge-offs were 1.01% and .78% in 2009 and 2008, respectively. Charge-offs in all major loan categories rose from 2008 to 2009. The most dramatic increase in net charge-offs was related to commercial loans, which rose to \$172 million in 2009 from \$94 million in 2008. That increase was largely driven by a small number of significant commercial loan charge-offs. In addition, charge-offs of residential real estate loans rose to \$92 million in 2009 from \$63 million in 2008, reflecting the turbulence in the residential real estate market place which has resulted in deteriorating real estate values and increased delinquencies. The Company also continued to incur elevated costs related to the workout process for modifying residential mortgage loans of creditworthy borrowers and to the foreclosure process for borrowers unable to make payments on their loans.

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

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

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

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

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

The Company's financial results for 2007 were also adversely impacted by several events. Turmoil in the residential real estate market, which began in early 2007, significantly affected the Company's financial results in a number of ways. Problems experienced by lenders in the sub-prime residential mortgage lending market also had negative repercussions on the rest of the residential real estate marketplace. Through early 2007, the Company had been an active participant in the origination of alternative (Alt-A) residential real estate loans and the sale of such loans in the secondary market. Alt-A loans originated by M&T typically included some form of limited documentation requirements as compared with more traditional residential real estate loans. Unfavorable market conditions during the first quarter of 2007, including a lack of liquidity, impacted the Company's willingness to sell Alt-A loans, as an auction of such loans initiated by the Company received fewer bids than normal and the pricing of those bids was substantially lower than expected. As a result, \$883 million of Alt-A loans previously held for sale (including \$808 million of first mortgage loans and \$75 million of second mortgage loans) were transferred in March 2007 to the

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

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

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

Taxable-equivalent net interest income of \$2.08 billion in 2009 was 6% higher than \$1.96 billion in 2008.

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

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

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

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

Noninterest income in 2009 totaled \$1.05 billion, up 12% from \$939 million in 2008. Gains and losses on bank investment securities (including other-than-temporary impairment losses) totaled to net losses of \$137 million in 2009 and \$148 million in 2008. Those losses were due to other-than-temporary impairment charges related to certain of M&T's privately issued CMOs, CDOs and in 2008, preferred stock holdings of Fannie Mae and Freddie Mac, all held in the available-for-sale investment securities portfolio. The 2008 losses are net of the already noted \$33 million gain from the sale of shares of Visa. Excluding gains and losses from bank investment securities and the \$29 million gain recorded on the Bradford transaction, other income was \$1.16 billion in 2009, 6% higher than \$1.09 billion in 2008. Contributing to that improvement were higher mortgage banking revenues and service charges on acquisition-related deposit accounts, partially offset by declines in trust and brokerage services income.

Noninterest income in 2008 was \$6 million higher than \$933 million in 2007. Reflected in 2007's total were \$126 million of losses from bank investment securities. Those losses were due predominately to other-than-temporary impairment charges related to certain of M&T's CDOs held in the available-for-sale investment securities portfolio. Excluding the impact of net securities losses, noninterest income of \$1.09 billion in 2008 was 3% higher than \$1.06 billion in 2007. That rise reflected higher mortgage banking revenues and fees for providing deposit services that were partially offset by a \$46 million decline in M&T's pro-rata portion of the operating results of BLG.

Noninterest expense in 2009 totaled \$1.98 billion, up 15% from \$1.73 billion in 2008. Noninterest expense in 2007 was \$1.63 billion. Included in such amounts are expenses considered by M&T to be nonoperating in nature, consisting of amortization of core deposit and other intangible assets of \$64 million, \$67 million and \$66 million in 2009, 2008 and 2007, respectively, and merger-related expenses of \$89 million in 2009, \$4 million in 2008 and \$15 million in 2007. Exclusive of these nonoperating expenses, noninterest operating expenses aggregated \$1.83 billion in 2009, \$1.66 billion in 2008 and \$1.55 billion in 2007. The most significant factors for the higher level of noninterest operating expenses in 2009 as compared with 2008 were a \$90 million rise in FDIC deposit assessments, costs associated with the acquired operations of Provident and Bradford, and higher foreclosure-related expenses. Partially offsetting those increases was a partial reversal of the valuation allowance for capitalized residential mortgage servicing rights of \$22 million in 2009, compared with an addition to the valuation allowance of \$16 million in 2008. Contributing to the rise in operating expenses from 2007 to 2008 were higher expenses for salaries, occupancy, professional services, advertising and promotion, and foreclosed residential real estate properties. Partially offsetting those factors was the \$23 million charge taken in the fourth quarter of 2007 related to M&T Bank's obligation as a member bank of Visa to share in losses stemming from certain litigation, compared with a partial reversal of that charge in the first quarter of 2008 of \$15 million. Included in operating expenses in 2009 were \$12 million of tax-deductible contributions made to The M&T Charitable Foundation, a tax-exempt private charitable foundation. Similar contributions of \$6 million were made in 2008, whereas no such contributions were made in 2007.

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

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EARNINGS SUMMARY
Dollars in millions

Increase (Decrease)(a)									
2009		2008		2007		2006		2005	
%	Amount	%	Amount	2009	2008	2007	2006	2005	2004
(17)	\$ (266.2)	(7)	Interest income(b)	\$ 2,747.0	3,299.5	3,565.6	3,333.8	2,800.0	2,800.0
(50)	(356.8)	(21)	Interest expense	669.4	1,337.8	1,694.6	1,496.6	900.0	900.0
6	90.6	5	Net interest income(b)	2,077.6	1,961.7	1,871.0	1,837.2	1,800.0	1,800.0
47	220.0	115	Less: provision for credit losses	604.0	412.0	192.0	80.0	0.0	0.0
	(21.7)		Gain (loss) on bank investment securities(c)	(137.1)	(147.8)	(126.1)	2.6	0.0	0.0
9	27.7	3	Other income	1,185.2	1,086.7	1,059.1	1,043.2	900.0	900.0
			Less:						
5	48.8	5	Salaries and employee benefits	1,001.9	957.1	908.3	873.3	800.0	800.0
27	50.5	7	Other expense	978.7	769.9	719.3	678.4	600.0	600.0
(29)	(222.7)	(23)	Income before income taxes	541.1	761.6	984.4	1,251.3	1,300.0	1,300.0
			Less:						
	1.0	5	Taxable-equivalent adjustment(b)	21.8	21.8	20.8	19.7	0.0	0.0
(24)	(125.3)	(41)	Income taxes	139.4	183.9	309.3	392.4	300.0	300.0
(32)	\$ (98.4)	(15)	Net income	\$ 379.9	555.9	654.3	839.2	700.0	700.0

(a) Changes were calculated from unrounded amounts.

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

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

Supplemental Reporting of Non-GAAP Results of Operations

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

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

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

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

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

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

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

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

(a) After any related tax effect.

Table of Contents**Net Interest Income/Lending and Funding Activities**

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

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

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

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Table of Contents**Table 3****AVERAGE BALANCE SHEETS AND TAXABLE-EQUIVALENT RATES**

2009			2008			2007			2006	
Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
(Average balance in millions; interest in thousands)										
\$ 524,609	3.79%	13,802	723,851	5.24%	12,177	871,743	7.16%	11,319	802,451	7.16%
894,691	4.45	18,428	1,072,178	5.82	15,748	1,157,156	7.35	15,096	1,104,518	7.35
288,474	5.45	5,465	329,574	6.03	6,015	384,101	6.39	5,015	319,858	6.39
636,074	5.43	11,150	716,678	6.43	10,190	757,876	7.44	10,003	712,484	7.44
2,343,848	4.60	48,845	2,842,281	5.82	44,130	3,170,876	7.19	41,433	2,939,311	7.19
34	.07	10	109	1.07	9	300	3.36	12	372	3.36
129	.25	109	2,071	1.91	432	23,835	5.52	81	5,597	6.39
640	.74	79	1,546	1.95	62	744	1.20	90	2,446	2.00
182,163	4.79	3,740	181,098	4.84	2,274	100,611	4.42	2,884	121,669	4.42
13,143	5.94	136	9,243	6.79	119	8,619	7.23	157	10,223	6.79
207,069	4.73	5,097	263,104	5.16	4,925	260,661	5.29	4,995	254,142	5.16
402,375	4.79	8,973	453,445	5.05	7,318	369,891	5.05	8,036	386,034	4.79
2,747,026	4.61	58,016	3,299,452	5.69	51,951	3,565,646	6.86	49,652	3,333,760	6.86
		(791)			(677)			(646)		
		1,224			1,271			1,346		
		6,683			6,000			5,487		
		65,132			58,545			55,839		

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1,122	.21	502	2,894	.58	461	4,638	1.01	435	3,461	
112,550	.49	18,170	248,083	1.37	14,985	250,313	1.67	14,401	201,543	1
206,220	2.35	9,583	330,389	3.45	10,597	496,378	4.68	12,420	551,514	4
2,391	.14	3,986	84,483	2.12	4,185	207,990	4.97	3,610	178,348	4
322,283	.95	32,241	665,849	2.07	30,228	959,319	3.17	30,866	934,866	3
7,129	.24	6,086	142,627	2.34	5,386	274,079	5.09	4,530	227,850	5
340,037	3.07	11,605	529,319	4.56	8,428	461,178	5.47	6,013	333,836	5
669,449	1.40	49,932	1,337,795	2.68	44,042	1,694,576	3.85	41,409	1,496,552	3
		7,674			7,400			7,555		
		1,089			856			834		
		58,695			52,298			49,798		
		6,437			6,247			6,041		
		65,132			58,545			55,839		
	3.21			3.01			3.01			3
	.28			.37			.59			
\$ 2,077,577	3.49%		1,961,657	3.38%		1,871,070	3.60%		1,837,208	3

(a) Includes nonaccrual loans.

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

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Average loans and leases increased to \$48.8 billion in 2008 from \$44.1 billion in 2007. Most of the Company's major loan categories experienced growth during 2008. Average commercial loans and leases increased 13% to \$13.8 billion in 2008 from \$12.2 billion in 2007. Commercial real estate loans averaged \$18.4 billion in 2008, up 17% from \$15.7 billion in 2007. The Company's consumer loan portfolio averaged \$11.2 billion in 2008, 9% higher than \$10.2 billion in 2007. Average residential real estate loans declined 9% to \$5.5 billion in 2008 from \$6.0 billion in 2007, due largely to a \$533 million decrease in average loans held for sale to \$591 million in 2008 from \$1.1 billion in 2007.

Table 4 summarizes average loans and leases outstanding in 2009 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)

	2009 (In millions)	Percent Increase (Decrease) from	
		2008 to 2009	2007 to 2008
Commercial, financial, etc	\$ 13,855	%	13%
Real estate commercial	20,085	9	17
Real estate consumer	5,297	(3)	(9)
Consumer			
Automobile	3,150	(11)	17
Home equity lines	5,402	21	7
Home equity loans	1,000	(6)	(6)
Other	2,170	6	11
Total consumer	11,722	5	9
Total	\$ 50,959	4%	11%

Commercial loans and leases, excluding loans secured by real estate, aggregated \$13.5 billion at December 31, 2009, representing 26% of total loans and leases. Table 5 presents information on commercial loans and leases as of December 31, 2009 relating to geographic area, size, borrower industry and whether the loans are secured by collateral or unsecured. Of the \$13.5 billion of commercial loans and leases outstanding at the end of 2009, approximately \$11.1 billion, or 82%, were secured, while 48%, 23% and 19% were granted to businesses in New York State, Pennsylvania and the Mid-Atlantic area (which includes Maryland, Delaware, Virginia, West Virginia and the District of Columbia), respectively. The Company provides financing for leases to commercial customers, primarily for equipment. Commercial leases included in total commercial loans and leases at December 31, 2009 aggregated \$1.6 billion, of which 42% were secured by collateral located in New York State, 16% were secured by collateral in the Mid-Atlantic area and another 10% were secured by collateral in Pennsylvania.

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

December 31, 2009

	New York	Pennsylvania	Mid-Atlantic	Other	Total	Percent of Total
	(Dollars in millions)					
Manufacturing	\$ 1,150	\$ 557	\$ 282	\$ 134	\$ 2,123	16%
Services	914	371	707	124	2,116	16
Automobile dealerships	689	372	67	312	1,440	11
Wholesale	637	281	323	30	1,271	9
Financial and insurance	508	131	243	41	923	7
Public administration	326	298	119	143	886	7
Transportation, communications, utilities	288	257	77	236	858	6
Real estate investors	481	102	146	83	812	6
Health services	453	98	166	93	810	6
Construction	257	187	132	27	603	4
Retail	269	140	74	50	533	4
Agriculture, forestry, fishing, mining, etc.	113	111	19	31	274	2
Other	422	152	197	60	831	6
Total	\$ 6,507	\$ 3,057	\$ 2,552	\$ 1,364	\$ 13,480	100%
Percent of total	48%	23%	19%	10%	100%	
<u>Percent of dollars outstanding</u>						
Secured	73%	77%	67%	50%	70%	
Unsecured	17	18	23	12	18	
Leases	10	5	10	38	12	
Total	100%	100%	100%	100%	100%	
<u>Percent of dollars outstanding by size of loan</u>						
Less than \$1 million	30%	27%	31%	24%	29%	
\$1 million to \$5 million	27	32	25	30	28	
\$5 million to \$10 million	16	17	15	21	17	
\$10 million to \$20 million	15	14	16	16	15	
\$20 million to \$30 million	7	6	5	7	6	
\$30 million to \$50 million	4	2	8	2	4	
\$50 million to \$70 million	1	2			1	

Total	100%	100%	100%	100%	100%
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International loans included in commercial loans and leases totaled \$55 million and \$91 million at December 31, 2009 and 2008, 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 and coverage of 90% on loans to U.S. exporters of goods and services to foreign buyers. The loans generally range up to \$10 million. The outstanding balances of loans under these programs at December 31, 2009 and 2008 were \$43 million and \$76 million, respectively.

Loans secured by real estate, including outstanding balances of home equity loans and lines of credit which the Company classifies as consumer loans, represented approximately 62% of the loan and lease portfolio during 2009, compared with 60% in 2008 and 61% in 2007. At December 31, 2009, the Company held approximately \$20.9 billion of commercial real estate loans, \$5.5 billion of consumer real estate loans secured by one-to-four family residential properties (including \$530 million of loans held for sale) and \$6.8 billion of outstanding balances of home equity loans and lines of credit, compared with \$18.8 billion, \$4.9 billion and \$5.7 billion, respectively, at December 31, 2008. Loans obtained in the 2009 Provident and Bradford acquisition transactions included \$1.8 billion of commercial real estate loans, \$400 million of consumer real estate loans secured by one-to-four family residential mortgages and \$1.1 billion of outstanding home equity loans and lines of credit. Included in total loans and leases were amounts due from builders and developers of residential real estate aggregating \$1.7 billion and \$1.9 billion at December 31, 2009 and 2008, respectively, of which \$1.6 billion and \$1.8 billion, respectively, were classified as commercial real estate loans.

A significant portion of commercial real estate loans originated by the Company are secured by properties in the New York City metropolitan area, including areas in neighboring states generally considered to be within commuting distance of New York City, and other areas of New York State where the Company operates. Commercial real estate loans are also originated through the Company's offices in Pennsylvania, Maryland, Virginia, Washington, D.C., Oregon, West Virginia and other states. Commercial real estate loans originated by the Company include fixed-rate instruments with monthly payments and a balloon payment of the remaining unpaid principal at maturity, in many cases five years after origination. For borrowers in good standing, the terms of such loans may be extended by the customer for an additional five years at the then current market rate of interest. The Company also originates fixed-rate commercial real estate loans with maturities of greater than five years, generally having original maturity terms of approximately seven to ten years, and adjustable-rate commercial real estate loans. Excluding construction and development loans made to investors, adjustable-rate commercial real estate loans represented approximately 46% of the commercial real estate loan portfolio as of December 31, 2009. Table 6 presents commercial real estate loans by geographic area, type of collateral and size of the loans outstanding at December 31, 2009. New York City metropolitan area commercial real estate loans totaled \$7.1 billion at the 2009 year-end. The \$6.0 billion of investor-owned commercial real estate loans in the New York City metropolitan area were largely secured by multifamily residential properties, retail space, and office space. The Company's experience has been that office, retail and service-related properties tend to demonstrate more volatile fluctuations in value through economic cycles and changing economic conditions than do multifamily residential properties. Approximately 49% of the aggregate dollar amount of New York City-area loans were for loans with outstanding balances of \$10 million or less, while loans of more than \$50 million made up approximately 15% of the total.

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Table of Contents**Table 6****COMMERCIAL REAL ESTATE LOANS, NET OF UNEARNED DISCOUNT****December 31, 2009**

	Metropolitan New York City	Other New York State	Pennsylvania	Mid- Atlantic	Other	Total	Percent of Total
(Dollars in millions)							
Investor-owned							
Permanent finance by property type							
Retail	\$ 1,887	\$ 301	\$ 350	\$ 519	\$ 364	\$ 3,421	16%
Office	1,074	675	225	406	109	2,489	12
Apartments/Multifamily	1,230	270	205	201	75	1,981	10
Hotel	569	269	203	167	48	1,256	6
Industrial/Warehouse	200	153	153	164	73	743	4
Health facilities	45	151	49	74	161	480	2
Other	243	68	60	88	14	473	2
Total permanent	5,248	1,887	1,245	1,619	844	10,843	52%
Construction/Development							
Commercial							
Construction	456	427	290	904	164	2,241	11%
Land/Land development	118	24	50	260	83	535	2
Residential builder and developer							
Construction	95	30	75	289	104	593	3
Land/Land development	118	71	136	546	120	991	5
Total construction/development	787	552	551	1,999	471	4,360	21%
Total investor-owned	6,035	2,439	1,796	3,618	1,315	15,203	73%
Owner-occupied by industry							
Health services	409	306	169	356	104	1,344	7%
Other services	169	340	233	391	3	1,136	5
Retail	89	173	184	214	5	665	3
Real estate investors	137	129	89	132	8	495	2
Manufacturing	54	163	120	107	3	447	2
Automobile dealerships	55	145	119	35	76	430	2
Wholesale	36	70	119	100	17	342	2
Other	95	254	238	276	25	888	4

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Total owner-occupied	1,044	1,580	1,271	1,611	241	5,747	27%
Total commercial real estate	\$ 7,079	\$ 4,019	\$ 3,067	\$ 5,229	\$ 1,556	\$ 20,950	100%
Percent of total	34%	19%	15%	25%	7%	100%	
Percent of dollars outstanding by size of loan							
Less than \$1 million	6%	29%	28%	17%	10%	17%	
\$1 million to \$5 million	26	38	34	30	21	30	
\$5 million to \$10 million	17	15	12	20	17	17	
\$10 million to \$30 million	29	16	20	24	32	24	
\$30 million to \$50 million	7	2	1	5	8	5	
\$50 million to \$100 million	8		5	4	12	5	
Greater than \$100 million	7					2	
Total	100%	100%	100%	100%	100%	100%	

Commercial real estate loans secured by properties located in other parts of New York State, Pennsylvania and the Mid-Atlantic area tend to have a greater diversity of collateral types and include a significant amount of lending to customers who use the mortgaged property in their trade or business (owner-occupied). Approximately 82% of the aggregate dollar amount of commercial real estate loans in New York State secured by properties located outside of the metropolitan New York City area were for loans with outstanding balances of \$10 million or less. Of the outstanding balances of commercial real

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estate loans in Pennsylvania and the Mid-Atlantic area, approximately 74% and 67%, respectively, were for loans with outstanding balances of \$10 million or less.

Commercial real estate loans secured by properties located outside of Pennsylvania, the Mid-Atlantic area, New York State and areas of states neighboring New York considered to be part of the New York City metropolitan area, comprised 7% of total commercial real estate loans as of December 31, 2009.

Commercial real estate construction and development loans made to investors presented in table 6 totaled \$4.4 billion at December 31, 2009, or 8% of total loans and leases. Approximately 78% of those construction loans had adjustable interest rates. Included in such loans at December 31, 2009 were \$1.6 billion of loans to developers of residential real estate properties. Information about the credit performance of the Company's loans to builders and developers of residential real estate properties is included herein under the heading Provision For Credit Losses. The remainder of the commercial real estate construction loan portfolio was comprised of loans made for various purposes, including the construction of office buildings, multifamily residential housing, retail space and other commercial development. M&T Realty Capital Corporation, a commercial real estate lending subsidiary of M&T Bank, participates in the Fannie Mae Delegated Underwriting and Servicing (DUS) program, pursuant to which commercial real estate loans are originated in accordance with terms and conditions specified by Fannie Mae and sold. Under this program, loans are sold with partial credit recourse to M&T Realty Capital Corporation. The amount of recourse is generally limited to one-third of any credit loss incurred by the purchaser on an individual loan, although in some cases the recourse amount is less than one-third of the outstanding principal balance. At December 31, 2009 and 2008, approximately \$1.3 billion and \$1.2 billion, respectively, of commercial real estate loan balances serviced for others had been sold with recourse. There have been no material losses incurred as a result of those recourse arrangements. Commercial real estate loans held for sale at December 31, 2009 and 2008 aggregated \$123 million and \$156 million, respectively. At December 31, 2009 and 2008, commercial real estate loans serviced for other investors by the Company were \$7.1 billion and \$6.4 billion, respectively. Those serviced loans are not included in the Company's consolidated balance sheet.

Real estate loans secured by one-to-four family residential properties were \$5.5 billion at December 31, 2009, including approximately 36% secured by properties located in New York State, 12% secured by properties located in Pennsylvania and 21% secured by properties located in the Mid-Atlantic area. At December 31, 2009, \$530 million of residential real estate loans were held for sale, compared with \$352 million at December 31, 2008. The Company's portfolio of Alt-A loans held for investment at December 31, 2009 totaled \$789 million, compared with \$974 million at December 31, 2008. Loans to individuals to finance the construction of one-to-four family residential properties totaled \$76 million at December 31, 2009, or approximately .1% of total loans and leases, compared with \$233 million or .5% at December 31, 2008. Information about the credit performance of the Company's Alt-A mortgage loans and other residential mortgage loans is included herein under the heading Provision For Credit Losses. Consumer loans comprised approximately 23% of the average loan portfolio during each of 2009 and 2008. The two largest components of the consumer loan portfolio are outstanding balances of home equity lines of credit and automobile loans. Average balances of home equity lines of credit outstanding represented approximately 11% and 9% of average loans outstanding in 2009 and 2008, respectively. Automobile loans represented approximately 6% and 7% of the Company's average loan portfolio during 2009 and 2008, respectively. No other consumer loan product represented more than 4% of average loans outstanding in 2009. Approximately 44% of home equity lines of credit outstanding at December 31, 2009 were secured by properties in New York State, and 19% and 35% were secured by properties in Pennsylvania and the Mid-Atlantic area, respectively. Average outstanding balances on home equity lines of credit were approximately \$5.4 billion and \$4.5 billion in 2009 and 2008, respectively. At December 31, 2009, 34% and 24% of the automobile loan portfolio were to customers residing in New York State and Pennsylvania, respectively. Although automobile loans have generally been originated through dealers, all applications submitted through dealers are subject to the Company's normal underwriting and loan approval procedures. Outstanding automobile loan balances declined to \$2.9 billion at December 31, 2009 from \$3.3 billion at December 31, 2008.

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Table 7 presents the composition of the Company's loan and lease portfolio at the end of 2009, including outstanding balances to businesses and consumers in New York State, Pennsylvania, the Mid-Atlantic area and other states. Approximately 47% of total loans and leases at December 31, 2009 were to New York State customers, while 18% and 23% were to Pennsylvania and the Mid-Atlantic area customers, respectively.

Table 7**LOANS AND LEASES, NET OF UNEARNED DISCOUNT****December 31, 2009**

	Outstandings (In millions)	Percent of Dollars Outstanding			
		New York State	Pennsylvania	Mid-Atlantic	Other
Real estate					
Residential	\$ 5,463	36%	12%	21%	31%
Commercial	20,950	53(a)	15	25	7
Total real estate	26,413	49%	14%	24%	13%
Commercial, financial, etc.	11,902	49%	24%	20%	7%
Consumer					
Home equity lines	5,853	44%	19%	35%	2%
Home equity loans	974	17	39	41	3
Automobile	2,948	34	24	12	30
Other secured or guaranteed	1,978	35	13	12	40
Other unsecured	291	43	27	24	6
Total consumer	12,044	38%	21%	26%	15%
Total loans	50,359	46%	18%	24%	12%
Commercial leases	1,578	42%	10%	16%	32%
Total loans and leases	\$ 51,937	47%	18%	23%	12%

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

Balances of investment securities averaged \$8.4 billion in 2009, compared with \$9.0 billion and \$7.3 billion in 2008 and 2007, respectively. The decline in average investment securities balances during 2009 as compared with 2008 largely reflects paydowns of mortgage-backed securities, partially offset by the investment securities obtained in the

Provident transaction and the impact of a first quarter 2009 residential real estate loan securitization. The Company securitized approximately \$141 million of residential real estate loans in a guaranteed mortgage securitization with Fannie Mae. The increase of \$1.7 billion or 23% from 2007 to 2008 was largely due to the impact of residential real estate loan securitizations in June and July of 2008 and in December 2007 and to the full-year impact of third quarter 2007 purchases of approximately \$800 million of collateralized mortgage obligations and other mortgage-backed securities. During June and July 2008, the Company securitized approximately \$875 million of residential real estate loans in guaranteed mortgage securitizations with Fannie Mae. During December 2007, approximately \$950 million of residential real estate loans obtained in the Partners Trust acquisition were securitized in a guaranteed mortgage securitization with Fannie Mae. The Company recognized no gain or loss on those securitization transactions as it retained all of the resulting securities, which are held in the available-for-sale investment securities portfolio.

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

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

The Company regularly reviews its investment securities for declines in value below amortized cost that might be characterized as other than temporary. As previously discussed, other-than-temporary impairment charges of \$138 million (pre-tax) were recognized during 2009 related to certain privately issued CMOs and CDOs held in the Company's available-for-sale investment securities portfolio. Specifically, \$130 million of such impairment charges related to privately issued CMOs and CDOs backed by residential real estate loans and \$8 million related to CDOs backed by trust preferred securities of financial institutions. During the third quarter of 2008 the Company recognized an other-than-temporary impairment charge of \$153 million related to its holdings of preferred stock of Fannie Mae and Freddie Mac. Additional other-than-temporary impairment charges of \$29 million were recognized in 2008 on CMOs backed by option adjustable rate residential mortgage loans (ARMs) and CDOs backed by trust preferred securities of financial institutions. Poor economic conditions, high unemployment and depressed real estate values are significant factors contributing to the recognition of the other-than-temporary impairment charges. As of December 31, 2009 and 2008, the Company concluded that the remaining declines associated with the rest of the investment securities portfolio were temporary in nature. That conclusion was based on management's assessment of future cash flows associated with individual investment securities as of each respective date. A further discussion of fair values of investment securities is included herein under the heading Capital. Additional information about the investment securities portfolio is included in notes 3 and 20 of Notes to Financial Statements.

Other earning assets include deposits at banks, trading account assets, federal funds sold and agreements to resell securities. Those other earning assets in the aggregate averaged \$189 million in 2009, \$198 million in 2008 and \$503 million in 2007. Reflected in those balances were purchases of investment securities under agreements to resell, which averaged \$41 million, \$96 million and \$417 million during 2009, 2008 and 2007, respectively. The higher level of resell agreements in 2007 as compared with 2008 and 2009 was due, in part, to the need to collateralize deposits of municipalities. The amounts of investment securities and other earning assets held by the Company are influenced by such factors as demand for loans, which generally yield more than investment securities and other earning assets, ongoing repayments, the levels of deposits, and management of balance sheet size and resulting capital ratios.

The most significant source of funding for the Company is core deposits, which are comprised of noninterest-bearing deposits, nonbrokered interest-bearing transaction accounts, nonbrokered savings deposits and nonbrokered domestic time deposits under \$100,000. The Company's branch network is its principal source of core deposits, which generally carry lower interest rates than wholesale funds of comparable maturities. Certificates of deposit under \$100,000 generated on a nationwide basis by M&T

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Bank, N.A. are also included in core deposits. Core deposits averaged \$39.1 billion in 2009, up from \$31.7 billion in 2008 and \$28.6 billion in 2007. The acquisition transactions in 2009 added \$3.8 billion of core deposits on the respective acquisition dates, while the late-2007 acquisition transactions added \$2.0 billion of core deposits on the respective acquisition dates. Average core deposits of M&T Bank, N.A. were \$337 million in 2009, \$274 million in 2008 and \$208 million in 2007. Excluding deposits obtained in the acquisition transactions, the growth in core deposits from 2008 to 2009 was due, in part, to the impact on the attractiveness of alternative investments to the Company's customers resulting from lower interest rates and the recessionary environment in the U.S. The continuing low interest rate environment has resulted in a shift in customer savings trends, as average time deposits have continued to decline, while average noninterest-bearing deposits and savings deposits have increased. Funding provided by core deposits represented 66% of average earning assets in 2009, up significantly from 55% in each of 2008 and 2007. Core deposits totaled \$43.1 billion at December 31, 2009, compared with \$34.3 billion at December 31, 2008. Table 8 summarizes average core deposits in 2009 and percentage changes in the components of such deposits over the past two years.

Table 8**AVERAGE CORE DEPOSITS**

	2009	Percentage Increase (Decrease) from	
		2008 to	2007 to
	(In millions)	2009	2008
NOW accounts	\$ 530	6%	9%
Savings deposits	22,088	23	21
Time deposits under \$100,000	5,390	(4)	(3)
Noninterest-bearing deposits	11,054	44	4
Total	\$ 39,062	23%	11%

Domestic time deposits of \$100,000 or more, deposits originated through the Company's offshore branch office, and brokered deposits provide additional funding sources for the Company. Domestic time deposits over \$100,000, excluding brokered certificates of deposit, averaged \$2.6 billion in each of 2009 and 2008, and \$2.7 billion in 2007. Offshore branch deposits, primarily comprised of accounts with balances of \$100,000 or more, averaged \$1.7 billion in 2009, \$4.0 billion in 2008 and \$4.2 billion in 2007. Average brokered time deposits totaled \$822 million in 2009, compared with \$1.4 billion in 2008 and \$2.1 billion in 2007, and at December 31, 2009 and 2008 totaled \$868 million and \$487 million, respectively. Reflected in average brokered time deposits in 2009 were deposits obtained in the acquisition of Provident, which added approximately \$601 million to the average 2009 total. In connection with the Company's management of interest rate risk, interest rate swap agreements have been entered into under which the Company receives a fixed rate of interest and pays a variable rate and that have notional amounts and terms substantially similar to the amounts and terms of \$25 million of brokered time deposits. The Company also had brokered NOW and brokered money-market deposit accounts, which in the aggregate averaged \$757 million, \$218 million and \$87 million in 2009, 2008 and 2007, respectively. The significant increase in such average brokered deposit balances in 2009 as compared with 2008 and 2007 was the result of demand for such deposits, largely resulting from the uncertain economic markets and the desire of brokerage firms to earn reasonable yields while

ensuring that customer deposits were fully insured. Offshore branch deposits and brokered deposits have been used by the Company as alternatives to short-term borrowings. Additional amounts of offshore branch deposits or brokered deposits may be added in the future depending on market conditions, including demand by customers and other investors for those deposits, and the cost of funds available from alternative sources at the time.

The Company also uses borrowings from banks, securities dealers, various Federal Home Loan Banks (FHLBs), the Federal Reserve and others as sources of funding. Short-term borrowings averaged

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\$2.9 billion in 2009, \$6.1 billion in 2008 and \$5.4 billion in 2007. Included in short-term borrowings were unsecured federal funds borrowings, which generally mature on the next business day, that averaged \$1.8 billion, \$4.5 billion and \$4.6 billion in 2009, 2008 and 2007, respectively. Overnight federal funds borrowings represented the largest component of average short-term borrowings and were obtained from a wide variety of banks and other financial institutions. Overnight federal funds borrowings totaled \$2.1 billion at December 31, 2009 and \$809 million at December 31, 2008. Average short-term borrowings during 2009, 2008 and 2007 included \$688 million, \$682 million and \$160 million, respectively, of borrowings from the FHLB of New York and the FHLB of Atlanta. Also included in average short-term borrowings in 2009 and 2008 were secured borrowings with the Federal Reserve through their Term Auction Facility (TAF). Borrowings under the TAF averaged \$268 million and \$238 million during 2009 and 2008, respectively. There were no outstanding borrowings under the TAF at December 31, 2009, while at December 31, 2008 \$1.0 billion were outstanding. Also included in average short-term borrowings in 2007 and 2008 was a \$500 million revolving asset-backed structured borrowing secured by automobile loans that was paid off during late-2008. All of the available amount of that structured borrowing was in use at the 2007 year-end. The average balance of this borrowing was \$463 million in 2008 and \$437 million in 2007.

