M&T Bank Corporation

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René F. Jones
Chief Financial Officer

March 9, 2009

Via Overnight Courier and Email to: SIGTARP.response@do.treas.gov

Office of the Special Inspector General
Troubled Asset Relief Program
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W., Suite 1064
Washington, DC 20220

Attention: Neil M. Barofsky
Special Inspector General

Dear Mr. Barofsky:

Thank you for allowing us the opportunity to report on M&T Bank Corporation's ("M&T") actual and anticipated use of funds received through the Troubled Asset Relief Program Capital Purchase Program (the "CPP"), as well as the steps we've taken to comply with the executive compensation requirements associated with the CPP. M&T understands the special responsibilities associated with access to public funds through the CPP, including financial accountability and transparency as to how we are utilizing these funds to meet the primary goal of the CPP: making credit available to businesses and consumers.

M&T is a regional bank holding company headquartered in Buffalo, New York that conducts its business activities primarily through its commercial bank subsidiary, M&T Bank, which operates branch offices in New York, Maryland, Pennsylvania, Delaware, New Jersey, Virginia, West Virginia and the District of Columbia. Substantially all of M&T's loans are made to businesses and persons in these market areas. As of December 31, 2008 M&T had consolidated total assets of $65.8 billion, deposits of $42.6 billion, loans and leases of $49.0 billion and stockholders' equity of $6.8 billion.

We are supplying both quantitative information, in the accompanying data, and qualitative information, through narrative responses to the specific questions outlined in your letter to me dated February 6, 2009.

Lending Activities

With respect to the CPP, M&T applied for the minimum amount available to us, which was 1% of our risk-weighted assets, or $600 million. Our application was approved and we received the $600 million in CPP funds on December 23, 2008.

During the fourth quarter of 2008, we extended over $6 billion in credit to commercial and consumer customers. Although described in more detail in Appendix A attached hereto, these extensions of credit during the fourth quarter of 2008 included approximately:

- $3.2 billion in Commercial and Industrial loans, renewals and commitments;
- $1.4 billion in Commercial Real Estate loans, renewals and commitments;
- $1.2 billion of Residential Mortgage originations and Residential Construction commitments; and
- $517 million of Home Equity Loans and Lines of Credit, Automobile and Indirect Recreational Finance and other Consumer originations.

This level of lending in the fourth quarter of 2008 clearly indicates that M&T has continued to originate, refinance and renew loans within our market footprint, notwithstanding the severe economic deterioration that began in late 2008 and continues into 2009 that has resulted in weakening loan demand. This performance reflects the steps we have taken over the past year to execute upon our traditional community banking model, which is to lend within our geographic branch footprint to credit-worthy businesses and people with whom we have banking relationships, and to limit non-relationship based activity in markets where we have no branches.

M&T's average loan and lease balances increased $333 million to $48.8 billion in the fourth quarter of 2008 (which represented an annualized increase of 3% as compared with the third quarter of 2008). The accompanying data in Appendix B indicates that within our market footprint, however, we experienced loan growth of $414 million during the fourth quarter of 2008, including growth on an annualized basis in New York State and our Mid-Atlantic region of approximately 8% and 11%, respectively, which was offset by an approximate 7% contraction in total loans outside of our market footprint. This data supports the proposition that M&T continues to lend to qualified customers, especially in its core footprint markets.

Our lending activities and the credit conditions we faced during the fourth quarter of 2008 reflect the fact that the U.S. economy is in the throes of a deep recession and we are seeing the resultant signs of weakened loan demand. [redacted] (b) (4)(b) (4)

As mentioned above, M&T applied for and received $600 million in CPP funds on December 23, 2008. While our capital ratios were well in excess of the regulatory minimums, the CPP's stated mission fit with our internal goal of increasing lending and we decided it was important to join the industry in support of this Treasury program to help stabilize the financial system.

At the time M&T applied for and received the $600 million in CPP funds, we anticipated using these funds to support our continued lending activities within our market footprint to the extent that there was additional loan demand. Since receiving those funds, M&T has continued to originate, refinance and renew loans within our market footprint, although as mentioned above, we have been seeing signs of weakening loan demand consistent with what other banks have reported. Our plan remains to use the funds received under the CPP to support lending activities consistent with our previously described traditional community banking model.

Consistent with how we treat other capital and sources of funding, M&T has not segregated the $600 million it received under the CPP from other institutional funds and sources of capital and funding. Since it is somewhat impractical to segregate CPP funds and use them for specific lending activities, these funds are being used, along with other capital and sources of funding and obligations that make up our balance sheet, to support our continued lending activity. Through December 31, 2008, M&T has remained solidly profitable, even as the financial industry as a whole reported a loss during the fourth quarter of 2008. Our ability to generate capital internally from retained earnings has allowed us to absorb the higher level of credit losses that we have been experiencing. As a result, the CPP funds that we have received, as well as the capital we continue to generate from our ongoing operations, will allow us to continue making loans and should place us in a stronger position to meet increased loan demand as the economy comes out of the current recession.

