



## LIMITED PURPOSE

---

Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

---

### Public Disclosure

May 30, 2006

## Community Reinvestment Act Performance Evaluation

M&T Bank, National Association  
Charter Number: 22859

48 Main St.  
Oakfield, NY 14125

Office of the Comptroller of the Currency  
Upstate New York (Syracuse)  
231 Salina Meadows Parkway, Suite 105  
Syracuse, NY 13212

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate** – Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Assessment Area (AA)** – A geographic area that consists generally of one or more MSAs (using the MSA boundaries that were in effect as of January 1 of the calendar year in which the delineation is made) or one or more contiguous political subdivisions, such as counties, cities, or towns, in which the bank has its main office, branches, and deposit-taking ATMs.

**Benefit to Assessment Area** – A qualified Community Development activity benefits the assessment area if (i) the activity benefits areas within the assessment area, or (ii) the activity has the potential to benefit the assessment area and is located in the broader statewide or regional area that includes the bank's assessment area. If a bank has adequately addressed the needs of its assessment area, then the OCC also considers activities submitted by the bank that benefit areas outside of its assessment area.

**Census Tract (CT)** – Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per 10-year census and an average population of 4,000.

**Community Development (CD)** – Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301)) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies.

**Community Reinvestment Act (CRA)** – The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Geography** – A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Limited Purpose Institution** – An institution that offers only a narrow product line (such as credit cards or automobile loans) to a regional or broader market and for which a designation as limited purpose bank is in effect.

**Median Family Income (MFI)** – The median income determined by the United States Census Bureau every 10 years and used to determine the income level category of geographies. Also, it is the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of families. For any given geography, the median is the point at

which half of the families have income above it and half below it. (See the four categories of median income below.)

- **Low-Income** – An income level that is less than 50% of the MFI.
- **Moderate-Income** – An income level that is at least 50% and less than 80% of the MFI.
- **Middle-Income** – An income level that is at least 80% and less than 120% of the MFI.
- **Upper-Income** – An income level that is 120% or more of the MFI.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**Net Operating Income** – As listed in the Consolidated Report of Condition and Income: Income before income taxes and extraordinary items and other adjustments.

**Pass-Through Receivables** – Outstanding receivables tied to all accounts issued or owned by the bank. Pass-through receivables include receivables attributable and receivables retained on balance sheet as those terms are used in 12 CFR 8.

**Tier 1 Capital** – The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Total Assets** – Total bank assets as listed in the Consolidated Report of Condition and Income.

**Total Income** – From the Consolidated Report of Condition and Income – Total Interest income plus Total Noninterest income.

## **Institution's CRA rating:**

**This institution is rated** "Satisfactory".

The conclusions for the three rating criteria are:

- The bank demonstrates a high level of community development lending, qualified investment activity and community development services.
- The bank demonstrates occasional use of innovative or complex qualified investments, community development loans, or community development services.
- The bank demonstrates an adequate responsiveness to credit and community development needs in its assessment area.

## **Scope of the Examination**

In evaluating the bank's performance under the CRA, we reviewed community development activities from July 22, 2003 through May 29, 2006, representing the time period between the beginning of the last examination and the current examination. We reviewed the level and nature of qualified investments, community development lending, and community development services. At the bank's request, we considered qualified investments, community development lending, and community development services provided by its affiliate, Manufacturers and Traders Trust Company (M&T Bank). M&T Bank provided all the investments, loans and services contained in this evaluation. At the prior examination dated July 21, 2003, we rated the bank Satisfactory.

## **Description of Institution**

M&T Bank, National Association (M&T Bank, N.A.) began operations on October 2, 1995. M&T Bank, N.A. is a wholly owned subsidiary of M&T Bank Corporation, a \$55 billion bank holding company headquartered in Buffalo, NY. M&T Bank Corporation's principal asset is its banking subsidiary, M&T Bank, a bank currently chartered to operate in six states, i.e., New York, Pennsylvania, Delaware, West Virginia, Virginia, Maryland and the District of Columbia.