Long-term borrowings averaged \$11.1 billion in 2009, \$11.6 billion in 2008 and \$8.4 billion in 2007. Included in average long-term borrowings were amounts borrowed from the FHLBs of \$6.1 billion in 2009, \$6.7 billion in 2008 and \$4.3 billion in 2007, and subordinated capital notes of \$1.9 billion in each of 2009 and 2008, and \$1.6 billion in 2007. The Company has utilized interest rate swap agreements to modify the repricing characteristics of certain components of long-term debt. Those swap agreements are used to hedge approximately \$1.0 billion of fixed rate subordinated notes. Further information on interest rate swap agreements is provided in note 18 of Notes to Financial Statements. Junior subordinated debentures associated with trust preferred securities that were included in average long-term borrowings were \$1.1 billion in each of 2009 and 2008, and \$716 million in 2007. Additional information regarding junior subordinated debentures, as well as information regarding contractual maturities of long-term borrowings, is provided in note 9 of Notes to Financial Statements. Also included in long-term borrowings were agreements to repurchase securities, which averaged \$1.6 billion during 2009, 2008 and 2007. The agreements, which were entered into due to favorable rates available, have various repurchase dates through 2017, however, the contractual maturities of the underlying securities extend beyond such repurchase dates.

Changes in the composition of the Company's earning assets and interest-bearing liabilities as described herein, as well as changes in interest rates and spreads, can impact net interest income. Net interest spread, or the difference between the yield on earning assets and the rate paid on interest-bearing liabilities, was 3.21% in 2009, compared with 3.01% in 2008. The yield on the Company's earning assets during 2009 was 4.61%, down 108 basis points from 5.69% in 2008, while the rate paid on interest-bearing liabilities declined 128 basis points to 1.40% in 2009 from 2.68% in 2008. The yield on earning assets of 5.69% during 2008 was 117 basis points lower than 6.86% in 2007, while the rate paid on interest-bearing liabilities also decreased 117 basis points to 2.68% from 3.85% in 2007. The lower interest rates in 2009 as compared with 2008 and in 2008 as compared with 2007 reflect the impact of the recessionary economy and the Federal Reserve's monetary policies on both short-term and long-term interest rates. In addition, the Federal Open Market Committee noted in January 2010 that low rates of resource utilization, subdued inflation trends, and stable inflation expectations were likely to warrant exceptionally low levels of the federal funds rate for an extended period of time. During 2008, the Federal Reserve lowered its benchmark overnight federal funds target rate seven times representing decreases of 400 basis points for the year, such that, at December 31, 2008 and 2009, the Federal Reserve's target rate for overnight federal funds was expressed as a range from 0% to .25%. Additionally, in the last four months of 2007, the Federal Reserve lowered its federal funds target rate three times totaling 100 basis points.

Net interest-free funds consist largely of noninterest-bearing demand deposits and stockholders' equity, partially offset by bank owned life insurance and non-earning assets, including goodwill, core deposit and other intangible assets. Net interest-free funds averaged \$11.7 billion in 2009, compared with \$8.1 billion in 2008 and \$7.9 billion in 2007. The significant increase in average net interest-free funds in

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2009 was largely the result of higher average balances of noninterest-bearing deposits, which rose to \$11.1 billion in 2009 from \$7.7 billion in 2008. In connection with the Provident and Bradford transactions, the Company added noninterest-bearing deposits totaling \$946 million at the respective acquisition dates. Goodwill and core deposit and other intangible assets averaged \$3.6 billion in 2009, \$3.4 billion in 2008, and \$3.2 billion in 2007. The cash surrender value of bank owned life insurance averaged \$1.4 billion in 2009, \$1.2 billion in 2008 and \$1.1 billion in 2007. Increases in the cash surrender value of bank owned life insurance are not included in interest income, but rather are recorded in other revenues from operations. The contribution of net interest-free funds to net interest margin was .28% in 2009, .37% in 2008 and .59% in 2007. The decline in the contribution to net interest margin ascribed to net interest free funds in 2009 as compared with 2008 and in 2008 as compared with 2007 resulted largely from the impact of significantly lower interest rates on interest-bearing liabilities used to value such contribution.

Reflecting the changes to the net interest spread and the contribution of interest-free funds as described herein, the Company's net interest margin was 3.49% in 2009, compared with 3.38% in 2008 and 3.60% in 2007. Future changes in market interest rates or spreads, as well as changes in the composition of the Company's portfolios of earning assets and interest-bearing liabilities that result in reductions in spreads, could adversely impact the Company's net interest income and net interest margin.

Management assesses the potential impact of future changes in interest rates and spreads by projecting net interest income under several interest rate scenarios. In managing interest rate risk, the Company has utilized interest rate swap agreements to modify the repricing characteristics of certain portions of its portfolios of earning assets and interest-bearing liabilities. Periodic settlement amounts arising from these agreements are generally reflected in either the yields earned on assets or the rates paid on interest-bearing liabilities. The notional amount of interest rate swap agreements entered into for interest rate risk management purposes was approximately \$1.1 billion at December 31, 2009 and 2008, all of which were designated as fair value hedges of certain fixed rate time deposits and long-term borrowings. Under the terms of those swap agreements, the Company received payments based on the outstanding notional amount of the agreements at fixed rates and made payments at variable rates. There were no interest rate swap agreements designated as cash flow hedges at those respective dates.

In a fair value hedge, the fair value of the derivative (the interest rate swap agreement) and changes in the fair value of the hedged item are recorded in the Company's consolidated balance sheet with the corresponding gain or loss recognized in current earnings. The difference between changes in the fair value of the interest rate swap agreements and the hedged items represents hedge ineffectiveness and is recorded in other revenues from operations in the Company's consolidated statement of income. In a cash flow hedge, unlike in a fair value hedge, the effective portion of the derivative's gain or loss is initially reported as a component of other comprehensive income and subsequently reclassified into earnings when the forecasted transaction affects earnings. The ineffective portion of the gain or loss is reported in other revenues from operations immediately. The amounts of hedge ineffectiveness recognized in 2009, 2008 and 2007 were not material to the Company's results of operations. The estimated aggregate fair value of interest rate swap agreements designated as fair value hedges represented gains of approximately \$54 million at December 31, 2009 and \$146 million at December 31, 2008. The fair values of such swap agreements were substantially offset by changes in the fair values of the hedged items. The changes in the fair values of the interest rate swap agreements and the hedged items primarily result from the effects of changing interest rates and spreads. The Company's credit exposure as of December 31, 2009 with respect to the estimated fair value of interest rate swap agreements used for managing interest rate risk has been substantially mitigated through master netting arrangements with trading account interest rate contracts with the same counterparty as well as counterparty postings of \$35 million of collateral with the Company. Additional information about swap agreements and the items being hedged is included in note 18 of Notes to Financial Statements. The average notional amounts of interest rate swap agreements entered into for interest rate risk management purposes, the related effect on net interest income and margin, and the weighted-average interest rates paid or received on those swap agreements are presented in table 9.

Table of Contents**Table 9****INTEREST RATE SWAP AGREEMENTS**

	Year Ended December 31					
	2009		2008		2007	
	Amount	Rate(a)	Amount	Rate(a)	Amount	Rate(a)
	(Dollars in thousands)					
Increase (decrease) in:						
Interest income	\$	%	\$	%	\$	%
Interest expense	(38,208)	(.08)	(15,857)	(.03)	2,556	.01
Net interest income/margin	\$ 38,208	.07%	\$ 15,857	.03%	\$ (2,556)	(.01)%
Average notional amount	\$ 1,079,625		\$ 1,269,017		\$ 1,410,542	
Rate received(b)		6.32%		6.12%		5.66%
Rate paid(b)		2.78%		4.87%		5.84%

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

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

Provision for Credit Losses

The Company maintains an allowance for credit losses that in management's judgment is adequate to absorb losses inherent in the loan and lease portfolio. A provision for credit losses is recorded to adjust the level of the allowance as deemed necessary by management. The provision for credit losses was \$604 million in 2009, up from \$412 million in 2008 and \$192 million in 2007. Net loan charge-offs increased to \$514 million in 2009 from \$383 million and \$114 million in 2008 and 2007, respectively. Net loan charge-offs as a percentage of average loans outstanding were 1.01% in 2009, compared with .78% in 2008 and .26% in 2007. The significantly higher levels of the provision for credit losses in 2008 and 2009 as compared with 2007 reflect a pronounced downturn in the U.S. economy, which entered recession in late-2007, and significant deterioration in the residential real estate market that began in early-2007 and continued throughout 2008 and 2009. Declining real estate valuations and higher levels of delinquencies and charge-offs throughout 2007, 2008 and 2009 significantly affected the quality of the Company's residential real estate loan portfolio. Specifically, the Company's Alt-A residential real estate loan portfolio and its residential real estate builder and developer loan portfolio experienced the majority of the credit problems related to the turmoil in the residential real estate marketplace. As a result of higher unemployment levels and the recessionary economy, the Company also experienced increased levels of consumer and commercial loan charge-offs in 2009 and 2008 as compared with 2007. A summary of the Company's loan charge-offs, provision and allowance for credit losses is presented in table 10.

Table of Contents**Table 10****LOAN CHARGE-OFFS, PROVISION AND ALLOWANCE FOR CREDIT LOSSES**

	2009	2008	2007	2006	2005
	(Dollars in thousands)				
Allowance for credit losses beginning balance	\$ 787,904	\$ 759,439	\$ 649,948	\$ 637,663	\$ 626,864
Charge-offs during year					
Commercial, financial, agricultural, etc.	180,119	102,092	32,206	23,949	32,210
Real estate construction	127,728	105,940	3,830		
Real estate mortgage	95,109	73,485	23,552	6,406	4,708
Consumer	153,506	139,138	86,710	65,251	70,699
Total charge-offs	556,462	420,655	146,298	95,606	107,617
Recoveries during year					
Commercial, financial, agricultural, etc.	7,999	8,587	8,366	4,119	6,513
Real estate construction	2,623	369			
Real estate mortgage	6,917	4,069	1,934	1,784	3,887
Consumer	25,041	24,620	22,243	21,988	20,330
Total recoveries	42,580	37,645	32,543	27,891	30,730
Net charge-offs	513,882	383,010	113,755	67,715	76,887
Provision for credit losses	604,000	412,000	192,000	80,000	88,000
Allowance for credit losses acquired during the year			32,668		
Allowance related to loans sold or securitized		(525)	(1,422)		(314)
Allowance for credit losses ending balance	\$ 878,022	\$ 787,904	\$ 759,439	\$ 649,948	\$ 637,663
Net charge-offs as a percent of:					
Provision for credit losses	85.08%	92.96%	59.25%	84.64%	87.37%
Average loans and leases, net of unearned discount	1.01%	.78%	.26%	.16%	.19%
Allowance for credit losses as a percent of loans and leases, net of unearned discount, at year-end:					
Legacy loans	1.83%	1.61%	1.58%	1.51%	1.58%
Total loans	1.69%	1.61%	1.58%	1.51%	1.58%

As already noted, loans acquired in connection with the Provident and Bradford transactions were recorded at fair value with no carry over of any previously recorded allowance for credit losses. Determining the fair value of the acquired loans required estimating cash flows expected to be collected on the loans and discounting those cash flows at current interest rates. The excess of cash flows expected at acquisition over the estimated fair value is recognized as interest income over the remaining lives of the loans. The difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition reflects estimated credit losses and other contractually required payments that the Company does not expect to collect. Subsequent decreases to the expected cash flows will require the Company to evaluate the need for an additional allowance for credit losses and could lead to charge-offs of acquired loan balances. Subsequent increases in expected cash flows will result in additional interest income to be recognized over the then-remaining lives of the loans.

Nonaccrual loans aggregated \$1.33 billion or 2.56% of outstanding loans and leases at December 31, 2009, compared with \$755 million or 1.54% at December 31, 2008 and \$431 million or .90% at December 31, 2007. Major factors contributing to the rise in nonaccrual loans from December 31, 2008

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to the 2009 year-end were a \$209 million increase in commercial loans and leases and a \$319 million increase in commercial real estate loans, including a \$113 million rise in loans to builders and developers of residential real estate. Contributing to the increase in nonaccrual loans from the 2007 year-end to December 31, 2008 were a \$124 million increase in loans to residential builders and developers and a \$75 million increase in residential real estate loans. The continuing turbulence in the residential real estate marketplace has resulted in deteriorating real estate values and increased delinquencies, both for loans to consumers and loans to builders and developers of residential real estate. The recessionary state of the U.S. economy has resulted in generally higher levels of nonaccrual loans.

Accruing loans past due 90 days or more were \$208 million or .40% of total loans and leases at December 31, 2009, compared with \$159 million or .32% at December 31, 2008 and \$77 million or .16% at December 31, 2007. Those loans included loans guaranteed by government-related entities of \$193 million, \$114 million and \$73 million at December 31, 2009, 2008 and 2007, respectively. Such guaranteed loans included one-to-four family residential mortgage loans serviced by the Company that were repurchased to reduce associated servicing costs, including a requirement to advance principal and interest payments that had not been received from individual mortgagors. Despite the loans being purchased by the Company, the insurance or guarantee by the applicable government-related entity remains in force. The outstanding principal balances of the repurchased loans are fully guaranteed by government-related entities and totaled \$176 million at December 31, 2009, \$108 million at December 31, 2008 and \$67 million at December 31, 2007. Loans past due 90 days or more and accruing interest that were guaranteed by government-related entities also included foreign commercial and industrial loans supported by the Export-Import Bank of the United States that totaled \$13 million at December 31, 2009 and \$5 million at each of December 31, 2008 and 2007. A summary of nonperforming assets and certain past due, renegotiated and impaired loan data and credit quality ratios is presented in table 11.

Table 11**NONPERFORMING ASSET AND PAST DUE, RENEGOTIATED AND IMPAIRED LOAN DATA**

December 31	2009	2008	2007	2006	2005
	(Dollars in thousands)				
Nonaccrual loans	\$ 1,331,702	\$ 755,397	\$ 431,282	\$ 209,272	\$ 141,067
Real estate and other foreclosed assets	94,604	99,617	40,175	12,141	9,486
Total nonperforming assets	\$ 1,426,306	\$ 855,014	\$ 471,457	\$ 221,413	\$ 150,553
Accruing loans past due 90 days or more(a)	\$ 208,080	\$ 158,991	\$ 77,319	\$ 111,307	\$ 129,403
Renegotiated loans	\$ 212,548	\$ 91,575	\$ 15,884	\$ 14,956	\$ 15,384
Government guaranteed loans included in totals above:					
Nonaccrual loans	\$ 38,579	\$ 32,506	\$ 19,125	\$ 17,586	\$ 13,845
Accruing loans past due 90 days or more	193,495	114,183	72,705	76,622	105,508
Purchased impaired loans(b):					

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Outstanding customer balance	\$	172,772				
Carrying amount		88,170				
Nonaccrual loans to total loans and leases, net of unearned discount		2.56%	1.54%	.90%	.49%	.35%
Nonperforming assets to total net loans and leases and real estate and other foreclosed assets		2.74%	1.74%	.98%	.52%	.37%
Accruing loans past due 90 days or more to total loans and leases, net of unearned discount		.40%	.32%	.16%	.26%	.32%

(a) *Predominately residential mortgage loans.*

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

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Loans obtained in the 2009 acquisition transactions that were impaired at the date of acquisition were recorded at estimated fair value and are generally delinquent in payments, but, in accordance with GAAP the Company continues to accrue interest income on such loans based on the estimated expected cash flows associated with the loans. The carrying amount of such loans was \$88 million at December 31, 2009, or approximately .2% of total loans.

In an effort to assist borrowers, the Company has modified the terms of select loans secured by residential real estate. The modified loans were largely from the Company's portfolio of Alt-A loans and aggregated \$292 million at December 31, 2009, of which \$108 million were classified as nonaccrual. The remaining modified loans have demonstrated payment capability consistent with the modified terms and, accordingly, were classified as renegotiated loans and were accruing interest at the 2009 year-end. Loan modifications included such actions as the extension of loan maturity dates (generally from thirty to forty years) and the lowering of interest rates and monthly payments. The objective of the modifications was to increase loan repayments by customers and thereby reduce net charge-offs. In accordance with GAAP, the modified loans are included in impaired loans for purposes of determining the allowance for credit losses. Modified residential real estate loans totaled \$162 million at December 31, 2008, of which \$93 million were in nonaccrual status.

Net charge-offs of commercial loans and leases totaled \$172 million in 2009, \$94 million in 2008 and \$24 million in 2007. Contributing to the rise in such charge-offs in 2009 were a \$45 million partial charge-off of an unsecured loan to a single customer in the commercial real estate sector and a \$42 million partial charge-off of a relationship with an operator of retirement communities. The rise in net charge-offs of commercial loans and leases from 2007 to 2008 was largely due to charge-offs of loans to a consumer debt collections company, loans to two customers in the publishing business, and three loans to automobile dealers. Nonaccrual commercial loans and leases were \$322 million at December 31, 2009, \$114 million at December 31, 2008 and \$79 million at December 31, 2007. The rise in 2009 reflects the impact of general economic conditions on borrowers' abilities to repay loans. Specifically contributing to the increase were a relationship to a single borrower that operates retirement communities (\$41 million), a \$37 million loan to a consumer finance and credit insurance company, a loan to a single borrower in the commercial real estate sector (\$36 million) and a \$22 million loan to a business in the health care sector. The increase from the 2007 year-end to December 31, 2008 reflects the net addition of relationships with automobile dealers totaling \$12 million.

Net charge-offs of commercial real estate loans during 2009, 2008 and 2007 were \$121 million, \$112 million and \$6 million, respectively. Reflected in 2009's charge-offs were \$92 million of loans to residential real estate builders and developers, compared with \$100 million in 2008 and \$4 million in 2007. Commercial real estate loans classified as nonaccrual totaled \$638 million at December 31, 2009, compared with \$319 million at December 31, 2008 and \$118 million at December 31, 2007. Contributing to the rise in such loans from December 31, 2008 to the 2009 year-end were an increase of \$113 million in loans to residential homebuilders and developers and a loan collateralized by real estate in New York City (\$104 million). The rise in such loans during 2008 was largely the result of an increase of \$124 million in loans to residential homebuilders and developers, reflecting the impact of the deterioration of the residential real estate market, including declining real estate values. At December 31, 2009 and 2008, loans to residential homebuilders and developers classified as nonaccrual aggregated \$322 million and \$209 million, respectively. Information about the location of nonaccrual and charged-off loans to residential real estate builders and developers as of and for the year ended December 31, 2009 is presented in table 12.

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Table 12

RESIDENTIAL BUILDER AND DEVELOPER LOANS, NET OF UNEARNED DISCOUNT

	December 31, 2009			Year Ended December 31, 2009	
	Outstanding Balances(a)	Nonaccrual Balances	Percent of Outstanding Balances (Dollars in thousands)	Net Charge-offs (Recoveries)	Percent of Average Outstanding Balances
New York	\$ 386,589	\$ 47,035	12.17%	\$ 427	0.08%
Pennsylvania	260,794	34,466	13.22	(1,211)	(0.46)
Mid-Atlantic	861,165	186,586	21.67	79,047	9.37
Other	236,325	53,577	22.67	14,215	4.83
Total	\$ 1,744,873	\$ 321,664	18.43%	\$ 92,478	4.73%

(a) Includes approximately \$.1 billion of loans either not secured by real estate or permanent loans to investors of apartments/multifamily properties.

Residential real estate loans charged off, net of recoveries, were \$92 million in 2009, \$63 million in 2008 and \$19 million in 2007. Nonaccrual residential real estate loans at the end of 2009 totaled \$281 million, compared with \$256 million and \$181 million at December 31, 2008 and 2007, respectively. Declining real estate values and higher levels of delinquencies have contributed to the higher levels of residential real estate loans classified as nonaccrual at the 2008 and 2009 year-ends as compared with December 31, 2007 and to the level of charge-offs, largely in the Company's Alt-A portfolio. Net charge-offs of Alt-A loans were \$52 million in 2009, \$44 million in 2008 and \$12 million in 2007. Nonaccrual Alt-A loans aggregated \$112 million at the 2009 year-end, compared with \$125 million and \$90 million at December 31, 2008 and 2007, respectively. Residential real estate loans past due 90 days or more and accruing interest totaled \$178 million, \$108 million and \$66 million at December 31, 2009, 2008 and 2007, respectively. A substantial portion of such amounts related to guaranteed loans repurchased from government-related entities. Information about the location of nonaccrual and charged-off residential real estate loans as of and for the year ended December 31, 2009 is presented in table 13.

Net charge-offs of consumer loans during 2009 were \$129 million, representing 1.10% of average consumer loans and leases outstanding, compared with \$114 million or 1.03% in 2008 and \$65 million or .63% in 2007. Automobile loans represented the most significant category of consumer loan charge-offs during the past three years. Net charge-offs of automobile loans were \$56 million during 2009, \$51 million during 2008 and \$28 million during 2007. Consumer loan charge-offs also include recreational vehicle loans of \$25 million, \$21 million and \$11 million during 2009, 2008 and 2007, respectively, and home equity loans and lines of credit secured by one-to-four family residential properties of \$39 million during 2009, \$31 million during 2008 and \$16 million during 2007. Nonaccrual consumer loans were \$91 million at December 31, 2009, representing .75% of outstanding consumer loans, compared with \$66 million or .60% at December 31, 2008, and \$53 million or .47% at December 31, 2007. At the 2009, 2008 and 2007 year-ends,

consumer loans and leases delinquent 30-90 days totaled \$141 million, \$118 million and \$155 million, respectively, or 1.17%, 1.07% and 1.38% of outstanding consumer loans. Consumer loans past due 90 days or more and accruing interest totaled \$4 million at December 31, 2009 and \$1 million at each of December 31, 2008 and December 31, 2007. Information about the location of nonaccrual and charged-off home equity loans and lines of credit as of and for the year ended December 31, 2009 is presented in table 13.

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Table 13

SELECTED RESIDENTIAL REAL ESTATE-RELATED LOAN DATA

	December 31, 2009			Year Ended December 31, 2009	
	Outstanding Balances	Nonaccrual Balances	Percent of Outstanding Balances	Net Charge-offs Balances	Percent of Average Outstanding Balances
(Dollars in thousands)					
Residential mortgages					
New York	\$ 1,815,944	\$ 42,335	2.33%	\$ 3,931	0.23%
Pennsylvania	615,382	14,597	2.37	1,177	0.20
Mid-Atlantic	1,042,735	40,616	3.90	7,547	0.85
Other	1,154,545	54,795	4.75	11,401	1.01
Total	\$ 4,628,606	\$ 152,343	3.29%	\$ 24,056	0.56%
Residential construction loans					
New York	\$ 15,117	\$ 650	4.30%	\$ 755	2.61%
Pennsylvania	5,967	838	14.04	679	4.29
Mid-Atlantic	4,206	2,384	56.68	893	8.10
Other	50,895	11,954	23.49	13,608	14.68
Total	\$ 76,185	\$ 15,826	20.77%	\$ 15,935	10.73%
Alt-A first mortgages					
New York	\$ 109,091	\$ 16,110	14.77%	\$ 3,061	2.62%
Pennsylvania	30,337	2,757	9.09	185	0.57
Mid-Atlantic	136,756	16,360	11.96	6,996	4.67
Other	482,487	76,889	15.94	41,904	7.73
Total	\$ 758,671	\$ 112,116	14.78%	\$ 52,146	6.20%
Alt-A junior lien					
New York	\$ 3,486	\$ 131	3.76%	\$ 890	22.09%
Pennsylvania	1,175	133	11.32	36	2.85
Mid-Atlantic	5,468	398	7.28	1,017	16.97
Other	19,963	1,372	6.87	6,256	26.30
Total	\$ 30,092	\$ 2,034	6.76%	\$ 8,199	23.38%
First lien home equity loans					
New York	\$ 44,985	\$ 136	0.30%	\$ 157	0.30%

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Pennsylvania	256,167	1,757	0.69	193	0.07
Mid-Atlantic	187,512	1,258	0.67	5	
Other	2,497	197	7.89		
Total	\$ 491,161	\$ 3,348	0.68%	\$ 355	0.07%
First lien home equity lines					
New York	\$ 709,160	\$ 1,174	0.17%	\$ 505	0.08%
Pennsylvania	484,455	989	0.20	65	0.01
Mid-Atlantic	499,696	379	0.08	5	
Other	12,120	35	0.29	20	0.18
Total	\$ 1,705,431	\$ 2,577	0.15%	\$ 595	0.04%
Junior lien home equity loans					
New York	\$ 117,121	\$ 1,414	1.21%	\$ 949	0.68%
Pennsylvania	124,394	1,361	1.09	492	0.33
Mid-Atlantic	200,683	1,085	0.54	140	0.09
Other	10,920	520	4.76	721	8.10
Total	\$ 453,118	\$ 4,380	0.97%	\$ 2,302	0.50%
Junior lien home equity lines					
New York	\$ 1,854,444	\$ 10,602	0.57%	\$ 13,232	0.71%
Pennsylvania	623,208	2,693	0.43	1,890	0.31
Mid-Atlantic	1,588,812	6,418	0.40	11,061	0.83
Other	80,722	980	1.21	1,340	1.73
Total	\$ 4,147,186	\$ 20,693	0.50%	\$ 27,523	0.71%

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

Management cautiously and conservatively evaluated the allowance for credit losses as of December 31, 2009 in light of (i) lower residential real estate values and higher levels of delinquencies of residential real estate loans; (ii) the recession-like weak economic conditions in many of the markets served by the Company; (iii) continuing weakness in industrial employment in upstate New York and central Pennsylvania; (iv) the significant subjectivity involved in commercial real estate valuations for properties located in areas with stagnant or low growth economies; and (v) the amount of loan growth experienced by the Company. Considerable concerns exist about the economic recovery in both national and international markets; the level and volatility of energy prices; a weakened housing market; the troubled state of financial and credit markets; Federal Reserve positioning of monetary policy; high levels of unemployment, which has caused consumer spending to slow; the underlying impact on businesses' operations and abilities to repay loans as consumer spending slowed; continued stagnant population growth in the upstate New York and central Pennsylvania regions; and continued uncertainty about possible responses to state government budget deficits. Although the U.S. economy experienced recession and weak economic conditions during much of the last three years, as compared with other areas of the country, the impact of those conditions was not as pronounced on borrowers in the traditionally slower growth or stagnant regions of upstate New York and central Pennsylvania. Approximately one-half of the Company's loans are to customers in upstate New York and Pennsylvania. Home prices in upstate New York and central Pennsylvania were largely unchanged in 2009, in contrast to steep declines in values in other regions of the country. Therefore, despite the conditions, as previously described, the most severe credit issues experienced by the Company have been centered around residential real estate, including loans to builders and developers of residential real estate, in areas other than New York State and Pennsylvania. In response, throughout 2008 and 2009 the Company has conducted detailed reviews of all loans to residential real estate builders and developers that exceeded \$2.5 million. Those credit reviews often resulted in adjustments to loan grades and, if appropriate, commencement of intensified collection efforts, including foreclosure. During 2009, the Company has also experienced increases in nonaccrual commercial loans, largely the result of a small number of large relationships, and in nonaccrual commercial real estate loans, largely due to builders and developers of residential real estate and one large loan in New York City. The Company utilizes an extensive loan grading system which is applied to all commercial and commercial real estate loans. On a quarterly basis, the Company's loan review department reviews all commercial and commercial real estate loans greater than \$350,000 that are classified as Special Mention or worse. Meetings are held with loan officers and their managers, workout specialists and Senior Management to discuss each of the relationships. Borrower-specific information is

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

Factors that influence the Company's credit loss experience include overall economic conditions affecting businesses and consumers, generally, but also residential and commercial real estate valuations, in particular, given the size of the Company's real estate loan portfolios. Reflecting the factors and conditions as described herein, through December 31, 2009 the more significant increases in nonaccrual loans and net charge-offs of real estate-related loans have been in the Company's portfolios of residential real estate loans, including second lien Alt-A mortgage loans and loans to builders and developers of residential real estate. Commercial real estate valuations can be highly subjective, as they are based upon many assumptions. Such valuations can be significantly affected over relatively short periods of time by changes in business climate, economic conditions, interest rates, and, in many cases, the results of operations of businesses and other occupants of the real property. Similarly, residential real estate valuations can be impacted by housing trends, the availability of financing at reasonable interest rates, and general economic conditions affecting consumers.

In ascertaining the adequacy of the allowance for credit losses, the Company estimates losses attributable to specific troubled credits identified through both normal and detailed or intensified credit review processes and also estimates losses inherent in other loans and leases. In quantifying incurred losses, the Company considers the factors and uses the techniques described herein. For purposes of determining the level of the allowance for credit losses, the Company segments its loan and lease portfolio by loan type. The amount of specific loss components in the Company's loan and lease portfolios is determined through a loan by loan analysis of commercial and commercial real estate loans greater than \$350,000 which are in nonaccrual status. Measurement of the specific loss components is typically based on expected future cash flows, collateral values and other factors that may impact the borrower's ability to pay. Impaired loans are evaluated for specific loss components. Except for consumer loans and leases and residential real estate loans that are considered smaller balance homogeneous loans and are evaluated collectively, the Company considers a loan to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts according to the contractual terms of the loan agreement or the loan is delinquent 90 days or more and has been placed in nonaccrual status. Nevertheless, modified loans, including smaller balance homogeneous loans, that are considered to be troubled debt restructurings are evaluated for impairment giving consideration to the impact of the modified loan terms on the present value of the loan's expected cash flows. Loans

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less than 90 days delinquent are deemed to have a minimal delay in payment and are generally not considered to be impaired.

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

In evaluating collateral, the Company relies extensively on internally and externally prepared valuations. In 2008 and 2009, valuations of residential real estate, which are usually based on sales of comparable properties, declined significantly in many regions across the United States. Commercial real estate valuations also refer to sales of comparable properties but oftentimes are based on calculations that utilize many assumptions and, as a result, can be highly subjective. Specifically, commercial real estate values can be significantly affected over relatively short periods of time by changes in business climate, economic conditions and interest rates, and, in many cases, the results of operations of businesses and other occupants of the real property. Additionally, management is aware that there is oftentimes a delay in the recognition of credit quality changes in loans and, as a result, in changes to assigned loan grades due to time delays in the manifestation and reporting of underlying events that impact credit quality.

Accordingly, loss estimates derived from the inherent base level loss component computation are adjusted for current national and local economic conditions and trends. Economic indicators in the most significant market regions served by the Company were weak during 2009, indicative of a recessionary economy. For example, during 2009 private sector employment declined in most market areas served by the Company. Nevertheless, such declines were generally less than the national average decline of 4.4%. Private sector employment in 2009 declined 2.2% in upstate New York, 3.6% in areas of Pennsylvania served by the Company, 2.8% in Maryland and 1.6% in Greater Washington D.C. Employment growth in areas of Pennsylvania served by the Company was flat in 2008, while growth in the Maryland and Greater Washington D.C. regions exceeded the national average. Additionally, although the 2.7% decline in private sector employment in New York City also trailed the national average in 2009, significant layoffs in the financial services sector in both 2008 and 2009 are expected to weigh heavily on New York City economic growth in 2010. At the end of 2009 there remain significant concerns about the pace of national economic recovery from the recession, high unemployment, real estate valuations, high levels of consumer indebtedness, weak automobile sales and volatile energy prices. Those factors are expected to have a significant impact on the national economy in 2010.

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The specific loss components and the inherent base level loss components together comprise the total base level or allocated allowance for credit losses. Such allocated portion of the allowance represents management's assessment of losses existing in specific larger balance loans that are reviewed in detail by management and pools of other loans that are not individually analyzed. In addition, the Company has always provided an inherent unallocated portion of the allowance that is intended to recognize probable losses that are not otherwise identifiable. The inherent unallocated allowance includes management's subjective determination of amounts necessary for such things as: (i) the possible use of imprecise estimates in determining the allocated portion of the allowance; (ii) the effect of expansion into new markets, including market areas entered through acquisitions, for which the Company does not have the same degree of familiarity and experience regarding portfolio performance in changing market conditions; (iii) the introduction of new loan and lease product types; and (iv) other additional risks associated with the Company's loan portfolio which may not be specifically allocable.

A comparative allocation of the allowance for credit losses for each of the past five year-ends is presented in table 14. Amounts were allocated to specific loan categories based on information available to management at the time of each year-end assessment and using the methodology described herein. Variations in the allocation of the allowance by loan category as a percentage of those loans reflect changes in management's estimate of specific loss components and inherent base level loss components, including the impact of the increased delinquencies and nonaccrual loans. As described in note 4 of Notes to Financial Statements, loans considered impaired were \$1.3 billion at December 31, 2009 and \$617 million at December 31, 2008. The allocated portion of the allowance for credit losses related to impaired loans totaled \$244 million at December 31, 2009 and \$124 million at December 31, 2008. The unallocated portion of the allowance for credit losses was equal to .13% and .15% of gross loans outstanding at December 31, 2009 and 2008, respectively. The declines in the unallocated portion of the allowance since 2005 reflect management's continued refinement of its loss estimation techniques, which has increased the precision of its calculation of the allocated portion of the allowance for credit losses. However, given the inherent imprecision in the many estimates used in the determination of the allocated portion of the allowance, management deliberately remained cautious and conservative in establishing the overall allowance for credit losses. Given the Company's high concentration of real estate loans and considering the other factors already discussed herein, management considers the allocated and unallocated portions of the allowance for credit losses to be prudent and reasonable. Furthermore, the Company's allowance is general in nature and is available to absorb losses from any loan or lease category.

