

M&T BANK CORP  
Form 10-K  
February 23, 2007

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

**Form 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2006**

or

**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:**

<b>Title of Each Class</b>	<b>Name of Each Exchange on Which Registered</b>
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 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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

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, 2006: \$8,297,538,556.

Number of shares of the Common Stock, \$0.50 par value, outstanding as of the close of business on January 31, 2007: 109,748,465 shares.

**Documents Incorporated By Reference:**

(1) Portions of the Proxy Statement for the 2007 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, 2006

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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, 2006 the Company had consolidated total assets of \$57.1 billion, deposits of \$39.9 billion and stockholders' equity of \$6.3 billion. The Company had 11,904 full-time and 1,448 part-time employees as of December 31, 2006.

At December 31, 2006, 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, 2006, M&T Bank represented 99% of consolidated assets of the Company. M&T Bank operates branch offices in New York, Maryland, Pennsylvania, Virginia, West Virginia, Delaware 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, 2006, AIB held approximately 24.2% of the issued and outstanding shares of M&T common stock. In defining their relationship after the acquisition, M&T and AIB negotiated certain agreements regarding share ownership and corporate governance issues such as board representation, with the number of AIB's representatives on the M&T and M&T Bank boards of directors being dependent upon the amount of M&T common stock held by AIB. M&T has the right to one seat on the AIB board of directors until AIB no longer holds at least 15% of the outstanding shares of M&T common stock. Pursuant to the Reorganization Agreement, AIB has the right to name four members to serve on the Boards of Directors of M&T and M&T Bank, each of whom must be reasonably acceptable to M&T (collectively, the AIB Designees ). Further, one of the AIB Designees will serve on each of the Executive Committee, Nomination, Compensation and Governance Committee, and Audit and Risk Committee (or any committee or committees performing comparable functions) of the M&T board of directors. In order to serve, the AIB Designees must meet the requisite independence and expertise requirements prescribed under applicable law or stock exchange



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

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

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

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

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

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

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

The AIB Designees at December 31, 2006 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, 2006, M&T Bank had 671 banking offices located throughout New York State, Pennsylvania, Maryland, Delaware, Virginia, West Virginia and the District of Columbia, plus a branch in George Town, Cayman Islands. As of December 31, 2006, M&T Bank had consolidated total assets of \$56.4 billion, deposits of \$39.9 billion and stockholder s equity of \$6.5 billion. The deposit liabilities of M&T Bank are insured by the FDIC through its Deposit Insurance Fund ( DIF ) of which, at December 31, 2006, \$35.2 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 real estate loans are originated through lending offices in 22 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, primarily through direct mail and telephone marketing techniques. As of December 31, 2006, M&T Bank, N.A. had total assets of \$511 million, deposits of \$405 million and stockholder s equity of \$95 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, 2006, M&T Life Insurance had assets of \$33 million and stockholder s equity of \$27 million. M&T Life Insurance recorded revenues of \$2 million during 2006. Headquarters of M&T Life Insurance are located at 101 North First Avenue, Phoenix, Arizona 85003.

M&T Credit Services, LLC ( M&T Credit ), a wholly owned subsidiary of M&T Bank, is a New York limited liability company formed in June 2004, but its operations can be traced to a predecessor company that was a wholly owned subsidiary of M&T Bank formed in 1994. M&T Credit is a credit and leasing company offering consumer loans and commercial loans and leases. Its headquarters are located at M&T Center, One Fountain Plaza, Buffalo, New York 14203, and it has offices in Delaware, Massachusetts and Pennsylvania. As of December 31, 2006, M&T Credit had assets of \$3.5 billion and stockholder s equity of \$477 million. M&T Credit recorded \$193 million of revenue during 2006.

M&T Investment Company of Delaware, Inc. ( M&T Investment ), is a subsidiary of M&T Bank that was formed on November 17, 2004. M&T Investment owns all of the outstanding common stock and 88% of the preferred stock of M&T Real Estate Trust. As of December 31, 2006, M&T Investment had assets and stockholder s equity of approximately \$13.8 billion. Excluding dividends from M&T Real Estate Trust, M&T Investment realized \$17 million of revenue in 2006. The headquarters of M&T Investment are located at 501 Silverside Road, Wilmington, Delaware 19809. Prior to January 17, 2007, M&T Investment had been a wholly owned subsidiary of M&T Investment

Company, Inc., which had

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been a wholly owned subsidiary of M&T Bank. M&T Investment Company, Inc. owned 100% of the common stock of M&T Investment at December 31, 2006. Except for that investment holding, M&T Investment Company, Inc. was largely inactive during 2006. Effective January 17, 2007, M&T Investment Company, Inc. was dissolved. As a result, M&T Investment became a direct subsidiary of M&T Bank on that date.

M&T Lease, LLC ( M&T Lease ), a wholly owned subsidiary of M&T Bank, is a Delaware limited liability company formed in June 2004, but its operations can be traced to a predecessor company that was a wholly owned subsidiary of M&T Bank formed in 1994. M&T Lease is a consumer leasing company with headquarters at One M&T Plaza, Buffalo, New York 14203. As of December 31, 2006, M&T Lease had assets of \$68 million and stockholder s equity of \$44 million. M&T Lease recorded \$7 million of revenue during 2006.

M&T Mortgage Corporation ( M&T Mortgage ) was a wholly owned mortgage banking subsidiary of M&T Bank that was incorporated as a New York business corporation in November 1991. M&T Mortgage was merged into M&T Bank effective January 1, 2007. M&T Mortgage s principal activities were comprised of the origination of residential mortgage loans and providing residential mortgage loan servicing to M&T Bank, M&T Bank, N.A. and others. M&T Mortgage operated throughout New York State, Maryland and Pennsylvania, and maintained offices in 19 other states. M&T Mortgage had assets of \$2.8 billion and stockholder s equity of \$388 million as of December 31, 2006, and recorded approximately \$347 million of revenue during 2006. Mortgage loans serviced by M&T Mortgage for non-affiliates totaled \$16.7 billion at December 31, 2006.

M&T Mortgage Reinsurance Company, Inc. ( M&T Reinsurance ), a wholly owned subsidiary of M&T Bank, was incorporated as a Vermont business corporation in July 1999. M&T Reinsurance enters into reinsurance contracts with insurance companies who insure against the risk of a mortgage borrower s payment default in connection with M&T Mortgage-related mortgage loans. M&T Reinsurance receives a share of the premium for those policies in exchange for accepting a portion of the insurer s risk of borrower default. M&T Reinsurance had assets of approximately \$21 million and stockholder s equity of approximately \$20 million as of December 31, 2006, and recorded approximately \$4 million of revenue during 2006. M&T Reinsurance s principal and registered office is at 148 College Street, Burlington, Vermont 05401.

M&T Real Estate Trust ( M&T Real Estate ) is a Maryland Real Estate Investment Trust and is a subsidiary of M&T Investment. M&T Real Estate was formed through the merger of two separate subsidiaries, but traces its origin to M&T Real Estate, Inc., a New York business corporation incorporated in July 1995. M&T Real Estate engages in commercial real estate lending and provides loan servicing to M&T Bank. As of December 31, 2006, M&T Real Estate had assets of \$13.5 billion, common stockholder s equity of \$13.2 billion, and preferred stockholders equity, consisting of 9% fixed-rate preferred stock (par value \$1,000), of \$1 million. All of the outstanding common stock and 88% of the preferred stock of M&T Real Estate is owned by M&T Investment. The remaining 12% of M&T Real Estate s outstanding preferred stock is owned by officers or former officers of the Company. M&T Real Estate recorded \$864 million of revenue in 2006. The headquarters of M&T Real Estate are located at M&T Center, One Fountain Plaza, Buffalo, New York 14203.