M&T also maintains an active Homeowner Assistance Center working with residential mortgage customers to help them avoid foreclosure. During 2008, in an effort to assist borrowers, M&T modified the terms of residential real estate mortgages having outstanding balances at December 31, 2008 of approximately $162 million, including over $76 million during the fourth quarter of 2008.

In addition, please note that on December 18, 2008 M&T entered into a definitive agreement to acquire Provident Bankshares Corporation ("Provident"), a bank holding company headquartered in Baltimore, Maryland, in a stock-for-stock transaction that will result in M&T acquiring 143 branch offices located primarily in Maryland and Virginia. M&T and Provident agreed to this stock-for-stock transaction, which will not require the use of any CPP funds, in order to create a combined Mid-Atlantic franchise that would be a stronger, well-capitalized and well-managed organization. We expect that this acquisition, which remains subject to the approval of various regulatory agencies and Provident's shareholders, will be consummated during the second quarter of 2009. As a result of this acquisition, M&T will assume the $151.5 million in CPP funds that Provident received in November 2008. M&T anticipates using these additional CPP funds to support our lending activities to qualified customers in the Mid-Atlantic region.

Executive Compensation Requirements

With respect to your inquiry regarding how we have addressed the executive compensation requirements associated with the CPP funding, we have implemented steps to ensure compliance with those requirements.

As required by the terms of Section 1.2(d)(iv) of the Securities Purchase Agreement entered into by M&T on December 23, 2008, we took steps to amend the "Benefit Plans" with respect to our "Senior Executive Officers" (as such terms are defined in the Securities Purchase Agreement) to the extent necessary to comply with Section 111 of the Emergency Economic Stabilization Act of 2008 ("EESA"). These amendments were made to the various plans in which any of our Senior Executive Officers participate, or is eligible to participate, and the agreements to which any Senior Executive Officer is a party, that either: (i) provides for incentive or bonus compensation based on the achievement of performance goals tied to or affected by the Corporation's financial results ("Financial Performance Plans") or (ii) provides for payments or benefits upon an "applicable severance from employment" within the meaning of EESA ("Involuntary Separation Pay Arrangements"). Set forth below is the text of the amendment that was added to each such Financial Performance Plan and Involuntary Separation Pay Arrangement:

> "Compliance With Section 111 of EESA. Solely to the extent, and for the period, required by the provisions of Section 111 of the Emergency Economic Stabilization Act of 2008 ("EESA") applicable to participants in the Capital Purchase Program under EESA and the regulation issued by the Department of the Treasury as published in the Federal Register on October 20, 2008: (a) each "Senior Executive Officer" within the meaning of Section 111 of EESA and the regulation issued by the Department of the Treasury as published in the Federal Register on October 20, 2008 who participates in this plan or is a party to this agreement shall be ineligible to receive compensation hereunder to the extent that the Compensation Committee of the Board of Directors of the Corporation determines this plan or agreement includes incentives for the Senior Executive Officer to take unnecessary and excessive risks that threaten the value of the financial institution; (b) each Senior Executive Officer who participates in this plan or is a party to this agreement shall be required to forfeit any bonus or incentive compensation paid to the Senior Executive Officer hereunder during the period that the Department of the Treasury holds a debt or equity position in the Corporation based on statements of earnings, gains, or other criteria that are later proven to be materially inaccurate; and (c) the Corporation shall be prohibited from making to each Senior Executive Officer who participates in this plan or is a party to this agreement, and each such Senior Executive Officer shall be ineligible

to receive hereunder, any "golden parachute payment" in connection with the Senior Executive Officer's "applicable severance from employment," in each case, within the meaning of Section 111 of EESA and the regulation issued by the Department of the Treasury as published in the Federal Register on October 20, 2008."

In connection with the CPP funding, M&T also obtained waivers from each Senior Executive Officer whereby such officer waived any claims against M&T or the United States related to any changes to their compensation or benefits necessary to comply with EESA. In addition, each Senior Executive Officer executed a consent whereby they agreed to the adoption of the foregoing amendment to the Benefit Plans in which they participate.

Additionally, we are aware of and have taken steps to ensure that we comply with the amendment to Section 162(m) of the Internal Revenue Code ("Section 162(m)") that applies to M&T due to our participation in the CPP. This amendment reduces the amount that we are able to deduct under Section 162(m) for compensation paid to our Senior Executive Officers from $1 million to $500,000 and also eliminates our ability to deduct compensation under the performance-based compensation exception of Section 162(m). We understand that the elimination of the performance-based compensation exception will result in compensation received by our Senior Executive Officers upon the exercise of stock options and vesting of other equity-based awards that is attributable to services during the CPP participation period will no longer be deductible.

