

June 17, 2009

**Research Update:**

**M&T Bank Corp. 'A-/A-2' Ratings  
Affirmed With Negative Outlook;  
Off Credit Watch**

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## Research Update:

# M&T Bank Corp. 'A-/A-2' Ratings Affirmed With Negative Outlook; Off CreditWatch

## Overview

- As part of our industry review, we believe M&T Bank will weather greater industry risk better than many of its peers, despite our expectation for higher credit losses and lower profitability.
- We have affirmed our 'A-/A-2' counterparty credit ratings (CCR) on M&T Bank Corp. and our 'A/A-1' CCR on Manufacturers & Traders Trust Co., and removed the ratings from CreditWatch. The outlook is negative.
- The negative outlook reflects the potential for credit quality and earnings to deteriorate more than we currently expect under the base case scenario of our stress tests.

## Rating Action

On June 17, 2009, Standard & Poor's Ratings Services affirmed its 'A-/A-2' CCR on M&T Bank Corp. (M&T), as well as its 'A/A-1' CCR on Manufacturers & Traders Trust Co. The ratings were removed from CreditWatch, where they were placed on May 4, 2009, with negative implications. The outlook is negative.

## Rationale

We changed the outlook as part of an industry review and follows the publication of our recent criteria on stress testing and U.S. banks (see Related Research). The rating affirmation reflects our expectation that M&T will continue to generate relatively good profitability and above-peer credit quality throughout the current economic downturn, even after incorporating our more negative view of heightened industry risk. The ratings acknowledge M&T's history of stable performance metrics, good credit quality, and its strong market position in upstate New York, central Pennsylvania, and the greater Washington, D.C., metropolitan area.

Although we expect the bank will experience strained asset quality and a corresponding dip in profitability throughout the current economic downturn, M&T's markets tend to be less volatile through economic cycles. We anticipate this cycle will be similar, and that M&T's credit losses will be less severe than those of the industry as a whole. However, M&T's capital structure tends to be more aggressive than peers, and its recent acquisition of Provident Bank of Maryland pushed its tangible common equity ratio to a relatively low 4.4%. We think this gives M&T little cushion if its local markets weaken more than we currently expect and, accordingly, profitability is hurt.

## Outlook

The outlook is negative. In our opinion, if M&T's credit losses and earnings deteriorate more than we currently expect under our base case stress factors, or if capital falls below current levels, the ratings could be lowered.

## Related Research

- "Credit Stress Testing For Financial Institutions," April 29, 2009.
- "Stress Testing U.S. Financial Institutions," April 29, 2009.
- "What Stress Tests Reveal about U.S. