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Community Reinvestment Act Performance Evaluation

M&T Bank, N.A.
Charter Number: 22859

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NOTE: 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.

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **M&T Bank, N. A.**, prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **January 18, 2000**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

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 by 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 which 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 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.

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 ten 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 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. A limited-purpose institution continues to meet the narrow product line requirement if it only infrequently provides other types of loans.

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Low-Income Family or Geography - An income level that is less than 50% of the MFI.

Moderate-Income Family or Geography - An income level that is at least 50% and less than 80% of the MFI.

Middle-Income Family or Geography - An income level that is at least 80% and less than 120% of the MFI.

Upper-Income Family or Geography - An income level that is 120% or more of the MFI.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Net Operating Income - As defined by the Consolidated Report of Condition and Income, income before adjusting for extraordinary items.

Pass Through Receivables - Outstanding receivables tied to all accounts issued or owned by the bank. The bank provides this information.

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 defined by the Consolidated Report of Condition and Income.

Total Income - From the Consolidated Report of Condition and Income -- Interest income plus noninterest income.

Scope of the Examination

In evaluating the bank's performance under the CRA, we reviewed community development activities from October 1, 1997 through January 18, 2000. We reviewed the level and nature of qualified investments, community development lending, and community development services. At the bank's request, we considered community development activities provided by its affiliate, Manufacturers and Traders Trust Company (M&T Bank). More fully described below, M&T Bank is a full service bank chartered by the State of New York. M&T Bank (the state-chartered bank) shares part of its assessment area with M&T Bank, N. A. M&T Bank made all of the investments and loans contained in this evaluation. We reviewed the eligibility of all loans, investments and services presented for consideration. At the prior examination dated September 30, 1997, we rated the bank Satisfactory.

As noted above, the state chartered M&T Bank made all of the loans and investments used in this evaluation. Both M&T Bank and M&T Bank, N. A. have the same CRA Officers. Throughout this public disclosure when we use the term "bank" we are referring to either M&T Bank, N. A. or to actions taken by M&T Bank (the state chartered bank) on behalf of its affiliate.

Institution's CRA rating:

This institution is rated **Satisfactory**.

The major characteristics that support this rating are:

- The bank demonstrates an adequate level of 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.

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 \$22 billion bank holding company headquartered in Buffalo, New York. M&T Bank Corporation's principal asset is its banking subsidiary, M&T Bank, a New York State chartered bank.

M&T Bank, N. A. had total assets of \$852 million and total deposits of \$693 million as of December 31, 1999. The bank has one office open to the general public located at 48 Main Street, Oakfield, New York. The bank does not have any branches. M&T Bank, N. A.'s

product set consists of business credit cards, home equity lines of credit (outside of NY State only), insurance products, and certificates of deposit. 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 other restrictions that would preclude the bank from meeting the community development needs of its assessment area.

Table 1: Financial Information (000s)

	Year-end 1997	Year-end 1998	Year-end 1999	Average for Evaluation Period
Tier 1 Capital	50,771	46,089	50,334	49,065
Total Income	46,060	48,060	51,759	48,626
Net Operating Income	5,100	6,818	6,562	6,106
Total Assets	703,276	590,136	851,777	715,063
Pass Through Receivables	578,134	506,860	704,784	596,593

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

The bank also offers several insurance products through M&T Insurance Services, a department of the bank. The insurance product offerings include a wide range of life insurance products, disability insurance, and long term care insurance.

The deposit products offered by the bank include renewable time deposit accounts, jumbo certificates of deposit, and individual retirement accounts and money market deposit 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 several community development loans, investments and services made by its affiliate, M&T Bank, to meet its obligations under the CRA. The affiliate will not count these investments and loans toward its own CRA performance.

Description of Assessment Area

Bank management has defined its assessment area as Genesee and Monroe Counties located within the Rochester, New York Metropolitan Statistical Area (MSA) 6840. The assessment area is reasonable, conforms to the regulation and does not exclude any low- or moderate-income neighborhoods. These counties are also within the larger assessment area of the affiliate M&T Bank. The population of the total assessment area is 775 thousand. The median family income is \$42,867; 10% of the population have incomes below the poverty level. Owner-occupied housing comprises 63% of total occupied housing units. The December 1999 unemployment rate was 5.8% in Genesee County and 3.6% in Monroe County. This compares to the 3.7% National Average and the 4.5% New York State average.

Genesee County is mainly rural. Monroe County is predominantly suburban and urban. Rochester, the third largest city in New York State is located in Monroe County. Eastman Kodak and Xerox are the largest private employers in Monroe. The largest employer in Genesee County is Genesee County itself. The bank's one office does not play an active role in the banking activities in the assessment area.