Our Corporate Tax Department has updated their existing procedures for assessing the limits on the deductibility of compensation under Section 162(m) to account for this amendment. We [redacted]

Another aspect related to executive compensation that results from our participation in the CPP is the requirement that our Nomination, Compensation and Governance Committee, in conjunction with our senior risk officer, take certain steps to ensure compliance with the prohibition on Senior Executive Officer incentive compensation arrangements involving excessive risk taking. As such, the committee and our senior risk officer met on February 12, 2009 to discuss and review the relationship between our risk management policies and practices and Senior Executive Officer incentive compensation arrangements. As a result of this review and discussion, it was determined by the committee that the design and goals of the existing Senior Executive Officer incentive compensation arrangements do not create an incentive for them to engage in unnecessary and excessive risk taking. The committee determined that the discretionary nature of its decision-making process in determining the amount of any incentive compensation awards based upon its after-the-fact assessment of a variety of financial and other long-term performance factors serves to mitigate the potential for excessive risk taking. As required by Treasury's interim final rule, the committee certified in our 2009 annual proxy statement that it has reviewed with our senior risk officer the incentive compensation arrangements in which our Senior Executive Officers participate and has made reasonable efforts to ensure that such arrangements do not encourage them to take unnecessary and excessive risks that threaten the value of M&T.

[redacted] (b) (4)

As mentioned above, M&T's Nomination, Compensation and Governance Committee is responsible for determining the compensation of our Senior Executive Officers. M&T's compensation philosophy is, and has long been, to emphasize long-term, equity-based compensation for its Senior Executive Officers and other employees in order to align their interests with those of our stockholders. To date, there have been no discussions involving the committee as to whether the limitations on executive compensation described above will be offset by changes to other, longer-term or deferred forms of executive compensation. That being said, the committee, while cognizant of these limitations, must also design a compensation program that will continue to attract, develop and retain executive officers capable of maximizing performance for the benefit of our stockholders and other stakeholders, including the Treasury and the American taxpayer. All such compensation determinations by the committee will be in full compliance with all executive compensation requirements associated with the CPP funding.

As stated above, M&T recognizes that as a recipient of capital under the CPP we have a serious responsibility to the American taxpayers. Our goal is to do all we can to help expand the flow of credit in this extraordinarily difficult economic environment by assisting our customers in the core markets within which we operate. As a steward of the Treasury's capital, we will continue to take appropriate steps to assess the creditworthiness of our current and prospective customers. We are mindful of the fact that M&T must pay back the $600 million investment to the Treasury, while also delivering a return on that investment for the benefit of the American taxpayer. As a result, we will not make loans merely for the sake of making loans, but we will continue to provide credit to the many qualified consumers and commercial customers that make M&T Bank their bank of choice. We will continue to be transparent about the use of these funds and responsive to subsequent requests on our use of funds from the CPP.

Certification

The undersigned hereby certifies that: I have reviewed this response and supporting documents, and, based upon my knowledge, this response and the supporting documents do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading.

Very truly yours,

M&T Bank Corporation

René F. Jones
Executive Vice President and
Chief Financial Officer

APPENDIX A:

M&T Bank Corporation - Lending Activity

$ in Millions

	Q4 2008	Q4 vs Q3 Annlzd % Growth
Commercial & Industrial Loans		
Average Balance	$ 14,213	9.5%
New Loans and Commitments	2,020	
Renewals	1,153	
Commercial Real Estate Loans		
Average Balance	18,666	2.3%
New Loans and Commitments	871	
Renewals	502	
Consumer Real Estate		
Held-for-Investment Average Balance	4,477	0.5%
Held-for-Sale Average Balance	427	-53.3%
Residential Mortgage Originations	1,112	
Residential Construction Commitments	53	
Consumer		
Home Equity Loans & Lines of Credit		
Average Balance	5,652	6.9%
Originations (New credit booked)	244	
Automobile & Indirect Recreational Finance		
Average Balance	4,862	-10.6%
Originations (New loans booked)	273	
Other Consumer		
Average Balance	513	-9.1%
Total Consumer Average Balance	11,027	-1.7%
Total Consumer Originations & New Lines	517	
Total M&T Bank Loans & Leases	**$ 48,810**	**2.7%**
Originations, New Loans, Renewals & Commitments	6,228	

March 9, 2009

APPENDIX B:

M&T Bank Corporation Loans & Leases - Regional Summary *

$ in Millions

Loans & Leases *	DEC 31 * 2007	% of Total	SEP 30 2008	% of Total	DEC 31 2008	% of Total
New York State	$ 23,105	49%	$ 24,557	51%	$ 25,076	51%
Pennsylvania	9,048	19%	9,454	19%	9,139	19%
Mid-Atlantic	7,696	17%	7,960	16%	8,177	17%
Subtotal	**39,850**	**85%**	**41,971**	**86%**	**42,392**	**87%**
Other	7,296	15%	6,723	14%	6,608	13%
Total	**$ 47,146**	100%	**$ 48,694**	100%	**$ 49,000**	100%

* December 31, 2007 loan balances exclude Residential Mortgage loans securitized in June and July of 2008 totalling $876 million for comparison purposes