M&T Realty Capital Corporation ( M&T Realty Capital ), a wholly owned subsidiary of M&T Bank, was incorporated as a Maryland corporation in October 1973. M&T Realty Capital engages in multi-family commercial real estate lending and provides loan servicing to purchasers of the loans it originates. As of December 31, 2006 M&T Realty Capital serviced \$4.9 billion of commercial mortgage loans for non-affiliates and had assets of \$111 million and stockholder s equity of \$37 million. M&T Realty Capital recorded revenues of \$35 million in 2006. 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, 2006, M&T



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Securities had assets of \$43 million and stockholder's equity of \$28 million. M&T Securities recorded \$83 million of revenue during 2006. The headquarters of M&T Securities are located at One M&T Plaza, Buffalo, New York 14203. 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, 2006, M&T Insurance Agency had assets of \$28 million and stockholder's equity of \$22 million. M&T Insurance Agency recorded revenues of \$10 million during 2006. The headquarters of M&T Insurance Agency are located at 334 Delaware Avenue, Buffalo, New York 14202. On February 1, 2006, M&T Insurance Agency acquired Hess Egan Hagerty & L Hommedieu, Inc. ( Hess Egan ), a commercial insurance and surety brokerage agency based in Chevy Chase, Maryland with additional offices in Pennsylvania and New Jersey. As of December 31, 2006, Hess Egan had assets of \$26 million, stockholder's equity of \$13 million, and recorded revenues of \$8 million during the eleven months ended December 31, 2006. Hess Egan was merged into M&T Insurance Agency effective January 1, 2007.

M&T Auto Receivables I, LLC ( M&T Auto Receivables ), a wholly owned subsidiary of M&T Bank, was formed as a Delaware limited liability company in May 2002. M&T Auto Receivables is a special purpose entity whose activities are generally restricted to purchasing and owning automobile loans for the purpose of securing a revolving asset-backed structured borrowing. M&T Auto Receivables had assets of \$565 million and stockholder's equity of \$64 million as of December 31, 2006, and recorded approximately \$32 million of revenue during 2006. M&T Auto Receivables' registered office is at 1209 Orange Street, Wilmington, Delaware 19801.

MTB Investment Advisors, Inc. ( MTB Investment Advisors ), a wholly owned subsidiary of M&T Bank, was incorporated as a Maryland corporation on June 30, 1995. MTB Investment Advisors serves as investment advisor to the MTB Group of Funds, a family of proprietary mutual funds, and institutional clients. As of December 31, 2006, MTB Investment Advisors had assets of \$33 million and stockholder's equity of \$29 million. MTB Investment Advisors recorded revenues of \$43 million in 2006. 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, 2006.

**Segment Information, Principal Products/Services and Foreign Operations**

Information about the Registrant's business segments is included in note 21 of Notes to Financial Statements filed herewith in Part II, Item 8, Financial Statements and Supplementary Data and is further discussed in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations. The Registrant's reportable segments have been determined based upon its internal profitability reporting system, which is organized by strategic business unit. Certain strategic business units have been combined for segment information reporting purposes where the nature of the products and services, the type of customer and the distribution of those products and services are similar. The reportable segments are Commercial Banking, Commercial Real Estate, Discretionary Portfolio, Residential Mortgage Banking and Retail Banking. The Company's international activities are discussed in note 16 of Notes to Financial Statements filed herewith in Part II, Item 8, Financial Statements and Supplementary Data. The only 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 lending transactions and service charges on deposit accounts. 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

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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**

The Gramm-Leach-Bliley Act of 1999 ( Gramm-Leach ) enables combinations among banks, securities firms and insurance companies. Under Gramm-Leach, bank holding companies are permitted to offer their customers virtually any type of financial service that is financial in nature or incidental thereto, including banking, securities underwriting, insurance (both underwriting and agency), and merchant banking.

In order to engage in these financial activities, a bank holding company must qualify and register with the Federal Reserve Board as a financial holding company by demonstrating that each of its bank subsidiaries is well capitalized, well managed, and has at least a satisfactory rating under the Community Reinvestment Act of 1977 ( CRA ). M&T currently satisfies the qualifications for registering as a financial holding company, but has not elected to do so to date. For as long as AIB owns at least 15% of M&T s outstanding common stock, M&T may not become a financial holding company without 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 Gramm-Leach 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, Gramm-Leach requires each of the parent bank (and its sister-bank affiliates) to be well capitalized and well managed; the aggregate consolidated assets of all of that bank s financial subsidiaries may not exceed the lesser of 45% of its consolidated total assets or \$50 billion; the bank must have at least a satisfactory CRA rating; and, if that bank is one of the 100 largest national banks, it must meet certain financial rating or other comparable requirements. M&T Bank and M&T Bank, N.A. currently satisfy the qualifications for engaging in financial activities through financial subsidiaries, but neither has elected to do so to date. Gramm-Leach 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 Gramm-Leach 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. The foregoing discussion is qualified in its entirety by reference to the statutory provisions of Gramm-Leach and the implementing regulations which have been adopted by various government agencies pursuant to Gramm-Leach.

**Bank Holding Company Regulation**

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

The Registrant may not acquire direct or indirect ownership or control of more than 5% of the voting shares of any company, including a bank, without the prior approval of the Federal Reserve Board, except as specifically authorized under the BHCA. The Registrant is also subject to regulation under the





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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 Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, as amended (the Interstate Banking Act) 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 Interstate Banking 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 the Interstate Banking Act must be adequately capitalized and managed.

The Banking Law authorizes interstate branching by merger or acquisition on a reciprocal basis, and permits the acquisition of a single branch without restriction, but does not provide for de novo interstate branching. Bank holding companies and their subsidiary banks are also subject to the provisions of the CRA. Under the terms of the CRA, the Federal Reserve Board (or other appropriate bank regulatory agency) is required, in connection with its examination of a bank, to assess such bank's record in meeting the credit needs of the communities served by that bank, including low- and moderate-income neighborhoods. During these examinations, the Federal Reserve Board (or other appropriate bank regulatory agency) rates such bank's compliance with the CRA as Outstanding, Satisfactory, Needs to Improve or Substantial Noncompliance. The failure of a bank to receive at least a Satisfactory rating could inhibit such bank or its bank holding company from undertaking certain activities, including acquisitions of other financial institutions or opening or relocating a branch office, as further discussed below. M&T Bank has a CRA rating of Outstanding and M&T Bank, N.A. has a CRA rating of Satisfactory. Furthermore, such assessment is also required of any bank that has applied, among other things, to merge or consolidate with or acquire the assets or assume the liabilities of a federally-regulated financial institution, or to open or relocate a branch office. In the case of a bank holding company applying for approval to acquire a bank or bank holding company, the Federal Reserve Board will assess the record of each subsidiary bank of the applicant bank holding company in considering the application. The Banking Law contains provisions similar to the CRA which are applicable to New York-chartered banks. M&T Bank has a CRA rating of Outstanding as determined by the New York State Banking Department.



**Table of Contents****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. Gramm-Leach places similar restrictions 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 DIF of 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 from Bank Subsidiaries**

The Registrant is a legal entity separate and distinct from its banking and other subsidiaries. The majority of the Registrant's revenue is from dividends paid to the Registrant by its subsidiary banks. M&T Bank and M&T Bank, N.A. are subject, under one or more of the banking laws, to restrictions on the amount and frequency (no more often than quarterly) of dividend declarations. Future dividend payments to the Registrant by its subsidiary banks will be dependent on a number of factors, including the earnings and financial condition of each such bank, and are subject to the limitations referred to in note 22 of Notes to Financial Statements filed herewith in Part II, Item 8, Financial Statements and Supplementary Data, and to other statutory powers of bank regulatory agencies.

