



LIMITED PURPOSE

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 21, 2003

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**M&T Bank, National Association
Charter Number: 22859**

**48 Main St.
Oakfield, NY 14125**

**Comptroller of the Currency
ADC-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.

Institution's CRA rating:

This institution is rated "Satisfactory."

The conclusions for the three rating criteria are:

- The bank demonstrates adequate community development lending, community development services, and qualified investment activity, particularly investments that are not routinely provided by private investors.
- The bank demonstrates occasional use of innovative or complex qualified investments, community development loans, or community development services.
- The bank demonstrates 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 (CD) activities from January 18, 2000 through July 21, 2003. 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). As more fully described below, M&T Bank is a full service bank chartered to operate in the State of New York and several other states. M&T Bank shares part of its CRA assessment area (AA) with M&T Bank, N.A. M&T Bank provided all the investments, loans and services contained in this evaluation. At the prior examination dated January 18, 2000, 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 \$50 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 (New York, Pennsylvania, Delaware, West Virginia, Virginia and Maryland) and the District of Columbia. M&T Bank Corporation has more than doubled its size from the \$22 billion in assets in December 1999. The growth was realized mainly through bank acquisitions, with the most recent being of Allfirst Financial Inc. this year.

M&T Bank, N.A. had total assets of \$626 million and total deposits of \$363 million as of December 31, 2002. The bank has one office open to the general public located at 48 Main St., Oakfield, NY. The bank has no branches. M&T Bank, N.A. offers a product line consisting of business credit cards, home equity lines of credit (in states other than where the affiliate M&T

Bank operates), insurance products, certificates of deposit, money market savings accounts, education loans, 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)

	Year- end 2000	Year-end 2001	Year-end 2002	Most Recent Quarter-end 03/31/2003	Average for Evaluation Period
Tier 1 Capital	59,044	67,779	78,661	80,763	71,562
Total Income	69,948	67,177	54,440	42,740*	58,576
Net Operating Income	6,521	8,607	10,981	8,476*	8,646
Total Assets	902,635	809,893	625,943	578,056	729,132
Pass-Through Receivables	730,346	650,786	482,840	434,838	574,703

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

* Annualized

The bank offers a variety of insurance products including life, disability, group, and long-term care. The insurance products are sold through the branches of the affiliate M&T Bank.

The deposit products offered include renewable time deposits, jumbo certificates of deposit, individual retirement accounts and money market savings accounts. The deposits are gathered through national retail and brokered certificate of deposit programs. The bank's deposit rates are published in financial publications throughout the nation. Most of the bank's deposits come from outside of New York State.

As noted earlier, the bank elected to use community development loans, investments and services of its affiliate, M&T Bank, to meet its obligations under the CRA. The affiliate will not count these loans, investments and services toward its own CRA performance.

Description of Assessment Area

Bank management has defined its assessment area (AA) as Genesee and Monroe counties located within the Rochester, NY Metropolitan Statistical Area (MSA) 6840. The AA is reasonable, conforms to regulatory requirements, and does not exclude any low or moderate-income areas. These counties are within the larger AA of the affiliate M&T Bank. The population of the AA was 795,713 as of April 1, 2000. The updated median family income is \$54,900, up significantly from \$42,867 in 1999. Nine percent of the households in the AA have income below the poverty level.

Table 2: Assessment Area Description

	Number	Low	Moderate	Middle	Upper	NA
Tracts	199	16%	18%	44%	20%	2%
Families*	200,617	7%	11%	51%	31%	-
Businesses**	45,213	6%	12%	48%	31%	3%

Source: Demographic Data - 1990 U.S. Census, Dun & Bradstreet Data. *Represents families by income level.

**Represents businesses by income level of census tract.

The June 2003 unemployment rate was 6.2% for Genesee County and 5.7% for Monroe County compared to a 5.9% rate for the State and a 6.2% rate for Western NY. The unemployment rate has increased in both AAs since the last examination, most significantly in Monroe County. At that time the unemployment rate in Genesee County was 5.8%, and Monroe County was 3.6%.

Genesee County is largely rural, with Genesee County being the largest employer in the county. Monroe County, where 92% of the AA population resides, is predominantly urban and suburban.

Rochester, the third largest city in New York State, is located in Monroe County. The largest employers in Monroe County are manufacturers Eastman Kodak, Xerox and Bausch and Lomb, along with the University of Rochester/Strong Medical Center. The three manufacturers have all downsized operations significantly in the last three years, contributing to the significant increase in the unemployment rate in Monroe County. In July 2003, Eastman Kodak announced it would eliminate another 3000 jobs from its Rochester operations. It eliminated 900 jobs shortly after the announcement.