Table 14**ALLOCATION OF THE ALLOWANCE FOR CREDIT LOSSES TO LOAN CATEGORIES**

December 31	2009	2008	2007	2006	2005
	(Dollars in thousands)				
Commercial, financial, agricultural, etc.	\$ 219,170	\$ 231,993	\$ 216,833	\$ 212,945	\$ 136,852
Real estate	451,352	340,588	283,127	221,747	161,003
Consumer	137,124	140,571	167,984	124,675	133,541
Unallocated	70,376	74,752	91,495	90,581	206,267
Total	\$ 878,022	\$ 787,904	\$ 759,439	\$ 649,948	\$ 637,663

As a Percentage of Gross Loans and Leases Outstanding

1.59%	1.59%	1.62%	1.79%	1.23%
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Commercial, financial, agricultural,
etc.

Real estate	1.70	1.43	1.20	1.04	.85
Consumer	1.14	1.28	1.49	1.26	1.27

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

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1.61% at December 31, 2008 and \$759 million or 1.58% at December 31, 2007. The ratio of the allowance to total loans and leases at December 31, 2009 reflects the impact of \$3.9 billion of loans obtained in the acquisition of Provident and in the Bradford transaction that have been recorded at estimated fair value based on estimated future cash flows expected to be received on those loans. Those cash flows reflect the impact of expected defaults on customer repayment performance. As a result, and as required by GAAP, there was no carry over of the allowance for credit losses recorded by Provident and Bradford. The allowance for credit losses at December 31, 2009 as a percentage of the Company's legacy loans (that is, total loans excluding loans acquired during 2009 in the Provident and Bradford transactions) was 1.83%. The level of the allowance reflects management's evaluation of the loan and lease portfolio using the methodology and considering the factors as described herein and the Company's loan charge-off policies. Should the various credit factors considered by management in establishing the allowance for credit losses change and should management's assessment of losses inherent in the loan portfolios also change, the level of the allowance as a percentage of loans could increase or decrease in future periods. The ratio of the allowance to nonaccrual loans at the end of 2009, 2008 and 2007 was 66%, 104% and 176%, respectively. Given the Company's position as a secured lender and its practice of charging off loan balances when collection is deemed doubtful, that ratio and changes in that ratio are generally not an indicative measure of the adequacy of the Company's allowance for credit losses, nor does management rely upon that ratio in assessing the adequacy of the allowance. The level of the allowance reflects management's evaluation of the loan and lease portfolio as of each respective date.

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

- For consumer loans and leases considered smaller balance homogenous loans and evaluated collectively, a 20 basis point increase in loss factors;

- For residential real estate loans and home equity loans and lines of credit, also considered smaller balance homogenous loans and evaluated collectively, a 15% increase in estimated inherent losses; and

- For commercial loans and commercial real estate loans, which are not similar in nature, a migration of loans to lower-ranked risk grades resulting in a 20% increase in the balance of classified credits in each risk grade.

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

- For consumer loans and leases, a 10 basis point decrease in loss factors;

- For residential real estate loans and home equity loans and lines of credit, a 5% decrease in estimated inherent losses; and

- For commercial loans and commercial real estate loans, a migration of loans to higher-ranked risk grades resulting in a 5% decrease in the balance of classified credits in each risk grade.

The scenario analyses resulted in an additional \$95 million that could be identifiable under the assumptions for credit deterioration, whereas under the assumptions for credit improvement a \$30 million reduction could occur. These examples are only a few of numerous reasonably possible scenarios that could be utilized in assessing the sensitivity of the allowance for credit losses based on changes in assumptions and other factors.

Investor-owned commercial real estate loans secured by retail properties in the New York City metropolitan area represented 4% of loans outstanding at December 31, 2009. The Company had no concentrations of credit extended to any specific industry that exceeded 10% of total loans at December 31, 2009. Outstanding loans to foreign borrowers were \$55 million at December 31, 2009, or .11% of total loans and leases.

Real estate and other foreclosed assets totaled to \$95 million at December 31, 2009, compared with \$100 million at December 31, 2008 and \$40 million at December 31, 2007. The increase from December 31, 2007 to the two most recent year-ends resulted from higher residential real estate loan

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defaults and additions from residential real estate development projects. At December 31, 2009, the Company's holding of residential real estate-related properties comprised 84% of foreclosed assets.

Other Income

Other income aggregated \$1.05 billion in 2009, compared with \$939 million in 2008. Gains and losses from bank investment securities (including other-than-temporary impairment losses) totaled to net losses of \$137 million in 2009 and \$148 million in 2008. During 2009, other-than-temporary impairment charges of \$138 million were recognized related to certain of the Company's privately issued CMOs and CDOs and in 2008, similar losses of \$182 million were recognized related to certain of the Company's privately issued CMOs, CDOs and preferred stock holdings of Fannie Mae and Freddie Mac, all held in the available-for-sale investment securities portfolio. Excluding gains and losses from bank investment securities, noninterest income was \$1.19 billion in 2009, 9% higher than \$1.09 billion in 2008. Contributing to that improvement was the \$29 million gain recognized on the Bradford acquisition transaction and higher mortgage banking revenues, service charges on deposit accounts obtained in the 2009 acquisition transactions and a smaller loss related to M&T's equity in the operations of BLG. Partially offsetting those factors were declines in trust and brokerage services income.

Other income in 2008 was 1% higher than the \$933 million earned in 2007. As discussed above, reflected in other income in 2008 were losses from bank investment securities of \$148 million, compared with losses of \$126 million in 2007 (including \$127 million of other-than-temporary impairment losses). Excluding the impact of securities gains or losses, other income of \$1.09 billion in 2008 was 3% higher than \$1.06 billion in 2007. That rise reflects higher mortgage banking revenues and fees for providing deposit account, trust, brokerage and credit-related services that were partially offset by a \$46 million decline in M&T's pro-rata share of the operating results of BLG and lower trading account and foreign exchange gains.

Mortgage banking revenues were \$208 million in 2009, \$156 million in 2008 and \$112 million in 2007. Mortgage banking revenues are comprised of both residential and commercial mortgage banking activities. The Company's involvement in commercial mortgage banking activities includes the origination, sales and servicing of loans under the multi-family loan programs of Fannie Mae, Freddie Mac and the U.S. Department of Housing and Urban Development.

Residential mortgage banking revenues, consisting of realized gains from sales of residential mortgage loans and loan servicing rights, unrealized gains and losses on residential mortgage loans held for sale and related commitments, residential mortgage loan servicing fees, and other residential mortgage loan-related fees and income, were \$166 million in 2009, \$117 million in 2008 and \$86 million in 2007. The substantially higher revenues in 2009 as compared with the previous two years were attributable to significantly higher origination activity, due largely to refinancing of loans by consumers in response to relatively low interest rates, and wider margins associated with that activity. Reflected in the 2007 total was the previously described \$12 million of Alt-A-related losses in that year's first quarter and the impact of lower gains on residential mortgage loans and loan servicing rights due to slimmer margins realized by the Company resulting from changes in market conditions during that year.

Residential mortgage loans originated for sale to other investors totaled approximately \$6.2 billion in 2009, compared with \$4.4 billion in 2008 and \$5.6 billion in 2007. Residential mortgage loans sold to investors totaled \$5.9 billion in 2009, \$4.4 billion in 2008 and \$5.3 billion in 2007. Realized gains from sales of residential mortgage loans and loan servicing rights and recognized net unrealized gains or losses attributable to residential mortgage loans held for sale, commitments to originate loans for sale and commitments to sell loans totaled \$79 million in 2009, compared with \$31 million in 2008 and \$3 million in 2007. Reflected in the 2008 gains were approximately \$7 million of revenues related to the January 1, 2008 adoption of SEC Staff Accounting Bulletin (SAB) No. 109 for written loan commitments issued or modified after January 1, 2008. In November 2007, the SEC issued SAB No. 109, which reversed previous conclusions expressed by the SEC staff regarding written loan commitments that are accounted for at fair value through earnings. Specifically, the SEC staff now believes that the expected net future cash flows related to the associated servicing of the loan should be included in the fair value measurement of the derivative loan commitment. In accordance with SAB No. 105, Application of Accounting Principles to Loan Commitments, the

Company had not included such amounts in the value

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of loan commitments accounted for as derivatives in 2007. As previously described, reflected in 2007 were \$12 million of losses related to Alt-A residential mortgage loans that were recognized during the first quarter of 2007. Revenues from servicing residential mortgage loans for others were \$82 million in 2009, compared with \$81 million in 2008 and \$73 million in 2007. Included in such servicing revenues were amounts related to purchased servicing rights associated with small balance commercial mortgage loans totaling \$29 million in each of 2009 and 2008, compared with \$21 million in 2007. Residential mortgage loans serviced for others aggregated \$21.4 billion at December 31, 2009, \$21.3 billion a year earlier and \$19.4 billion at December 31, 2007, including the small balance commercial mortgage loans noted above of approximately \$5.5 billion, \$5.9 billion and \$4.9 billion at December 31, 2009, 2008 and 2007, respectively. Capitalized residential mortgage loan servicing assets, net of a valuation allowance for possible impairment, totaled \$141 million at December 31, 2009, compared with \$143 million and \$170 million at December 31, 2008 and 2007, respectively. The valuation allowance for possible impairment of capitalized residential mortgage servicing assets totaled \$50 thousand, \$22 million and \$6 million at the 2009, 2008 and 2007 year-ends, respectively. Included in capitalized residential mortgage servicing assets were purchased servicing rights associated with the small balance commercial mortgage loans noted above of \$40 million, \$58 million and \$57 million at December 31, 2009, 2008 and 2007, respectively. Servicing rights for the small balance commercial mortgage loans were purchased from BLG or its affiliates. In addition, at December 31, 2009 capitalized servicing rights included \$17 million of servicing rights for \$4.1 billion of residential real estate loans that were purchased from affiliates of BLG. Additional information about the Company's relationship with BLG and its affiliates is provided in note 25 of Notes to Financial Statements. Additional information about the Company's capitalized residential mortgage loan servicing assets, including information about the calculation of estimated fair value, is presented in note 7 of Notes to Financial Statements.

Commitments to sell residential mortgage loans and commitments to originate residential mortgage loans for sale at pre-determined rates were \$936 million and \$631 million, respectively, at December 31, 2009, \$898 million and \$871 million, respectively, at December 31, 2008 and \$772 million and \$492 million, respectively, at December 31, 2007. Net unrealized gains on residential mortgage loans held for sale, commitments to sell loans, and commitments to originate loans for sale were \$15 million and \$6 million at December 31, 2009 and 2008, respectively, compared with net unrealized losses of \$7 million at December 31, 2007. Changes in such net unrealized gains and losses are recorded in mortgage banking revenues and resulted in net increases in revenue of \$9 million and \$13 million in 2009 and 2008, respectively, and a net decrease in revenue of \$23 million in 2007 (including \$12 million to record the Alt-A mortgage loans transferred from held for sale to held for investment at the lower of cost or market value in 2007).

Commercial mortgage banking revenues totaled \$42 million in 2009, \$39 million in 2008 and \$26 million in 2007. Revenues from loan origination and sales activities were \$27 million in each of 2009 and 2008, and \$13 million in 2007. Improved margins in 2009 were offset by a decline in loan origination volume as compared with 2008. The increased revenues in 2008 as compared with 2007 reflect higher loan origination volumes. Commercial mortgage loans originated for sale to other investors totaled approximately \$1.1 billion in each of 2009 and 2007, compared with \$1.4 billion in 2008. Loan servicing revenues totaled \$15 million in 2009, \$12 million in 2008 and \$13 million in 2007. Capitalized commercial mortgage loan servicing assets aggregated \$33 million at December 31, 2009, \$26 million at December 31, 2008 and \$20 million at December 31, 2007. Commercial mortgage loans serviced for other investors totaled \$7.1 billion, \$6.4 billion and \$5.3 billion at December 31, 2009, 2008 and 2007, respectively, and included \$1.3 billion, \$1.2 billion and \$1.0 billion, respectively, of loan balances for which investors had recourse to the Company if such balances are ultimately uncollectible. Commitments to sell commercial mortgage loans and commitments to originate commercial mortgage loans for sale were \$303 million and \$180 million, respectively, at December 31, 2009, \$408 million and \$252 million, respectively, at December 31, 2008 and \$176 million and \$97 million, respectively, at December 31, 2007. Commercial mortgage loans held for sale totaled \$123 million, \$156 million and \$79 million at December 31, 2009, 2008 and 2007, respectively.

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Service charges on deposit accounts rose 9% to \$469 million in 2009 from \$431 million in 2008. That improvement resulted predominantly from the impact of the acquisition of Provident. Deposit account service charges in 2007 were \$409 million. The higher level of service charges on deposit accounts in 2008 as compared with 2007 was largely due to increases in service charges on commercial accounts and consumer debit card fees due to higher transaction volumes. Certain fees charged by financial institutions for deposit services have come under scrutiny by lawmakers and regulators. The Federal Reserve and other bank regulators have adopted regulations requiring expanded disclosure of overdraft and other fees assessed to consumers and have issued guidance that will allow consumers to elect to not be subject to fees for certain deposit account transactions beginning in 2010. The Company intends to comply with these regulations but, at the present time, cannot predict the extent to which customers will elect to not avail themselves of the respective deposit account services.

Trust income includes fees for trust and custody services provided to personal, corporate and institutional customers, and investment management and advisory fees that are often based on a percentage of the market value of assets under management. Trust income declined 18% to \$129 million in 2009 from \$156 million in 2008. Contributing to that decline were lower fees for providing services that are based on market values of assets under administration, the impact of lower balances in proprietary mutual funds and the impact of fee waivers by the Company in order to continue to pay customers a yield on their investments in proprietary money-market mutual funds. Those waived fees were approximately \$10 million in 2009. Trust income totaled \$153 million in 2007. Total trust assets, which include assets under management and assets under administration, aggregated \$111.6 billion at December 31, 2009, compared with \$111.0 billion at December 31, 2008. Trust assets under management were \$13.8 billion and \$12.8 billion at December 31, 2009 and 2008, respectively. The Company's proprietary mutual funds, the MTB Group of Funds, had assets of \$7.9 billion and \$11.5 billion at December 31, 2009 and 2008, respectively.

Brokerage services income, which includes revenues from the sale of mutual funds and annuities and securities brokerage fees, aggregated \$58 million in 2009, \$64 million in 2008 and \$60 million in 2007. The decrease in revenues in 2009 as compared with the previous year was largely attributable to lower fees for providing services that are tied to the performance of bond and equity markets. The improvement from 2007 to 2008 was due largely to increased revenues earned from the sale of annuities. Trading account and foreign exchange activity resulted in gains of \$23 million in 2009, \$18 million in 2008 and \$30 million in 2007. The higher revenues in 2009 as compared with 2008 were due to increases in market values of trading assets held in connection with deferred compensation plans, while the decline in revenues from 2007 to 2008 resulted from decreases in the market values of such trading assets. The Company enters into interest rate and foreign exchange contracts with customers who need such services and concomitantly enters into offsetting trading positions with third parties to minimize the risks involved with these types of transactions. Information about the notional amount of interest rate, foreign exchange and other contracts entered into by the Company for trading account purposes is included in note 18 of Notes to Financial Statements and herein under the heading Liquidity, Market Risk, and Interest Rate Sensitivity. Trading account revenues related to interest rate and foreign exchange contracts totaled \$10 million in 2009, compared with \$21 million in each of 2008 and 2007. That decline related predominantly to lower new volumes of interest rate swap agreement transactions executed on behalf of commercial customers. Trading account assets held in connection with deferred compensation plans were \$36 million and \$33 million at December 31, 2009 and 2008, respectively. Trading account revenues resulting from net increases in the market values of such assets were \$4 million in each of 2009 and 2007, compared with losses of \$12 million in 2008. A largely offsetting impact on expenses resulting from corresponding increases or decreases in liabilities related to deferred compensation is included in other costs of operations.

Including other-than-temporary impairment losses, the Company recognized net losses on investment securities of \$137 million during 2009, compared with \$148 million and \$126 million in 2008 and 2007, respectively.

Other-than-temporary impairment charges of \$138 million, \$182 million and \$127 million were recorded in 2009, 2008 and 2007, respectively. During 2009, the Company recognized impairment charges on certain privately issued CMOs backed by residential real estate loans and CDOs backed by trust preferred securities issued by financial institutions and other entities. The impairment

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charges recognized in 2008 included write-downs of \$153 million related to preferred stock issuances of Fannie Mae and Freddie Mac and \$29 million related to CMOs and CDOs in the investment securities portfolio and were partially offset by a gain of \$33 million related to the mandatory redemption of common shares of Visa during the first quarter of that year. The losses in 2007 reflect the previously described \$127 million charge for the other-than-temporary impairment in value of CDOs backed by residential mortgage-backed securities. Each reporting period the Company reviews its impaired investment securities for other-than-temporary impairment. For equity securities, such as the Company's investment in the preferred stock of Fannie Mae and Freddie Mac, the Company considers various factors to determine if the decline in value is other than temporary, including the duration and extent of the decline in value, the factors contributing to the decline in fair value, including the financial condition of the issuer as well as the conditions of the industry in which it operates, and the prospects for a recovery in fair value of the equity security. For debt securities, the Company analyzes the creditworthiness of the issuer or reviews the credit performance of the underlying collateral supporting the bond. For debt securities backed by pools of loans, such as privately issued mortgage-backed securities, the Company estimates the cash flows of the underlying loan collateral using forward-looking assumptions of default rates, loss severities and prepayment speeds. Estimated collateral cash flows are then utilized to estimate bond-specific cash flows to determine the ultimate collectibility of the bond. If the present value of the cash flows indicates that the Company should not expect to recover the entire amortized cost basis of a bond or if the Company intends to sell the bond or it more likely than not will be required to sell the bond before recovery of its amortized cost basis, an other-than-temporary impairment loss is recognized. If an other-than-temporary impairment loss is deemed to have occurred, the investment security's cost basis is adjusted, as appropriate for the circumstances.

M&T's pro-rata share of the operating losses of BLG in 2009 and 2008 was \$26 million and \$37 million, respectively, compared with a gain of \$9 million in 2007. The operating losses of BLG in 2009 and 2008 resulted from the disruptions in the commercial mortgage-backed securities market and reflected losses from loan securitization and sales activities, lower values ascribed to loans held for sale, higher provisions for losses associated with loans held by BLG, and costs associated with severance and certain lease terminations incurred by BLG as it downsized its operations. Despite the credit and liquidity disruptions that began in 2007, BLG had been successfully securitizing and selling significant volumes of small-balance commercial real estate loans until the first quarter of 2008. In response to the illiquidity in the marketplace since that time, BLG reduced its originations activities, scaled back its workforce and made use of its contingent liquidity sources. In addition to BLG's mortgage originations and sales capabilities, BLG is also entitled to cash flows from mortgage assets that it owns or that are owned by its affiliates and from asset management and other services provided by its affiliates. Accordingly, the Company believes that BLG is capable of realizing positive cash flows that could be available for distribution to its owners, including M&T, despite a lack of positive GAAP-earnings. Nevertheless, if BLG is not able to realize sufficient cash flows for the benefit of M&T, the Company may be required to recognize an other-than-temporary impairment charge in a future period for some portion of the \$246 million book value of its investment in BLG. Information about the Company's relationship with BLG and its affiliates is included in note 25 of Notes to Financial Statements.

Other revenues from operations totaled \$325 million in 2009, compared with \$300 million in 2008 and \$286 million in 2007. The improvement from 2008 to 2009 reflects the \$29 million gain recognized on the Bradford transaction in 2009 offset, in part, by modest decreases in other miscellaneous fees and revenues. The primary contributor to the 5% improvement from 2007 to 2008 was a \$16 million increase in letter of credit and other credit-related fees.

Included in other revenues from operations were the following significant components. Letter of credit and other credit-related fees totaled \$100 million, \$97 million and \$81 million in 2009, 2008 and 2007, respectively. The rise in such fees from 2007 to 2008 was due predominately to higher income from providing loan syndication and letter of credit services. Tax-exempt income earned from bank owned life insurance aggregated \$49 million in each of 2009 and 2008, and \$47 million in 2007. Such income includes increases in cash surrender value of life insurance policies and benefits received. Revenues from merchant discount and credit card fees were \$40 million in each of 2009 and 2008, and \$35 million in 2007. Insurance-related sales commissions and other revenues totaled \$42 million in 2009, \$31 million in

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2008 and \$33 million in 2007. Automated teller machine usage fees aggregated \$19 million in 2009, \$17 million in 2008 and \$15 million in 2007.

Other Expense

Other expense aggregated \$1.98 billion in 2009, compared with \$1.73 billion in 2008 and \$1.63 billion in 2007. Included in such amounts are expenses considered to be nonoperating in nature consisting of amortization of core deposit and other intangible assets of \$64 million, \$67 million and \$66 million in 2009, 2008 and 2007, respectively, and merger-related expenses of \$89 million in 2009, \$4 million in 2008 and \$15 million in 2007. Exclusive of these nonoperating expenses, noninterest operating expenses were \$1.83 billion in 2009, up 10% from \$1.66 billion in 2008. The most significant factors for the rise in operating expenses from 2008 to 2009 were costs associated with the acquired operations of Provident and Bradford, a \$90 million increase in FDIC assessments (including approximately \$9 million relating to deposits from Provident and Bradford) and higher foreclosure-related expenses. The impact of those increases was mitigated by a reversal of the valuation allowance for capitalized residential mortgage servicing rights of \$22 million in 2009, as compared with an addition to that valuation allowance of \$16 million in 2008. Noninterest operating expenses were \$1.55 billion in 2007. The higher level of operating expenses in 2008 as compared with 2007 was due largely to increased expenses for salaries, occupancy, professional services, advertising and promotion, and foreclosed residential real estate properties. Also contributing to the rise in operating expenses was an addition to the valuation allowance for capitalized residential mortgage servicing rights of \$16 million in 2008, as compared with a partial reversal of the allowance of \$4 million in 2007. Partially offsetting those factors was a \$23 million charge taken in the fourth quarter of 2007 related to M&T Bank's obligation as a member bank of Visa to share in losses stemming from certain litigation against Visa, compared with a partial reversal of that charge in 2008's initial quarter of \$15 million.

Salaries and employee benefits expense totaled \$1.00 billion in 2009, up 5% from \$957 million in 2008. The higher expense levels in 2009 as compared with 2008 reflect the impact of the 2009 acquisition transactions and included \$10 million of merger-related expenses in 2009. Those expenses consisted predominantly of severance expense for Provident employees. Also contributing to the increased expenses in 2009 were higher costs for providing medical and pension benefits. Salaries and employee benefits expense was \$908 million in 2007. The most significant contributors to the increase from 2007 to 2008 were the impact of annual merit increases, higher incentive compensation and the fourth quarter 2007 acquisition transactions. Stock-based compensation totaled \$54 million in 2009, \$50 million in 2008 and \$51 million in 2007. The number of full-time equivalent employees was 13,639 at December 31, 2009, compared with 12,978 and 13,246 at December 31, 2008 and 2007, respectively.

The Company provides pension and other postretirement benefits (including a retirement savings plan) for its employees. Expenses related to such benefits totaled \$60 million in 2009, \$52 million in 2008 and \$54 million in 2007. The Company sponsors both defined benefit and defined contribution pension plans. Pension benefit expense for those plans was \$32 million in 2009, \$23 million in 2008 and \$27 million in 2007. Included in those amounts are \$11 million in 2009, \$10 million in 2008 and \$8 million in 2007 for a defined contribution pension plan that the Company began on January 1, 2006. The determination of pension expense and the recognition of net pension assets and liabilities for defined benefit pension plans requires management to make various assumptions that can significantly impact the actuarial calculations related thereto. Those assumptions include the expected long-term rate of return on plan assets, the rate of increase in future compensation levels and the discount rate. Changes in any of those assumptions will impact the Company's pension expense. The expected long-term rate of return assumption is determined by taking into consideration asset allocations, historical returns on the types of assets held and current economic factors. Returns on invested assets are periodically compared with target market indices for each asset type to aid management in evaluating such returns. The discount rate used by the Company to determine the present value of the Company's future benefit obligations reflects specific market yields for a hypothetical portfolio of highly rated corporate bonds that would produce cash flows similar to the Company's benefit plan obligations and the level of market interest rates in general as of the year-end. Other factors used to estimate the projected benefit obligations include actuarial assumptions for mortality rate, turnover rate, retirement rate and disability

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rate. Those other factors do not tend to change significantly over time. The Company reviews its pension plan assumptions annually to ensure that such assumptions are reasonable and adjusts those assumptions, as necessary, to reflect changes in future expectations. The Company utilizes actuaries and others to aid in that assessment. The Company's 2009 pension expense for its defined benefit plans was determined using the following assumptions: a long-term rate of return on assets of 6.5%; a rate of future compensation increase of 4.6%; and a discount rate of 6.0%. To demonstrate the sensitivity of pension expense to changes in the Company's pension plan assumptions, 25 basis point increases in: the rate of return on plan assets would have resulted in a decrease in pension expense of \$2 million; the rate of increase in compensation would have resulted in an increase in pension expense of \$.3 million; and the discount rate would have resulted in a decrease in pension expense of \$2 million. Decreases of 25 basis points in those assumptions would have resulted in similar changes in amount, but in the opposite direction from the changes presented in the preceding sentence. The accounting guidance for defined benefit pension plans reflects the long-term nature of benefit obligations and the investment horizon of plan assets, and has the effect of reducing expense volatility related to short-term changes in interest rates and market valuations. Actuarial gains and losses include the impact of plan amendments, in addition to various gains and losses resulting from changes in assumptions and investment returns which are different from that which is assumed. As of December 31, 2009, the Company had cumulative unrecognized actuarial losses of approximately \$239 million that could result in an increase in the Company's future pension expense depending on several factors, including whether such losses at each measurement date exceed ten percent of the greater of the projected benefit obligation or the market-related value of plan assets. In accordance with GAAP, net unrecognized gains or losses that exceed that threshold are required to be amortized over the expected service period of active employees, and are included as a component of net pension cost. Amortization of these net unrealized losses had the effect of increasing the Company's pension expense by approximately \$10 million in 2009, \$4 million in 2008 and \$6 million in 2007.

GAAP requires an employer to recognize in its balance sheet as an asset or liability the overfunded or underfunded status of a defined benefit postretirement plan, measured as the difference between the fair value of plan assets and the benefit obligation. For a pension plan, the benefit obligation is the projected benefit obligation; for any other postretirement benefit plan, such as a retiree health care plan, the benefit obligation is the accumulated postretirement benefit obligation. Gains or losses and prior service costs or credits that arise during the period, but are not included as components of net periodic benefit cost, are to be recognized as a component of other comprehensive income. As of December 31, 2009, the combined benefit obligations of the Company's defined benefit postretirement plans exceeded the fair value of the assets of such plans by approximately \$147 million. Of that amount, \$27 million was related to qualified defined benefit plans that are periodically funded by the Company and \$120 million related to non-qualified pension and other postretirement benefit plans that are generally not funded until benefits are paid. The Company was required to have a net pension and postretirement benefit liability for those plans that was at least equal to \$147 million at December 31, 2009. Accordingly, as of December 31, 2009 the Company recorded an additional postretirement benefit liability of \$193 million. After applicable tax effect, that liability reduced accumulated other comprehensive income (and thereby stockholders' equity) by \$117 million. The result of this, however, was a year-over-year decrease of \$94 million to the required minimum postretirement benefit liability from the \$286 million recorded at December 31, 2008. After applicable tax effect, the \$94 million decrease in the minimum required liability increased accumulated other comprehensive income in 2009 by \$57 million from the prior year-end amount of \$174 million. The \$94 million decrease to the liability was the result of gains that occurred during 2009 resulting from actual experience differing from actuarial assumptions and from changes in those assumptions. The main factor contributing to those gains was the improved performance of the qualified defined benefit plan assets, reflecting the overall improvement in global financial markets. In determining the benefit obligation for defined benefit postretirement plans the Company used a discount rate of 5.75% at December 31, 2009 and 6% at December 31, 2008. A 25 basis point decrease in the assumed discount rate as of December 31, 2009 to 5.50% would have resulted in increases in the combined benefit obligations of all defined benefit postretirement plans (including pension and other plans) of \$31 million. Under that scenario, the minimum postretirement liability adjustment at

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December 31, 2009 would have been \$224 million, rather than the \$193 million that was actually recorded, and the corresponding after tax-effect charge to accumulated other comprehensive income at December 31, 2009 would have been \$135 million, rather than the \$117 million that was actually recorded. A 25 basis point increase in the assumed discount rate to 6.00% would have decreased the combined benefit obligations of all defined benefit postretirement plans by \$29 million. Under this latter scenario, the aggregate minimum liability adjustment at December 31, 2009 would have been \$164 million rather than the \$193 million actually recorded and the corresponding after tax-effect charge to accumulated other comprehensive income would have been \$99 million rather than \$117 million. During the second quarter of 2009, the Company elected to contribute 900,000 shares of common stock of M&T having a fair value of \$44 million to its qualified defined benefit pension plan. During 2008, the Company made cash contributions to its qualified defined benefit pension plan totaling \$140 million. Information about the Company's pension plans, including significant assumptions utilized in completing actuarial calculations for the plans, is included in note 12 of Notes to Financial Statements.

The Company also provides a retirement savings plan (RSP) that is a defined contribution plan in which eligible employees of the Company may defer up to 50% of qualified compensation via contributions to the plan. The Company makes an employer matching contribution in an amount equal to 75% of an employee's contribution, up to 4.5% of the employee's qualified compensation. RSP expense totaled \$24 million in 2009, \$23 million in 2008 and \$22 million in 2007.

Expenses associated with the defined benefit and defined contribution pension plans and the RSP totaled \$56 million in 2009, \$47 million in 2008 and \$49 million in 2007. Expense associated with providing medical and other postretirement benefits was \$4 million in 2009 and \$5 million in each of 2008 and 2007.

Excluding the nonoperating expense items already noted, nonpersonnel operating expenses totaled \$835 million in 2009, up 19% from \$700 million in 2008. Higher FDIC deposit assessments were a significant contributor to that rise. In total, FDIC assessments in 2009 were \$97 million, including a \$33 million special assessment in the second quarter, compared with \$7 million in 2008. Also contributing to the higher level of operating expenses in 2009 were costs associated with the acquired operations of Provident and Bradford and expenses related to the foreclosure process for residential real estate properties. Finally, a \$15 million reversal in the first quarter of 2008 of an accrual established in the fourth quarter of 2007 for estimated losses stemming from certain litigation involving Visa also contributed to the year-over-year variance. Partially offsetting those factors was the impact of partial reversals of the valuation allowance for impairment of residential mortgage servicing rights in 2009 of \$22 million, compared with additions to the valuation allowance of \$16 million in 2008. Nonpersonnel operating expenses were \$639 million in 2007. Contributing to the rise from 2007 to 2008 were increases in costs for occupancy, professional services, advertising and promotion, contributions to The M&T Charitable Foundation, and higher expenses related to foreclosed residential real estate properties. Also contributing to the higher level of operating expenses was an addition to the valuation allowance for capitalized residential mortgage servicing rights of \$16 million in 2008, as compared with a partial reversal of the allowance of \$4 million in 2007. Partially offsetting those factors was the \$23 million charge taken in the fourth quarter of 2007 related to M&T Bank's obligation as a member bank of Visa to share in losses stemming from certain litigation against Visa, compared with a partial reversal of that charge in 2008's initial quarter of \$15 million.

Income Taxes

The provision for income taxes was \$139 million in 2009, compared with \$184 million in 2008 and \$309 million in 2007. The effective tax rates were 26.8%, 24.9% and 32.1% in 2009, 2008 and 2007, respectively. The recent year's provision for income taxes was reduced as a result of a \$10 million reversal of taxes accrued in earlier periods for previously uncertain tax positions in various jurisdictions. Income taxes in 2008 reflect the resolution in that year of previously uncertain tax positions related to the Company's activities in various jurisdictions during the years 1999-2007 that allowed the Company to reduce its accrual for income taxes in the third quarter of 2008 by \$40 million. Exclusive of the impact of the \$10 million and the \$40 million credits to income taxes in 2009 and 2008, respectively, the effective tax rates in 2009 and 2008 were 28.8% and 30.3%, respectively. The effective tax rate is

affected by the

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level of income earned that is exempt from tax, the level of income allocated to the various state and local jurisdictions where the Company operates, because tax rates differ among those jurisdictions, and the impact of any large but infrequently occurring items. For example, although the higher merger-related expenses incurred during 2009 are predominantly deductible for purposes of computing income tax expense, those charges had an impact on the effective tax rate because they lowered pre-tax income relative to the amounts of tax-exempt income and other permanent differences that impact the effective tax rate. Excluding the impact of the: (i) other-than-temporary impairment charges from pre-tax income and income tax expense in 2009, 2008 and 2007; (ii) net merger-related expenses of \$60 million in 2009, \$4 million in 2008 and \$15 million in 2007; and (iii) the \$10 million and \$40 million credits to income tax expense in 2009 and 2008, respectively, the Company's effective tax rates for 2009, 2008 and 2007 would have been 31.6%, 32.1% and 33.0%, respectively.