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

**Supervision and Regulation of M&T Bank's Subsidiaries**

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

**Capital Adequacy**

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

The Federal Reserve Board, the FDIC and the OCC have also imposed a leverage standard to supplement their risk-based ratios. This leverage standard focuses on a banking institution's ratio of Tier 1 capital to average total assets, adjusted for goodwill and certain other items. Under these guidelines, banking institutions that meet certain criteria, including excellent asset quality, high liquidity, low interest



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rate exposure and good earnings, and that have received the highest regulatory rating must maintain a ratio of Tier 1 capital to total adjusted average assets of at least 3%. Institutions not meeting these criteria, as well as institutions with supervisory, financial or operational weaknesses, along with those experiencing or anticipating significant growth are expected to maintain a Tier 1 capital to total adjusted average assets ratio equal to at least 4% to 5%. As reflected in the table in note 22 of Notes to Financial Statements filed herewith in Part II, Item 8, Financial Statements and Supplementary Data, the risk-based capital ratios and leverage ratios of the Registrant, M&T Bank and M&T Bank, N.A. as of December 31, 2006 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 Federal Deposit Insurance Corporation Improvement Act established 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. currently meet the definition of well capitalized institutions.

Undercapitalized depository institutions, among other things, are subject to growth limitations, are prohibited, with certain exceptions, from making capital distributions, are limited in their ability to obtain funding from a Federal Reserve Bank and are required to submit a capital restoration plan. The federal banking agencies may not accept a capital plan without determining, among other things, that the plan is based on realistic assumptions and is likely to succeed in restoring the depository institution's capital. In addition, for a capital restoration plan to be acceptable, the depository institution's parent holding company must guarantee that the institution will comply with such capital restoration plan and provide appropriate assurances of performance. If a depository institution fails to submit an acceptable



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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, 2006, M&T Bank had approximately \$2.8 billion of brokered deposits, while M&T Bank, N.A. did not have any brokered deposits at that date.

Although M&T has issued shares of common stock in connection with acquisitions or at other times, the Company has generally maintained capital ratios in excess of minimum regulatory guidelines largely through internal capital generation (i.e. net income less dividends paid). Historically, M&T's dividend payout ratio and dividend yield, when compared with other bank holding companies, has been relatively low, thereby allowing for capital retention to support growth or to facilitate purchases of M&T's common stock to be held as treasury stock. Management's policy of reinvestment of earnings and repurchase of shares of common stock is intended to enhance M&T's earnings per share prospects and thereby reward stockholders over time with capital gains in the form of increased stock price rather than high dividend income.

**FDIC Deposit Insurance Assessments**

In February 2006, The Federal Deposit Insurance Reform Act of 2005 and The Federal Deposit Insurance Reform Conforming Amendments Act of 2005 (collectively the Reform Act) were signed into law. The Reform Act provided for the merging of the Bank Insurance Fund and Savings Association Insurance Fund into the new DIF, effective March 31, 2006.

As institutions with deposits insured by the DIF, M&T Bank and M&T Bank, N.A. are subject to FDIC deposit insurance assessments. Under the provisions of the Reform 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 the reserve ratio of between 1.15% and 1.50% of estimated insured deposits.

Under the Reform Act, the FDIC has modified its risk-based deposit premium assessment system under which each depository institution is placed in one of four assessment categories based on the institution's capital classification under the prompt corrective action provisions described above, and an institution's long-term debt issuer ratings. Effective January 1, 2007, the adjusted assessment rates for insured institutions under the modified system range from .05% to .43% depending upon the assessment category into which the insured institution is placed. Under the previous assessment system, the adjusted assessment rates ranged from .00% to .27%. Neither of the Company's bank subsidiaries paid regular insurance assessments to the FDIC in 2006.

The Reform Act provides 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





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aggregate assessment base of all eligible institutions as of that date. The credit may be used to offset up to 100% of the 2007 DIF assessment, and if not completely used in 2007, may be applied to not more than 90% of each of the aggregate 2008, 2009 and 2010 DIF assessments.

In addition to insurance fund assessments, beginning in 1997 the FDIC assessed 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 1.22 basis points (hundredths of one percent).

The insurance assessments under the Reform Act are not expected to have a significant adverse impact on the results of operations and capital of M&T Bank or M&T Bank, N.A. in 2007 or 2008. However, any significant increases in assessment rates or additional special assessments by the FDIC could have an adverse impact on the results of operations and capital of M&T Bank or M&T Bank, N.A.

### **Consumer Protection Laws**

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

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

### **Sarbanes-Oxley Act of 2002**

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

### **USA Patriot Act**

The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the USA Patriot Act ) imposes additional obligations on U.S. financial institutions, including banks and broker dealer subsidiaries, to implement policies, procedures and



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controls which are reasonably designed to detect and report instances of money laundering and the financing of terrorism. In addition, provisions of the USA Patriot Act require the federal financial institution regulatory agencies to consider the effectiveness of a financial institution's anti-money laundering activities when reviewing bank mergers and bank holding company acquisitions. The Registrant and its impacted subsidiaries have approved policies and procedures that are believed to be compliant with the USA Patriot Act.

### **Regulatory Impact of M&T's Relationship With AIB**

As described above under the caption "Relationship With Allied Irish Banks, p.l.c.," AIB owns approximately 24.2% 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 (the "CBI"), the CBI may assert jurisdiction over M&T as a company controlled by AIB. Additional discussion of the regulatory implications of the Allfirst acquisition for M&T is set forth above under the caption "Certain Post-Closing Bank Regulatory Matters."

### **Governmental Policies**

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

### **Competition**

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

### **Other Legislative Initiatives**

Proposals may be introduced in the United States Congress and in the New York State Legislature and before various bank regulatory authorities which would alter the powers of, and restrictions on, different types of banking organizations and which would restructure part or all of the existing regulatory framework for banks, bank holding companies and other providers of financial services. Moreover, other bills may be introduced in Congress which would further regulate, deregulate or restructure the financial



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services industry. It is not possible to predict whether these or any other proposals will be enacted into law or, even if enacted, the effect which they may have on the Company's business and earnings.

**Other Information**

Through a link on the Investor Relations section of M&T's website at [www.mandtbank.com](http://www.mandtbank.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](http://www.sec.gov). Such requests may be directed to M&T Bank Corporation, Shareholder Relations Department, One M&T Plaza, 13th Floor, Buffalo, NY 14203-2399 (Telephone: (716) 842-5445).

**Corporate Governance**

M&T's Corporate Governance Standards and the following corporate governance documents are also available on M&T's website at the Investor Relations link: Disclosure Policy; Executive Committee Charter; Nomination, Compensation and Governance Committee Charter; Audit Committee Charter; Financial Reporting and Disclosure Controls and Procedures Policy; Code of Ethics for CEO and Senior Financial Officers; Code of Business Conduct and Ethics; and Employee Complaint Procedures for Accounting and Auditing Matters. Copies of such governance documents are also available, free of charge, to any person who requests them. Such requests may be directed to M&T Bank Corporation, Shareholder Relations Department, One M&T Plaza, 13th Floor, Buffalo, NY 14203-2399 (Telephone: (716) 842-5445).