Assessment area demographic information is as follows:

Table 2: Assessment Area Description

	Number	Low	Moderate	Middle	Upper	N/A
Tract	199	16%	18%	44%	20%	2%
Families	200,617	7%	11%	51%	31%	-
Small Business	28,768	7%	15%	49%	29%	-

Source: Demographic Data - 1990 U.S. Census, Dun & Bradstreet Data

On an ongoing basis, the OCC contacts numerous community groups and other types of involved groups. The community contacts conducted in Genesee and Monroe Counties since the last performance evaluation disclosed a continuing need for low cost housing and small business lending. There continues to be community development loan, investment and service opportunities available in this assessment area.

Conclusions About Performance

Summary

Level of Activity

The level of community development activity is adequate. Community development lending increased from \$3.5 million at the last performance evaluation to \$5.4 million at this review. This includes \$1.4 million in remaining balances of prior period loans. Community development investments increased from \$ 555 thousand to \$679 thousand. This includes \$159 thousand in remaining balances of prior evaluation period investments. The bank, through its affiliate M&T Bank, takes advantage of many available CD opportunities. However, M&T Bank, N. A. has the capacity to perform at higher levels, and management continually searches for additional opportunities.

Innovative or Complex Activities

The affiliate M&T Bank occasionally uses innovative or complex community development activities. Most of the CD activities are mainstream. The Affordable Housing Grant program and the Get Started program require a significant time commitment by bank management. Some of the Community Development Loans were also innovative. For example, the bank finances a project whose purpose is

to create jobs and opportunities for small businesses while helping to stimulate the development of part of Downtown Rochester.

Responsiveness to Identified Credit Community Development Needs

The bank demonstrates adequate responsiveness to credit and community development needs in its assessment area. As noted earlier, the OCC's review of community contacts conducted in Genesee and Monroe Counties since the last performance review disclosed a continuing need for low cost housing and small business lending in the MSA. Many of the bank's CD activities directly meet these needs. Most of the loans, investments and services either promote low- to moderate-income housing, aid low- and moderate individuals or assist small businesses in low- and moderate-income areas. The bank conducts extensive outreach throughout the year, constantly meeting with community leaders and groups to learn about CD needs and opportunities.

Consideration of Activities that Benefit Areas Outside of the Bank’s Assessment Area

All of the Community Development investments, loans and services we considered at this performance evaluation benefited the defined assessment area.

Qualified Investments

As illustrated by the tables below, branch management originated a reasonable amount of CD investments during the evaluation period.

Table 3: Qualified Investment Activity (000s)

	Benefits AA
Originated Investments	450
Originated Grants	70
Prior Period Investments	159
Totals	679

Table 4: Qualified Investment Percentages

	Benefit AA (%)
Total Investments/Average Tier 1 Capital	1.38%
Total Investments/Average Total Income	1.40%
Total Investments/Average Receivables	0.11%

NOTE: Total Investments is found in Table 3. Average capital, income and receivables are found in Table 1.

All investments and grants are within the Assessment Area and directly address the credit needs of the community. Examples of the community development investments originated during the evaluation period include:

- \$300,000 - This is the combination of two equity investments in a Low Income Housing Tax Credit Fund intended to stimulate corporate investment in the construction and rehabilitation of affordable housing projects in Rochester, N.Y. The funds for these particular tranches were used in the rehabilitation and construction of affordable housing units in low- to moderate-income (LMI) areas of Rochester. More than 50% of the renters in these projects are low- or moderate-income.
- \$159,000 - This represents a \$109,000 certificate of deposit rollover from the prior evaluation period with \$50,000 in new certificates of deposit. These are below market rate deposits in a Rochester, N.Y. credit union. The credit union is located in a low-income area and targets its financial services to LMI individuals. Private investors, who seldom purchase below market certificates of deposits, do not routinely provide this type of investment.
- \$100,000 - This represents an investment in a Minority Small Business Investment Corporation located in Rochester, N.Y.

These investments respond to the credit needs of the MSA as determined by the OCC's outreach since the last CRA performance evaluation. While these investments are not considered innovative or complex, bank management has made significant efforts to locate and negotiate these deals. The prior period investments noted above are centered in affordable housing and economic development issues.

Community Development Lending

The bank originated an adequate level of community development loans during the evaluation period. Community development loans are defined as loans that (1) have a primary purpose of community development, as defined at 12 CFR 25.12(h), (2) have not been reported or collected by the bank, Federal branch, or affiliate for consideration as home mortgage, small business, small farm or consumer loans, unless they are multifamily dwelling loans, and (3) benefit the assessment area or a broader statewide or regional area that includes the assessment area. The loan volume is as follows:

Table 5: Community Development Loan Activity (000s)

	Benefits AA
CD Loans Originated	4,050
CD Loans Outstanding from Prior Periods	1,372
Totals	5,422

While the chart recognizes the bank's prior period CD loan outstandings, they are not given the same weight as current period activity in evaluating the bank's overall performance.