The Company's effective tax rate in future periods will be affected by the results of operations allocated to the various tax jurisdictions within which the Company operates, any change in income tax laws or regulations within those jurisdictions, and interpretations of income tax regulations that differ from the Company's interpretations by any of various tax authorities that may examine tax returns filed by M&T or any of its subsidiaries. Information about amounts accrued for uncertain tax positions and a reconciliation of income tax expense to the amount computed by applying the statutory federal income tax rate to pre-tax income is provided in note 13 of Notes to Financial Statements.

International Activities

The Company's net investment in international assets totaled \$62 million at December 31, 2009 and \$99 million at December 31, 2008. Such assets included \$55 million and \$91 million, respectively, of loans to foreign borrowers. Offshore deposits totaled \$1.1 billion at December 31, 2009 and \$4.0 billion at December 31, 2008. The Company uses such deposits to facilitate customer demand and as an alternative to short-term borrowings when the costs of such deposits seem reasonable.

Liquidity, Market Risk, and Interest Rate Sensitivity

As a financial intermediary, the Company is exposed to various risks, including liquidity and market risk. Liquidity refers to the Company's ability to ensure that sufficient cash flow and liquid assets are available to satisfy current and future obligations, including demands for loans and deposit withdrawals, funding operating costs, and other corporate purposes. Liquidity risk arises whenever the maturities of financial instruments included in assets and liabilities differ. Core deposits have historically been the most significant funding source for the Company and are generated from a large base of consumer, corporate and institutional customers. That customer base has, over the past several years, become more geographically diverse as a result of acquisitions and expansion of the Company's businesses. Nevertheless, the Company faces competition in offering products and services from a large array of financial market participants, including banks, thrifts, mutual funds, securities dealers and others. Core deposits financed 72% of the Company's earning assets at December 31, 2009, compared with 60% and 54% at December 31, 2008 and 2007, respectively. The substantial increase in the amount of earning assets financed by core deposits at the 2009 year-end as compared with a year earlier was the result of an \$8.7 billion, or 25%, rise in core deposits, largely due to higher noninterest-bearing deposits.

The Company supplements funding provided through core deposits with various short-term and long-term wholesale borrowings, including federal funds purchased and securities sold under agreements to repurchase, brokered certificates of deposit, offshore branch deposits and borrowings from the FHLBs and others. At December 31, 2009, M&T Bank had short-term and long-term credit facilities with the FHLBs aggregating \$6.5 billion. Outstanding borrowings under these credit facilities totaled \$5.4 billion and \$8.0 billion at December 31, 2009 and 2008, respectively. Such borrowings are secured by loans and investment securities. M&T Bank and M&T Bank, N.A. had available lines of credit with the Federal Reserve Bank of New York that totaled approximately \$7.0 billion at December 31, 2009. The amounts of those lines are dependent upon the balances of loans and securities pledged as collateral. There were no borrowings outstanding under these lines of credit at December 31, 2009. At December 31,

2008, secured

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short-term borrowings from the Federal Reserve totaled \$1.0 billion. Those borrowings were bid for by the Company through the Federal Reserve's TAF program and had maturities of 84 days.

As a source of funding and to enhance regulatory capital ratios, during January 2008, M&T Capital Trust IV issued \$350 million of Enhanced Trust Preferred Securities bearing a fixed rate of interest of 8.50% and maturing in 2068. The related junior subordinated debentures are included in long-term borrowings. Such securities qualify for inclusion in the Company's Tier 1 Capital as defined by federal regulators. The Company has issued subordinated capital notes from time to time to provide liquidity and enhance regulatory capital ratios. Such notes qualify for inclusion in the Company's total capital as defined by federal regulators. Information about the Company's borrowings is included in note 9 of Notes to Financial Statements.

The Company has informal and sometimes reciprocal sources of funding available through various arrangements for unsecured short-term borrowings from a wide group of banks and other financial institutions. Short-term federal funds borrowings were \$2.1 billion and \$809 million at December 31, 2009 and 2008, respectively. In general, those borrowings were unsecured and matured on the next business day. As already noted, offshore branch deposits and brokered certificates of deposit have been used by the Company as an alternative to short-term borrowings. Offshore branch deposits also generally mature on the next business day and totaled \$1.1 billion and \$4.0 billion at December 31, 2009 and 2008, respectively. Outstanding brokered time deposits at December 31, 2009 and December 31, 2008 were \$868 million and \$487 million, respectively. Such deposits at December 31, 2009 included \$813 million of brokered time deposits obtained in the acquisition of Provident. At December 31, 2009, the weighted-average remaining term to maturity of brokered time deposits was 21 months. Certain of these brokered deposits have provisions that allow for early redemption. The Company also had brokered NOW and brokered money-market deposit accounts which aggregated \$618 million and \$537 million at December 31, 2009 and 2008, respectively.

The Company's ability to obtain funding from these or other sources could be negatively affected should the Company experience a substantial deterioration in its financial condition or its debt ratings, or should the availability of short-term funding become restricted due to a disruption in the financial markets. The Company attempts to quantify such credit-event risk by modeling scenarios that estimate the liquidity impact resulting from a short-term ratings downgrade over various grading levels. Such impact is estimated by attempting to measure the effect on available unsecured lines of credit, available capacity from secured borrowing sources and securitizable assets. Information about the credit ratings of M&T and M&T Bank is presented in table 15. Additional information regarding the terms and maturities of all of the Company's short-term and long-term borrowings is provided in note 9 of Notes to Financial Statements. In addition to deposits and borrowings, other sources of liquidity include maturities of investment securities and other earning assets, repayments of loans and investment securities, and cash generated from operations, such as fees collected for services.

Table 15**DEBT RATINGS**

	Moody's	Standard and Poor's	Fitch
M&T Bank Corporation			
Senior debt	A3	A-	A-
Subordinated debt	Baa1	BBB+	BBB+
M&T Bank			
Short-term deposits	Prime-1	A-1	F1
Long-term deposits	A2	A	A

Senior debt	A2	A	A-
Subordinated debt	A3	A-	BBB+
			73

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Certain customers of the Company obtain financing through the issuance of variable rate demand bonds (VRDBs). The VRDBs are generally enhanced by direct-pay letters of credit provided by M&T Bank. M&T Bank oftentimes acts as remarketing agent for the VRDBs and, at its discretion, may from time-to-time own some of the VRDBs while such instruments are remarketed. When this occurs, the VRDBs are classified as trading assets in the Company's consolidated balance sheet. Nevertheless, M&T Bank is not contractually obligated to purchase the VRDBs. The value of VRDBs in the Company's trading account totaled \$19 million and \$29 million at December 31, 2009 and 2008, respectively. At each of December 31, 2009 and 2008, the VRDBs outstanding backed by M&T Bank letters of credit totaled \$1.9 billion. M&T Bank also serves as remarketing agent for most of those bonds.

Table 16**MATURITY DISTRIBUTION OF SELECTED LOANS(a)**

December 31, 2009	Demand	2010	2011-2014	After 2014
		(In thousands)		
Commercial, financial, agricultural, etc.	\$ 4,763,655	\$ 1,782,579	\$ 4,570,143	\$ 502,872
Real estate construction	604,018	2,066,777	1,347,766	316,383
Total	\$ 5,367,673	\$ 3,849,356	\$ 5,917,909	\$ 819,255
Floating or adjustable interest rates			\$ 4,209,618	\$ 449,478
Fixed or predetermined interest rates			1,708,291	369,777
Total			\$ 5,917,909	\$ 819,255

(a) The data do not include nonaccrual loans.

The Company enters into contractual obligations in the normal course of business which require future cash payments. The contractual amounts and timing of those payments as of December 31, 2009 are summarized in table 17. Off-balance sheet commitments to customers may impact liquidity, including commitments to extend credit, standby letters of credit, commercial letters of credit, financial guarantees and indemnification contracts, and commitments to sell real estate loans. Because many of these commitments or contracts expire without being funded in whole or in part, the contract amounts are not necessarily indicative of future cash flows. Further discussion of these commitments is provided in note 21 of Notes to Financial Statements. Table 17 summarizes the Company's other commitments as of December 31, 2009 and the timing of the expiration of such commitments.

Table of Contents**Table 17****CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS**

December 31, 2009	Less Than One Year	One to Three Years	Three to Five Years (In thousands)	Over Five Years	Total
Payments due for contractual obligations					
Time deposits	\$ 5,730,339	\$ 1,365,412	\$ 410,931	\$ 24,813	\$ 7,531,495
Deposits at foreign office	1,050,438				1,050,438
Federal funds purchased and agreements to repurchase securities	2,211,692				2,211,692
Other short-term borrowings	230,890				230,890
Long-term borrowings	2,539,820	3,351,883	399,549	3,948,764	10,240,016
Operating leases	77,768	139,641	93,794	152,326	463,529
Other	69,441	39,361	16,330	19,801	144,933
Total	\$ 11,910,388	\$ 4,896,297	\$ 920,604	\$ 4,145,704	\$ 21,872,993
Other commitments					
Commitments to extend credit	\$ 6,393,989	\$ 3,329,395	\$ 2,094,761	\$ 4,120,211	\$ 15,938,356
Standby letters of credit	1,477,318	1,587,645	508,308	255,315	3,828,586
Commercial letters of credit	21,387	44,908		82	66,377
Financial guarantees and indemnification contracts	30,767	365,271	327,987	909,524	1,633,549
Commitments to sell real estate loans	1,239,001				1,239,001
Total	\$ 9,162,462	\$ 5,327,219	\$ 2,931,056	\$ 5,285,132	\$ 22,705,869

M&T's primary source of funds to pay for operating expenses, shareholder dividends and treasury stock repurchases has historically been the receipt of dividends from its banking subsidiaries, which are subject to various regulatory limitations. Dividends from any banking subsidiary to M&T are limited by the amount of earnings of the banking subsidiary in the current year and the two preceding years. For purposes of the test, approximately \$1.2 billion at December 31, 2009 was available for payment of dividends to M&T from banking subsidiaries. These historic sources of cash flow have been augmented in the past by the issuance of trust preferred securities and senior notes payable. Information regarding trust preferred securities, the related junior subordinated debentures and senior notes is included in note 9 of Notes to Financial Statements. M&T also maintains a \$30 million line of credit with an unaffiliated commercial bank, of which there were no borrowings outstanding at December 31, 2009. A similar \$30 million line of credit was entirely available for borrowing at December 31, 2008.

Table of Contents**Table 18****MATURITY AND TAXABLE-EQUIVALENT YIELD OF INVESTMENT SECURITIES**

December 31, 2009	One Year or Less	One to Five Years	Five to Ten Years	Over Ten Years	Total
	(Dollars in thousands)				
<i>Investment securities available for sale(a)</i>					
U.S. Treasury and federal agencies					
Carrying value	\$ 35,300	\$ 53,922	\$ 14,034	\$ 1,430	\$ 104,686
Yield	2.85%	2.24%	3.68%	4.55%	2.67%
Obligations of states and political subdivisions					
Carrying value	4,168	29,213	15,153	14,389	62,923
Yield	5.47%	3.69%	6.91%	3.28%	4.49%
Mortgage-backed securities(b)					
Government issued or guaranteed					
Carrying value	228,751	861,880	915,203	1,896,448	3,902,282
Yield	4.45%	4.61%	4.75%	4.66%	4.66%
Privately issued residential					
Carrying value	45,726	231,112	383,304	1,404,762	2,064,904
Yield	4.54%	4.60%	4.70%	4.73%	4.71%
Privately issued commercial					
Carrying value				25,166	25,166
Yield				6.24%	6.24%
Other debt securities					
Carrying value	2,317	10,361	14,408	356,461	383,547
Yield	3.62%	5.70%	8.41%	6.09%	6.15%
Equity securities					
Carrying value					160,870
Yield					1.07%
Total investment securities available for sale					
Carrying value	316,262	1,186,488	1,342,102	3,698,656	6,704,378
Yield	4.29%	4.49%	4.78%	4.84%	4.65%
<i>Investment securities held to maturity</i>					
Obligations of states and political subdivisions					
Carrying value	36,655	6,570	116,153	44,447	203,825
Yield	5.15%	6.91%	5.32%	6.98%	5.70%

Mortgage-backed securities(b)					
Privately issued					
Carrying value	25,067	94,566	102,793	129,769	352,195
Yield	3.05%	2.94%	2.76%	3.07%	2.94%
Other debt securities					
Carrying value				11,587	11,587
Yield				5.51%	5.51%
Total investment securities held to maturity					
Carrying value	61,722	101,136	218,946	185,803	567,607
Yield	4.30%	3.20%	4.12%	4.16%	3.99%
<i>Other investment securities</i>					508,624
Total investment securities					
Carrying value	\$ 377,984	\$ 1,287,624	\$ 1,561,048	\$ 3,884,459	\$ 7,780,609
Yield	4.29%	4.39%	4.69%	4.81%	4.30%

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

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

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Management closely monitors the Company's liquidity position on an ongoing basis for compliance with internal policies and believes that available sources of liquidity are adequate to meet funding needs anticipated in the normal course of business. Management does not anticipate engaging in any activities, either currently or in the long-term, for which adequate funding would not be available and would therefore result in a significant strain on liquidity at either M&T or its subsidiary banks.

Market risk is the risk of loss from adverse changes in the market prices and/or interest rates of the Company's financial instruments. The primary market risk the Company is exposed to is interest rate risk. Interest rate risk arises from the Company's core banking activities of lending and deposit-taking, because assets and liabilities reprice at different times and by different amounts as interest rates change. As a result, net interest income earned by the Company is subject to the effects of changing interest rates. The Company measures interest rate risk by calculating the variability of net interest income in future periods under various interest rate scenarios using projected balances for earning assets, interest-bearing liabilities and derivatives used to hedge interest rate risk. Management's philosophy toward interest rate risk management is to limit the variability of net interest income. The balances of financial instruments used in the projections are based on expected growth from forecasted business opportunities, anticipated prepayments of loans and investment securities, and expected maturities of investment securities, loans and deposits. Management uses a value of equity model to supplement the modeling technique described above. Those supplemental analyses are based on discounted cash flows associated with on- and off-balance sheet financial instruments. Such analyses are modeled to reflect changes in interest rates and provide management with a long-term interest rate risk metric. The Company has entered into interest rate swap agreements to help manage exposure to interest rate risk. At December 31, 2009, the aggregate notional amount of interest rate swap agreements entered into for interest rate risk management purposes was \$1.1 billion. Information about interest rate swap agreements entered into for interest rate risk management purposes is included herein under the heading "Net Interest Income/Lending and Funding Activities" and in note 18 of Notes to Financial Statements.

Table 19

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

	December 31, 2009
	(In thousands)
Under 3 months	\$ 653,026
3 to 6 months	348,401
6 to 12 months	523,613
Over 12 months	329,890
Total	\$ 1,854,930

The Company's Risk Management Committee, which includes members of senior management, monitors the sensitivity of the Company's net interest income to changes in interest rates with the aid of a computer model that forecasts net interest income under different interest rate scenarios. In modeling changing interest rates, the Company considers different yield curve shapes that consider both parallel (that is, simultaneous changes in interest rates at each point on the yield curve) and non-parallel (that is, allowing interest rates at points on the yield curve to vary by different amounts) shifts in the yield curve. In utilizing the model, market implied forward interest rates over the subsequent twelve months are generally used to determine a base interest rate scenario for the net interest income

simulation. That calculated base net interest income is then compared to the income calculated under the varying interest rate scenarios. The model considers the impact of ongoing lending and deposit-gathering activities, as well as interrelationships in the magnitude and timing of the repricing of financial instruments, including the effect of changing interest rates on expected prepayments and maturities. When deemed prudent, management has taken actions to mitigate exposure to interest rate risk through the use of on-or off-balance sheet financial instruments and intends to do so in the future. Possible actions include, but are

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not limited to, changes in the pricing of loan and deposit products, modifying the composition of earning assets and interest-bearing liabilities, and adding to, modifying or terminating existing interest rate swap agreements or other financial instruments used for interest rate risk management purposes.

Table 20 displays as of December 31, 2009 and 2008 the estimated impact on net interest income from non-trading financial instruments in the base scenario described above resulting from parallel changes in interest rates across repricing categories during the first modeling year.

Table 20**SENSITIVITY OF NET INTEREST INCOME TO CHANGES IN INTEREST RATES**

Changes in Interest Rates	Calculated Increase (Decrease) in Projected Net Interest Income December 31	
	2009	2008
	(In thousands)	
+ 200 basis points	\$ 33,974	\$ 33,516
+ 100 basis points	19,989	9,726
-100 basis points	(37,775)	(33,281)
-200 basis points	(61,729)	(34,177)

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

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

Table of Contents**Table 21****CONTRACTUAL REPRICING DATA**

December 31, 2009	Three Months or Less	Four to Twelve Months	One to Five Years	After Five Years	Total
	(Dollars in thousands)				
Loans and leases, net	\$ 27,776,848	\$ 3,708,774	\$ 11,869,482	\$ 8,581,582	\$ 51,936,686
Investment securities	1,668,760	745,598	910,715	4,455,536	7,780,609
Other earning assets	209,740	750	389		210,879
<i>Total earning assets</i>	29,655,348	4,455,122	12,780,586	13,037,118	59,928,174
NOW accounts	1,396,471				1,396,471
Savings deposits	23,676,798				23,676,798
Time deposits	2,233,775	3,503,591	1,769,316	24,813	7,531,495
Deposits at foreign office	1,050,438				1,050,438
<i>Total interest-bearing deposits</i>	28,357,482	3,503,591	1,769,316	24,813	33,655,202
Short-term borrowings	2,442,582				2,442,582
Long-term borrowings	5,419,135	555,455	823,707	3,441,719	10,240,016
<i>Total interest-bearing liabilities</i>	36,219,199	4,059,046	2,593,023	3,466,532	46,337,800
Interest rate swaps	(1,062,241)	147,241		915,000	
Periodic gap	\$ (7,626,092)	\$ 543,317	\$ 10,187,563	\$ 10,485,586	
Cumulative gap	(7,626,092)	(7,082,775)	3,104,788	13,590,374	
Cumulative gap as a % of total earning assets	(12.7)%	(11.8)%	5.2%	22.7%	

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

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

The Company generally mitigates the foreign currency and interest rate risk associated with trading activities by entering into offsetting trading positions. The amounts of gross and net trading positions, as well as the type of trading activities conducted by the Company, are subject to a well-defined series of potential loss exposure limits established by management and approved by M&T's Board of Directors. However, as with any non-government guaranteed financial instrument, the Company is exposed to credit risk associated with counterparties to the Company's trading activities.

The notional amounts of interest rate contracts entered into for trading purposes aggregated \$13.9 billion at December 31, 2009 and \$14.6 billion at December 31, 2008. The notional amounts of foreign currency and other option and futures contracts entered into for trading purposes totaled \$608 million and \$713 million at December 31, 2009 and 2008, respectively. Although the notional amounts of these trading contracts are not recorded in the consolidated balance sheet, the fair values of all financial instruments used for trading activities are recorded in the consolidated balance sheet. The fair values of trading account assets and liabilities were \$387 million and \$302 million, respectively, at December 31, 2009 and \$618 million and \$521 million, respectively, at December 31, 2008. Included in trading account assets at December 31, 2009 and 2008 were \$36 million and \$33 million, respectively, of assets related to deferred compensation plans. Changes in the fair value of such assets are recorded as

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trading account and foreign exchange gains in the consolidated statement of income. Included in other liabilities in the consolidated balance sheet at each of December 31, 2009 and 2008 were \$38 million of liabilities related to deferred compensation plans. Changes in the balances of such liabilities due to the valuation of allocated investment options to which the liabilities are indexed are recorded in other costs of operations in the consolidated statement of income. Given the Company's policies, limits and positions, management believes that the potential loss exposure to the Company resulting from market risk associated with trading activities was not material, however, as previously noted, the Company is exposed to credit risk associated with counterparties to transactions associated with the Company's trading activities. Additional information about the Company's use of derivative financial instruments in its trading activities is included in note 18 of Notes to Financial Statements.

Capital

Stockholders' equity at December 31, 2009 was \$7.8 billion and represented 11.26% of total assets, compared with \$6.8 billion or 10.31% at December 31, 2008 and \$6.5 billion or 10.00% at December 31, 2007. Included in stockholders' equity at December 31, 2009 and December 31, 2008 was \$600 million of Fixed Rate Cumulative Perpetual Preferred Stock, Series A, and warrants to purchase M&T common stock issued on December 23, 2008 as part of the U.S. Treasury Capital Purchase Program. Provident also participated in that program in November 2008. As a result, Provident's \$151.5 million of preferred stock related thereto was converted to M&T Fixed Rate Cumulative Perpetual Preferred Stock, Series C, with warrants to purchase M&T common stock. The holder of the Series A and Series C preferred stock is entitled to cumulative cash dividends of 5% per annum for five years after the date of initial issuance and 9% per annum thereafter, payable quarterly in arrears. That preferred stock is redeemable at the option of M&T, subject to regulatory approval. M&T also obtained another series of preferred stock as part of the Provident acquisition that was converted to \$26.5 million of M&T Series B Mandatory Convertible Non-Cumulative Preferred Stock, liquidation preference of \$1,000 per share. The 26,500 shares of the Series B Preferred Stock will automatically convert into 433,148 shares of M&T common stock on April 1, 2011. The Series B Preferred Stock pays dividends at a rate of 10% per annum on the liquidation preference of \$1,000 per share, payable quarterly in arrears. The estimated fair values ascribed to the preferred stock and warrants to purchase common stock of M&T associated with the acquisition of Provident were \$156 million and \$6 million, respectively, on the May 23, 2009 acquisition date. Additional information related to M&T's preferred stock and the related warrants to purchase common stock is included in note 10 of Notes to Financial Statements.

Common stockholders' equity was \$7.0 billion, or \$59.31 per share, at December 31, 2009, compared with \$6.2 billion, or \$56.29 per share, at December 31, 2008 and \$6.5 billion, or \$58.99 per share, at December 31, 2007. Tangible equity per common share, which excludes goodwill and core deposit and other intangible assets and applicable deferred tax balances, was \$28.27 at December 31, 2009, compared with \$25.94 and \$27.98 at December 31, 2008 and 2007, respectively. The Company's ratio of tangible common equity to tangible assets was 5.13% at December 31, 2009, compared with 4.59% and 5.01% at December 31, 2008 and December 31, 2007, respectively. Reconciliations of total common stockholders' equity and tangible common equity as of December 31, 2009, 2008 and 2007 are presented in table 2. During 2009, 2008 and 2007, the ratio of average total stockholders' equity to average total assets was 10.79%, 9.88% and 10.67%, respectively. The ratio of average common stockholders' equity to average total assets was 9.81%, 9.86% and 10.67% in 2009, 2008 and 2007, respectively. Stockholders' equity reflects accumulated other comprehensive income or loss, which includes the net after-tax impact of unrealized gains or losses on investment securities classified as available for sale, gains or losses associated with interest rate swap agreements designated as cash flow hedges, and adjustments to reflect the funded status of defined benefit pension and other postretirement plans. Net unrealized losses on available-for-sale investment securities, net of applicable tax effect, were \$220 million, or \$1.86 per common share, at December 31, 2009, compared with losses of \$557 million, or \$5.04 per common share, at December 31, 2008, and \$59 million, or \$.54 per common share, at December 31, 2007. Such unrealized losses represent the difference, net of applicable income tax effect, between the

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estimated fair value and amortized cost of investment securities classified as available for sale, including the remaining unamortized unrealized losses on investment securities that have been transferred to held-to-maturity classification. The increase in net unrealized losses from December 31, 2007 to December 31, 2008 resulted primarily from pre-tax net unrealized losses of \$786 million on \$3.2 billion of privately issued mortgage-backed securities at December 31, 2008. As of December 31, 2009, pre-tax net unrealized losses on the Company's remaining \$2.5 billion of privately issued mortgage-backed securities classified as available for sale had decreased to \$381 million. Reflected in net unrealized losses at December 31, 2009 were pre tax-effect unrealized losses of \$483 million on available-for-sale investment securities with an amortized cost of \$3.0 billion and pre-tax effect unrealized gains of \$190 million on securities with an amortized cost of \$4.0 billion. The pre-tax effect unrealized losses reflect \$383 million of losses considered Level 3 valuations on privately issued residential mortgage-backed securities having an amortized cost of \$2.0 billion and an estimated fair value of \$1.6 billion and \$58 million of losses generally considered Level 2 valuations on trust preferred securities issued by financial institutions having an amortized cost of \$196 million and an estimated fair value of \$138 million.

The Company's privately issued residential mortgage-backed securities classified as available for sale are generally collateralized by prime and Alt-A residential mortgage loans as depicted in table 22. Information in the table is as of December 31, 2009. As with any accounting estimate or other data, changes in fair values and investment ratings may occur at any time.

Table 22

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

Collateral Type	Amortized Cost	Fair Value	Net Unrealized Gains (Losses) (Dollars in thousands)	As a Percentage of Carrying Value		
				AAA Rated	Investment Grade	Senior Tranche
<u>Residential Mortgage</u>						
<u>Loans</u>						
Prime Fixed	\$ 398,186	\$ 401,953	\$ 3,767	90%	93%	99%
Prime Hybrid ARMs	1,706,939	1,421,829	(285,110)	14	62	95
Prime Other	101,723	94,998	(6,725)	72	95	68
Alt-A Fixed	9,913	11,531	1,618	14	14	90
Alt-A Hybrid ARMs	215,877	131,357	(84,520)		69	76
Alt-A Option ARMs	436	225	(211)			
Other	5,279	3,011	(2,268)			10
Subtotal	2,438,353	2,064,904	(373,449)	30%	70%	93%
<u>Commercial Mortgage</u>						
Loans	33,133	25,166	(7,967)	15%	100%	100%
Total	\$ 2,471,486	\$ 2,090,070	\$ (381,416)	30%	70%	93%

(a) *All information is as of December 31, 2009.*

Due to the severe disruption in the credit markets during the second half of 2008 and continuing in 2009, trading activity for privately issued mortgage-backed securities was dramatically reduced. In estimating values for such securities, the Company was significantly restricted in the level of market observable assumptions used in the valuation of its privately issued mortgage-backed securities portfolio. Because of the inactivity and the lack of observable valuation inputs, the Company transferred \$2.2 billion of its privately issued mortgage-backed securities portfolio from Level 2 to Level 3 valuations in the third quarter of 2008. The remaining portion of its portfolio of privately issued mortgage-backed securities had already been classified as Level 3. To assist in the determination of fair value for its privately issued mortgage-backed securities, the Company engaged two independent pricing sources at December 31, 2009 and 2008. In determining fair value of those securities at December 31, 2008, in general, the Company averaged the results obtained from the independent sources. In April 2009, new accounting guidance was provided for estimating fair value when the volume and level of trading activity for an asset

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or liability have significantly decreased. In consideration of the new guidance, the Company performed internal modeling to estimate the cash flows and fair value of 148 of its privately issued residential mortgage-backed securities with an amortized cost basis of \$1.9 billion at December 31, 2009. The Company's internal modeling techniques included discounting estimated bond-specific cash flows using assumptions about cash flows associated with loans underlying each of the bonds. In estimating those cash flows, the Company used conservative assumptions as to future delinquency, default and loss rates in order to mitigate exposure that might be attributable to the risk that actual future credit losses could exceed assumed credit losses. Differences between internal model valuations and external pricing indications were generally considered to be reflective of the lack of liquidity in the market for privately issued mortgage-backed securities. To determine the most representative fair value for each of the 148 bonds under current market conditions, the Company computed values based on judgmentally applied weightings of the internal model valuations and the indications obtained from the average of the two independent pricing sources. Weightings applied to internal model valuations were generally dependent on bond structure and collateral type, with prices for bonds in non-senior tranches generally receiving lower weightings on the internal model results and greater weightings of the valuation data provided by the independent pricing sources. As a result, certain valuations of privately issued residential mortgage-backed securities were determined by reference to independent pricing sources without adjustment. The average weight placed on internal model valuations was 37%, compared with a 63% weighting on valuations provided by the independent sources. Generally, the range of weights placed on internal valuations was between 0% and 40%. The impact of relying on the guidance provided by the Financial Accounting Standards Board (FASB) and using an internal valuation modeling technique was to increase accumulated other comprehensive income at December 31, 2009 by \$72 million (\$118 million pre-tax). Further information concerning the Company's valuations of privately issued mortgage-backed securities can be found in note 20 of Notes to Financial Statements. During 2009 the Company recognized \$138 million (pre-tax) of other-than-temporary impairment losses related to privately issued residential mortgage-backed securities with an amortized cost basis (before impairment charge) of \$486 million and securities backed largely by trust preferred securities issued by financial institutions with an amortized cost basis (before impairment charge) of \$8 million. Those other-than-temporary impairment losses were determined in accordance with GAAP and, therefore, reflect the estimated credit losses on the impaired securities. In assessing impairment losses, the Company performed internal modeling to estimate bond-specific cash flows, which considered the placement of the bond in the overall securitization structure and the remaining levels of subordination. For privately issued residential mortgage-backed securities, the model utilized assumptions about the underlying performance of the mortgage loan collateral considering recent collateral performance and future assumptions regarding default and loss severity. At December 31, 2009, projected model default percentages on the underlying mortgage loan collateral ranged from 2% to 42% and loss severities ranged from 10% to 71%. For bonds in which the Company has recognized an other-than-temporary impairment charge, the weighted-average percentage of defaulted collateral was 24% and the weighted-average loss severity was 49%. For bonds without other-than-temporary impairment losses, the weighted-average default percentage and loss severity were 12% and 38%, respectively. Underlying mortgage loan collateral cash flows, after considering the impact of estimated credit losses, were distributed by the model to the various securities within the securitization structure to determine the timing and extent of losses at the bond-level, if any. The other-than-temporary impairment losses recognized in the consolidated statement of income were net of \$126 million of unrealized losses for the same securities resulting from other factors that have been reflected in accumulated other comprehensive income. Despite rising levels of delinquencies and losses in the underlying residential mortgage loan collateral, given credit enhancements resulting from the structures of individual bonds, the Company has concluded that as of December 31, 2009 its remaining privately issued mortgage-backed securities were not other-than-temporarily impaired. Nevertheless, given recent market conditions, it is possible that adverse changes in repayment performance and fair value could occur in 2010 and later years that could impact the Company's conclusions. Management has modeled cash flows from privately issued mortgage-backed securities under various scenarios and has concluded that even if home price depreciation and current delinquency trends persist for an extended period of time, the Company's principal losses on its privately

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issued mortgage-backed securities would be substantially less than their current fair valuation losses. During 2008 the Company recognized \$182 million (pre-tax) of other-than-temporary losses, \$18 million of which related to privately issued mortgage-backed securities with an amortized cost basis (before impairment charge) of \$20 million and \$11 million related to securities backed by trust preferred securities issued by financial institutions with an amortized cost basis (before impairment charge) of \$12 million. As previously noted, the remaining \$153 million of other-than-temporary impairment in 2008 related to the Company's holdings of preferred stock of Fannie Mae and Freddie Mac.

Given the Company's relationship with Bayview Financial and related entities, during the third quarter of 2008, the Company reconsidered its intention to hold certain CMOs securitized by Bayview Financial with a cost basis of \$385 million and a fair value of \$298 million and transferred such securities from its available-for-sale investment securities portfolio to its held-to-maturity investment securities portfolio. As a result, at December 31, 2009 and 2008, the Company had in its held-to-maturity portfolio CMOs securitized by Bayview Financial with an amortized cost basis of \$352 million and \$412 million, respectively, (including the effect of \$68 million and \$82 million, respectively, of unamortized fair value adjustment (pre-tax) residing in accumulated other comprehensive income from the time of transfer) and a fair value of \$201 million and \$319 million, respectively. At December 31, 2009, the amortized cost and fair value of CMOs securitized by Bayview Financial in the Company's available-for-sale investment securities portfolio were \$33 million and \$25 million, respectively, and at December 31, 2008 were \$40 million and \$32 million, respectively. Given the credit enhancements within each of the individual bond structures, the Company has determined that, despite rising levels of delinquencies and losses in the underlying residential and commercial mortgage loan collateral, it expects to fully collect its contractual principal and interest payments on the private CMOs securitized by Bayview Financial and therefore believes such securities were not other-than-temporarily impaired at December 31, 2009.