**Table of Contents****Statistical Disclosure Pursuant to Guide 3**

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

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

	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>(In thousands)</b>				
Interest-bearing deposits at banks	\$ 6,639	\$ 8,408	\$ 10,242	\$ 13,194	\$ 7,856
Federal funds sold	19,458	11,220	28,150	21,220	9,290
Resell agreements	100,000		1,026	1,068	311,069
Trading account	136,752	191,617	159,946	214,833	51,628
Investment securities					
U.S. Treasury and federal agencies	2,381,584	3,016,374	3,965,110	3,398,547	1,209,180
Obligations of states and political subdivisions	130,207	181,938	204,792	249,193	256,023
Other	4,739,807	5,201,852	4,304,717	3,611,410	2,489,947
Total investment securities	7,251,598	8,400,164	8,474,619	7,259,150	3,955,150
Loans and leases					
Commercial, financial, leasing, etc.	11,896,556	11,105,827	10,169,695	9,406,399	5,399,738
Real estate construction	3,453,981	2,335,498	1,797,106	1,537,880	1,001,553
Real estate mortgage	17,940,083	16,636,557	15,538,227	13,932,731	12,010,464
Consumer	9,916,334	10,475,809	11,139,594	11,160,588	7,525,187
Total loans and leases	43,206,954	40,553,691	38,644,622	36,037,598	25,936,942
Unearned discount	(259,657)	(223,046)	(246,145)	(265,163)	(209,158)
Allowance for credit losses	(649,948)	(637,663)	(626,864)	(614,058)	(436,472)
Loans and leases, net	42,297,349	39,692,982	37,771,613	35,158,377	25,291,312
Goodwill	2,908,849	2,904,081	2,904,081	2,904,081	1,097,553
Core deposit and other intangible assets	250,233	108,260	165,507	240,830	118,790
Real estate and other assets owned	12,141	9,486	12,504	19,629	17,380
Total assets	57,064,905	55,146,406	52,938,721	49,826,081	33,201,181
Noninterest-bearing deposits	7,879,977	8,141,928	8,417,365	8,411,296	4,072,085
NOW accounts	940,439	901,938	828,999	1,738,427	1,029,060
Savings deposits	14,169,790	13,839,150	14,721,663	14,118,521	9,156,678
Time deposits	11,490,629	11,407,626	7,228,514	6,637,249	6,246,384

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Deposits at foreign office	5,429,668	2,809,532	4,232,932	2,209,451	1,160,716
Total deposits	39,910,503	37,100,174	35,429,473	33,114,944	21,664,923
Short-term borrowings	3,094,214	5,152,872	4,703,664	4,442,246	3,429,414
Long-term borrowings	6,890,741	6,196,994	6,348,559	5,535,425	4,497,374
Total liabilities	50,783,810	49,270,020	47,209,107	44,108,871	29,992,702
Stockholders equity	6,281,095	5,876,386	5,729,614	5,717,210	3,208,479

**Table 2**

**STOCKHOLDERS, EMPLOYEES AND OFFICES**

<b>Number at Year-End</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Stockholders	10,084	10,437	10,857	11,258	11,587
Employees	13,352	13,525	13,371	14,000	9,197
Offices	736	724	713	735	493

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**Table of Contents****Table 3****CONSOLIDATED EARNINGS**

	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>(In thousands)</b>				
<b>Interest income</b>					
Loans and leases, including fees	\$ 2,927,411	\$ 2,420,660	\$ 1,974,469	\$ 1,897,701	\$ 1,670,412
Deposits at banks	372	169	65	147	76
Federal funds sold	1,670	807	123	122	81
Resell agreements	3,927	1	11	1,753	4,374
Trading account	2,446	1,544	375	592	202
Investment securities					
Fully taxable	363,401	351,423	309,141	210,968	148,221
Exempt from federal taxes	14,866	14,090	14,548	15,282	18,733
Total interest income	3,314,093	2,788,694	2,298,732	2,126,565	1,842,099
<b>Interest expense</b>					
NOW accounts	3,461	2,182	1,802	3,613	3,900
Savings deposits	201,543	139,445	92,064	102,190	107,281
Time deposits	551,514	294,782	154,722	159,700	237,001
Deposits at foreign office	178,348	120,122	43,034	14,991	8,460
Short-term borrowings	227,850	157,853	71,172	49,064	52,723
Long-term borrowings	333,836	279,967	201,366	198,252	185,149
Total interest expense	1,496,552	994,351	564,160	527,810	594,514
<b>Net interest income</b>	<b>1,817,541</b>	<b>1,794,343</b>	<b>1,734,572</b>	<b>1,598,755</b>	<b>1,247,585</b>
Provision for credit losses	80,000	88,000	95,000	131,000	122,000
Net interest income after provision for credit losses	1,737,541	1,706,343	1,639,572	1,467,755	1,125,585
<b>Other income</b>					
Mortgage banking revenues	143,181	136,114	124,353	149,105	116,408
Service charges on deposit accounts	380,950	369,918	366,301	309,749	167,531
Trust income	140,781	134,679	136,296	114,620	60,030
Brokerage services income	60,295	55,572	53,740	51,184	43,261
Trading account and foreign exchange gains	24,761	22,857	19,435	15,989	2,860
Gain (loss) on bank investment securities	2,566	(28,133)	2,874	2,487	(608)
Other revenues from operations	293,318	258,711	239,970	187,961	122,449
Total other income	1,045,852	949,718	942,969	831,095	511,931



**Other expense**

Salaries and employee benefits	873,353	822,239	806,552	740,324	496,990
Equipment and net occupancy	168,776	173,689	179,595	170,623	107,822
Printing, postage and supplies	33,956	33,743	34,476	36,985	25,378
Amortization of core deposit and other intangible assets	63,008	56,805	75,410	78,152	51,484
Other costs of operations	412,658	398,666	419,985	422,096	279,937
<b>Total other expense</b>	<b>1,551,751</b>	<b>1,485,142</b>	<b>1,516,018</b>	<b>1,448,180</b>	<b>961,611</b>
Income before income taxes	1,231,642	1,170,919	1,066,523	850,670	675,905
Income taxes	392,453	388,736	344,002	276,728	219,153
<b>Net income</b>	<b>\$ 839,189</b>	<b>\$ 782,183</b>	<b>\$ 722,521</b>	<b>\$ 573,942</b>	<b>\$ 456,752</b>
<b>Dividends declared Common</b>	<b>\$ 249,817</b>	<b>\$ 198,619</b>	<b>\$ 187,669</b>	<b>\$ 135,423</b>	<b>\$ 96,858</b>

**Table of Contents****Table 4****COMMON SHAREHOLDER DATA**

	2006	2005	2004	2003	2002
Per share					
Net income					
Basic	\$ 7.55	\$ 6.88	\$ 6.14	\$ 5.08	\$ 4.94
Diluted	7.37	6.73	6.00	4.95	4.78
Cash dividends declared	2.25	1.75	1.60	1.20	1.05
Stockholders' equity at year-end	56.94	52.39	49.68	47.55	34.82
Tangible stockholders' equity at year-end	28.57	25.91	23.62	21.97	22.04
Dividend payout ratio	29.79%	25.42%	26.00%	23.62%	21.24%

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

	2006 Compared with 2005			2005 Compared with 2004		
	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	\$ 508,777	121,931	386,846	\$ 446,762	133,491	313,271
Deposits at banks	203	39	164	104	(15)	119
Federal funds sold and agreements to resell securities	4,789	3,495	1,294	674	392	282
Trading account	902	204	698	1,126	301	825
Investment securities						
U.S. Treasury and federal agencies	(12,859)	(24,339)	11,480	(24,425)	(26,869)	2,444
Obligations of states and political subdivisions	(637)	(1,479)	842	(4,157)	(2,415)	(1,742)
Other	26,580	8,545	18,035	69,859	56,376	13,483
Total interest income	\$ 527,755			\$ 489,943		
Interest expense						
Interest-bearing deposits						
NOW accounts	\$ 1,279	216	1,063	\$ 380	(594)	974
Savings deposits	62,098	(4,684)	66,782	47,381	(2,601)	49,982
Time deposits	256,732	124,211	132,521	140,060	58,514	81,546
Deposits at foreign office	58,226	(6,908)	65,134	77,088	11,031	66,057

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Short-term borrowings	69,997	(12,406)	82,403	86,681	(3,668)	90,349
Long-term borrowings	53,869	(18,229)	72,098	78,601	21,319	57,282
Total interest expense	\$ 502,201			\$ 430,191		

(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 commercial real estate loan 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 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; (ii) 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 (iii) 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. Although the national economy experienced moderate growth in 2006 with inflation being reasonably well contained, concerns exist about the level and volatility of energy prices; a weakening housing market, particularly concerns about over-valued real estate; Federal Reserve positioning of monetary policy; the underlying impact on businesses operations and abilities to repay loans resulting from a higher level of interest rates; sluggish job creation, which could cause consumer spending to slow; continued stagnant population growth in the upstate New York and central Pennsylvania regions; continued slowing of domestic automobile sales; and modest loan demand in many market areas served by the Company. All of these factors can affect the Company's credit loss experience. To help manage credit risk, the Company maintains a detailed credit policy and utilizes various committees that include members of senior management to approve significant extensions of credit. The Company also maintains a credit review department that regularly reviews the Company's loan and lease portfolios to ensure compliance with established credit policy. The Company maintains an allowance for



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credit losses that in management's judgment is adequate to absorb losses inherent in the loan and lease portfolio.