Table 6: Community Development Lending Percentages

	Benefits AA (%)
Total CD Lending/Average Tier 1 Capital	11.05%
Total CD Lending/Average Total Income	11.15%
Total CD Lending/ Average Receivables	0.91%

Note: Total CD lending is found in Table 5a or 5b; Average capital, income and receivables are found in Table 1.

These loans directly address the credit needs of the community. Most of these loans are mainstream products. Examples of the community development loans originated during the evaluation period include:

- \$2,000,000 - This represents the total of loans to five nursing homes in the assessment areas. These health care facilities primarily serve LMI senior citizens. Medicaid payments represent 53% to 87% of the bed days in these facilities. Most of the loans are lines of credit for working capital purposes and to bridge the gap between Medicare and Medicaid reimbursements.
- \$250,000 - Volunteers of America of Western New York, Inc. - The agency provides social services for LMI individuals. Some of the services provided are mental health care, adult day care, home health services, emergency response, and rehabilitation programs. The vast majority of the individuals assisted by Volunteers of America are low- or moderate-income. This working capital line is used for general corporate purposes and to bridge the gap between government aid and payment of the services.
- \$1,800,000 - This is a long term refinance of a loan used to acquire and renovate a warehouse in the Downtown Rochester Economic Development Zone. The building was rehabilitated and now has over 50 small business tenants. This loan promotes the economic development of this low- income area and has resulted in permanent job creation from the establishments that moved into the building. The majority of the new employees are low- or

moderate-income. This is an innovative project in that its purpose is to create jobs and opportunities for small businesses while helping to stimulate the development of this area of Downtown Rochester.

Community Development Services

Community development services are adequate. CD services are focused on providing financial assistance to low- and moderate-income areas and individuals. Community Development Services provided by the bank during the evaluation period are as follows:

Table 7: Community Development Service Activities

CD Service	Benefits AA	Outside AA
Bank representatives conduct seminars for low- and moderate-income first time homebuyers.	X	
The bank participates in conducting counseling to low- and moderate-income homeowners seeking home improvement loans.	X	
The bank sponsors and participates in counseling for those interested in <i>Get Started</i> mortgages, a below market product available on in LMI areas.	X	
Bank employees serve on the Board and key committees on an organization that provides LMI individuals with business skills.	X	
The bank sponsored and participated in seminars to familiarize Community Based Organizations with the PC software used in LMI housing loans.	X	
With the Federal Home Loan Bank, M&T is supervising the rehab of buildings to be occupied by low-income individuals.	X	

X means yes; Blank means No

More detailed descriptions of some of these activities are contained below:

- The bank sponsors and participates in counseling for those interested in "Get Started" mortgages, a below market product available in LMI areas. Following the seminars, attendees are assigned a "personal banker" for follow up and to coordinate homebuyer counseling and to provide additional information. In 1999 153 families completed the program resulting in 108 mortgages being granted. These loans are primarily to low- and moderate-income individuals.
- The bank sponsored and participated in seminars to familiarize community based, affordable housing organizations with the PC software used in LMI housing loans. This software assists the community organizations to more effectively develop housing targeted to low- and moderate-income individuals. Issues addressed at the seminar include automating the spec-writing, bidding and construction processes. This is an innovative service that permits community based

organizations to more quickly and easily rehab and develop housing targeted to low- and moderate-income individuals in LMI areas.

- In conjunction with a grant from the Federal Home Loan Bank, M&T is supervising the rehabilitation of buildings to be occupied by low-income individuals. Under the Affordable Housing Grant program, funds are received from the Home Loan Bank and the City of Rochester. M&T oversees all aspects of the project from application preparation to post closing monitoring of rents. This project is a complete rehabilitation of buildings in a middle income community. The tenants of the buildings will be low-income. This program is very labor intensive and takes a considerable amount of bank time.

Compliance with Anti-Discrimination Laws and Regulations

A fair lending examination was conducted simultaneously with the CRA examination. The fair lending examination used standard examination procedures and was a regularly scheduled review. The examination included a review of the fair lending training programs for employees. The examination involved a statistical sample of 30 home equity lines of credit. The sample was designed to test whether rates and terms of loans were consistent to all borrowers for a given product and application period. We concluded that the bank was in compliance with the requirements of the fair lending regulations.