At December 31, 2009, the Company also had net pre-tax unrealized losses of \$29 million on \$384 million of trust preferred securities issued by financial institutions, securities backed by trust preferred securities issued by financial institutions and other entities, and other debt securities (including \$12 million of net unrealized gains on \$115 million of securities using a Level 3 valuation and \$41 million of net unrealized losses on \$268 million of securities classified as Level 2 valuations). Pre-tax unrealized losses of \$90 million existed on \$241 million of such securities at December 31, 2008. After evaluating the expected repayment performance of financial institutions where trust preferred securities were held directly by the Company or were within the CDOs backed by trust preferred securities obtained in the Provident and Partners Trust acquisitions, the Company, during 2009 and 2008, recognized pre-tax other-than-temporary impairment losses of \$8 million and \$11 million, respectively, on securities obtained in the Partners Trust acquisition.

Following the U.S. Government's placement of Fannie Mae and Freddie Mac under conservatorship on September 7, 2008, the Company recognized an other-than-temporary impairment charge of \$153 million (pre-tax) on its preferred stock holdings of those government-sponsored entities. At December 31, 2009, the Company's investment in Fannie Mae and Freddie Mac preferred stock had a remaining cost basis of \$9 million and a fair value of \$6 million. The Company recognized a \$127 million (pre-tax) other-than-temporary impairment charge in 2007 resulting from the decline in fair value of certain CDOs backed by sub-prime mortgage securities held in the available-for-sale investment securities portfolio based on its evaluation at the time that it was probable that the Company would not receive all payments owed to it under the terms and structure of the securities.

As of December 31, 2009, based on a review of each of the remaining securities in the investment securities portfolio, the Company concluded that it expected to recover its amortized cost basis for such securities. Accordingly, the Company concluded that the declines in the values of those securities were temporary and that additional other-than-temporary impairment charges were not appropriate at December 31, 2009. As of that date, the Company did not intend to sell nor is it anticipated that it would be required to sell any of its impaired securities, that is, where fair value is less than the cost basis of the security. The Company intends to closely monitor the performance of the privately issued mortgage-backed securities and other securities to assess if changes in their underlying credit performance or other events cause the cost basis of those securities to become other-than-temporarily impaired.

However, because the unrealized losses on available-for-sale investment securities have generally already

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been reflected in the financial statement values for investment securities and stockholders' equity, any recognition of an other-than-temporary decline in value of those investment securities would not have a material effect on the Company's consolidated financial condition. Any other-than-temporary impairment charge related to held-to-maturity securities would result in reductions in the financial statement values for investment securities and stockholders' equity. Additional information concerning fair value measurements and the Company's approach to the classification of such measurements is included in note 20 of the Notes to Financial Statements.

Reflected in accumulated other comprehensive income at December 31, 2009 was a net gain of \$1 million, or \$.01 per common share, and at December 31, 2008 and 2007 were net losses of \$6 million or \$.05 per common share and \$10 million or \$.09 per common share, respectively, representing unrealized gains or losses related to the termination of interest rate swap agreements that had been designated as cash flow hedges.

Adjustments to reflect the funded status of defined benefit pension and other postretirement plans, net of applicable tax effect, reduced accumulated other comprehensive income by \$117 million, or \$.99 per common share, at December 31, 2009, \$174 million, or \$1.58 per common share, at December 31, 2008, and \$46 million, or \$.42 per common share, at December 31, 2007. The decrease in such adjustment at December 31, 2009 as compared with December 31, 2008 was predominantly the result of actual investment performance of assets held by the Company's qualified pension plans being significantly better than assumed for actuarial purposes. Conversely, the increase in such adjustment at the 2008 year-end as compared with December 31, 2007 was predominantly the result of actual investment performance of pension plan assets being significantly worse than that assumed for actuarial purposes. Information about the funded status of the Company's pension and other postretirement benefit plans is included in note 12 of Notes to Financial Statements.

Cash dividends declared on M&T's common stock totaled \$327 million in 2009, compared with \$309 million and \$282 million in 2008 and 2007, respectively. M&T increased the quarterly dividend on its common stock in the third quarter of 2007 from \$.60 to \$.70 per share. Dividends per common share totaled \$2.80 in each of 2009 and 2008, and \$2.60 in 2007. During 2009, cash dividends of \$27 million, or \$44.72 per share, were declared and paid to the U.S. Treasury on M&T's Series A Preferred Stock issued on December 23, 2008. Cash dividends of \$1 million and \$4 million (\$50.00 per share and \$25.00 per share) were declared and paid during 2009 on M&T's Series B and Series C Preferred Stock, respectively. Those series of preferred stock were created in connection with the Provident transaction.

M&T repurchased 4,514,800 shares of its common stock in 2007 at a cost of \$509 million. There were no common stock repurchases by M&T in 2009 or 2008. In February 2007, M&T announced that it had been authorized by its Board of Directors to purchase up to 5,000,000 shares of its common stock. M&T had repurchased a total of 2,818,500 shares of common stock pursuant to such plan at an average cost of \$108.30 per share.

Federal regulators generally require banking institutions to maintain Tier 1 capital and total capital ratios of at least 4% and 8%, respectively, of risk-adjusted total assets. In addition to the risk-based measures, Federal bank regulators have also implemented a minimum leverage ratio guideline of 3% of the quarterly average of total assets. As of December 31, 2009, Tier 1 capital included \$1.1 billion of the trust preferred securities described in note 9 of Notes to Financial Statements. Total capital further included \$1.6 billion of subordinated notes. The capital ratios of the Company and its banking subsidiaries as of December 31, 2009 and 2008 are presented in note 23 of Notes to Financial Statements.

Fourth Quarter Results

Net income aggregated \$137 million during the fourth quarter of 2009, up 34% from \$102 million in the year-earlier quarter. Diluted and basic earnings per common share were \$1.04 and \$1.05, respectively, in the final quarter of 2009, 13% and 14% higher than \$.92 of diluted and basic earnings per common share in the fourth quarter of 2008. The annualized rates of return on average assets and average common stockholders' equity for the fourth quarter of 2009 were .79% and 7.09%, respectively, compared with .63% and 6.41%, respectively, in the year-earlier period. Net operating income totaled \$151 million in the fourth quarter of 2009, compared with \$112 million in the year-earlier quarter. Diluted net operating earnings per common share were \$1.16 in

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the recent quarter, compared with \$1.00 in the final quarter of 2008. The annualized net operating returns on average tangible assets and average tangible common equity in the last quarter of 2009 were .92% and 16.73%, respectively, compared with .72% and 15.01%, respectively, in the corresponding 2008 quarter. Core deposit and other intangible asset amortization, after tax effect, totaled \$10 million in each of the fourth quarters of 2009 and 2008 (\$.09 and \$.08 per diluted common share, respectively). The after-tax impact of merger-related expenses associated with the Provident and Bradford acquisition transactions was \$4 million (\$6 million pre-tax) or \$.03 of diluted earnings per common share in the fourth quarter of 2009. There were no merger-related expenses during the final quarter of 2008. Reconciliations of GAAP results with non-GAAP results for the quarterly periods of 2009 and 2008 are provided in table 24.

Taxable-equivalent net interest income rose 15% to \$565 million in the fourth quarter of 2009 from \$491 million in the year-earlier quarter. That improvement reflects a 34 basis point widening of the Company's net interest margin and higher average earning assets, which increased \$2.5 billion, or 4%, to \$60.5 billion from \$57.9 billion in the fourth quarter of 2008. The yield on earning assets was 4.58% in the fourth quarter of 2009, down 77 basis points from 5.35% in the year-earlier quarter. The rate paid on interest-bearing liabilities was 1.13% in the final quarter of 2009, 119 basis points lower than 2.32% in the fourth quarter of 2008. The resulting net interest spread was 3.45% in the recent quarter, up 42 basis points from 3.03% in the corresponding quarter of 2008. That improvement was largely due to lower interest rates paid on deposits and borrowings. The contribution of net interest-free funds to the Company's net interest margin was .26% in the final 2009 quarter, down from .34% in the year-earlier quarter. That decline reflects the impact of lower interest rates on interest-bearing liabilities used to value such contribution. As a result, the Company's net interest margin widened to 3.71% in the recent quarter from 3.37% in the fourth quarter of 2008. The major contributor to the growth experienced in average earning assets in the fourth quarter of 2009 as compared with the year-earlier quarter was an increase in average loans and leases, which rose 7% to \$52.1 billion from \$48.8 billion. Included in average loans and leases in the recent quarter were loans obtained in the acquisition of Provident, which added approximately \$3.8 billion to the average loan and lease total. In addition, loans obtained in the Bradford transaction added approximately \$268 million to average loans and leases in the final quarter of 2009. Average commercial loan and lease balances were \$13.5 billion in the recent quarter, compared with \$14.2 billion in the fourth quarter of 2008. Commercial real estate loans averaged \$21.0 billion in the fourth quarter of 2009, up \$2.3 billion from \$18.7 billion in the year-earlier quarter. Average residential mortgage loans outstanding increased \$553 million to \$5.5 billion in the recent quarter from \$4.9 billion in the final 2008 quarter. Consumer loans averaged \$12.1 billion in the fourth quarter of 2009, up \$1.1 billion from \$11.0 billion in the year-earlier quarter. The provision for credit losses was \$145 million in the three-month period ended December 31, 2009, compared with \$151 million in the year-earlier period. Net charge-offs of loans were \$135 million in the fourth quarter of 2009, representing an annualized 1.03% of average loans and leases outstanding, compared with \$144 million or 1.17% during the final quarter of 2008. Net charge-offs included: residential real estate loans of \$21 million in the recent quarter, compared with \$19 million a year earlier; loans to builders and developers of residential properties of \$40 million, compared with \$26 million a year earlier; other commercial real estate loans of \$11 million, compared with \$3 million in 2008's final quarter; commercial loans of \$31 million, compared with \$61 million in 2008; and consumer loans of \$32 million, compared with \$35 million in the prior year fourth quarter. Other income totaled \$266 million in the recent quarter, up 10% from \$241 million in the year-earlier quarter. Other-than-temporary impairment charges aggregated \$34 million during the fourth quarter of 2009, compared with \$24 million in the year-earlier quarter. Excluding those charges, other income was \$300 million, up 13% from \$265 million in the year-earlier quarter. The most significant contributors to that improvement were increases in mortgage banking revenues and service charges on acquisition-related deposit accounts. Other expense in the fourth quarter of 2009 totaled \$478 million, compared with \$447 million in the year-earlier quarter. Included in such amounts are expenses considered to be nonoperating in nature consisting of amortization of core deposit and other intangible assets of \$17 million and \$16 million in the final quarters of 2009 and 2008, respectively, and merger-related expenses of \$6 million

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in the fourth quarter of 2009. Exclusive of these nonoperating expenses, noninterest operating expenses were \$455 million in the recently completed quarter, up 6% from \$431 million in the final quarter of 2008. As compared with the fourth quarter of 2008, the recent quarter's rise in operating expenses was due, in large part, to the operations obtained in the 2009 acquisition transactions and higher FDIC deposit assessments, partially offset by the impact of changes in the valuation allowance for capitalized residential mortgage servicing rights. A partial reversal of the valuation allowance reduced expense by \$4 million in the final quarter of 2009, compared with an addition to the valuation allowance in the year-earlier quarter which increased expense by \$19 million. The Company's efficiency ratio during the fourth quarter of 2009 and 2008 was 52.7% and 57.0%, respectively. Table 24 includes a reconciliation of other expense to noninterest operating expense for each of the quarters of 2009 and 2008.

Segment Information

In accordance with GAAP, the Company's reportable segments have been determined based upon its internal profitability reporting system, which is organized by strategic business unit. Certain strategic business units have been combined for segment information reporting purposes where the nature of the products and services, the type of customer, and the distribution of those products and services are similar. The reportable segments are Business Banking, Commercial Banking, Commercial Real Estate, Discretionary Portfolio, Residential Mortgage Banking, and Retail Banking.

The financial information of the Company's segments was compiled utilizing the accounting policies described in note 22 of Notes to Financial Statements. The management accounting policies and processes utilized in compiling segment financial information are highly subjective and, unlike financial accounting, are not based on authoritative guidance similar to GAAP. As a result, reported segments and the financial information of the reported segments are not necessarily comparable with similar information reported by other financial institutions. Furthermore, changes in management structure or allocation methodologies and procedures may result in changes in reported segment financial data. Financial information about the Company's segments is presented in note 22 of Notes to Financial Statements. The Business Banking segment provides a wide range of services to small businesses and professionals through the Company's branch network, business banking centers and other delivery channels such as telephone banking, Internet banking and automated teller machines within markets served by the Company. Services and products offered by this segment include various business loans and leases, including loans guaranteed by the Small Business Administration, business credit cards, deposit products, and financial services such as cash management, payroll and direct deposit, merchant credit card and letters of credit. The Business Banking segment recorded net income of \$124 million in 2009, 3% higher than the \$120 million earned in 2008. The rise in net income in 2009 as compared with 2008 was due to higher net interest income of \$33 million, largely attributable to higher average deposit and loan balances of \$869 million and \$416 million, respectively, partially offset by a \$20 million increase in total noninterest expenses, reflecting higher FDIC deposit assessments of \$10 million, and an \$8 million increase in the provision for credit losses, the result of higher net charge-offs of loans. Approximately three-fourths of the higher net interest income was due to the Provident transaction. This segment's net income totaled \$133 million in 2007. The 10% decline in net income in 2008 as compared with 2007 was mainly due to a \$15 million increase in the provision for credit losses, the result of higher net loan charge-offs, and higher noninterest expenses of \$12 million, reflecting increased personnel costs. Those unfavorable factors were partially offset by a \$5 million rise in service charges on deposit accounts. The Commercial Banking segment provides a wide range of credit products and banking services for middle-market and large commercial customers, mainly within the markets served by the Company. Services provided by this segment include commercial lending and leasing, letters of credit, deposit products, and cash management services. The Commercial Banking segment contributed net income of \$239 million in 2009, up 12% from \$213 million in 2008. The higher net income in 2009 as compared with 2008 reflects a \$98 million increase in net interest income, primarily due to a \$3.0 billion increase in average deposit balances. Approximately 15 percent of the increase in net interest income was due to the Provident acquisition. Partially offsetting that increase were a \$31 million increase in the provision for credit losses, predominately due to higher net charge-offs of loans, and a \$15 million rise in FDIC deposit assessments. Net income earned in 2007 by the Commercial Banking segment was \$217 million.

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Contributing to the slight decline in net income in 2008 as compared with 2007 was a \$65 million increase in the provision for credit losses, due to higher net charge-offs of loans, and higher noninterest expenses of \$22 million, largely the result of increased personnel costs. Those factors were offset by a \$51 million rise in net interest income, primarily the result of a \$2.0 billion increase in average loan balances outstanding, and a \$28 million increase in noninterest income resulting from higher fees of \$14 million for providing credit-related services, a \$9 million increase in fees earned for providing deposit account services, and a \$3 million increase in income from providing credit card and merchant-related services.

The Commercial Real Estate segment provides credit and deposit services to its customers. Real estate securing loans in this segment is generally located in the New York City metropolitan area, upstate New York, Pennsylvania, Maryland, the District of Columbia, Delaware, Virginia, West Virginia, and the northwestern portion of the United States. Commercial real estate loans may be secured by apartment/multifamily buildings; office, retail and industrial space; or other types of collateral. Activities of this segment also include the origination, sales and servicing of commercial real estate loans through the Fannie Mae DUS program and other programs. The Commercial Real Estate segment's net income declined 5% to \$155 million in 2009 from \$164 million in 2008. Contributing to that decline were a \$69 million increase in the provision for credit losses, primarily due to higher net charge-offs of loans, and higher noninterest expenses of \$15 million, including increased deposit assessments of \$4 million. Partially offsetting those increased costs was higher net interest income of \$59 million. The increase in net interest income was largely attributable to higher average loan and deposit balances of \$1.4 billion and \$489 million, respectively, and an 18 basis point widening of the net interest margin on loans. Approximately one-half of the increase in net interest income was due to the Provident acquisition. Net income for the Commercial Real Estate segment aggregated \$148 million in 2007. As compared with 2007, the improvement in 2008 was due to a \$31 million increase in net interest income, largely the result of higher average loan and deposit balances of \$1.8 billion and \$189 million, respectively, and a \$13 million increase in commercial mortgage banking revenues. Those positive factors were partially offset by an increase in the provision for credit losses of \$11 million, mainly due to higher net charge-offs of loans, and a rise in personnel costs of \$10 million, due largely to higher incentive compensation.

The Discretionary Portfolio segment includes investment and trading securities, residential mortgage loans and other assets; short-term and long-term borrowed funds; brokered certificates of deposit and interest rate swap agreements related thereto; and offshore branch deposits. This segment also provides foreign exchange services to customers. Included in the assets of the Discretionary Portfolio segment are the investment securities for which the Company has recognized other-than-temporary impairment charges in each of the last three years and the portfolio of Alt-A mortgage loans. The Discretionary Portfolio segment incurred net losses of \$28 million, \$48 million and \$7 million in 2009, 2008 and 2007, respectively. Included in those results were other-than-temporary impairment charges of \$138 million in 2009, \$182 million in 2008 and \$127 million in 2007. The impairment charges recorded in 2009 were related to private CMOs and CDOs backed by residential mortgages (\$130 million) and CDOs backed by trust preferred securities (\$8 million). The 2008 impairment charges were related to the Company's holdings of preferred stock issuances of Fannie Mae and Freddie Mac (\$153 million), private CMOs (\$18 million) and CDOs backed by trust preferred securities (\$11 million). The impairment charges recorded in 2007 related entirely to CDOs backed by sub-prime residential mortgage securities. All of the impairment charges relate to bonds or preferred stock held in the Company's available-for-sale investment securities portfolio. Factors contributing to the lower net loss in 2009 as compared with 2008 were a \$44 million decline in other-than-temporary impairment charges, the impact of a partial reversal of the valuation allowance for capitalized residential mortgage servicing rights of \$6 million in 2009, compared with an addition to the valuation allowance of \$6 million in 2008, and lower foreclosure-related costs of \$10 million. Those factors were partially offset by a \$14 million increase in the provision for credit losses, driven by higher net charge-offs, and a \$7 million decline in net interest income, reflecting lower average balances of investment securities and loans of \$529 million and \$290 million, respectively. The Discretionary Portfolio segment's higher net loss in 2008 as compared with 2007 was due, in part, to the following unfavorable factors: higher other-than-temporary impairment charges of \$55 million; an increase in the provision for credit losses of \$41 million, resulting largely from higher net

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charge-offs of Alt-A loans; higher foreclosure-related costs of \$13 million; a \$6 million increase in the valuation allowance for capitalized mortgage servicing rights; and a rise in costs incurred for professional services of \$4 million. Partially offsetting those unfavorable factors were a \$55 million increase in net interest income, largely resulting from a 21 basis point widening of the net interest margin on investment securities and a 23% increase in the average balances of investment securities, reflecting purchases of residential mortgage-backed securities during the first quarter of 2008 and the full-year impact of third quarter 2007 purchases of approximately \$800 million of CMOs and other mortgage-backed securities.

The Residential Mortgage Banking segment originates and services residential mortgage loans and sells substantially all of those loans in the secondary market to investors or to the Discretionary Portfolio segment. This segment also originated loans to developers of residential real estate properties, although that activity has been significantly curtailed. In addition to the geographic regions served by or contiguous with the Company's branch network, the Company maintains mortgage loan origination offices in several states throughout the western United States. The Company also periodically purchases the rights to service mortgage loans. Residential mortgage loans held for sale are included in this segment. This segment incurred net losses of \$13 million and \$48 million in 2009 and 2008, respectively, reflecting significant losses on loans to builders and developers of residential real estate. The lower net loss in 2009 resulted from the following factors: a \$55 million rise in noninterest revenues from residential mortgage loan origination activities due to increased volume and wider margins; the impact of a partial reversal of the capitalized mortgage servicing rights valuation allowance of \$16 million in 2009, compared with a \$10 million addition to such allowance in 2008; and a \$13 million increase in net interest income, partly due to a 68 basis point widening of the net interest margin on loans. Those factors were offset, in part, by a \$43 million increase in total noninterest expenses (excluding the capitalized mortgage servicing rights valuation allowance reversal), reflecting higher foreclosure-related costs of \$23 million. Compared with the net loss of \$48 million in 2008, the Residential Mortgage Banking segment recorded net income of \$13 million in 2007. The main factor that contributed to the net loss in 2008 was the continued deterioration of the residential real estate market, including the valuation of residential real estate, which resulted in a \$100 million increase to the provision for credit losses that was predominately attributable to a significant rise in net charge-offs of loans to builders and developers of residential real estate. Also contributing to the unfavorable performance of this segment in 2008 was a \$15 million decrease in net interest income, mainly due to lower average loan balances outstanding of \$369 million and a 17 basis point narrowing of the net interest margin associated with such loans, and a \$14 million increase in the valuation allowance for capitalized mortgage servicing rights. Partially offsetting those factors was a \$25 million increase in noninterest revenues from residential mortgage banking activities, reflecting the impact of \$12 million of losses recorded in 2007 related to Alt-A mortgage loans and higher servicing revenues of \$8 million in 2008.

The Retail Banking segment offers a variety of services to consumers through several delivery channels which include branch offices, automated teller machines, telephone banking and Internet banking. The Company has branch offices in New York State, Pennsylvania, Maryland, Virginia, the District of Columbia, West Virginia, Delaware and New Jersey. The Retail Banking segment also offers certain deposit products on a nationwide basis through the delivery channels of M&T Bank, N.A. Credit services offered by this segment include consumer installment loans, automobile loans (originated both directly and indirectly through dealers), and home equity loans and lines of credit. The segment also offers to its customers deposit products, including demand, savings and time accounts; investment products, including mutual funds and annuities; and other services. The Retail Banking segment contributed net income of \$237 million in 2009, down 5% from the \$250 million recorded in 2008. The following factors contributed to that decline: a \$42 million increase in FDIC deposit assessments; a rise in the provision for credit losses of \$32 million, resulting from higher net charge-offs of consumer loans; and increases in personnel and net occupancy costs of \$17 million and \$16 million, respectively, related to the operations added with the Provident acquisition. Those unfavorable factors were partially offset by a \$48 million increase in net interest income and a \$34 million rise in fees earned for providing deposit account services to Provident customers. The higher net interest income was due to a \$2.4 billion increase in average deposit balances (approximately 60 percent of the increase in those balances was due to the impact of the Provident transaction) and a 26 basis point widening of the net interest margin on

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loans, offset, in part, by a 26 basis point narrowing of the deposit net interest margin. Net income for this segment in 2008 was 21% lower than the \$316 million earned in 2007. That decline resulted from increases in: the provision for credit losses of \$38 million, mainly due to higher net charge-offs of loans; personnel costs of \$22 million, reflecting merit increases and the impact of the late-2007 acquisitions; net occupancy expenses of \$12 million, largely the result of the 2007 acquisitions; and higher advertising and promotion costs of \$6 million. Another contributing factor in the decline in net income was lower net interest income of \$19 million, largely attributable to the narrowing of the net interest margins on deposits and loans of 34 basis points and 14 basis points, respectively, partially offset by the impact of higher average deposit and loan balances of \$1.5 billion and \$979 million, respectively.

The All Other category reflects other activities of the Company that are not directly attributable to the reported segments. Reflected in this category are the amortization of core deposit and other intangible assets resulting from the acquisitions of financial institutions, M&T's equity in the earnings (loss) of BLG, merger-related gains and expenses resulting from acquisitions and the net impact of the Company's allocation methodologies for internal transfers for funding charges and credits associated with the earning assets and interest-bearing liabilities of the Company's reportable segments and the provision for credit losses. The various components of the All Other category resulted in net losses of \$335 million, \$95 million and \$167 million in 2009, 2008 and 2007, respectively. Contributing to the higher net loss in 2009 as compared with 2008 were the following unfavorable factors: the impact from the Company's allocation methodologies for internal transfers for funding charges and credits associated with the earning assets and interest-bearing liabilities of the Company's reportable segments and the provision for credit losses; \$89 million of merger-related expenses associated with the Provident and Bradford acquisitions recorded in 2009, compared with \$4 million of merger-related expenses in 2008 related to acquisition transactions completed in the fourth quarter of 2007; Visa-related transactions that were recorded in the first quarter of 2008, including a \$33 million gain realized from the mandatory partial redemption of Visa stock owned by M&T Bank and \$15 million related to the reversal of Visa litigation-related accruals initially recorded in 2007's fourth quarter; increased personnel costs associated with the business and support units included in the All Other category of \$35 million, including higher costs for medical, pension and post-retirement benefits; the impact of a \$10 million reduction of income tax expense resulting from the reversal of taxes previously accrued for uncertain tax positions in various jurisdictions, compared with a \$40 million reduction of income tax expense recorded in 2008's third quarter relating to M&T's resolution of certain tax issues from its activities in various jurisdictions during the years 1999-2007; lower trust income of \$28 million; a \$16 million increase in FDIC deposit assessments; and a \$6 million increase in charitable contributions made to the M&T Charitable Foundation. Partially offsetting those factors was the previously noted \$29 million merger-related gain associated with the Bradford transaction in 2009 and a \$13 million (pre-tax) improvement from M&T's share of the operating results of BLG (inclusive of interest expense to fund that investment). The lower net loss recorded in 2008 as compared with 2007 resulted from several factors, including the previously mentioned \$40 million reduction of income tax expense in 2008; the \$33 million gain realized in the first quarter of 2008 from the mandatory partial redemption of Visa stock; the impact from the \$23 million accrual recorded in the final quarter of 2007 related to Visa litigation and the subsequent \$15 million partial reversal of such accrual in the first quarter of 2008; lower merger-related costs resulting from the 2007 acquisition transactions of \$11 million; and the favorable impact from the Company's allocation methodologies for internal funds transfer pricing and the provision for credit losses. Those favorable factors were partially offset by a \$32 million after-tax reduction in 2008 of the contribution from M&T's investment in BLG, inclusive of interest expense to fund that investment, compared with a similar reduction in 2007 of \$4 million; higher personnel and professional services costs of \$15 million and \$11 million, respectively, related to the business and support units included in the All Other category; and contributions to The M&T Charitable Foundation that totaled \$6 million.

Recent Accounting Developments

In January 2010, the FASB amended fair value measurement and disclosure guidance to require disclosure of significant transfers in and out of Level 1 and Level 2 fair value measurements and the reasons for the transfers and to require separate presentation of information about purchases, sales, issuances, and

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settlements in the roll forward of activity in Level 3 fair value measurements. The amended guidance also clarifies existing requirements that (i) fair value measurement disclosures should be disaggregated for each class of asset and liability and (ii) disclosures about valuation techniques and inputs for both recurring and nonrecurring Level 2 and Level 3 fair value measurements should be provided. The guidance is effective for interim and annual periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements, which are effective for fiscal years beginning after December 15, 2010 and for interim periods within those years. The adoption of this guidance will not impact the Company's financial position or results of operations.

In June 2009, the FASB amended accounting guidance relating to the consolidation of variable interest entities to eliminate the quantitative approach previously required for determining the primary beneficiary of a variable interest entity. The amended guidance instead requires a reporting entity to qualitatively assess the determination of the primary beneficiary of a variable interest entity based on whether the reporting entity has the power to direct the activities that most significantly impact the variable interest entity's economic performance and has the obligation to absorb losses or the right to receive benefits of the variable interest entity that could potentially be significant to the variable interest entity. The amended guidance requires ongoing reassessments of whether the reporting entity is the primary beneficiary of a variable interest entity. The amended guidance is effective as of the beginning of the first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier adoption is prohibited.

In June 2009, the FASB also issued amended accounting guidance relating to accounting for transfers of financial assets to eliminate the exceptions for qualifying special purpose entities from the consolidation guidance and the exception that permitted sale accounting for certain mortgage securitizations when a transferor has not surrendered control over the transferred assets. The amended guidance is effective as of the beginning of the first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier adoption is prohibited. The recognition and measurement provisions of the amended guidance should be applied to transfers that occur on or after the effective date.

Additionally, on and after the effective date, the concept of a qualifying special-purpose entity will no longer be relevant for accounting purposes. Therefore, formerly qualifying special-purpose entities will be evaluated for consolidation on and after the effective date in accordance with applicable consolidation guidance, including the new accounting guidance relating to the consolidation of variable interest entities discussed in the previous paragraph. Effective January 1, 2010, the Company includes in its consolidated financial statements one-to-four family residential mortgage loans that were included in two separate non-recourse securitization transactions using qualified special trusts. The effect of that consolidation was to increase loans receivable by \$424 million, decrease the amortized cost of available-for-sale investment securities by \$360 million (fair value of \$355 million), and increase borrowings by \$65 million. Information concerning these securitization transactions is included in note 19 of Notes to Financial Statements.

In December 2007, the FASB issued a revision of the business combinations accounting standard. The revised guidance retains the fundamental requirements of the previous accounting standard that the acquisition method of accounting be used for all business combinations and for an acquirer to be identified for each business combination. The revised accounting guidance defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as the date the acquirer achieves control. The revised accounting guidance retains the provisions in the previous accounting standard for identifying and recognizing intangible assets separately from goodwill. With limited exceptions, the revised guidance requires an acquirer to recognize the assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair value as of that date. That replaces the previous accounting standard's cost-allocation process, which required the cost of an acquisition to be allocated to the individual assets acquired and liabilities assumed based on their estimated fair values. As a result, certain acquisition-related costs previously included in the cost of an acquisition are now required to be expensed as

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incurred. In addition, certain restructuring costs previously recognized as if they were an assumed liability from an acquisition are also required to be expensed. The revised accounting guidance also requires the acquirer in a business combination achieved in stages (sometimes referred to as a step acquisition) to recognize the identifiable assets and liabilities, as well as the noncontrolling interest in the acquiree, at the full amounts of their fair values. The revised accounting guidance requires an acquirer to recognize goodwill as of the acquisition date measured as a residual, which in most types of business combinations will result in measuring goodwill as the excess of the consideration transferred plus the fair value of any noncontrolling interest in the acquiree at the acquisition date over the fair value of the identifiable net assets acquired. The revised accounting guidance also eliminates the recognition of a separate valuation allowance, such as an allowance for credit losses, as of the acquisition date for assets acquired in a business combination that are measured at their acquisition-date fair values because the effects of uncertainty about future cash flows should be included in the fair value measurement of those assets. The revised accounting guidance must be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Earlier adoption is prohibited. The adoption of the revised accounting guidance significantly impacts the accounting for acquisitions consummated in 2009 and beyond, including the Company's acquisition of Provident in a stock-for-stock transaction, which was completed on May 23, 2009, and the FDIC-assisted Bradford transaction, which was completed on August 28, 2009. Information concerning the Provident and Bradford transactions is included in note 2 of Notes to Financial Statements.

In April 2009, the FASB issued amended accounting rules relating to the accounting for assets acquired and liabilities assumed in a business combination that arise from contingencies to amend and clarify the business combination accounting standard to address application issues with respect to initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. This guidance applies to all assets acquired and liabilities assumed in a business combination that arise from contingencies, except for assets or liabilities arising from contingencies that are subject to specific provisions in the business combinations accounting rules. The accounting guidance requires an acquirer to recognize at fair value, at the acquisition date, an asset acquired or a liability assumed in a business combination that arises from a contingency if the acquisition-date fair value of that asset or liability can be determined during the measurement period. If the acquisition-date fair value of an asset acquired or a liability assumed in a business combination that arises from a contingency cannot be determined during the measurement period, an asset or liability shall be recognized if it is probable that an asset existed or that a liability had been incurred at the acquisition date and the amount of the asset or liability can be reasonably estimated. An acquirer shall develop a rational basis for subsequently measuring and accounting for assets and liabilities arising from contingencies depending on their nature. This accounting guidance is effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company applied the guidance in accounting for the aforementioned Provident and Bradford transactions completed during the 2009 second and third quarters, respectively. Information concerning the Provident and Bradford acquisitions is included in note 2 of Notes to Financial Statements.

Forward-Looking Statements

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

Future Factors include changes in interest rates, spreads on earning assets and interest-bearing liabilities, and interest rate sensitivity; prepayment speeds, loan originations, credit losses and market values on loans, collateral securing loans and other assets; sources of liquidity; common shares

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outstanding; common stock price volatility; fair value of and number of stock-based compensation awards to be issued in future periods; legislation affecting the financial services industry as a whole, and M&T and its subsidiaries individually or collectively, including tax legislation; regulatory supervision and oversight, including monetary policy and required capital levels; changes in accounting policies or procedures as may be required by the FASB or other regulatory agencies; increasing price and product/service competition by competitors, including new entrants; rapid technological developments and changes; the ability to continue to introduce competitive new products and services on a timely, cost-effective basis; the mix of products/services; containing costs and expenses; governmental and public policy changes; protection and validity of intellectual property rights; reliance on large customers; technological, implementation and cost/financial risks in large, multi-year contracts; the outcome of pending and future litigation and governmental proceedings, including tax-related examinations and other matters; continued availability of financing; financial resources in the amounts, at the times and on the terms required to support M&T and its subsidiaries future businesses; and material differences in the actual financial results of merger, acquisition and investment activities compared with M&T's initial expectations, including the full realization of anticipated cost savings and revenue enhancements.