**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. Many of those laws and regulations are described in Part I, Item 1 Business. Changes in those laws and regulations, or the degree of the Company's compliance with those laws and regulations as judged by any of several regulators that oversee the Company, could have a significant effect on the Company's operations and its financial results.

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

In addition, the market price of M&T common stock may fluctuate significantly in response to a number of other factors, including changes in securities analysts' estimates of financial performance, volatility of stock market prices and volumes, rumors or erroneous information, changes in market valuations of similar companies and changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board or other regulatory agencies.

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

None

**Item 2. *Properties.***

Both M&T and M&T Bank maintain their executive offices at One M&T Plaza in Buffalo, New York. This twenty-one story headquarters building, containing approximately 278,000 rentable square feet of space, is owned in fee by M&T Bank and was completed in 1967. M&T, M&T Bank and their subsidiaries occupy approximately 78% of the building and the remainder is leased to non-affiliated tenants. At December 31, 2006, the cost of this property (including improvements subsequent to the initial construction), net of accumulated depreciation, was \$5.2 million. In September 1992, M&T Bank acquired an additional facility in Buffalo, New York with approximately 365,000 rentable square feet of space at a cost of approximately \$12 million. 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, 2006, the cost of this building (including improvements subsequent to acquisition), net of accumulated depreciation, was \$12.0 million.

M&T Bank also owns and occupies two separate facilities in the Buffalo area which support certain back-office and operations functions of the Company. The total square footage of these facilities approximates 215,000 square feet and their combined cost (including improvements subsequent to acquisition), net of accumulated depreciation, was \$17.6 million at December 31, 2006.

M&T Bank also owns a facility in Syracuse, New York with approximately 150,000 rentable square feet of space. Approximately 41% of this facility is occupied by M&T Bank. At December 31, 2006, the cost of this building (including improvements subsequent to acquisition), net of accumulated depreciation, was \$7.7 million.

M&T Bank also owns facilities in Harrisburg, Pennsylvania and Millsboro, Delaware with approximately 206,000 and 322,000 rentable square feet of space, respectively. M&T Bank occupies approximately 38% and 84% of these respective facilities. At December 31, 2006, the cost of these buildings (including improvements subsequent to acquisition), net of accumulated depreciation, was \$13.0 million and \$7.9 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



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Supplementary Data. Of the 672 domestic banking offices of the Registrant's subsidiary banks at December 31, 2006, 281 are owned in fee and 391 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, if any, arising out of litigation pending against M&T or its subsidiaries will be material to M&T's consolidated financial position, but at the present time is not in a position to determine whether such litigation will have a material adverse effect on M&T's consolidated results of operations in any future reporting period.

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

No matters were submitted to a vote of M&T's security holders during the fourth quarter of 2006.

**Executive Officers of the Registrant**

Information concerning the Registrant's executive officers is presented below as of February 20, 2007. 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 72, 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 to July 2003 and as president of M&T Bank from March 1984 to June 1996.

Michael P. Pinto, age 51, is a vice chairman (2007) and a director (2003) of the Registrant. Previously, he was an executive vice president of the Registrant (1997). He is a vice chairman and a director (2003) of M&T Bank and is the chairman and chief executive officer of M&T Bank's Mid-Atlantic Division (2005). Prior to April 2005, Mr. Pinto was the chief financial officer of the Registrant (1997) and M&T Bank (1996), and he oversaw the Company's Finance Division, Technology and Banking Operations Division, Corporate Services Group, Treasury Division and General Counsel's Office. Mr. Pinto is a director of M&T Investment (2004) and a trustee of M&T Real Estate (1996). He is an executive vice president (1996) and a director (1998) of M&T Bank, N.A. Mr. Pinto is also responsible for managing the operations of MTB Investment Advisors and the MTB Group of Funds.

Mark J. Czarnecki, age 51, 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). He is in charge of the M&T Investment Group, which is comprised of M&T Securities, M&T Insurance Agency and the Trust and Investment Services Division of M&T Bank. He is also in charge of the Company's Retail Banking network which includes branches, automated teller machines, web-banking and telephone banking systems. Mr. Czarnecki is a director of M&T Securities (1999) and an executive vice president (1997) and a director (2005) of M&T Bank, N.A. He is chairman of the board and a director of M&T Insurance Agency (2000) and MTB Investment Advisors (2003).

James J. Beardi, age 60, is an executive vice president (2003) of the Registrant and M&T Bank, and is responsible for managing the Company's Residential Mortgage business and the General Counsel's Office. He was president and a director of M&T Mortgage (1991) until its merger into M&T Bank on January 1, 2007. Mr. Beardi served as senior vice president of M&T Bank from 1989 to 2003.



Robert J. Bojdak, age 51, is an executive vice president and chief credit officer (2004) of the Registrant and M&T Bank. From April 2002 to April 2004, Mr. Bojdak served as senior vice president and credit deputy for M&T Bank. Previous to joining M&T Bank in 2002, Mr. Bojdak served in several

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senior management positions at KeyCorp., most recently as executive vice president and regional credit executive. He is an executive vice president and a director of M&T Bank, N.A. (2004) and M&T Credit (2004).

Stephen J. Braunscheidel, age 50, 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 Services 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 60, 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 Realty Capital (2003).

Gregory L. Ford, age 47, is an executive vice president of the Registrant (2006) and M&T Bank (2004), and is responsible for managing the Company's Consumer Lending department, as well as its Automobile Floor Plan department. He is president and a director of M&T Credit (1999) and is an executive vice president of M&T Bank, N.A. (2004). Mr. Ford served as a senior vice president of M&T Bank from 1998 to 2004.

Brian E. Hickey, age 54, is an executive vice president of the Registrant (1997) and M&T Bank (1996). He is a member of the Directors Advisory Council (1994) of the Rochester Division of M&T Bank. Mr. Hickey is responsible for managing all of the non-retail segments in the Albany, Hudson Valley, Rochester, Syracuse and Southern Divisions of M&T Bank, and he also has responsibility for managing the Company's middle market commercial banking, health care and government banking businesses.

René F. Jones, age 42, 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 of M&T Bank, N.A. (2005), and he is a trustee of M&T Real Estate (2005). He is a director of M&T Investment (2005).

Adam C. Kugler, age 49, is an executive vice president and treasurer (1997) of the Registrant and M&T Bank, and is in charge of the Company's Treasury Division. Mr. Kugler is chairman of the board and a director of M&T Investment (2004), a director of M&T Securities (1997) and M&T Realty Capital (2003), and is an executive vice president, treasurer and a director of M&T Bank, N.A. (1997).

Kevin J. Pearson, age 45, is an executive vice president (2002) of the Registrant and M&T Bank. He is responsible for managing all of the non-retail segments in the New York City and Philadelphia Divisions of M&T Bank, as well as the Company's commercial real estate business. Mr. Pearson is an executive vice president of M&T Real Estate (2003) and a director of M&T Realty Capital (2003). He served as senior vice president of M&T Bank from 2000 to 2002.

Michele D. Trolli, age 45, is an executive vice president (2005) of the Registrant and M&T Bank. She is chief information officer and is 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.