M&T Bank, N.A. had total assets of \$625 million and total deposits of \$529 million as of December 31, 2005. The bank has one office open to the general public located at 48 Main St., Oakfield, NY. M&T Bank, N.A. offers a product line consisting of, home equity lines of credit, certificates of deposit, individual retirement accounts, money market savings accounts, and overdraft lines of credit for checking account customers of its affiliate M&T Bank. The bank also purchases residential mortgage loans from its affiliate, M&T Bank. The bank was approved for limited purpose CRA status effective February 12, 1996. There are no legal impediments or restrictions that preclude the bank from meeting the community development needs of the area.

**Table 1: Financial Information (000s)**

	<b>Year-end 2003</b>	<b>Year-end 2004</b>	<b>Year-end 2005</b>	<b>Most Recent Quarter-end 03/31/2006</b>	<b>Average for Evaluation Period</b>
<b>Tier 1 Capital</b>	85,209	78,909	84,355	86,760	83,808
<b>Total Income</b>	37,857	28,067	25,619	38,912*	32,614
<b>Net Operating Income</b>	9,121	11,161	8,290	10,928*	9,875
<b>Total Assets</b>	473,073	366,582	625,182	734,234	549,768
<b>Pass-Through Receivables</b>	317,133	270,703	234,316	225,667	261,955

Source: Consolidated Report of Condition and Income and bank reported data. \*Annualized data reported.

## Description of Assessment Area (AA)

M&T Bank, N.A. had two different AAs during the time period evaluated. Since the bank's inception, its AA encompassed Genesee and Monroe counties, which were both part of the Rochester, NY Metropolitan Statistical Area (MSA) 6840. Genesee County, the location of the bank's only office, was removed from the Rochester MSA as part of the 2004 Census Bureau remapping project. As a result, Genesee County is now assigned to the non-MSA area of New York State. This change resulted in management redefining the AA in 2004 to exclusively Genesee County. The Monroe/Genesee AA was used to evaluate the bank's CD activities for the July 22, 2003 through December 31, 2003 time period, and the Genesee County AA was used to evaluate CD activities for the remainder of the examination period. Both the previous and current AAs are reasonable, conform to regulatory requirements, and do not exclude any low or moderate-income areas. These counties are within the larger AAs of the affiliate M&T Bank.

### Genesee/Monroe AA

The Genesee/Monroe County AA is a mixed urban, suburban and rural area. The population of the AA was 795,713 as of the 2000 census. The 2003 median family income was \$56,900. Eleven percent of the households live below the poverty level. Rochester, the third largest city in New York State, is located in Monroe County. The largest employers in the AA are manufacturers Eastman Kodak, Xerox and Bausch and Lomb, along with the University of Rochester/Strong Medical Center and Wegmans Food Markets.

**Table 2: Genesee/Monroe Assessment Area Description (2003 assessment area)**

	<b>Number</b>	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>
<b>Tracts*</b>	201	18.41%	17.41%	36.82%	25.87%
<b>Families**</b>	201,723	19.45%	17.33%	22.02%	41.21%
<b>Businesses***</b>	45,164	13.15%	13.52%	37.61%	35.63%

Source: Demographic Data – 2000 U.S. Census, Dun & Bradstreet Data. \* 1.49% of tracts were not classified for income.

\*\*Represents families by income level. \*\*\*Represents businesses by income level of census tract; .0996% of businesses were located in tracts not classified for income.

### Genesee County AA

The population of the Genesee County AA was 60,370 per the 2000 census. The 2006 median family income is \$49,600. Eight percent of the households in the AA have income below the poverty level. Genesee County is a largely rural area. The largest employer is Six Flags Amusement Park which has

seasonal employment of 2,000. Genesee County itself is the second largest employer in the county. The April 2006 unemployment rate was 5.0% for Genesee County compared to 4.7% rate for New York State. The unemployment rate improved significantly in the county since the last examination, at which time the unemployment rate was 6.2%.

**Table 3: Genesee County Assessment Area Description (effective 1-1-2004)**

	Number	Low	Moderate	Middle	Upper
<b>Tracts</b>	15	0%	6.67%	53.33%	40.0%
<b>Families*</b>	15,905	12.22%	18.06%	22.68%	47.04%
<b>Businesses**</b>	3,469	0%	7.70%	55.37%	36.93%

Source: Demographic Data – 2000 U.S. Census, Dun & Bradstreet Data. \*Represents families by income level.

\*\*Represents businesses by income level of census tract.