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

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and dividends	2009 Quarters				2008 Quarters			
	Fourth	Third	Second	First	Fourth	Third	Second	First
<i>In thousands, except</i>								
Income								
(on equivalent basis)	\$ 698,556	\$ 706,388	\$ 682,637	\$ 659,445	\$ 779,468	\$ 806,614	\$ 823,425	\$ 806,614
Expense	133,950	152,938	175,856	206,705	288,426	313,115	330,942	400,000
Net income	564,606	553,450	506,781	452,740	491,042	493,499	492,483	406,614
Provision for credit losses	145,000	154,000	147,000	158,000	151,000	101,000	100,000	100,000
Income	265,890	278,226	271,649	232,341	241,417	113,717	271,182	306,614
Expense	478,451	500,056	563,710	438,346	446,819	434,763	419,710	406,614
Income before income taxes	207,045	177,620	67,720	88,735	134,640	71,453	243,955	306,614
Expense income taxes	64,340	44,161	11,318	19,581	27,432	(24,992)	77,839	100,000
Equivalent adjustment	5,887	5,795	5,214	4,933	4,967	5,260	5,851	100,000
Income	\$ 136,818	\$ 127,664	\$ 51,188	\$ 64,221	\$ 102,241	\$ 91,185	\$ 160,265	\$ 206,614
Income available to common shareholders	\$ 122,910	\$ 113,894	40,516	54,618	101,451	91,185	160,265	206,614
Income on share data								
Earnings	\$ 1.05	\$.97	\$.36	\$.49	\$.92	\$.83	\$ 1.45	\$ 1.45
Earnings	1.04	.97	.36	.49	.92	.82	1.44	1.44
Dividends	\$.70	\$.70	\$.70	\$.70	\$.70	\$.70	\$.70	\$.70
Income on common shares								
Income	117,506	117,370	113,218	110,439	110,370	110,265	110,191	110,191
Income	117,672	117,547	113,521	110,439	110,620	110,807	111,227	110,191
Financial ratios, and								
Assets	.79%	.73%	.31%	.40%	.63%	.56%	.98%	
Income on common stockholders	7.09%	6.72%	2.53%	3.61%	6.41%	5.66%	9.96%	
Net margin on average assets								
(on equivalent basis)	3.71%	3.61%	3.43%	3.19%	3.37%	3.39%	3.39%	
Net loans to total loans, net of unearned	2.56%	2.35%	2.11%	2.05%	1.54%	1.41%	1.16%	

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ratio(a)	54.62%	57.21%	61.93%	60.82%	59.11%	57.24%	54.57%	
ing (tangible)								
ing income (in	\$ 150,776	\$ 128,761	\$ 100,805	\$ 75,034	\$ 111,784	\$ 100,809	\$ 170,361	\$ 2
nt operating income								
on share	1.16	.98	.79	.59	1.00	.91	1.53	
d return on								
angible assets	.92%	.78%	.64%	.50%	.72%	.65%	1.10%	
angible common								
ers equity	16.73%	14.87%	12.08%	9.36%	15.01%	13.17%	22.20%	
ratio(a)	52.69%	55.21%	60.03%	58.68%	57.03%	55.16%	52.41%	
heet data								
<i>s, except per share</i>								
ances								
ts(c)	\$ 68,919	\$ 69,154	\$ 66,984	\$ 64,766	\$ 64,942	\$ 64,997	\$ 65,584	\$
ible assets(c)	65,240	65,462	63,500	61,420	61,584	61,627	62,201	
sets	60,451	60,900	59,297	57,509	57,919	57,971	58,465	
t securities	8,197	8,420	8,508	8,490	8,894	9,303	8,770	
leases, net of								
discount	52,087	52,320	50,554	48,824	48,810	48,477	49,522	
	47,365	46,720	43,846	41,487	40,447	39,503	39,711	
stockholders								
	6,957	6,794	6,491	6,212	6,299	6,415	6,469	
common stockholders								
	3,278	3,102	3,007	2,866	2,941	3,045	3,086	
quarter								
ts(c)	\$ 68,880	\$ 68,997	\$ 69,913	\$ 64,883	\$ 65,816	\$ 65,247	\$ 65,893	\$
ible assets(c)	65,208	65,312	66,215	61,544	62,464	61,883	62,517	
sets	59,928	59,993	61,044	56,823	57,107	57,430	57,949	
t securities	7,781	7,634	8,155	7,687	7,919	8,433	8,659	
leases, net of								
discount	51,937	52,204	52,715	48,918	49,000	48,694	49,115	
	47,450	46,862	46,755	42,477	42,581	42,501	41,926	
stockholders								
	7,017	6,879	6,669	6,329	6,217	6,417	6,519	
common stockholders								
	3,345	3,194	2,971	2,990	2,865	3,053	3,143	
common share	59.31	58.22	56.51	56.95	56.29	58.17	59.12	
equity per common								
	28.27	27.03	25.17	26.90	25.94	27.67	28.50	
rice per common								
	\$ 69.89	\$ 67.46	\$ 61.87	\$ 59.08	\$ 99.50	\$ 108.53	\$ 98.38	\$
	59.09	50.33	43.50	29.11	52.20	53.61	69.90	
	66.89	62.32	50.93	45.24	57.41	89.25	70.54	

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

(b) Excludes amortization and balances related to goodwill and core deposit and other intangible assets and merger-related gains and expenses which, except in the calculation of the efficiency ratio, are net of applicable

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

Table of Contents**Table 24****RECONCILIATION OF QUARTERLY GAAP TO NON-GAAP MEASURES**

	2009 Quarters				2008 Quarters			
	Fourth	Third	Second	First	Fourth	Third	Second	First
Income statement data								
<i>Thousands, except per share</i>								
Income								
Income	\$ 136,818	\$ 127,664	\$ 51,188	\$ 64,221	\$ 102,241	\$ 91,185	\$ 160,265	\$ 202,199
Amortization of core deposit and other intangible assets(a)	10,152	10,270	9,247	9,337	9,543	9,624	10,096	11,242
Acquisition-related gain(a)		(17,684)						
Acquisition-related expenses(a)	3,806	8,511	40,370	1,476				2,160
Operating income	\$ 150,776	\$ 128,761	\$ 100,805	\$ 75,034	\$ 111,784	\$ 100,809	\$ 170,361	\$ 215,599
Earnings per common share								
Adjusted earnings per common share	\$ 1.04	\$.97	\$.36	\$.49	\$.92	\$.82	\$ 1.44	\$ 1.88
Amortization of core deposit and other intangible assets(a)	.09	.09	.08	.09	.08	.09	.09	.11
Acquisition-related gain(a)		(.15)						
Acquisition-related expenses(a)	.03	.07	.35	.01				.02
Adjusted net operating earnings per common share	\$ 1.16	\$.98	\$.79	\$.59	\$ 1.00	\$.91	\$ 1.53	\$ 1.99
Other expense								
Other expense	\$ 478,451	\$ 500,056	\$ 563,710	\$ 438,346	\$ 446,819	\$ 434,763	\$ 419,710	\$ 425,700
Amortization of core deposit and other intangible assets	(16,730)	(16,924)	(15,231)	(15,370)	(15,708)	(15,840)	(16,615)	(18,480)
Acquisition-related expenses	(6,264)	(14,010)	(66,457)	(2,426)				(3,540)
Noninterest operating expense	\$ 455,457	\$ 469,122	\$ 482,022	\$ 420,550	\$ 431,111	\$ 418,923	\$ 403,095	\$ 403,679
Acquisition-related expenses								
Salaries and employee benefits	\$ 381	\$ 870	\$ 8,768	\$ 11	\$	\$	\$	\$ 6
	545	1,845	581	4				4

Equipment and net occupancy									
Printing, postage and supplies	233	629	2,514	301					36
Other costs of operations	5,105	10,666	54,594	2,110					3,060
Total	\$ 6,264	\$ 14,010	\$ 66,457	\$ 2,426	\$	\$	\$	\$	\$ 3,542
Balance sheet data									
<i>in millions</i>									
Average assets									
Average assets	\$ 68,919	\$ 69,154	\$ 66,984	\$ 64,766	\$ 64,942	\$ 64,997	\$ 65,584	\$ 65,010	\$ 65,010
Goodwill	(3,525)	(3,525)	(3,326)	(3,192)	(3,192)	(3,192)	(3,192)	(3,192)	(3,192)
Time deposit and other intangible assets	(191)	(208)	(188)	(176)	(191)	(206)	(222)	(222)	(222)
Deferred taxes	37	41	30	22	25	28	31	31	31
Average tangible assets	\$ 65,240	\$ 65,462	\$ 63,500	\$ 61,420	\$ 61,584	\$ 61,627	\$ 62,201	\$ 61,627	\$ 61,627
Average common equity									
Average total equity	\$ 7,686	\$ 7,521	\$ 7,127	\$ 6,780	\$ 6,354	\$ 6,415	\$ 6,469	\$ 6,510	\$ 6,510
Preferred stock	(729)	(727)	(636)	(568)	(55)				
Average common equity	6,957	6,794	6,491	6,212	6,299	6,415	6,469	6,510	6,510
Goodwill	(3,525)	(3,525)	(3,326)	(3,192)	(3,192)	(3,192)	(3,192)	(3,192)	(3,192)
Time deposit and other intangible assets	(191)	(208)	(188)	(176)	(191)	(206)	(222)	(222)	(222)
Deferred taxes	37	41	30	22	25	28	31	31	31
Average tangible common equity	\$ 3,278	\$ 3,102	\$ 3,007	\$ 2,866	\$ 2,941	\$ 3,045	\$ 3,086	\$ 3,110	\$ 3,110
End of quarter									
Total assets									
Total assets	\$ 68,880	\$ 68,997	\$ 69,913	\$ 64,883	\$ 65,816	\$ 65,247	\$ 65,893	\$ 66,080	\$ 66,080
Goodwill	(3,525)	(3,525)	(3,525)	(3,192)	(3,192)	(3,192)	(3,192)	(3,192)	(3,192)
Time deposit and other intangible assets	(182)	(199)	(216)	(168)	(183)	(199)	(214)	(222)	(222)
Deferred taxes	35	39	43	21	23	27	30	31	31
Total tangible assets	\$ 65,208	\$ 65,312	\$ 66,215	\$ 61,544	\$ 62,464	\$ 61,883	\$ 62,517	\$ 62,697	\$ 62,697
Total common equity									
Total equity	\$ 7,753	\$ 7,612	\$ 7,400	\$ 6,902	\$ 6,785	\$ 6,417	\$ 6,519	\$ 6,480	\$ 6,480
Preferred stock	(730)	(728)	(725)	(568)	(568)				
Accumulated amortized discount and declared dividends									
Preferred stock	(6)	(5)	(6)	(5)					
Total common equity	7,017	6,879	6,669	6,329	6,217	6,417	6,519	6,480	6,480
Goodwill	(3,525)	(3,525)	(3,525)	(3,192)	(3,192)	(3,192)	(3,192)	(3,192)	(3,192)

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de deposit and other									
angible assets	(182)	(199)	(216)	(168)	(183)	(199)	(214)	(214)	(214)
ferred taxes	35	39	43	21	23	27	30	30	30
al tangible common									
ity	\$ 3,345	\$ 3,194	\$ 2,971	\$ 2,990	\$ 2,865	\$ 3,053	\$ 3,143	\$ 3,143	\$ 3,090

(a) After any related tax effect.

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Item 7A. *Quantitative and Qualitative Disclosures About Market Risk.*

Incorporated by reference to the discussion contained in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, under the captions Liquidity, Market Risk, and Interest Rate Sensitivity (including Table 20) and Capital.

Item 8. *Financial Statements and Supplementary Data.*

Financial Statements and Supplementary Data consist of the financial statements as indexed and presented below and Table 23 Quarterly Trends presented in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Index to Financial Statements and Financial Statement Schedules

<u>Report on Internal Control Over Financial Reporting</u>	96
<u>Report of Independent Registered Public Accounting Firm</u>	97
<u>Consolidated Balance Sheet December 31, 2009 and 2008</u>	98
<u>Consolidated Statement of Income Years ended December 31, 2009, 2008 and 2007</u>	99
<u>Consolidated Statement of Cash Flows Years ended December 31, 2009, 2008 and 2007</u>	100
<u>Consolidated Statement of Changes in Stockholders' Equity Years ended December 31, 2009, 2008 and 2007</u>	101
<u>Notes to Financial Statements</u>	102-163
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Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting at M&T Bank Corporation and subsidiaries (the Company). Management has assessed the effectiveness of the Company s internal control over financial reporting as of December 31, 2009 based on criteria described in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, management concluded that the Company maintained effective internal control over financial reporting as of December 31, 2009.

The consolidated financial statements of the Company have been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, that was engaged to express an opinion as to the fairness of presentation of such financial statements. PricewaterhouseCoopers LLP was also engaged to assess the effectiveness of the Company s internal control over financial reporting. The report of PricewaterhouseCoopers LLP follows this report.

M&T BANK CORPORATION

Robert G. Wilmers

Chairman of the Board and Chief Executive Officer

René F. Jones

Executive Vice President and Chief Financial Officer

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
M&T Bank Corporation

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of M&T Bank Corporation and its subsidiaries (the Company) at December 31, 2009 and 2008, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Buffalo, New York
February 19, 2010

Table of Contents**M&T BANK CORPORATION AND SUBSIDIARIES****Consolidated Balance Sheet****(Dollars in thousands, except per share)**

	December 31	
	2009	2008
Assets		
Cash and due from banks	\$ 1,226,223	\$ 1,546,804
Interest-bearing deposits at banks	133,335	10,284
Federal funds sold	20,119	21,347
Agreements to resell securities		90,000
Trading account	386,984	617,821
Investment securities (includes pledged securities that can be sold or repledged of \$1,797,701 in 2009; \$1,870,097 in 2008)		
Available for sale (cost: \$6,997,009 in 2009; \$7,656,635 in 2008)	6,704,378	6,850,193
Held to maturity (fair value: \$416,483 in 2009; \$394,752 in 2008)	567,607	485,838
Other (fair value: \$508,624 in 2009; \$583,176 in 2008)	508,624	583,176
Total investment securities	7,780,609	7,919,207
Loans and leases	52,306,457	49,359,737
Unearned discount	(369,771)	(359,274)
Allowance for credit losses	(878,022)	(787,904)
Loans and leases, net	51,058,664	48,212,559
Premises and equipment	435,845	388,855
Goodwill	3,524,625	3,192,128
Core deposit and other intangible assets	182,418	183,496
Accrued interest and other assets	4,131,577	3,633,256
Total assets	\$ 68,880,399	\$ 65,815,757
Liabilities		
Noninterest-bearing deposits	\$ 13,794,636	\$ 8,856,114
NOW accounts	1,396,471	1,141,308
Savings deposits	23,676,798	19,488,918
Time deposits	7,531,495	9,046,937
Deposits at foreign office	1,050,438	4,047,986
Total deposits	47,449,838	42,581,263
Federal funds purchased and agreements to repurchase securities	2,211,692	970,529
Other short-term borrowings	230,890	2,039,206
Accrued interest and other liabilities	995,056	1,364,879
Long-term borrowings	10,240,016	12,075,149

Total liabilities	61,127,492	59,031,026
Stockholders equity		
Preferred stock, \$1.00 par, 1,000,000 shares authorized, 778,000 shares issued and outstanding in 2009; 600,000 shares issued and outstanding in 2008 (liquidation preference \$1,000 per share)	730,235	567,463
Common stock, \$.50 par, 250,000,000 shares authorized, 120,396,611 shares issued in 2009 and 2008	60,198	60,198
Common stock issuable, 75,170 shares in 2009; 78,447 shares in 2008	4,342	4,617
Additional paid-in capital	2,442,947	2,897,907
Retained earnings	5,076,884	5,062,754
Accumulated other comprehensive income (loss), net	(335,997)	(736,881)
Treasury stock common, at cost 2,173,916 shares in 2009; 10,031,302 shares in 2008	(225,702)	(1,071,327)
Total stockholders equity	7,752,907	6,784,731
Total liabilities and stockholders equity	\$ 68,880,399	\$ 65,815,757

See accompanying notes to financial statements.

Table of Contents**M&T BANK CORPORATION AND SUBSIDIARIES****Consolidated Statement of Income****(In thousands, except per share)**

	Year Ended December 31		
	2009	2008	2007
Interest income			
Loans and leases, including fees	\$ 2,326,748	\$ 2,825,587	\$ 3,155,967
Deposits at banks	34	109	300
Federal funds sold	63	254	857
Agreements to resell securities	66	1,817	22,978
Trading account	534	1,469	744
Investment securities			
Fully taxable	389,268	438,409	352,628
Exempt from federal taxes	8,484	9,946	11,339
Total interest income	2,725,197	3,277,591	3,544,813
Interest expense			
NOW accounts	1,122	2,894	4,638
Savings deposits	112,550	248,083	250,313
Time deposits	206,220	330,389	496,378
Deposits at foreign office	2,391	84,483	207,990
Short-term borrowings	7,129	142,627	274,079
Long-term borrowings	340,037	529,319	461,178
Total interest expense	669,449	1,337,795	1,694,576
<i>Net interest income</i>	2,055,748	1,939,796	1,850,237
Provision for credit losses	604,000	412,000	192,000
Net interest income after provision for credit losses	1,451,748	1,527,796	1,658,237
Other income			
Mortgage banking revenues	207,561	156,012	111,893
Service charges on deposit accounts	469,195	430,532	409,462
Trust income	128,568	156,149	152,636
Brokerage services income	57,611	64,186	59,533
Trading account and foreign exchange gains	23,125	17,630	30,271
Gain on bank investment securities	1,165	34,471	1,204
Total other-than-temporary impairment (OTTI) losses	(264,363)	(182,222)	(127,300)
Portion of OTTI losses recognized in other comprehensive income (before taxes)	126,066		
Net OTTI losses recognized in earnings	(138,297)	(182,222)	(127,300)
Equity in earnings of Bayview Lending Group LLC	(25,898)	(37,453)	8,935
Other revenues from operations	325,076	299,674	286,355

Total other income	1,048,106	938,979	932,989
Other expense			
Salaries and employee benefits	1,001,873	957,086	908,315
Equipment and net occupancy	211,391	188,845	169,050
Printing, postage and supplies	38,216	35,860	35,765
Amortization of core deposit and other intangible assets	64,255	66,646	66,486
FDIC assessments	96,519	6,689	4,203
Other costs of operations	568,309	471,870	443,870
Total other expense	1,980,563	1,726,996	1,627,689
Income before taxes	519,291	739,779	963,537
Income taxes	139,400	183,892	309,278
<i>Net income</i>	\$ 379,891	\$ 555,887	\$ 654,259
Net income available to common shareholders	\$ 332,006	\$ 555,096	\$ 654,259
Net income per common share			
Basic	\$ 2.90	\$ 5.04	\$ 6.05
Diluted	2.89	5.01	5.95

See accompanying notes to financial statements.

Table of Contents**M&T BANK CORPORATION AND SUBSIDIARIES****Consolidated Statement of Cash Flows****(In thousands)**

	Year Ended December 31		
	2009	2008	2007
Cash flows from operating activities			
Net income	\$ 379,891	\$ 555,887	\$ 654,259
Adjustments to reconcile net income to net cash provided by operating activities			
Provision for credit losses	604,000	412,000	192,000
Depreciation and amortization of premises and equipment	64,398	53,422	48,742
Amortization of capitalized servicing rights	62,268	65,722	62,931
Amortization of core deposit and other intangible assets	64,255	66,646	66,486
Provision for deferred income taxes	82,501	(17,020)	(44,670)
Asset write-downs	171,225	190,079	139,779
Net gain on sales of assets	(88)	(24,961)	(5,495)
Net change in accrued interest receivable, payable	(38,920)	15,023	780
Net change in other accrued income and expense	(154,992)	(201,402)	(18,461)
Net change in loans originated for sale	(57,105)	471,543	305,138
Net change in trading account assets and liabilities	11,956	41,477	(66,732)
Net cash provided by operating activities	1,189,389	1,628,416	1,334,757
Cash flows from investing activities			
Proceeds from sales of investment securities			
Available for sale	9,427	57,843	40,160
Other	137,577	115,207	19,361
Proceeds from maturities of investment securities			
Available for sale	2,187,553	1,908,725	2,184,773
Held to maturity	125,466	92,343	46,781
Purchases of investment securities			
Available for sale	(651,549)	(836,448)	(2,219,861)
Held to maturity	(37,453)	(198,418)	(39,588)
Other	(21,088)	(191,995)	(130,865)
Net (increase) decrease in agreements to resell securities	90,000	(90,000)	100,000
Net (increase) decrease in loans and leases	657,458	(2,873,642)	(4,074,220)
Other investments, net	(35,934)	(35,649)	(309,666)
Additions to capitalized servicing rights	(379)	(24,349)	(53,049)
Capital expenditures, net	(58,967)	(72,234)	(56,681)
Acquisitions, net of cash acquired			
Banks and bank holding companies	202,993		(239,012)
Deposits and banking offices			(12,894)
Other, net	(103,409)	(115,142)	(37,906)
Net cash provided (used) by investing activities	2,501,695	(2,263,759)	(4,782,667)

Cash flows from financing activities

Net increase (decrease) in deposits	(528,964)	1,317,764	(1,036,502)
Net increase (decrease) in short-term borrowings	(745,251)	(2,811,736)	2,324,859
Proceeds from long-term borrowings		3,850,010	3,550,229
Payments on long-term borrowings	(2,390,182)	(2,216,978)	(528,515)
Purchases of treasury stock			(508,404)
Dividends paid common	(325,706)	(308,501)	(281,900)
Dividends paid preferred	(31,946)		
Proceeds from issuance of preferred stock and warrants		600,000	
Other, net	9,156	5,388	70,726
Net cash provided (used) by financing activities	(4,012,893)	435,947	3,590,493
Net increase (decrease) in cash and cash equivalents	(321,809)	(199,396)	142,583
Cash and cash equivalents at beginning of year	1,568,151	1,767,547	1,624,964
Cash and cash equivalents at end of year	\$ 1,246,342	\$ 1,568,151	\$ 1,767,547

Supplemental disclosure of cash flow information

Interest received during the year	\$ 2,748,880	\$ 3,374,219	\$ 3,545,094
Interest paid during the year	704,173	1,363,351	1,683,403
Income taxes paid (refunded) during the year	(19,549)	290,324	370,103

Supplemental schedule of noncash investing and financing activities

Securitization of residential mortgage loans allocated to Available for sale investment securities	\$ 140,942	\$ 866,169	\$ 942,048
Capitalized servicing rights	788	8,455	7,873
Real estate acquired in settlement of loans	102,392	142,517	48,163
Investment securities available for sale transferred to held to maturity		298,108	
Loans held for sale transferred to loans held for investment			870,759
Acquisitions			
Fair value of			
Assets acquired (noncash)	6,581,433		3,744,853
Liabilities assumed	6,318,998		3,207,521
Preferred stock issued	155,779		
Common stock issued	272,824		277,015
Common stock options	1,367		
Common stock warrants	6,467		

See accompanying notes to financial statements.

Table of Contents**M&T BANK CORPORATION AND SUBSIDIARIES****Consolidated Statement of Changes in Stockholders' Equity**

(Thousands, except per share)	Consolidated Statement of Changes in Stockholders' Equity							Total
	Preferred Stock	Common Stock	Common Stock Issuable	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net	Treasury Stock	
January 1, 2007	\$	60,198	5,060	2,889,449	4,443,441	(53,574)	(1,063,479)	6,282,095
Comprehensive income:					654,259			654,259
Comprehensive income, net of reclassification adjustments:								
Realized losses on investment securities						(34,095)		(34,095)
Actuarial benefit plans liability						(18,222)		(18,222)
Realized losses on cash flow						(8,931)		(8,931)
Acquisition of Partners Financial Group, Inc. common stock issued				(54,628)			331,643	277,015
Issuance of treasury stock							(508,404)	(508,404)
Share-based compensation plans:								
Option and purchase plans:								
Compensation expense				49,824			1,605	50,429
Reversals				(35,397)			107,116	71,719
Share stock plan				63			1,278	1,341
Share-based compensation plans, net of dividend equivalents			(284)	(559)	(215)		1,008	(1,050)
Share stock cash dividends per share					(281,900)			(281,900)
December 31, 2007	\$	60,198	4,776	2,848,752	4,815,585	(114,822)	(1,129,233)	6,483,176
Comprehensive income:					555,887			555,887
Comprehensive income, net of reclassification adjustments:								
Realized losses on investment securities						(497,262)		(497,262)

Realized losses on investment securities							(127,845)	(127,845)
Change in benefit plans liability								
Realized losses on terminated forward hedges							3,048	3,048
Change in value of preferred stock and warrants	567,463			32,537				600,000
Change in value of management stock ownership program receivable				72				72
Change in value of deferred compensation plans:								
- Option and purchase plans:								
- Compensation expense				46,025			3,602	49,627
- Expenses				(28,543)			51,548	23,005
- Restricted stock plan				(450)			1,797	1,347
- Deferred compensation plans, net of dividend equivalents			(159)	(486)	(217)		959	1,157
Change in value of common stock cash dividends per share						(308,501)		(308,501)
December 31, 2008	\$ 567,463	60,198	4,617	2,897,907	5,062,754	(736,881)	(1,071,327)	6,784,171
Comprehensive income:								
- Net income						379,891		379,891
- Comprehensive income, net of tax and reclassification adjustments:								
- Realized gains on investment securities							337,043	337,043
- Change in benefit plans liability							57,284	57,284
- Realized losses on terminated forward hedges							6,557	6,557
- Acquisition of Provident Shares Corporation:								
- Issuance of common stock	155,779							155,779
- Issuance of common stock through stock options				(348,080)			620,904	272,824
- Issuance of common stock through stock warrants				1,367				1,367
- Issuance of common stock through stock warrants				6,467				6,467
- Change in value of common stock to benefit pension plan				(51,417)			95,706	44,289
- Change in value of common stock cash dividends						(31,946)		(31,946)
- Change in value of preferred stock								
- Change in value of common stock	6,993					(6,993)		
- Change in value of management stock ownership program receivable				195				195
- Change in value of deferred compensation plans:								

ption and purchase plans:								
nsation expense				(21,773)			75,278	5
es				(39,936)			50,170	1
rs stock plan				(1,280)			2,531	
d compensation plans, net,								
ng dividend equivalents			(275)	(503)	(205)		1,036	
n stock cash dividends								
er share						(326,617)		(32
December 31, 2009	\$ 730,235	60,198	4,342	2,442,947	5,076,884	(335,997)	(225,702)	7,75

See accompanying notes to financial statements.

Table of Contents**M&T BANK CORPORATION AND SUBSIDIARIES****Notes to Financial Statements****1. Significant accounting policies**

M&T Bank Corporation (M&T) is a bank holding company headquartered in Buffalo, New York. Through subsidiaries, M&T provides individuals, corporations and other businesses, and institutions with commercial and retail banking services, including loans and deposits, trust, mortgage banking, asset management, insurance and other financial services. Banking activities are largely focused on consumers residing in New York State, Pennsylvania, Maryland, Virginia and the District of Columbia and on small and medium-size businesses based in those areas. Banking services are also provided in Delaware, West Virginia and New Jersey, while certain subsidiaries also conduct activities in other states.

The accounting and reporting policies of M&T and subsidiaries (the Company) conform to generally accepted accounting principles (GAAP) and to general practices within the banking industry. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Subsequent events have been evaluated for their potential impact in the financial statements through February 19, 2010, which is the date the financial statements were issued. The more significant accounting policies are as follows:

Consolidation

The consolidated financial statements include M&T and all of its subsidiaries. All significant intercompany accounts and transactions of consolidated subsidiaries have been eliminated in consolidation. The financial statements of M&T included in note 26 report investments in subsidiaries under the equity method. Information about some limited purpose entities that are affiliates of the Company but are not included in the consolidated financial statements appears in note 19.

Consolidated Statement of Cash Flows

For purposes of this statement, cash and due from banks and federal funds sold are considered cash and cash equivalents.

Securities purchased under agreements to resell and securities sold under agreements to repurchase

Securities purchased under agreements to resell and securities sold under agreements to repurchase are treated as collateralized financing transactions and are recorded at amounts equal to the cash or other consideration exchanged. It is generally the Company's policy to take possession of collateral pledged to secure agreements to resell.

Trading account

Financial instruments used for trading purposes are stated at fair value. Realized gains and losses and unrealized changes in fair value of financial instruments utilized in trading activities are included in trading account and foreign exchange gains in the consolidated statement of income.

Investment securities

Investments in debt securities are classified as held to maturity and stated at amortized cost when management has the positive intent and ability to hold such securities to maturity. Investments in other debt securities and equity securities having readily determinable fair values are classified as available for sale and stated at estimated fair value. Amortization of premiums and accretion of discounts for investment securities available for sale and held to maturity are included in interest income. Except for investment securities for which the Company has entered into a related fair

value hedge, unrealized gains or losses on investment securities available for sale are reflected in accumulated other comprehensive income (loss), net of applicable income taxes.

Other securities are stated at cost and include stock of the Federal Reserve Bank of New York and the Federal Home Loan Bank (FHLB) of New York.

The cost basis of individual securities is written down through a charge to earnings when declines in value below amortized cost are considered to be other than temporary. In cases where fair value is less

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Table of Contents**M&T BANK CORPORATION AND SUBSIDIARIES****Notes to Financial Statements (Continued)**

than amortized cost and the Company intends to sell a debt security, it is more likely than not to be required to sell a debt security before recovery of its amortized cost basis, or the Company does not expect to recover the entire amortized cost basis of a debt security, an other-than-temporary impairment is considered to have occurred. If the Company intends to sell the debt security or more likely than not will be required to sell the security before recovery of its amortized cost basis, the other-than-temporary impairment is recognized in earnings equal to the entire difference between the debt security's amortized cost basis and its fair value at the balance sheet date. If the Company does not expect to recover the entire amortized cost basis of the security, the Company does not intend to sell the security and it is not more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis, the other-than-temporary impairment is separated into (a) the amount representing the credit loss and (b) the amount related to all other factors. The amount of the other-than-temporary impairment related to the credit loss is recognized in earnings while the amount related to other factors is recognized in other comprehensive income, net of applicable taxes. Subsequently, the Company accounts for the other-than-temporarily impaired debt security as if the security had been purchased on the measurement date of the other-than-temporary impairment at an amortized cost basis equal to the previous amortized cost basis less the other-than-temporary impairment recognized in earnings. The cost basis of individual equity securities is written down to estimated fair value through a charge to earnings when declines in value below cost are considered to be other than temporary. Realized gains and losses on the sales of investment securities are determined using the specific identification method.

Loans and leases

Interest income on loans is accrued on a level yield method. Loans are placed on nonaccrual status and previously accrued interest thereon is charged against income when principal or interest is delinquent 90 days, unless management determines that the loan status clearly warrants other treatment. Loan balances are charged off when it becomes evident that such balances are not fully collectible. For loans secured by residential real estate, the excess of the loan balances over the net realizable value of the property collateralizing the loan is charged-off when the loan becomes 150 days delinquent. Loan fees and certain direct loan origination costs are deferred and recognized as an interest yield adjustment over the life of the loan. Net deferred fees have been included in unearned discount as a reduction of loans outstanding. Commitments to sell real estate loans are utilized by the Company to hedge the exposure to changes in fair value of real estate loans held for sale. The carrying value of hedged real estate loans held for sale recorded in the consolidated balance sheet includes changes in estimated fair market value during the hedge period, typically from the date of close through the sale date. Valuation adjustments made on these loans and commitments are included in mortgage banking revenues.

Except for consumer and residential mortgage loans that are considered smaller balance homogenous loans and are evaluated collectively, the Company considers a loan to be impaired for purposes of applying GAAP when, based on current information and events, it is probable that the Company will be unable to collect all amounts according to the contractual terms of the loan agreement or the loan is delinquent 90 days. Impaired loans are classified as either nonaccrual or as loans renegotiated at below market rates. Loans less than 90 days delinquent are deemed to have an insignificant delay in payment and are generally not considered impaired. Impairment of a loan is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of collateral if the loan is collateral dependent. Interest received on impaired loans placed on nonaccrual status is applied to reduce the carrying value of the loan or, if principal is considered fully collectible, recognized as interest income.

Due to changes in GAAP for loans acquired in a business combination subsequent to December 31, 2008, the excess of cash flows expected at acquisition over the estimated fair value is recognized as interest income over the remaining

lives of the loans. Because those loans are recorded at fair value, no carry over of an acquired entity's previously established allowance for credit losses may be recorded. Subsequent decreases in the expected cash flows require the Company to evaluate the need for additions to the Company's allowance for credit losses. Subsequent improvements in expected cash flows result in the recognition of additional interest income over the then remaining lives of the loans.

Table of Contents**M&T BANK CORPORATION AND SUBSIDIARIES****Notes to Financial Statements (Continued)**

Residual value estimates for commercial leases are generally determined through internal or external reviews of the leased property. The Company reviews commercial lease residual values at least annually and recognizes residual value impairments deemed to be other than temporary.