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During the fourth quarter of 2006, 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, 2006 with respect to shares of common stock that may be issued under M&T Bank Corporation's existing equity compensation plans. M&T Bank Corporation's existing equity compensation plans are the M&T Bank Corporation 1983 Stock Option Plan (the 1983 Stock Option Plan); the M&T Bank Corporation 2001 Stock Option Plan (the 2001 Stock Option Plan); the M&T Bank Corporation 2005 Incentive Compensation Plan (the 2005 Incentive Compensation Plan), which replaced the 2001 Stock Option Plan; and the M&T Bank Corporation Employee Stock Purchase Plan (the Employee Stock Purchase Plan), each of which has been previously approved by stockholders, and the M&T Bank Corporation Directors' Stock Plan (the Directors' Stock Plan) and the M&T Bank Corporation Deferred Bonus Plan (the Deferred Bonus Plan), each of which did not require stockholder approval.

The table does not include information with respect to shares of common stock subject to outstanding options and rights assumed by M&T Bank Corporation in connection with mergers and acquisitions of the companies that originally granted those options and rights. Footnote (1) to the table sets forth the total number of shares of common stock issuable upon the exercise of such assumed options and rights as of December 31, 2006, and their weighted-average exercise price.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options or Rights (A)	Weighted-Average Exercise Price of Outstanding Options or Rights (B)	Number of Securities Remaining Available for Future Issuance
			Under Equity Compensation Plans (Excluding Securities Reflected in Column A) (C)
Equity compensation plans approved by security holders:			
1983 Stock Option Plan	2,809,613	\$ 52.01	
2001 Stock Option Plan	5,996,070	88.24	
2005 Incentive Compensation Plan	1,695,366	109.01	7,199,903
Employee Stock Purchase Plan	105,218	110.26	501,827
Equity compensation plans not approved by security holders:			
Directors' Stock Plan	2,678	122.16	15,719
Deferred Bonus Plan	61,757	58.90	
Total	10,670,702	\$ 81.64	7,717,449

(1) As of December 31, 2006, a total of 185,603 shares of M&T common stock were issuable upon exercise of outstanding options or rights assumed by M&T Bank Corporation in connection with merger and acquisition

*transactions. The weighted-average exercise price of those outstanding options or rights is \$65.42 per share.*

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

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

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

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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.

**Performance Graph**

The following graph contains a comparison of the cumulative stockholder return on M&T common stock against the cumulative total returns of the KBW 50 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, 2001 and ending on December 31, 2006. The KBW 50 Index is comprised of the top fifty American banking companies, including all money-center and most major regional banks.

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

	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
M&T Bank Corporation	\$ 100	110	139	155	159	181
KBW 50 Index	\$ 100	93	125	137	139	166
S&P 500 Index	\$ 100	78	100	111	117	135

\* Assumes a \$100 investment on December 31, 2001 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 November 2005, M&T announced that it had been authorized by its Board of Directors to purchase up to 5,000,000 shares of its common stock. Pursuant to such plan, M&T repurchased 3,259,000 shares during 2006 at an average per share cost of \$114.72. Through December 31, 2006, M&T had repurchased 3,303,700 shares of common stock pursuant to the repurchase plan at an average cost of \$114.66 per share.

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During the fourth quarter of 2006, M&T purchased shares of its common stock as follows:

<b>Period</b>	<b>(a)Total Number of Shares (or Units) Purchased(1)</b>	<b>(b)Average Price Paid per Share (or Unit)</b>	<b>(c)Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs</b>	<b>(d)Maximum Number (or Approximate Dollar Value) of Shares (or Units) that may yet be Purchased Under the Plans or Programs(2)</b>
October 1 - October 31, 2006	3,660	\$ 121.46		2,318,600
November 1 - November 30, 2006	51,445	117.90		2,318,600
December 1 - December 31, 2006	623,038	120.46	622,300	1,696,300
<b>Total</b>	<b>678,143</b>	<b>\$ 120.27</b>	<b>622,300</b>	

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

(2) On November 21, 2005, M&T announced a program to purchase up to 5,000,000 shares of its common stock.

**Item 6. Selected Financial Data.**

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

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

M&T Bank Corporation ( M&T ) is a bank holding company headquartered in Buffalo, New York with consolidated assets of \$57.1 billion at December 31, 2006. 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 \$56.4 billion at December 31, 2006, is a New York-chartered commercial bank with 671 banking offices in New York State, Pennsylvania, Maryland, Delaware, Virginia, West Virginia and the District of Columbia, and an office in the Cayman Islands. On January 2, 2007, M&T Bank opened its first banking office in New Jersey. M&T Bank and its subsidiaries offer a broad range of financial services to a diverse base of consumers, businesses, professional clients, governmental entities and financial institutions located in its markets. Lending is largely focused on consumers residing in New York State, Pennsylvania, Maryland, northern Virginia and Washington, D.C., and on small and medium size businesses based in those areas, although residential real estate loans are originated through lending offices in 22 states. Certain lending activities are also conducted in other states

through various subsidiaries. M&T Bank's subsidiaries include: M&T Credit Services, LLC, a consumer lending and commercial leasing and lending company; M&T Real Estate Trust, a commercial mortgage lender; M&T Realty Capital Corporation, a multi-family commercial mortgage lender; M&T Securities, Inc., which provides brokerage, investment advisory and insurance services; MTB Investment Advisors, Inc., which serves as investment advisor to the MTB Group of Funds, a family of proprietary mutual funds, and other funds and institutional clients; and M&T Insurance Agency, Inc., an insurance agency. Effective January 1, 2007, M&T Mortgage Corporation, a residential mortgage banking company wholly owned by M&T Bank, was merged into M&T Bank.

M&T Bank, N.A., with total assets of \$511 million at December 31, 2006, is a national bank with an office in Oakfield, New York. M&T Bank, N.A. offers selected deposit and loan products on a nationwide basis, largely through telephone and direct mail marketing techniques.



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On June 30, 2006, M&T Bank completed the acquisition of 21 branch offices in Buffalo and Rochester, New York from Citibank, N.A., including approximately \$269 million in loans, mostly to consumers, small businesses and middle market customers, and approximately \$1.0 billion of deposits. M&T's financial results for 2006 reflect the impact of that transaction from the acquisition date through December 31, 2006. Expenses associated with integrating the acquired branches into M&T Bank and introducing the customers associated with those branches to M&T Bank's products and services aggregated \$3 million, after applicable tax effect, or \$.03 of diluted earnings per share during the year ended December 31, 2006. The Company does not expect that any significant additional acquisition and integration-related expenses will be incurred. Including the impact of acquisition-related expenses and the amortization of core deposit intangible resulting from the transaction, net income and diluted earnings per share of the Company in 2006 were reduced by approximately \$10 million and \$.09, respectively, as a result of the transaction. As of December 31, 2006, there were no significant amounts of unpaid acquisition-related expenses.

**Critical Accounting Estimates**

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

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

**Valuation methodologies** Management of the Company applies various valuation methodologies to assets and liabilities which often involve a significant degree of judgment, particularly when liquid markets do not exist for the particular items being valued. Quoted market prices are referred to when estimating fair values for certain assets, such as trading assets, most investment securities, and residential real estate loans held for sale and related commitments. However, for those items for which an observable liquid market does not exist, management utilizes significant estimates and assumptions to value such items. Examples of these items include capitalized servicing assets, goodwill, core deposit and other intangible assets, pension and other postretirement benefit obligations, value ascribed to stock-based compensation, estimated residual values of property associated with commercial and consumer leases, and certain derivative and other financial instruments. These valuations require the use of various assumptions, including, among others, discount rates, rates of return on assets, repayment rates, cash flows, default rates, costs of servicing and liquidation values. The use of different assumptions could produce significantly different results, which could have material positive or negative effects on the Company's results of operations. Specific assumptions and estimates utilized by management are discussed in detail herein in management's discussion and analysis of financial condition and results of operations and in notes 1, 3, 4, 7, 8, 10, 11, 17, 18 and 19 of Notes to Financial Statements.