The Federal Reserve Bank of New York conducted several community contacts during its June 2002 CRA examination of M&T Bank. One of the AA's examined was the Rochester NY MSA which encompasses the AA of M&T Bank, N.A. The community contacts disclosed a continuing need for affordable housing, small business lending and credit education. The area continues to offer a good level of community development opportunities, especially in Monroe County.

Conclusions About Performance

Summary

Level of Activity

The level of activity is adequate. New CD loans increased from \$4.1 million to \$5.4 million since the bank's last CRA examination. CD investments increased from \$679 thousand to \$832 thousand. This includes \$390 thousand in remaining balances of prior evaluation period investments. The bank provided four CD services for this examination, compared to six at the previous examination. The AA, especially Monroe County, offers a number of CD opportunities.

Innovative or Complex Activities

Some of the CD loans would be considered complex in nature. The CD loans for senior citizen/nursing home construction involve significant financial analysis to evaluate the credit worthiness of the borrower and the feasibility of the project, as well as working with complicated government regulations. These loans represented 25% of the CD loans the bank received credit for on this examination.

Responsiveness to Identified Community Development Needs

The bank demonstrated adequate responsiveness to credit and community development needs in the community. As noted earlier, affordable housing financing and credit education continue to be very important in the AA. The vast majority of the bank's CD loans supported affordable housing for low and moderate-income people. The majority of the new investments supported a credit union that serves low-income neighborhoods and residents in Rochester. All of the CD services involved credit education for low and moderate-income individuals.

Qualified Investments

As shown in the tables below, the bank originated a reasonable amount of CD investments during the evaluation period.

Table 3: Qualified Investment Activity (000s)

	Benefits AA
Originated Investments	350
Originated Grants	92
Prior-Period Investments that Remain Outstanding	390
Total Qualified Investments	832

Table 4: Qualified Investment Percentages

	Benefit AA (%)
Total Investments/Average Tier 1 Capital	1.16
Total Investments/Average Total Income	1.42
Total Investments/Average Pass-Through Receivables	.14

All investments and grants were made within the AA and directly address the credit needs of the community. Over 70% of the new investments involve low or no-interest deposits at a federal credit union chartered to serve low-income neighborhoods and residents of Rochester, NY. The deposits are used to provide affordable mortgages and consumer loans for low and moderate-income people.

Community Development Lending

The bank originated a good level of CD loans during the evaluation period.

Table 5: Community Development Lending Percentages

	Benefits AA (%)
Total CD Lending/Average Tier 1 Capital	7.49
Total CD Lending/Average Total Income	9.15
Total CD Lending/ Average Pass-Through Receivables	.93

The bank received credit for 12 loans for \$5.4 million made by its affiliate. The vast majority of the loans were for affordable housing for low and moderate-income individuals, especially senior citizens. Affordable housing continues to be a primary credit need in the bank's AA. The only loan that did not involve affordable housing for low and moderate-income individuals was made to finance the acquisition and improvement of a historic building located in a designated Department of Housing and Urban Development (HUD) renewal area. This loan will assist in the revitalization and stabilization of this area, located in downtown Rochester, NY.

Community Development Services

Table 6: Community Development Service Activities

CD Service	Benefits AA	Outside AA
Affordable housing seminar 6/21/2003	X	
Financial instruction at day camp for children from primarily low and moderate-income families 6/23–25/2003	X	
Financial instruction for low and moderate-income individuals at Empower Your Future conference in Rochester, NY 5/4/2002	X	
Financial Literary education for low and moderate-income individuals, including instruction on earned income tax credits	X	

X means yes; Blank means No

Management submitted the above services of its affiliate for consideration on this examination. All of the services involve credit education and improving financial literacy for low and moderate-income people. The most significant activity was the financial literacy seminars conducted along with the local United Way. The seminars, which took place from November 2002 through April 2003, covered information on credit repair, money management and home mortgage financing. One session in February 2003 included free tax preparation for low-income individuals who qualify for the federal earned income tax credit (EITC). Six M&T Bank employees participated in this session, providing assistance to over 80 people.

Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices.

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 MAs (using the MA 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 benefits a 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.

Block Numbering Area (BNA) – Statistical subdivisions of counties in which census tracts have not been established. The United States Census Bureau has established BNAs in conjunction with state agencies.

CEBA – Competitive Equality Banking Act of 1987, which permitted corporations to form limited-purpose credit card banks, whose operations are restricted to credit card activities, without the corporation becoming subject to the limitations of a “bank holding company” under the Bank Holding Company Act. A CEBA credit card bank engages only in credit card operations, does not accept demand deposits or savings or time deposits of less than \$100,000 (other than to secure extensions of credit), maintains only one office and does not engage in the business of making commercial loans.

Census Tract (CT) – Small, locally defined statistical areas within Metropolitan 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 or a block numbering area 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 Area (MA) – Area defined by the director of the United States Office of Management and Budget. MAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

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.

Qualified Investment - A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

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.