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. The adequacy of the allowance is determined by management's evaluation of the loan and lease portfolio based on such factors as the differing economic risks associated with each loan category, the current financial condition of specific borrowers, the economic environment in which borrowers operate, the level of delinquent loans, the value of any collateral and, where applicable, the existence of any guarantees or indemnifications.

Assets taken in foreclosure of defaulted loans

Assets taken in foreclosure of defaulted loans are primarily comprised of commercial and residential real property and are included in other assets in the consolidated balance sheet. Upon acquisition of assets taken in satisfaction of a defaulted loan, the excess of the remaining loan balance over the asset's estimated fair value less costs to sell is charged off against the allowance for credit losses. Subsequent declines in value of the assets are recognized as other expense in the consolidated statement of income.

Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation expense is computed principally using the straight-line method over the estimated useful lives of the assets.

Capitalized servicing rights

Capitalized servicing assets are included in other assets in the consolidated balance sheet. Separately recognized servicing assets are initially measured at fair value. The Company uses the amortization method to subsequently measure servicing assets. Under that method, capitalized servicing assets are charged to expense in proportion to and over the period of estimated net servicing income.

To estimate the fair value of servicing rights, the Company considers market prices for similar assets and the present value of expected future cash flows associated with the servicing rights calculated using assumptions that market participants would use in estimating future servicing income and expense. Such assumptions include estimates of the cost of servicing loans, loan default rates, an appropriate discount rate, and prepayment speeds. For purposes of evaluating and measuring impairment of capitalized servicing rights, the Company stratifies such assets based on the predominant risk characteristics of the underlying financial instruments that are expected to have the most impact on projected prepayments, cost of servicing and other factors affecting future cash flows associated with the servicing rights. Such factors may include financial asset or loan type, note rate and term. The amount of impairment recognized is the amount by which the carrying value of the capitalized servicing rights for a stratum exceeds estimated fair value. Impairment is recognized through a valuation allowance.

Sales and securitizations of financial assets

Transfers of financial assets for which the Company has surrendered control of the financial assets are accounted for as sales to the extent that consideration other than beneficial interests in the transferred assets is received in exchange. Interests in a sale or securitization of financial assets that continue to be held by the Company, other than servicing

rights which are initially measured at fair value, are measured at the date of transfer by allocating the previous carrying amount between the assets transferred and the retained interests based on their relative estimated fair values. The fair values of retained debt securities are generally determined through reference to independent pricing information. The fair values of retained servicing rights and any other retained interests are determined based on the present value of expected future cash flows associated with those interests and by reference to market prices for similar assets.

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Table of Contents**M&T BANK CORPORATION AND SUBSIDIARIES****Notes to Financial Statements (Continued)*****Goodwill and core deposit and other intangible assets***

Goodwill represents the excess of the cost of an acquired entity over the fair value of the identifiable net assets acquired. Similar to goodwill, other intangible assets, which include core deposit intangibles, also lack physical substance but, as required by GAAP, portions of the cost of an acquired entity have been assigned to such assets. The Company accounts for goodwill and other intangible assets in accordance with GAAP, which, in general, requires that goodwill not be amortized, but rather that it be tested for impairment at least annually at the reporting unit level, which is either at the same level or one level below an operating segment. Other acquired intangible assets with finite lives, such as core deposit intangibles, are required to be amortized over their estimated lives. Core deposit and other intangible assets are generally amortized using accelerated methods over estimated useful lives of five to ten years. The Company periodically assesses whether events or changes in circumstances indicate that the carrying amounts of core deposit and other intangible assets may be impaired.

Derivative financial instruments

The Company accounts for derivative financial instruments at fair value. If certain conditions are met, a derivative may be specifically designated as (a) a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, (b) a hedge of the exposure to variable cash flows of a forecasted transaction or (c) a hedge of the foreign currency exposure of a net investment in a foreign operation, an unrecognized firm commitment, an available for sale security, or a foreign currency denominated forecasted transaction.

The Company utilizes interest rate swap agreements as part of the management of interest rate risk to modify the repricing characteristics of certain portions of its portfolios of earning assets and interest-bearing liabilities. For such agreements, amounts receivable or payable are recognized as accrued under the terms of the agreement and the net differential is recorded as an adjustment to interest income or expense of the related asset or liability. Interest rate swap agreements may be designated as either fair value hedges or cash flow hedges. In a fair value hedge, the fair values of the interest rate swap agreements and changes in the fair values of the hedged items are recorded in the Company's consolidated balance sheet with the corresponding gain or loss recognized in current earnings. The difference between changes in the fair values of interest rate swap agreements and the hedged items represents hedge ineffectiveness and is recorded in other revenues from operations in the consolidated statement of income. In a cash flow hedge, the effective portion of the derivative's unrealized gain or loss is initially recorded as a component of other comprehensive income and subsequently reclassified into earnings when the forecasted transaction affects earnings. The ineffective portion of the unrealized gain or loss is reported in other revenues from operations immediately. The Company utilizes commitments to sell real estate loans to hedge the exposure to changes in the fair value of real estate loans held for sale. Commitments to originate real estate loans to be held for sale and commitments to sell real estate loans are generally recorded in the consolidated balance sheet at estimated fair market value. Effective January 1, 2008, the Company adopted the provisions of Staff Accounting Bulletin (SAB) No. 109 for written loan commitments issued or modified after that date. SAB No. 109 reversed previous conclusions expressed by the SEC staff regarding written loan commitments that are accounted for at fair value through earnings. Specifically, the SEC staff now believes that the expected net future cash flows related to the associated servicing of the loan should be included in the fair value measurement of the derivative loan commitment. In accordance with SAB No. 105,

Application of Accounting Principles to Loan Commitments, the Company had not included such amount in the value of commitments to originate real estate loans for sale in 2007.

Derivative instruments not related to mortgage banking activities, including financial futures commitments and interest rate swap agreements, that do not satisfy the hedge accounting requirements are recorded at fair value and are generally classified as trading account assets or liabilities with resultant changes in fair value being recognized in

trading account and foreign exchange gains in the consolidated statement of income.

Table of Contents**M&T BANK CORPORATION AND SUBSIDIARIES****Notes to Financial Statements (Continued)*****Stock-based compensation***

Stock-based compensation expense is recognized over the vesting period of the stock-based grant based on the estimated grant date value of the stock-based compensation that is expected to vest, except that the recognition of compensation costs is accelerated for stock-based awards granted to retirement-eligible employees and employees who will become retirement-eligible prior to full vesting of the award because the Company's incentive compensation plan allows for vesting at the time an employee retires. Information on the determination of the estimated value of stock-based awards used to calculate stock-based compensation expense is included in note 11.

Income taxes

Deferred tax assets and liabilities are recognized for the future tax effects attributable to differences between the financial statement value of existing assets and liabilities and their respective tax bases and carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates and laws.

The Company evaluates uncertain tax positions using the two-step process required by GAAP. The first step requires a determination of whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Under the second step, a tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Information related to uncertain tax positions is provided in note 13.

Earnings per common share

Basic earnings per common share exclude dilution and are computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding (exclusive of shares represented by the unvested portion of restricted stock and restricted stock unit grants) and common shares issuable under deferred compensation arrangements during the period. Diluted earnings per common share reflect shares represented by the unvested portion of restricted stock and restricted stock unit grants and the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in earnings. Proceeds assumed to have been received on such exercise or conversion are assumed to be used to purchase shares of M&T common stock at the average market price during the period, as required by the treasury stock method of accounting.

GAAP requires that for financial statements issued for fiscal years beginning after December 15, 2008 and interim periods within those years, unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) shall be considered participating securities and shall be included in the computation of earnings per common share pursuant to the two-class method. In 2009, the Company issued stock-based compensation awards in the form of restricted stock and restricted stock units that contain such rights and, accordingly, beginning in 2009 the Company's earnings per common share are calculated using the two-class method. The effects of the application of the two-class method to previously reported earnings per common share amounts were immaterial.

Treasury stock

Repurchases of shares of M&T common stock are recorded at cost as a reduction of stockholders' equity. Reissuances of shares of treasury stock are recorded at average cost.

2. Acquisitions

On August 28, 2009, M&T Bank, M&T's principal banking subsidiary, entered into a purchase and assumption agreement with the Federal Deposit Insurance Corporation (FDIC) to assume all of the deposits and acquire certain assets of Bradford Bank (Bradford), Baltimore, Maryland. As part of the transaction, M&T Bank entered into a loss-share arrangement with the FDIC whereby M&T Bank will be reimbursed by the FDIC for most losses it incurs on the acquired loan portfolio. The transaction has been accounted for using the acquisition method of accounting and, accordingly, assets acquired and

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Table of Contents**M&T BANK CORPORATION AND SUBSIDIARIES****Notes to Financial Statements (Continued)**

liabilities assumed were recorded at estimated fair value on the acquisition date. Assets acquired totaled approximately \$469 million, including \$302 million of loans, and liabilities assumed aggregated \$440 million, including \$361 million of deposits. In accordance with GAAP, M&T Bank recorded an after-tax gain on the transaction of \$18 million (\$29 million before taxes). There was no goodwill or other intangible assets recorded in connection with this transaction. The Bradford acquisition transaction did not have a material impact on the Company's consolidated financial position or results of operations.

On May 23, 2009, M&T acquired all of the outstanding common stock of Provident Bankshares Corporation (Provident), a bank holding company based in Baltimore, Maryland, in a stock-for-stock transaction. Provident Bank, Provident's banking subsidiary, was merged into M&T Bank on that date. The results of operations acquired in the Provident transaction have been included in the Company's financial results since May 23, 2009. Provident common shareholders received .171625 shares of M&T common stock in exchange for each share of Provident common stock, resulting in M&T issuing a total of 5,838,308 common shares with an acquisition date fair value of \$273 million. In addition, based on the merger agreement, outstanding and unexercised options to purchase Provident common stock were converted into options to purchase the common stock of M&T. Those options had an estimated fair value of \$1 million. In total, the purchase price was approximately \$274 million based on the fair value on the acquisition date of M&T common stock exchanged and the options to purchase M&T common stock. Holders of Provident's preferred stock were issued shares of new Series B and Series C Preferred Stock of M&T having substantially identical terms. That preferred stock and warrants to purchase common stock associated with the Series C Preferred Stock added \$162 million to M&T's stockholders' equity.

The Provident transaction has been accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed and consideration exchanged were recorded at estimated fair value on the acquisition date. Assets acquired totaled \$6.3 billion, including \$4.0 billion of loans and leases (including approximately \$1.7 billion of commercial real estate loans, \$1.4 billion of consumer loans, \$700 million of commercial loans and leases and \$300 million of residential real estate loans) and \$1.0 billion of investment securities. Liabilities assumed were \$5.9 billion, including \$5.1 billion of deposits. The transaction added \$436 million to M&T's stockholders' equity, including \$280 million of common equity and \$156 million of preferred equity. In connection with the acquisition, the Company recorded \$332 million of goodwill and \$63 million of core deposit intangible. The core deposit intangible is being amortized over seven years using an accelerated method. The acquisition of Provident expanded the Company's presence in the Mid-Atlantic area, gave the Company the second largest deposit share in Maryland, and tripled the Company's presence in Virginia.

In many cases, determining the fair value of the acquired assets and assumed liabilities required the Company to estimate cash flows expected to result from those assets and liabilities and to discount those cash flows at appropriate rates of interest. The most significant of those determinations related to the fair valuation of acquired loans. For such loans, the excess of cash flows expected at acquisition over the estimated fair value is recognized as interest income over the remaining lives of the loans. The difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition reflects the impact of estimated credit losses and other factors, such as prepayments. In accordance with GAAP, there was no carry over of Provident's previously established allowance for credit losses. Subsequent decreases in the expected cash flows will require the Company to evaluate the need for additions to the Company's allowance for credit losses. Subsequent improvements in expected cash flows will result in the recognition of additional interest income over the then remaining lives of the loans.

Table of Contents**M&T BANK CORPORATION AND SUBSIDIARIES****Notes to Financial Statements (Continued)**

In conjunction with the Provident acquisition, the acquired loan portfolio was accounted for at fair value as follows:

	May 23, 2009 (In thousands)
Contractually required principal and interest at acquisition	\$ 5,465,167
Contractual cash flows not expected to be collected	(832,115)
Expected cash flows at acquisition	4,633,052
Interest component of expected cash flows	(595,685)
Basis in acquired loans at acquisition estimated fair value	\$ 4,037,367

Interest income on acquired loans for the period from date of acquisition to December 31, 2009 was approximately \$105 million. The outstanding principal balance and the carrying amount of these loans that is included in the consolidated balance sheet at December 31, 2009 is as follows:

	(In thousands)
Outstanding principal balance	\$ 3,875,415
Carrying amount	3,644,110

Receivables (including loans and investment securities) obtained in the acquisition of Provident for which there was specific evidence of credit deterioration and for which it was probable that the Company would be unable to collect all contractually required principal and interest payments represent less than .25% of the Company's assets and, accordingly, are not considered material.

The consideration paid for Provident's common equity and the amounts of acquired identifiable assets and liabilities and preferred equity assumed as of the acquisition date was as follows:

	(In thousands)
Purchase price:	
Value of:	
Common shares issued (5,838,308 shares)	\$ 272,824
Stock options	1,367
Fractional common shares paid in cash	117
Total purchase price	274,308

Identifiable assets:

Cash and due from banks	144,126
Investment securities	1,039,350
Loans and leases	4,037,367
Core deposit intangible	63,177
Other assets	698,860
Total	5,982,880
Liabilities and equity:	
Deposits	5,060,546
Short-term borrowings	176,515
Long-term borrowings	580,740
Other liabilities	61,022
Total liabilities	5,878,823
Preferred stock and common stock warrants	162,246
Total	6,041,069
Net liabilities and preferred equity assumed	58,189
Goodwill resulting from acquisition	\$ 332,497

Table of Contents**M&T BANK CORPORATION AND SUBSIDIARIES****Notes to Financial Statements (Continued)**

In connection with the acquisition of Provident, goodwill of \$332 million was calculated after recording all other acquired assets and liabilities at estimated fair value. In management's opinion, that goodwill represents the inherent long-term value expected from the business opportunities and synergies created from combining Provident with the Company. None of the goodwill recognized is deductible for income tax purposes. Changes in goodwill in the Company's consolidated balance sheet from December 31, 2008 to December 31, 2009 were attributable to the acquisition of Provident. As described in note 22, the Company does not allocate goodwill to its reportable segments when compiling the assets associated with those segments. The Company does, however, allocate goodwill to segments for purposes of periodically testing goodwill for impairment. That allocation of goodwill to the Company's segments is provided in note 8.

The following table discloses the impact of Provident (excluding the impact of merger-related expenses noted below) since the acquisition on May 23, 2009 through the end of 2009. The table also presents certain pro forma information for 2009 as if Provident had been acquired on January 1, 2009 and for 2008 as if Provident had been acquired on January 1, 2008. These results combine the historical results of Provident into the Company's consolidated statement of income and, while certain adjustments were made for the estimated impact of certain fair valuation adjustments and other acquisition-related activity, they are not indicative of what would have occurred had the acquisition taken place on the indicated dates. In particular, no adjustments have been made to eliminate the amount of Provident's provision for credit losses of \$42 million in 2009 and \$38 million in 2008 or the impact of other-than-temporary impairment losses recognized by Provident of \$87 million in 2009 and \$121 million in 2008 that would not have been necessary had the acquired loans and investment securities been recorded at fair value as of the beginning of each year. Furthermore, expenses related to systems conversions and other costs of integration are included in the 2009 periods in which such costs were incurred.

Additionally, the Company expects to achieve further operating cost savings and other business synergies as a result of the acquisition which are not reflected in the pro forma amounts that follow.

	Actual Since Acquisition Through December 31, 2009	Pro Forma Year Ended December 31,	
		2009	2008
		(In thousands)	
Total revenues	\$ 194,578	\$ 3,823,763	\$ 4,533,161
Net income	32,686	292,862	510,897

On November 30, 2007, M&T completed the acquisition of Partners Trust Financial Group, Inc. (Partners Trust), a bank holding company headquartered in Utica, New York. Partners Trust 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. 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 and stock options outstanding at the time of acquisition. The purchase price was approximately \$559 million based on the cash paid to Partners Trust shareholders, the fair value of M&T common stock exchanged, and the cash paid to holders of Partners Trust stock

options. The acquisition of Partners Trust expanded the Company's presence in upstate New York, making the Company the deposit market share leader in the Utica-Rome and Binghamton markets, while strengthening its lead position in Syracuse.

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

As a condition of the approval of the Partners Trust acquisition by regulators, M&T Bank was required to divest three branch offices in Binghamton, New York. The three branches were sold on

Table of Contents**M&T BANK CORPORATION AND SUBSIDIARIES****Notes to Financial Statements (Continued)**

March 15, 2008, including loans of \$13 million and deposits of \$65 million. No gain or loss was recognized on that transaction.

Pro forma information for the year ended December 31, 2007 as if Partners Trust had been acquired on January 1, 2007 is not presented since such pro forma results were not materially different from the Company's actual results. On December 7, 2007, M&T Bank acquired 13 branch offices in the Mid-Atlantic area from First Horizon Bank in a cash transaction. The offices had approximately \$214 million of loans, \$216 million of deposits and \$80 million of trust and investment assets under management on the transaction date.

The Company incurred merger-related expenses related to systems conversions and other costs of integrating and conforming acquired operations with and into the Company of approximately \$89 million (\$54 million net of applicable income taxes) during 2009, \$4 million (\$2 million net of applicable income taxes) during 2008 and \$15 million (\$9 million net of applicable income taxes) 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; costs related to termination of existing contractual arrangements for various services; initial marketing and promotion expenses designed to introduce M&T Bank to its new customers; severance (for former Provident employees) and incentive compensation costs; travel costs; and printing, postage, supplies and other costs of commencing operations in new markets and offices. As of December 31, 2009, the remaining unpaid portion of merger-related expenses was \$20 million.

A summary of merger-related expenses associated with acquisitions included in the consolidated statement of income for the years ended December 31, 2009, 2008 and 2007 follows:

	2009	2008	2007
	(In thousands)		
Salaries and employee benefits	\$ 10,030	\$ 62	\$ 1,333
Equipment and net occupancy	2,975	49	238
Printing, postage and supplies	3,677	367	1,474
Other costs of operations	72,475	3,069	11,842
	\$ 89,157	\$ 3,547	\$ 14,887

Table of Contents**M&T BANK CORPORATION AND SUBSIDIARIES****Notes to Financial Statements (Continued)****3. Investment securities**

The amortized cost and estimated fair value of investment securities were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In thousands)			
December 31, 2009				
Investment securities available for sale:				
U.S. Treasury and federal agencies	\$ 102,755	\$ 1,988	\$ 57	\$ 104,686
Obligations of states and political subdivisions	61,468	1,583	128	62,923
Mortgage-backed securities:				
Government issued or guaranteed	3,777,642	131,407	6,767	3,902,282
Privately issued residential	2,438,353	9,630	383,079	2,064,904
Privately issued commercial	33,133		7,967	25,166
Collateralized debt obligations	103,159	23,389	11,202	115,346
Other debt securities	309,514	16,851	58,164	268,201
Equity securities	170,985	5,590	15,705	160,870
	6,997,009	190,438	483,069	6,704,378
Investment securities held to maturity:				
Obligations of states and political subdivisions	203,825	1,419	1,550	203,694
Privately issued mortgage-backed securities	352,195		150,993	201,202
Other debt securities	11,587			11,587
	567,607	1,419	152,543	416,483
Other securities	508,624			508,624
Total	\$ 8,073,240	\$ 191,857	\$ 635,612	\$ 7,629,485
December 31, 2008				
Investment securities available for sale:				
U.S. Treasury and federal agencies	\$ 290,893	\$ 6,203	\$ 383	\$ 296,713
Obligations of states and political subdivisions	70,425	1,641	303	71,763
Mortgage-backed securities:				
Government issued or guaranteed	3,525,196	93,578	5,994	3,612,780
Privately issued residential	3,104,209	484	778,139	2,326,554

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Privately issued commercial	49,231		8,185	41,046
Collateralized debt obligations	18,088		15,592	2,496
Other debt securities	245,685	18	77,601	168,102
Equity securities	352,908	581	22,750	330,739
	7,656,635	102,505	908,947	6,850,193
Investment securities held to maturity:				
Obligations of states and political subdivisions	63,822	1,715	71	65,466
Privately issued mortgage-backed securities	411,847		92,730	319,117
Other debt securities	10,169			10,169
	485,838	1,715	92,801	394,752
Other securities	583,176			583,176
Total	\$ 8,725,649	\$ 104,220	\$ 1,001,748	\$ 7,828,121

No investment in securities of a single non-U.S. Government or government agency issuer exceeded ten percent of stockholders' equity at December 31, 2009.

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Table of Contents**M&T BANK CORPORATION AND SUBSIDIARIES****Notes to Financial Statements (Continued)**

As of December 31, 2009, the latest available investment ratings of all privately issued mortgage-backed securities, collateralized debt obligations and other debt securities were:

Rating	Number	Amortized Cost (In thousands)	Estimated Fair Value (In thousands)
A or better	159	\$ 1,618,068	\$ 1,428,428
BBB	54	418,679	382,946
BB	36	243,793	212,511
B or less	173	939,366	633,712
Not rated	35	28,035	28,809
	457	\$ 3,247,941	\$ 2,686,406

The amortized cost and estimated fair value of collateralized mortgage obligations included in mortgage-backed securities were as follows:

	December 31	
	2009	2008
	(In thousands)	
Collateralized mortgage obligations:		
Amortized cost	\$ 3,108,673	\$ 4,092,980
Estimated fair value	2,584,067	3,216,814

Gross realized gains on investment securities were \$1,629,000 in 2009, \$34,730,000 in 2008 and \$1,585,000 in 2007. Gross realized losses on investment securities were \$464,000 in 2009, \$259,000 in 2008 and \$381,000 in 2007. Effective January 1, 2009, the Company adopted new GAAP related to the recognition and presentation of other-than-temporary impairments of investment securities. In accordance with GAAP, the Company recognized \$138 million of pre-tax other-than-temporary impairment losses in 2009 related primarily to \$230 million of privately issued residential mortgage-backed securities. The impairment charges were recognized in light of deterioration of housing values in the residential real estate market and a rise in delinquencies and charge-offs of underlying mortgage loans collateralizing those securities. Approximately \$8 million of the impairment charges recognized in 2009 related to collateralized debt obligations backed by trust preferred securities issued by financial institutions. The other-than-temporary impairment losses recognized were net of \$126 million of unrealized losses classified in accumulated other comprehensive income for the same securities for the year-ended December 31, 2009. The other-than-temporary impairment losses represent management's estimate of credit losses inherent in the securities considering projected cash flows using assumptions of delinquency rates, loss severities, and other estimates of future collateral performance. The effect of the adoption of the new accounting requirements on debt securities previously

reported as other-than-temporarily impaired was not material and, therefore, the Company did not record a transition adjustment as of January 1, 2009. During 2008, the Company recognized \$182 million of other-than-temporary impairment losses, mainly attributable to a \$153 million impairment charge recognized on its preferred stock holdings of The Federal National Mortgage Association (Fannie Mae) and The Federal Home Loan Mortgage Corporation (Freddie Mac) with a cost basis of \$162 million following the placement of those government-sponsored entities into conservatorship on September 7, 2008. Other-than-temporary charges of \$18 million and \$11 million were also recognized during 2008 on \$20 million of privately issued mortgage-backed securities and \$12 million of securities backed by trust preferred securities issued by financial institutions, respectively. During 2007, the Company recognized a \$127 million other-than-temporary impairment charge related to collateralized debt obligations that were supported by sub-prime mortgage-backed securities that had an amortized cost basis of \$132 million. Changes in credit losses

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Table of Contents**M&T BANK CORPORATION AND SUBSIDIARIES****Notes to Financial Statements (Continued)**

during 2009 associated with debt securities for which other-than-temporary impairment losses have been previously recognized in earnings follows:

	Debt Securities (In thousands)
Estimated credit losses as of January 1, 2009	\$ 155,967
Additions for credit losses not previously recognized	138,297
Reductions for increases in cash flows	(1,393)
Reductions for realized losses	(8,358)
Estimated credit losses as of December 31, 2009	\$ 284,513

At December 31, 2009, the amortized cost and estimated fair value of debt securities by contractual maturity were as follows:

	Amortized Cost (In thousands)	Estimated Fair Value (In thousands)
Debt securities available for sale:		
Due in one year or less	\$ 41,181	\$ 41,785
Due after one year through five years	91,276	93,496
Due after five years through ten years	42,152	43,595
Due after ten years	402,287	372,280
	576,896	551,156
Mortgage-backed securities available for sale	6,249,128	5,992,352
	\$ 6,826,024	\$ 6,543,508
Debt securities held to maturity:		
Due in one year or less	\$ 36,655	\$ 36,912
Due after one year through five years	6,570	6,883
Due after five years through ten years	116,153	115,908
Due after ten years	56,034	55,578
	215,412	215,281
Mortgage-backed securities held to maturity	352,195	201,202
	\$ 567,607	\$ 416,483

Table of Contents**M&T BANK CORPORATION AND SUBSIDIARIES****Notes to Financial Statements (Continued)**

A summary of investment securities that as of December 31, 2009 and 2008 had been in a continuous unrealized loss position for less than twelve months and those that had been in a continuous unrealized loss position for twelve months or longer follows:

	Less Than 12 Months		12 Months or More	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)			
December 31, 2009				
U.S. Treasury and federal agencies	\$ 6,265	\$ (53)	\$ 572	\$ (4)
Obligations of states and political subdivisions	145,572	(1,575)	4,204	(103)
Mortgage-backed securities:				
Government issued or guaranteed	685,319	(6,460)	19,379	(307)
Privately issued residential	98,312	(2,871)	1,705,222	(531,201)
Privately issued commercial			25,166	(7,967)
Collateralized debt obligations	13,046	(10,218)	3,598	(984)
Other debt securities	5,786	(174)	138,705	(57,990)
Equity securities	7,449	(1,728)	23,159	(13,977)
Total	\$ 961,749	\$ (23,079)	\$ 1,920,005	\$ (612,533)
December 31, 2008				
U.S. Treasury and federal agencies	\$ 6,660	\$ (383)	\$	\$
Obligations of states and political subdivisions	26,456	(315)	2,182	(59)
Mortgage-backed securities:				
Government issued or guaranteed	392,780	(4,962)	175,943	(1,032)
Privately issued residential	2,173,593	(629,321)	460,355	(241,548)
Privately issued commercial			41,046	(8,185)
Collateralized debt obligations		(2,221)	1,520	(13,397)
Other debt securities	102,882	(15,563)	60,902	(62,012)
Equity securities	37,905	(22,720)	9	(30)
Total	\$ 2,740,276	\$ (675,485)	\$ 741,957	\$ (326,263)

The Company owned 879 individual investment securities with aggregate gross unrealized losses of \$635,612,000 at December 31, 2009. Approximately \$542 million of the unrealized losses pertain to privately issued mortgage-backed securities with a cost basis of \$2.4 billion. The Company also had \$69 million of unrealized losses on trust preferred securities issued by financial institutions, securities backed by trust preferred securities issued by financial institutions and other entities, and other debt securities having a cost basis of \$230 million. Based on a review of each of the remaining securities in the investment securities portfolio at December 31, 2009, with the exception of the

aforementioned securities for which other-than-temporary impairment losses were recognized, the Company concluded that it expected to recover the amortized cost basis of its investment. As of December 31, 2009, the Company does not intend to sell nor is it anticipated that it would be required to sell any of its impaired investment securities. At December 31, 2009, the Company has not identified events or changes in circumstances which may have a significant adverse effect on the fair value of the \$509 million of cost method investment securities.

At December 31, 2009, investment securities with a carrying value of \$4,823,703,000, including \$4,064,840,000 of investment securities available for sale, were pledged to secure demand notes issued to the U.S. Treasury, borrowings from various FHLBs, repurchase agreements, governmental deposits and interest rate swap agreements.

Investment securities pledged by the Company to secure obligations whereby the secured party is permitted by contract or custom to sell or repledge such collateral totaled \$1,797,701,000 at December 31,

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2009. The pledged securities included securities of the U.S. Treasury and federal agencies and mortgage-backed securities.

4. Loans and leases

Total gross loans and leases outstanding were comprised of the following:

	December 31	
	2009	2008
	(In thousands)	
Loans		
Commercial, financial, agricultural, etc.	\$ 11,913,437	\$ 12,848,070
Real estate:		
Residential	5,401,932	4,675,065
Commercial	16,345,601	14,548,938
Construction	4,726,570	4,568,368
Consumer	12,041,617	11,004,275
Total loans	50,429,157	47,644,716
Leases		
Commercial	1,877,300	1,715,021
Total loans and leases	\$ 52,306,457	\$ 49,359,737

One-to-four family residential mortgage loans held for sale were \$530 million at December 31, 2009 and \$352 million at December 31, 2008. Commercial mortgage loans held for sale were \$123 million at December 31, 2009 and \$156 million at December 31, 2008.

As of December 31, 2009, approximately \$16 million of one-to-four family residential mortgage loans serviced for others had been sold with credit recourse. As of December 31, 2009, approximately \$1.3 billion of commercial mortgage loan balances serviced for others had been sold with recourse in conjunction with the Company's participation in the Fannie Mae Delegated Underwriting and Servicing (DUS) program. At December 31, 2009 the Company estimated that the recourse obligations described above were not material to the Company's consolidated financial position. There have been no material losses incurred as a result of those credit recourse arrangements. Nonaccrual loans totaled \$1,331,702,000 at December 31, 2009 and \$755,397,000 at December 31, 2008.

Renegotiated loans (loans which had been renegotiated at below-market interest rates or for which other concessions were granted, but are accruing interest) were \$212,548,000 and \$91,575,000 at December 31, 2009 and 2008, respectively. During 2009 and 2008, to assist borrowers the Company modified the terms of select residential real estate loans consisting largely of loans in the Company's portfolio of Alt-A loans. At December 31, 2009, outstanding balances of those modified loans totaled approximately \$292 million. Of that total, \$108 million were included in nonaccrual loans at December 31, 2009. The remaining \$184 million of such modified loans have demonstrated

payment capability consistent with the modified terms and accordingly, were classified as renegotiated loans and were accruing interest at the 2009 year-end. If nonaccrual and renegotiated loans had been accruing interest at their originally contracted terms, interest income on such loans would have amounted to \$99,618,000 in 2009 and \$61,666,000 in 2008. The actual amounts included in interest income during 2009 and 2008 on such loans were \$43,920,000 and \$36,747,000, respectively.

The recorded investment in loans considered impaired for purposes of applying GAAP was \$1,311,616,000 and \$616,743,000 at December 31, 2009 and 2008, respectively. The recorded investment in loans considered impaired for which there was a related valuation allowance for impairment included in the allowance for credit losses and the amount of such impairment allowance were \$1,077,626,000 and \$244,137,000, respectively, at December 31, 2009 and \$501,873,000 and \$123,674,000, respectively, at December 31, 2008. The recorded investment in loans considered impaired for which there was no related valuation allowance for impairment was \$233,990,000 and \$114,870,000 at December 31, 2009

Table of Contents**M&T BANK CORPORATION AND SUBSIDIARIES****Notes to Financial Statements (Continued)**

and 2008, respectively. The average recorded investment in impaired loans during 2009, 2008 and 2007 was \$986,164,000, \$371,298,000 and \$195,597,000, respectively. Interest income recognized on impaired loans totaled \$10,224,000, \$7,222,000 and \$7,368,000 for the years ended December 31, 2009, 2008 and 2007, respectively. Borrowings by directors and certain officers of M&T and its banking subsidiaries, and by associates of such persons, exclusive of loans aggregating less than \$120,000 amounted to \$106,845,000 and \$154,128,000 at December 31, 2009 and 2008, respectively. During 2009, new borrowings by such persons amounted to \$13,038,000 (including any borrowings of new directors or officers that were outstanding at the time of their election) and repayments and other reductions (including reductions resulting from retirements) were \$60,321,000. At December 31, 2009, approximately \$4.3 billion of commercial mortgage loans and \$2.4 billion of one-to-four family residential mortgage loans were pledged to secure outstanding borrowings from the FHLB of New York. The Company's loan and lease portfolio includes commercial lease financing receivables consisting of direct financing and leveraged leases for machinery and equipment, railroad equipment, commercial trucks and trailers, and aircraft. A summary of lease financing receivables follows:

	December 31	
	2009	2008
	(In thousands)	
Commercial leases:		
Direct financings:		
Lease payments receivable	\$ 1,406,238	\$ 1,171,391
Estimated residual value of leased assets	99,968	102,712
Unearned income	(224,768)	(194,328)
Investment in direct financings	1,281,438	1,079,775
Leveraged leases:		
Lease payments receivable	185,679	229,311
Estimated residual value of leased assets	185,415	211,607
Unearned income	(74,131)	(91,498)
Investment in leveraged leases	296,963	349,420
Total investment in leases	\$ 1,578,401	\$ 1,429,195
Deferred taxes payable arising from leveraged leases	\$ 212,910	\$ 235,359

Included within the estimated residual value of leased assets at December 31, 2009 and 2008 were \$56 million and \$64 million, respectively, in residual value associated with direct financing leases that are guaranteed by the lessees. The Company is indemnified from loss by Allied Irish Banks, p.l.c. (AIB) on a portion of leveraged leases obtained in the acquisition of a former subsidiary of AIB on April 1, 2003 (see note 24). Amounts in the leveraged lease section of the table subject to such indemnification included lease payments receivable of \$7 million and \$8 million as of December 31, 2009 and 2008, respectively, estimated residual value of leased assets of \$31 million at each of those

dates and unearned income of \$6 million and \$7 million as of December 31, 2009 and 2008, respectively.