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Commitments, contingencies and off-balance sheet arrangements Information regarding the Company's commitments and contingencies, including guarantees and contingent liabilities arising from litigation, and their potential effects on the Company's results of operations is included in note 20 of Notes to Financial Statements. In addition, the Company is routinely subject to examinations from various governmental taxing authorities. Such examinations may result in challenges to the tax return treatment applied by the Company to specific transactions. Management believes that the assumptions and judgment used to record tax-related assets or liabilities have been appropriate. Should tax laws change or the tax authorities determine that management's assumptions were inappropriate, the result and adjustments required could have a material effect on the Company's results of operations. Information regarding permanent and temporary income tax differences is presented in note 12 of Notes to Financial Statements. The recognition or de-recognition in the Company's consolidated financial statements of assets and liabilities held by so-called variable interest entities is subject to the interpretation and application of complex accounting pronouncements or interpretations that require management to estimate and assess the probability of financial outcomes in future periods. Information relating to the Company's involvement in such entities and the accounting treatment afforded each such involvement is included in note 18 of Notes to Financial Statements.

**Overview**

Net income for the Company in 2006 was \$839 million or \$7.37 of diluted earnings per common share, up 7% and 10%, respectively, from \$782 million or \$6.73 of diluted earnings per share in 2005. Basic earnings per common share rose 10% to \$7.55 in 2006 from \$6.88 in 2005. Net income in 2004 totaled \$723 million, while diluted and basic earnings per share were \$6.00 and \$6.14, respectively. The after-tax impact of acquisition and integration-related expenses (included herein as merger-related expenses) associated with the June 30 branch acquisition already discussed was \$3 million (\$5 million pre-tax) or \$.03 of basic and diluted earnings per share in 2006. There were no similar expenses in either 2005 or 2004. Net income expressed as a rate of return on average assets in 2006 was 1.50%, compared with 1.44% in 2005 and 1.40% in 2004. The return on average common stockholders' equity was 13.89% in 2006, 13.49% in 2005 and 12.67% in 2004.

Net interest income recorded on a taxable-equivalent basis increased 1% to \$1.84 billion in 2006 from \$1.81 billion in 2005. The impact of a higher level of average earning assets was largely offset by a decline in the Company's net interest margin, or taxable-equivalent net interest income expressed as a percentage of average earning assets. Average earning assets rose 3% to \$49.7 billion in 2006 from \$48.1 billion in 2005, the result of increased balances of loans and leases, offset, in part, by a decline in average outstanding balances of investment securities. Average loans and leases of \$41.4 billion in 2006 were \$1.9 billion or 5% higher than \$39.5 billion in 2005, due to growth in commercial loans and leases of \$863 million, or 8%, commercial real estate loans of \$755 million, or 5%, and consumer real estate loans of \$1.1 billion, or 28%, partially offset by an \$804 million, or 7% decline in consumer loans and leases. Average balances of investment securities decreased 5% to \$8.0 billion in 2006 from \$8.5 billion in 2005. The net interest margin declined 7 basis points (hundredths of one percent) to 3.70% in 2006 from 3.77% in 2005, largely due to higher short-term interest rates resulting from the Federal Reserve raising its benchmark overnight federal funds target rate 100 basis points during the first six months of 2006, continuing a trend of rate increases that began in June 2004. Such interest rate increases had the effect of increasing rates paid on interest-bearing liabilities more rapidly than yields on earning assets during 2005 and the first half of 2006. During the last six months of 2006, the Company's net interest margin stabilized as compared to the first half of the year. As a result of higher average earning assets, taxable-equivalent net interest income in 2005 was 3% higher than \$1.75 billion in 2004. Average earning assets in 2005 rose 6% from \$45.2 billion in 2004. Average loans and leases outstanding in 2005 were up \$2.4 billion, or 6%, from \$37.1 billion in 2004, largely due to growth in commercial loans and leases, commercial real estate loans and consumer real estate loans, partially offset by a decline in consumer loans and leases. Net interest margin in 2005 declined 11 basis points from 3.88% in 2004, largely due to the rising interest rate environment which resulted in the rates paid on interest-bearing liabilities rising more rapidly than yields on earning assets.



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The provision for credit losses declined to \$80 million in 2006 from \$88 million in 2005 and \$95 million in 2004. The reduced levels of the provision during the past two years as compared with 2004 were reflective of generally favorable credit quality. Net charge-offs were \$68 million in 2006, down from \$77 million in 2005 and \$82 million in 2004. Net charge-offs as a percentage of average loans and leases outstanding decreased to .16% in 2006 from .19% in 2005 and .22% in 2004. 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. While most credit quality measures improved from 2004 to 2005, the Company did experience an increase in nonperforming loans during the second half of 2006, due largely to the addition of four relationships with automobile dealers.

Noninterest income rose 10% to \$1.05 billion in 2006 from \$950 million in 2005. Higher mortgage banking revenues, service charges on deposit accounts, trust income, brokerage services income, and other revenues contributed to that improvement. Included in noninterest income in 2006 was a \$13 million gain resulting from the accelerated recognition of a purchase accounting premium related to the call of a \$200 million Federal Home Loan Bank ( FHLB ) of Atlanta borrowing assumed in a previous acquisition. Losses from bank investment securities in 2005 included a \$29 million non-cash, other-than-temporary impairment charge in the third quarter related to preferred stock issuances of the Federal National Mortgage Association ( FNMA ) and the Federal Home Loan Mortgage Corporation ( FHLMC ). Excluding the impact of securities gains and losses in both years and the \$13 million gain on the called borrowing in 2006, noninterest income rose 5% from 2005 to 2006. Noninterest income totaled \$943 million in 2004. Comparing 2005 with 2004, higher mortgage banking revenues, corporate financing advisory fees, gains on sales of commercial lease equipment and other property, and other revenues were largely offset by the \$29 million impairment charge in 2005. Excluding gains and losses from investment securities, noninterest income in 2005 rose \$38 million or 4% from 2004.

Noninterest expense in 2006 aggregated \$1.55 billion, up 4% from \$1.49 billion in 2005. Noninterest expense in 2004 was \$1.52 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 \$63 million, \$57 million and \$75 million in 2006, 2005 and 2004, respectively, and merger-related expenses of \$5 million in 2006. As already noted, there were no merger-related expenses in 2005 or 2004. Exclusive of these nonoperating expenses, noninterest operating expenses aggregated \$1.48 billion in 2006, \$1.43 billion in 2005 and \$1.44 billion in 2004. Included in operating expenses in 2006 and 2004 were tax-deductible contributions made to The M&T Charitable Foundation, a tax-exempt private charitable foundation, of \$18 million and \$25 million, respectively. There was no similar contribution made in 2005. Excluding the impact of the charitable contribution, operating expenses in 2006 increased \$37 million, or 3%, from 2005. The most significant contributor to that increase was a higher level of salaries expense, reflecting the impact of merit pay increases and higher stock-based compensation costs and other incentive pay. Excluding the impact of the \$25 million charitable contribution in 2004, noninterest operating expenses in 2005 increased \$13 million, or less than 1%, from 2004. That slight increase reflects higher costs of providing health care and retirement benefits to employees and higher professional services expenses offset, in part, by a reversal of a portion of the valuation allowance for the impairment of capitalized residential mortgage servicing rights, due to higher residential mortgage loan interest rates. The efficiency ratio expresses the relationship of operating expenses to revenues. The Company's efficiency ratio, or noninterest operating expenses divided by the sum of taxable-equivalent net interest income and noninterest income (exclusive of gains and losses from bank investment securities), was 51.5% in 2006, compared with 51.2% in 2005 and 53.5% in 2004.