We interviewed a member of Genesee County government to explore the credit needs in the AA. The contact believes there is a continuing need for affordable housing and small business financing.

## Conclusions About Performance

### Summary

#### *Level of Activity*

The level of activity is excellent, especially when considering the reduction in the size of the bank’s AA in 2004. New CD loans increased substantially from \$5.4 million to \$9.4 million since the bank’s last CRA examination. CD investments increased slightly from \$832 thousand to \$968 thousand. This includes \$417 thousand in remaining balances of prior evaluation period investments. The bank provided CD services for this examination, comparable to the last examination. The new Genesee County AA offers considerably less CD opportunities than the previous Monroe and Genesee Counties AA. Nearly all of the investments were made in Monroe County prior to 2004, when the county was still part of the bank’s AA. About 20% of the CD loans were loans made in Monroe County prior to 2004.

#### *Innovative or Complex Activities*

Some of the CD loans would be considered complex in nature. All eight of the CD loans required complete credit analysis to properly assess the repayment capacity of the borrower and to structure the loan terms to balance the needs of the borrower with sufficient controls to ensure repayment. The primary investment was a low-income housing tax credit, which requires some degree of analysis and documentation.

#### *Responsiveness to Identified Community Development Needs*

The bank demonstrated adequate responsiveness to credit and community development needs in the AA. As noted earlier, small business financing and affordable housing financing continue to be very important in the AA. The vast majority of the bank’s CD loans supported small businesses that are creating and retaining jobs in an area targeted for economic development by New York State. The substantial majority of the new investments supported affordable housing for people with low or

moderate-income. The CD services involved activities that support affordable housing for people with low and moderate-income and small businesses that are creating, retaining or improving employment in areas targeted for development by New York State.

**Qualified Investments**

**Table 4: Qualified Investment Activity (000s)**

	<b>Benefits AA</b>
<b>Originated Investments</b>	500
<b>Originated Grants</b>	51
<b>Prior-Period Investments that Remain Outstanding</b>	417
<b>Total Qualified Investments</b>	968
<b>Unfunded Commitments*</b>	0

\* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system.

**Table 5: Qualified Investment Percentages**

	<b>Benefit AA (%)</b>
<b>Total Investments/Average Tier 1 Capital</b>	1.16
<b>Total Investments/Average Total Income</b>	2.97
<b>Total Investments/Average Pass-Through Receivables</b>	.37

The \$500 thousand current period originated investment was an investment in a low-income housing tax credit fund in Monroe County made by the bank’s affiliate. The investment, which was made in September 2003, is being used to build and renovate affordable housing units in the county. All prior period investments that remain outstanding also were related to affordable housing.

**Community Development Lending**

The bank originated an excellent level of CD loans during the evaluation period, especially considering the change to a much smaller AA in 2004. CD loans represented a substantial majority of the bank’s overall CRA performance. M&T Bank, N.A. was given credit for eight loans for \$9.4 million made by its affiliate. Of the total, \$7.1 million or 75% of the loan dollars involve lending to small size businesses that are creating and retaining jobs in areas targeted for development/redevelopment by New York State. The other four loans covered affordable housing for people with low and moderate-income, community services targeted to people with low and moderate-income, and the revitalization/stabilization of a low-income area.

**Table 6: Community Development Lending Percentages**

	<b>Benefits AA (%)</b>
<b>Total CD Lending/Average Tier 1 Capital</b>	11.16%
<b>Total CD Lending/Average Total Income</b>	28.67%
<b>Total CD Lending/ Average Pass-Through Receivables</b>	3.57%

**Community Development Services**

**Table 7: Community Development Service Activities**

CD Service	Benefits AA	Outside AA
A bank employee is a member of an affordable housing partnership committee that meets bi-monthly.	X	
Four employees serve on the Board and/or Loan Committee of an organization that supports small businesses in areas (including the bank’s AA) designated by New York State for economic development	X	X

X means yes; Blank means No

Management submitted the above services of the affiliate for consideration at this examination. The services cover the activities of five employees who are members of the board of directors or serve on loan or finance committees of two organizations. One organization supports affordable housing for residents of Genesee County, and the other small businesses in the area that are creating and retaining jobs in a broad regional area that includes the bank’s AA.

**Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.