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At December 31, 2009, the minimum future lease payments to be received from lease financings were as follows:

	Total (In thousands)
Year ending December 31:	
2010	\$ 378,067
2011	304,092
2012	245,969
2013	146,598
2014	90,050
Later years	427,141
	\$ 1,591,917

5. Allowance for credit losses

Changes in the allowance for credit losses were as follows:

	Year Ended December 31		
	2009	2008	2007
	(In thousands)		
Beginning balance	\$ 787,904	\$ 759,439	\$ 649,948
Provision for credit losses	604,000	412,000	192,000
Allowance obtained through acquisitions			32,668
Allowance related to loans sold or securitized		(525)	(1,422)
Net charge-offs			
Charge-offs	(556,462)	(420,655)	(146,298)
Recoveries	42,580	37,645	32,543
Net charge-offs	(513,882)	(383,010)	(113,755)
Ending balance	\$ 878,022	\$ 787,904	\$ 759,439

6. Premises and equipment

The detail of premises and equipment was as follows:

December 31

	2009	2008
	(In thousands)	
Land	\$ 63,961	\$ 55,081
Buildings owned	271,181	259,290
Buildings capital leases	1,131	1,598
Leasehold improvements	165,110	142,463
Furniture and equipment owned	345,421	311,379
Furniture and equipment capital leases		1,317
	846,804	771,128
Less: accumulated depreciation and amortization		
Owned assets	410,218	380,219
Capital leases	741	2,054
	410,959	382,273
Premises and equipment, net	\$ 435,845	\$ 388,855

Table of Contents**M&T BANK CORPORATION AND SUBSIDIARIES****Notes to Financial Statements (Continued)**

Net lease expense for all operating leases totaled \$89,030,000 in 2009, \$73,886,000 in 2008 and \$65,014,000 in 2007. Minimum lease payments under noncancelable operating leases are presented in note 21. Minimum lease payments required under capital leases are not material.

7. Capitalized servicing assets

Changes in capitalized servicing assets were as follows:

For Year Ended December 31,	Residential Mortgage Loans			Small-Balance Commercial Mortgage Loans		
	2009	2008	2007	2009	2008	2007
	(In thousands)					
Beginning balance	\$ 106,979	\$ 118,763	\$ 127,025	\$ 58,044	\$ 56,956	\$ 35,767
Originations	31,034	17,765	12,145			
Purchases	972	3,322	15,000		20,974	35,795
Assumed in loan securitizations (note 19)	788	8,455	7,873			
Amortization	(38,618)	(41,326)	(43,280)	(17,793)	(19,886)	(14,606)
	101,155	106,979	118,763	40,251	58,044	56,956
Valuation allowance	(50)	(22,000)	(6,000)			
Ending balance, net	\$ 101,105	\$ 84,979	\$ 112,763	\$ 40,251	\$ 58,044	\$ 56,956

For Year Ended December 31,	Commercial Mortgage Loans			2009	Total	
	2009	2008	2007		2008	2007
	(In thousands)					
Beginning balance	\$ 26,336	\$ 20,240	\$ 20,721	\$ 191,359	\$ 195,959	\$ 183,513
Originations	12,417	10,606	4,564	43,451	28,371	16,709
Purchases				972	24,296	50,795
Assumed in loan securitizations (note 19)				788	8,455	7,873
Amortization	(5,857)	(4,510)	(5,045)	(62,268)	(65,722)	(62,931)
	32,896	26,336	20,240	174,302	191,359	195,959
Valuation allowance				(50)	(22,000)	(6,000)
Ending balance, net	\$ 32,896	\$ 26,336	\$ 20,240	\$ 174,252	\$ 169,359	\$ 189,959

Residential mortgage loans serviced for others were \$15.9 billion, \$15.4 billion and \$14.5 billion at December 31, 2009, 2008 and 2007, respectively. Small-balance commercial mortgage loans serviced for others were \$5.5 billion, \$5.9 billion and \$4.9 billion at December 31, 2009, 2008 and 2007, respectively. Commercial mortgage loans serviced for others were \$7.1 billion, \$6.4 billion and \$5.3 billion at December 31, 2009, 2008 and 2007, respectively. During 2009 and 2007, \$21,950,000 and \$4,050,000, respectively, of the valuation allowance for capitalized residential mortgage loan servicing assets was reversed because of increases in the market value of certain strata of servicing assets relative to the amortized cost basis of the servicing assets in such strata. During 2008, a provision for impairment of \$16,000,000 was added to the valuation allowance for capitalized residential mortgage loan servicing assets because the carrying value of certain strata of capitalized servicing assets exceeded estimated fair value. The estimated fair value of capitalized residential mortgage loan servicing assets was approximately \$158 million at December 31, 2009 and \$103 million at December 31, 2008. The fair value of capitalized residential mortgage loan servicing assets was estimated using weighted-average discount rates of 13.3% and 13.0% at December 31, 2009 and 2008, respectively, and contemporaneous prepayment assumptions that vary by loan type. At December 31, 2009 and 2008, the discount rate represented a weighted-average option-adjusted spread (OAS) of 775 basis points (hundredths of one percent) and 832 basis points, respectively, over market implied

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forward London Interbank Offered Rates. The estimated fair value of capitalized small-balance commercial mortgage loan servicing assets was approximately \$64 million at December 31, 2009 and \$74 million at December 31, 2008. The fair value of capitalized small-balance commercial loan servicing assets was estimated using weighted-average discount rates of 20.3% and 20.2% at December 31, 2009 and 2008, respectively, and contemporaneous prepayment assumptions that vary by loan type. At December 31, 2009 and 2008, the discount rate represented a weighted-average OAS of 1,779 basis points and 1,774 basis points, respectively, over market implied forward London Interbank Offered Rates. The estimated fair value of capitalized residential and small-balance commercial mortgage loan servicing rights may vary significantly in subsequent periods due to changing interest rates and the effect thereof on prepayment speeds. The estimated fair value of capitalized commercial mortgage loan servicing assets was approximately \$39 million and \$31 million at December 31, 2009 and 2008, respectively. An 18% discount rate was used to estimate the fair value of capitalized commercial mortgage loan servicing rights at December 31, 2009 and 2008 with no prepayment assumptions because, in general, the servicing agreements allow the Company to share in customer loan prepayment fees and thereby recover the remaining carrying value of the capitalized servicing rights associated with such loan. The Company's ability to realize the carrying value of capitalized commercial mortgage servicing rights is more dependent on the borrowers' abilities to repay the underlying loans than on prepayments or changes in interest rates.

The key economic assumptions used to determine the fair value of capitalized servicing rights at December 31, 2009 and the sensitivity of such value to changes in those assumptions are summarized in the table that follows. Those calculated sensitivities are hypothetical and actual changes in the fair value of capitalized servicing rights may differ significantly from the amounts presented herein. The effect of a variation in a particular assumption on the fair value of the servicing rights is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another which may magnify or counteract the sensitivities. The changes in assumptions are presumed to be instantaneous.

	Residential	Small-Balance Commercial	Commercial
Weighted-average prepayment speeds	14.67%	7.87%	
Impact on fair value of 10% adverse change	\$ (8,306,000)	\$ (2,460,000)	
Impact on fair value of 20% adverse change	(15,786,000)	(4,709,000)	
Weighted-average OAS	7.75%	17.79%	
Impact on fair value of 10% adverse change	\$ (2,786,000)	\$ (2,179,000)	
Impact on fair value of 20% adverse change	(5,452,000)	(4,202,000)	
Weighted-average discount rate			18.00%
Impact on fair value of 10% adverse change			\$ (1,682,000)
Impact on fair value of 20% adverse change			(3,245,000)

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Table of Contents**M&T BANK CORPORATION AND SUBSIDIARIES****Notes to Financial Statements (Continued)****8. Goodwill and other intangible assets**

In accordance with GAAP, the Company does not amortize goodwill, however, core deposit and other intangible assets are amortized over the estimated life of each respective asset. Total amortizing intangible assets were comprised of the following:

	Gross Carrying Amount	Accumulated Amortization (In thousands)	Net Carrying Amount
December 31, 2009			
Core deposit	\$ 701,000	\$ 524,358	\$ 176,642
Other	118,366	112,590	5,776
Total	\$ 819,366	\$ 636,948	\$ 182,418
December 31, 2008			
Core deposit	\$ 637,823	\$ 467,528	\$ 170,295
Other	118,366	105,165	13,201
Total	\$ 756,189	\$ 572,693	\$ 183,496

Amortization of core deposit and other intangible assets was generally computed using accelerated methods over original amortization periods of five to ten years. The weighted-average original amortization period was approximately eight years. The remaining weighted-average amortization period as of December 31, 2009 was approximately six years. Amortization expense for core deposit and other intangible assets was \$64,255,000, \$66,646,000 and \$66,486,000 for the years ended December 31, 2009, 2008 and 2007, respectively. Estimated amortization expense in future years for such intangible assets is as follows:

	(In thousands)
Year ending December 31:	
2010	\$ 57,569
2011	41,605
2012	32,134
2013	24,072
2014	16,109
Later years	10,929

Also in accordance with GAAP, the Company completed annual goodwill impairment tests as of October 1, 2009, 2008 and 2007. For purposes of testing for impairment, the Company assigned all recorded goodwill to the reporting units originally intended to benefit from past business combinations, which has historically been the Company's core relationship business reporting units. Goodwill was generally assigned based on the implied fair value of the acquired goodwill applicable to the benefited reporting units at the time of each respective acquisition. The implied fair value of the goodwill was determined as the difference between the estimated incremental overall fair value of the reporting unit and the estimated fair value of the net assets assigned to the reporting unit as of each respective acquisition date. To test for goodwill impairment at each evaluation date, the Company compared the estimated fair value of each of its reporting units to their respective carrying amounts and certain other assets and liabilities assigned to the reporting unit, including goodwill and core deposit and other intangible assets. The methodologies used to estimate fair values of reporting units as of the acquisition dates and as of the evaluation dates were similar. For the Company's core customer relationship business reporting units, fair value was estimated as the present value of the expected future cash flows of the reporting unit. Based on the results of the goodwill impairment tests, the Company concluded that the amount of recorded goodwill was not impaired at the respective testing dates.

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The following table presents a summary of goodwill assigned to each of the Company's reportable segments for purposes of testing for impairment. Changes in goodwill amounts from December 31, 2008 to December 31, 2009 resulted from the acquisition of Provident.

	December 31, 2008	Provident Acquisition (In thousands)	December 31, 2009
Business Banking	\$ 683,137	\$ 65,770	\$ 748,907
Commercial Banking	885,290	22,234	907,524
Commercial Real Estate	274,506	74,691	349,197
Discretionary Portfolio			
Residential Mortgage Banking			
Retail Banking	974,602	169,802	1,144,404
All Other	374,593		374,593
Total	\$ 3,192,128	\$ 332,497	\$ 3,524,625

9. Borrowings

The amounts and interest rates of short-term borrowings were as follows:

	Federal Funds Purchased and Repurchase Agreements	Other Short-term Borrowings	Total
	(Dollars in thousands)		
At December 31, 2009			
Amount outstanding	\$ 2,211,692	\$ 230,890	\$ 2,442,582
Weighted-average interest rate	0.04%	0.66%	0.10%
For the year ended December 31, 2009			
Highest amount at a month-end	\$ 2,491,573	\$ 2,049,727	
Daily-average amount outstanding	1,885,464	1,025,601	\$ 2,911,065
Weighted-average interest rate	0.15%	0.42%	0.24%
At December 31, 2008			
Amount outstanding	\$ 970,529	\$ 2,039,206	\$ 3,009,735
Weighted-average interest rate	0.10%	0.36%	0.27%
For the year ended December 31, 2008			

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Highest amount at a month-end	\$ 5,291,846	\$ 2,039,206	
Daily-average amount outstanding	4,652,388	1,433,734	\$ 6,086,122
Weighted-average interest rate	2.15%	2.97%	2.34%
At December 31, 2007			
Amount outstanding	\$ 4,351,313	\$ 1,470,584	\$ 5,821,897
Weighted-average interest rate	3.12%	4.65%	3.50%
For the year ended December 31, 2007			
Highest amount at a month-end	\$ 4,351,313	\$ 1,470,584	
Daily-average amount outstanding	4,745,137	640,694	\$ 5,385,831
Weighted-average interest rate	5.06%	5.31%	5.09%

In general, federal funds purchased and short-term repurchase agreements outstanding at December 31, 2009 matured on the next business day following year-end. Other short-term borrowings at December 31, 2009 included \$152 million of borrowings from the FHLB of Atlanta that mature within one year. There were \$1.0 billion of similar borrowings from the FHLB of New York at December 31,

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Table of Contents**M&T BANK CORPORATION AND SUBSIDIARIES****Notes to Financial Statements (Continued)**

2008. Other short-term borrowings at December 31, 2008 also included \$1.0 billion of secured borrowings from the Federal Reserve Bank of New York through their Term Auction Facility. The remaining borrowings included in other short-term borrowings had original maturities of one year or less and included borrowings from the U.S. Treasury and others.

At December 31, 2009, the Company had lines of credit under formal agreements as follows:

	M&T	M&T Bank (In thousands)	M&T Bank, N.A.
Outstanding borrowings	\$	\$ 5,370,917	\$
Unused	30,000	8,040,605	112,787

M&T has a revolving credit agreement with an unaffiliated commercial bank whereby M&T may borrow up to \$30 million at its discretion through December 3, 2010. At December 31, 2009, M&T Bank had borrowing facilities available with the FHLBs whereby M&T Bank could borrow up to approximately \$6.5 billion. Additionally, M&T Bank and M&T Bank, National Association (M&T Bank, N.A.), a wholly owned subsidiary of M&T, had available lines of credit with the Federal Reserve Bank of New York totaling approximately \$7.0 billion at December 31, 2009. M&T Bank and M&T Bank, N.A. are required to pledge loans and investment securities as collateral for these borrowing facilities.

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Table of Contents**M&T BANK CORPORATION AND SUBSIDIARIES****Notes to Financial Statements (Continued)**

Long-term borrowings were as follows:

	December 31,	
	2009	2008
	(In thousands)	
Subordinated notes of M&T Bank:		
8% due 2010	\$ 140,854	\$ 143,492
3.85% due 2013, variable rate commenced in 2008	400,000	400,000
6.625% due 2017	404,428	440,569
9.5% due 2018	50,000	
5.585% due 2020, variable rate commencing 2015	366,883	361,529
5.629% due 2021, variable rate commencing 2016	545,194	590,723
Subordinated notes of M&T:		
6.875% due 2009		100,560
Senior notes of M&T 5.375% due 2012	299,950	299,929
Advances from FHLB:		
Variable rates	4,405,925	6,000,000
Fixed rates	818,562	1,007,584
Agreements to repurchase securities	1,625,001	1,625,001
Junior subordinated debentures associated with preferred capital securities:		
Fixed rates:		
M&T Capital Trust I 8.234%, due 2027	154,640	154,640
M&T Capital Trust II 8.277%, due 2027	103,093	103,093
M&T Capital Trust III 9.25%, due 2027	67,409	67,734
BSB Capital Trust I 8.125%, due 2028	15,496	16,927
Provident Trust I 8.29%, due 2028	24,061	
Southern Financial Statutory Trust I 10.60%, due 2030	6,439	
M&T Capital Trust IV 8.50%, due 2068	350,010	350,010
Variable rates:		
First Maryland Capital I due 2027	142,487	144,750
First Maryland Capital II due 2027	143,312	142,649
Allfirst Asset Trust due 2029	95,477	102,108
BSB Capital Trust III due 2033	15,464	15,464
Provident Trust III due 2033	50,430	
Southern Financial Capital Trust III due 2033	7,513	
Other	7,388	8,387
	\$ 10,240,016	\$ 12,075,149

The subordinated notes of M&T Bank are unsecured and are subordinate to the claims of depositors and other creditors of M&T Bank. The subordinated notes of M&T Bank due 2013 had a fixed rate of interest of 3.85% through March 2008 and bear a floating rate of interest thereafter until maturity in April 2013, at a rate equal to the three-month London Interbank Offered Rate (LIBOR) plus 1.50%. The subordinated notes of M&T were unsecured and subordinate to the general creditors of M&T.

Long-term variable rate advances from the FHLB had contractual interest rates that ranged from 0% to 3.53% at December 31, 2009 and from 1.04% to 4.65% at December 31, 2008. The weighted-average contractual interest rates were 0.35% at December 31, 2009 and 2.62% at December 31, 2008. Long-term fixed-rate advances from the FHLB had contractual interest rates ranging from 3.24% to 7.32%. The weighted-average contractual interest rates payable were 4.89% at December 31, 2009 and

Table of Contents**M&T BANK CORPORATION AND SUBSIDIARIES****Notes to Financial Statements (Continued)**

5.13% at December 31, 2008. Advances from the FHLB mature at various dates through 2035 and are secured by residential real estate loans, commercial real estate loans and investment securities.

Long-term agreements to repurchase securities had contractual interest rates that ranged from 3.91% to 5.14%. The weighted-average contractual interest rates were 4.21% at each of December 31, 2009 and 2008. The agreements outstanding at December 31, 2009 reflect various repurchase dates through 2017, however, the contractual maturities of the underlying investment securities extend beyond such repurchase dates.

The fixed and floating rate junior subordinated deferrable interest debentures (Junior Subordinated Debentures) are held by various trusts and were issued in connection with the issuance by those trusts of preferred capital securities (Capital Securities) and common securities (Common Securities). The proceeds from the issuances of the Capital Securities and the Common Securities were used by the trusts to purchase the Junior Subordinated Debentures. The Common Securities of each of those trusts are wholly owned by M&T and are the only class of each trust's securities possessing general voting powers. The Capital Securities represent preferred undivided interests in the assets of the corresponding trust. Under the Federal Reserve Board's current risk-based capital guidelines, the Capital Securities are includable in M&T's Tier 1 capital. The variable rate Junior Subordinated Debentures pay interest quarterly at rates that are indexed to the three-month LIBOR. Those rates ranged from 1.13% to 3.63% at December 31, 2009 and from 4.04% to 8.17% at December 31, 2008. The weighted-average variable rates payable on those Junior Subordinated Debentures were 1.70% and 5.05% at December 31, 2009 and 2008, respectively.

Holders of the Capital Securities receive preferential cumulative cash distributions unless M&T exercises its right to extend the payment of interest on the Junior Subordinated Debentures as allowed by the terms of each such debenture, in which case payment of distributions on the respective Capital Securities will be deferred for comparable periods. During an extended interest period, M&T may not pay dividends or distributions on, or repurchase, redeem or acquire any shares of its capital stock. In the event of an extended interest period exceeding twenty quarterly periods for \$350 million of Junior Subordinated Debentures due January 31, 2068, M&T must fund the payment of accrued and unpaid interest through an alternative payment mechanism, which requires M&T to issue common stock, non-cumulative perpetual preferred stock or warrants to purchase common stock until M&T has raised an amount of eligible proceeds at least equal to the aggregate amount of accrued and unpaid deferred interest on the Junior Subordinated Debentures due January 31, 2068. In general, the agreements governing the Capital Securities, in the aggregate, provide a full, irrevocable and unconditional guarantee by M&T of the payment of distributions on, the redemption of, and any liquidation distribution with respect to the Capital Securities. The obligations under such guarantee and the Capital Securities are subordinate and junior in right of payment to all senior indebtedness of M&T. The Capital Securities will remain outstanding until the Junior Subordinated Debentures are repaid at maturity, are redeemed prior to maturity or are distributed in liquidation to the Trusts. The Capital Securities are mandatorily redeemable in whole, but not in part, upon repayment at the stated maturity dates (ranging from 2027 to 2068) of the Junior Subordinated Debentures or the earlier redemption of the Junior Subordinated Debentures in whole upon the occurrence of one or more events set forth in the indentures relating to the Capital Securities, and in whole or in part at any time after an optional redemption prior to contractual maturity contemporaneously with the optional redemption of the related Junior Subordinated Debentures in whole or in part, subject to possible regulatory approval. In connection with the issuance of 8.50% Enhanced Trust Preferred Securities associated with \$350 million of Junior Subordinated Debentures maturing in 2068, M&T entered into a replacement capital covenant that provides that neither M&T nor any of its subsidiaries will repay, redeem or purchase any of the Junior Subordinated Debentures due January 31, 2068 or the 8.50% Enhanced Trust Preferred Securities prior to January 31, 2048, with certain limited exceptions, except to the extent that, during the 180 days prior to the date of that repayment, redemption or purchase, M&T and its subsidiaries have received proceeds from the sale of qualifying securities that (i) have equity-like

characteristics that are the same as, or more equity-like than, the applicable characteristics of the 8.50% Enhanced Trust Preferred Securities or the Junior Subordinated Debentures due January 31, 2068, as applicable, at the time of 124

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repayment, redemption or purchase, and (ii) M&T has obtained the prior approval of the Federal Reserve Board, if required.

Long-term borrowings at December 31, 2009 mature as follows:

	(In thousands)
Year ending December 31:	
2010	\$ 2,539,820
2011	1,791,689
2012	1,560,194
2013	392,436
2014	7,113
Later years	3,948,764
	\$ 10,240,016

10. Stockholders equity

M&T is authorized to issue 1,000,000 shares of preferred stock with a \$1.00 par value per share. Preferred shares outstanding rank senior to common shares both as to dividends and liquidation preference, but have no general voting rights.

Issued and outstanding preferred stock of M&T is presented below:

	Shares Issued and Outstanding	Carrying Value December 31, 2009 (Dollars in thousands)	Carrying Value December 31, 2008
Series A(a) Fixed Rate Cumulative Perpetual Preferred Stock, Series A, \$1,000 liquidation preference per share, 600,000 shares authorized	600,000	\$ 572,580	\$ 567,463
Series B(b) Series B Mandatory Convertible Non-cumulative Preferred Stock, \$1,000 liquidation preference per share, 26,500 shares authorized	26,500	26,500	
Series C(a)(c) Fixed Rate Cumulative Perpetual Preferred Stock, Series C, \$1,000 liquidation preference	151,500	131,155	

per share, 151,500 shares authorized

- (a) *Shares were issued as part of the Troubled Asset Relief Program Capital Purchase Program of the U.S. Department of Treasury (U.S. Treasury). Cash proceeds were allocated between the preferred stock and a ten-year warrant to purchase M&T common stock (Series A 1,218,522 common shares at \$73.86 per share, Series C 407,542 common shares at \$55.76 per share). Dividends, if declared, will accrue and be paid quarterly at a rate of 5% per year for the first five years following the original 2008 issuance dates and thereafter at a rate of 9% per year. The agreement with the U.S. Treasury contains limitations on certain actions of M&T, including the payment of quarterly cash dividends on M&T s common stock in excess of \$.70 per share, the repurchase of its common stock during the first three years of the agreement, and the amount and nature of compensation arrangements for certain of the Company s officers.*
- (b) *Shares were assumed in the Provident acquisition and a new Series B Preferred Stock was designated. In the aggregate, the shares of Series B Preferred Stock will automatically convert into 433,148 shares of M&T common stock on April 1, 2011, but shareholders may elect to convert their preferred shares at any time prior to that date. Dividends, if declared, are payable quarterly in arrears at a rate of 10% per year.*
- (c) *Shares were assumed in the Provident acquisition and a new Series C Preferred Stock was designated.*

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Stock-based compensation expense was \$54 million in 2009, \$50 million in 2008 and \$51 million in 2007. The Company recognized \$17 million, \$11 million and \$12 million in 2009, 2008 and 2007, respectively, of income tax benefits related to stock-based compensation.

The Company's equity incentive compensation plan allows for the issuance of various forms of stock-based compensation, including stock options, restricted stock, restricted stock units and performance-based awards. Through December 31, 2009, only stock-based compensation awards, including stock options, restricted stock and restricted stock units, that vest with the passage of time as service is provided have been issued. At December 31, 2009 and 2008, respectively, there were 6,134,264 and 3,108,342 shares available for future grant under the Company's equity incentive compensation plan.

Stock option awards

Stock options issued generally vest over four years and are exercisable over terms not exceeding ten years and one day. The Company used an option pricing model to estimate the grant date present value of stock options granted. The weighted-average estimated grant date value per option was \$5.74 in 2009, \$15.85 in 2008 and \$28.59 in 2007. The values were calculated using the following weighted-average assumptions: an option term of 6.5 years (representing the estimated period between grant date and exercise date based on historical data); a risk-free interest rate of 2.76% in 2009, 3.21% in 2008 and 4.79% in 2007 (representing the yield on a U.S. Treasury security with a remaining term equal to the expected option term); expected volatility of 29% in 2009, and 21% in each of 2008 and 2007 (based on historical volatility of M&T's common stock price); and estimated dividend yields of 7.20% in 2009, 3.07% in 2008 and 1.98% in 2007 (representing the approximate annualized cash dividend rate paid with respect to a share of common stock at or near the grant date). Based on historical data and projected employee turnover rates, the Company reduced the estimated value of stock options for purposes of recognizing stock-based compensation expense by 7% to reflect the probability of forfeiture prior to vesting. Aggregate fair value of options expected to vest that were granted in 2009, 2008 and 2007 were \$340,000, \$46 million and \$48 million, respectively.

A summary of stock option activity follows:

	Stock Options Outstanding	Weighted-Average Exercise Price	Life (In Years)	Aggregate Intrinsic Value (In Thousands)
Outstanding at January 1, 2009	13,029,399	\$ 90.42		
Granted	59,253	38.91		
Acquired	626,433	131.96		
Exercised	(592,500)	42.55		
Cancelled	(119,873)	102.60		
Expired	(822,695)	91.41		

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Outstanding at December 31, 2009	12,180,017	\$ 94.45	5.2	\$	6,711
Exercisable at December 31, 2009	8,045,676	\$ 91.37	4.0	\$	5,035

For 2009, 2008 and 2007, M&T received \$15 million, \$25 million and \$66 million, respectively, in cash and realized tax benefits from the exercise of stock options of \$3 million, \$4 million and \$17 million, respectively. The intrinsic value of stock options exercised during those periods was \$6 million, \$13 million and \$55 million, respectively. As of December 31, 2009, there was \$15 million of total unrecognized compensation cost related to non-vested stock options. That cost is expected to be recognized over a weighted-average period of 1.2 years. The total grant date fair value of stock options vested during 2009, 2008 and 2007 was \$37 million, \$36 million and \$39 million, respectively. Upon the exercise of stock options, the Company generally issues shares from treasury stock to the extent available, but may also issue new shares.

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Table of Contents**M&T BANK CORPORATION AND SUBSIDIARIES****Notes to Financial Statements (Continued)*****Restricted stock awards***

Restricted stock awards are comprised of restricted stock and restricted stock units. Restricted stock awards vest over four years. Unrecognized compensation expense associated with restricted stock was \$17 million as of December 31, 2009 and is expected to be recognized over a weighted-average period of 1.7 years. The Company generally will issue restricted shares from treasury stock to the extent available, but may also issue new shares. During 2009 and 2008, the number of shares of restricted stock issued was 709,415 and 37,747, respectively, with a weighted-average grant date fair value of \$27,932,000 and \$3,446,000, respectively. Unrecognized compensation expense associated with restricted stock units was \$6 million as of December 31, 2009 and is expected to be recognized over a weighted-average period of 1.4 years. During 2009, the number of restricted stock units issued was 578,131 with a weighted-average grant date fair value of \$22,663,000.

A summary of restricted stock and restricted stock unit activity follows:

	Restricted Stock Units Outstanding	Weighted- Average Grant Price	Restricted Stock Outstanding	Weighted- Average Grant Price
Unvested at January 1, 2009		\$	45,704	\$ 98.97
Granted	578,131	39.20	709,415	39.37
Vested	(10,895)	38.91	(6,133)	103.98
Cancelled	(787)	38.91	(15,299)	40.28
Unvested at December 31, 2009	566,449	\$ 39.21	733,687	\$ 42.52

Stock purchase plan

The stock purchase plan provides eligible employees of the Company with the right to purchase shares of M&T common stock through accumulated payroll deductions. Shares of M&T common stock will be issued at the end of an option period, typically one year or six months. In connection with the employee stock purchase plan, 1,000,000 shares of M&T common stock were authorized for issuance, of which 398,481 shares have been issued. There were 3,149 shares issued in 2009, 2,377 shares were issued in 2008 and no shares were issued in 2007. For 2009 and 2008, respectively, M&T received \$100,000 and \$173,000 in cash for shares purchased through the employee stock purchase plan.

The Company used an option pricing model to estimate the grant date present value of purchase rights under the stock purchase plan. The estimated weighted-average grant date value per right was \$16.39 in 2009, \$12.79 in 2008 and \$15.04 in 2007. Such values were calculated using the following weighted-average assumptions: a term of six months to one year (representing the period between grant date and exercise date); a risk-free interest rate of 0.45% in 2009, 2.05% in 2008 and 4.39% in 2007 (representing the yield on a U.S. Treasury security with a like term); expected volatility of 69% in 2009, 34% in 2008 and 20% in 2007 (based on historical volatility of M&T's common stock price); and an estimated dividend yield of 4.77% in 2009, 3.84% in 2008 and 2.63% in 2007 (representing the

approximate annualized cash dividend rate paid with respect to a share of common stock at or near the grant date).

Deferred bonus plan

The Company provides a deferred bonus plan pursuant to which eligible employees 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 could 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 M&T common stock. Shares of M&T common stock distributable pursuant to the terms of the deferred bonus plan were 54,386 and 54,782 at December 31, 2009 and 2008, respectively. The obligation to issue shares is included in common stock issuable in the consolidated balance sheet. Through December 31, 2009, 111,885 shares have been issued in connection with the deferred bonus plan.

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Table of Contents**M&T BANK CORPORATION AND SUBSIDIARIES****Notes to Financial Statements (Continued)*****Directors stock plan***

The Company maintains a compensation plan for non-employee members of the Company's boards of directors and directors advisory councils that allows such members to receive all or a portion of their compensation in shares of M&T common stock. Through December 31, 2009, 134,176 shares had been issued in connection with the directors stock plan.

Through an acquisition, the Company assumed an obligation to issue shares of M&T common stock related to a deferred directors compensation plan. Shares of common stock issuable under such plan were 20,784 and 23,665 at December 31, 2009 and 2008, respectively. The obligation to issue shares is included in common stock issuable in the consolidated balance sheet.

Management stock ownership program

Through an acquisition, M&T obtained loans that are secured by M&T common stock purchased by former executives of the acquired entity. At December 31, 2009 and 2008, the loan amounts owed M&T were less than the fair value of the financed stock purchased and totaled approximately \$4 million. Such loans are classified as a reduction of additional paid-in capital in the consolidated balance sheet. The amounts are due to M&T no later than October 5, 2010.

12. Pension plans and other postretirement benefits

The Company provides pension (defined benefit and defined contribution plans) and other postretirement benefits (including defined benefit health care and life insurance plans) to qualified retired employees. The Company uses a December 31 measurement date for all of its plans.

Net periodic pension expense for defined benefit plans consisted of the following:

	Year Ended December 31		
	2009	2008	2007
	(In thousands)		
Service cost	\$ 19,483	\$ 19,409	\$ 21,138
Interest cost on benefit obligation	46,107	42,544	38,120
Expected return on plan assets	(46,976)	(46,092)	(40,152)
Amortization of prior service cost	(6,559)	(6,559)	(6,559)
Recognized net actuarial loss	8,292	3,942	5,993
Net periodic pension expense	\$ 20,347	\$ 13,244	\$ 18,540

Net other postretirement benefits expense for defined benefit plans consisted of the following:

	Year Ended December 31		
	2009	2008	2007
	(In thousands)		
Service cost	\$ 353	\$ 559	\$ 596
Interest cost on benefit obligation	3,302	4,033	3,811
Amortization of prior service cost	243	275	170
Recognized net actuarial loss	(19)	42	359
Net other postretirement benefits expense	\$ 3,879	\$ 4,909	\$ 4,936

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Data relating to the funding position of the defined benefit plans were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2009	2008	2009	2008
	(In thousands)			
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 750,913	\$ 740,464	\$ 62,950	\$ 71,150
Service cost	19,483	19,409	353	559
Interest cost	46,107	42,544	3,302	4,033
Plan participants' contributions			3,138	2,639
Actuarial (gain) loss	26,694	(12,483)	(5,209)	(5,342)
Settlements/curtailments	(7,232)			
Business combinations	58,239		343	
Medicare Part D reimbursement			870	114
Benefits paid				