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**EARNINGS SUMMARY**  
*Dollars in millions*

		Increase (Decrease)(a)							
		to 2006	2004 to 2005						
Item	%	Amount	%	2006	2005	2004	2003	2002	
8	19	\$ 489.9	21	Interest income(b)	\$ 3,333.8	2,806.0	2,316.1	2,142.9	1,856.1
2	51	430.2	76	Interest expense	1,496.6	994.4	564.2	527.8	594.5
6	1	59.7	3	Net interest income(b)	1,837.2	1,811.6	1,751.9	1,615.1	1,261.6
0)	(9)	(7.0)	(7)	Less: provision for credit losses	80.0	88.0	95.0	131.0	122.0
7		(31.0)		Gain (loss) on bank investment securities	2.6	(28.1)	2.9	2.5	(.6)
4	7	37.7	4	Other income	1,043.2	977.8	940.1	828.6	512.5
1	6	15.6	2	Less:					
5	2	(46.6)	(7)	Salaries and employee benefits	873.3	822.2	806.6	740.3	497.0
				Other expense	678.4	662.9	709.5	708.0	464.6
1	5	104.4	10	Income before income taxes	1,251.3	1,188.2	1,083.8	866.9	689.9
4	14			Less:					
7	1	44.7	13	Taxable-equivalent adjustment(b)	19.7	17.3	17.3	16.3	14.0
				Income taxes	392.4	388.7	344.0	276.7	219.1
0	7	\$ 59.7	8	Net income	\$ 839.2	782.2	722.5	573.9	456.8

(a) Changes were calculated from unrounded amounts.

(b) Interest income data are on a taxable-equivalent basis. The taxable-equivalent adjustment represents additional income taxes that would be due if all interest income were subject to income taxes. This adjustment, which is related to interest received on qualified municipal securities, industrial revenue financings and preferred equity securities, is based on a composite income tax rate of approximately 39% for 2006, 2005, 2004 and 2002, and 36% for 2003.

**Supplemental Reporting of Non-GAAP Results of Operations**

As a result of business combinations and other acquisitions, the Company had intangible assets consisting of goodwill and core deposit and other intangible assets totaling \$3.2 billion at December 31, 2006, \$3.0 billion at December 31, 2005 and \$3.1 billion at December 31, 2004. Included in such intangible assets was goodwill of \$2.9 billion at December 31, 2006, 2005 and 2004. Amortization of core deposit and other intangible assets, after tax effect, totaled

\$38 million, \$35 million and \$46 million during 2006, 2005 and 2004, respectively.

Since 1998, M&T has consistently provided supplemental reporting of its results on a net operating or tangible basis, in which M&T excludes the after-tax effect of amortization of core deposit and other intangible assets (and the related goodwill, core deposit intangible and other intangible asset balances, net of applicable deferred tax amounts, when calculating certain performance ratios) and expenses associated with integrating acquired operations into the Company, since such expenses are considered by management to be nonoperating in nature. Although net operating income as defined by M&T is not a GAAP measure, M&T's management believes that this information helps investors understand the effect of acquisition activity in reported results.

Net operating income increased 8% to \$881 million in 2006 from \$817 million in 2005. Diluted net operating earnings per share in 2006 rose 10% to \$7.73 from \$7.03 in 2005. Net operating income and diluted net operating earnings per share were \$769 million and \$6.38, respectively, during 2004.

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

Net operating income expressed as a rate of return on average tangible assets was 1.67% in 2006, compared with 1.60% in 2005 and 1.59% in 2004. Net operating return on average tangible common equity was 29.55% in 2006, improved from 29.06% and 28.76% in 2005 and 2004, respectively.

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

**Table 2****RECONCILIATION OF GAAP TO NON-GAAP MEASURES**

	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>Income statement data</b>			
<i>In thousands, except per share</i>			
<b>Net income</b>			
Net income	\$ 839,189	\$ 782,183	\$ 722,521
Amortization of core deposit and other intangible assets(a)	38,418	34,682	46,097
Merger-related expenses(a)	3,048		
Net operating income	\$ 880,655	\$ 816,865	\$ 768,618
<b>Earnings per share</b>			
Diluted earnings per common share	\$ 7.37	\$ 6.73	\$ 6.00
Amortization of core deposit and other intangible assets(a)	.33	.30	.38
Merger-related expenses(a)	.03		
Diluted net operating earnings per share	\$ 7.73	\$ 7.03	\$ 6.38
<b>Other expense</b>			
Other expense	\$ 1,551,751	\$ 1,485,142	\$ 1,516,018
Amortization of core deposit and other intangible assets	(63,008)	(56,805)	(75,410)
Merger-related expenses	(4,997)		
Noninterest operating expense	\$ 1,483,746	\$ 1,428,337	\$ 1,440,608
<b>Merger-related expenses</b>			
Salaries and employee benefits	\$ 815	\$	\$
Equipment and net occupancy	224		
Printing, postage and supplies	155		
Other costs of operations	3,803		
Total	\$ 4,997	\$	\$
<b>Balance sheet data</b>			
<i>In millions</i>			
<b>Average assets</b>			
Average assets	\$ 55,839	\$ 54,135	\$ 51,517
Goodwill	(2,908)	(2,904)	(2,904)
Core deposit and other intangible assets	(191)	(135)	(201)
Deferred taxes	38	52	



Average tangible assets	\$ 52,778	\$ 51,148	\$ 48,412
<b>Average equity</b>			
Average equity	\$ 6,041	\$ 5,798	\$ 5,701
Goodwill	(2,908)	(2,904)	(2,904)
Core deposit and other intangible assets	(191)	(135)	(201)
Deferred taxes	38	52	76
Average tangible equity	\$ 2,980	\$ 2,811	\$ 2,672
<b>At end of year</b>			
<b>Total assets</b>			
Total assets	\$ 57,065	\$ 55,146	\$ 52,939
Goodwill	(2,909)	(2,904)	(2,904)
Core deposit and other intangible assets	(250)	(108)	(166)
Deferred taxes	30	42	
Total tangible assets	\$ 53,936	\$ 52,176	\$ 49,869
<b>Total equity</b>			
Total equity	\$ 6,281	\$ 5,876	\$ 5,730
Goodwill	(2,909)	(2,904)	(2,904)
Core deposit and other intangible assets	(250)	(108)	(166)
Deferred taxes	30	42	64
Total tangible equity	\$ 3,152	\$ 2,906	\$ 2,724

(a) After any related tax effect.

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

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

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

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

			2005		2004		2003			
2006	Average	Average	Interest	Average	Average	Interest	Average	Average	Interest	Average
Interest	Rate	Balance		Rate	Balance		Rate	Balance		Rate
(Average balance in millions; interest in thousands)										
302,451	7.09%	10,455	589,644	5.64%	9,534	410,258	4.30%	8,523	358,629	4.30%
104,518	7.32	14,341	941,017	6.56	13,264	763,134	5.75	11,573	706,022	6.56
319,858	6.38	3,925	235,364	6.00	3,111	184,125	5.92	3,777	232,454	6.00
712,484	7.12	10,808	664,509	6.15	11,220	626,255	5.58	10,098	607,909	6.15
939,311	7.09	39,529	2,430,534	6.15	37,129	1,983,772	5.34	33,971	1,905,014	5.34
372	3.01	10	169	1.64	13	65	.51	14	147	1.64
5,597	6.91	23	808	3.55	8	134	1.60	147	1,875	3.55
2,446	2.71	80	1,544	1.92	53	418	.79	55	647	1.92
121,669	4.22	3,479	134,528	3.87	4,169	158,953	3.81	2,599	106,209	3.87
10,223	6.53	180	10,860	6.04	218	15,017	6.90	251	15,827	6.04
254,142	5.09	4,817	227,562	4.72	3,610	157,703	4.37	2,494	113,159	4.72
886,034	4.80	8,476	372,950	4.40	7,997	331,673	4.15	5,344	235,195	4.40
333,760	6.71	48,118	2,806,005	5.83	45,200	2,316,062	&nbsp;			5.83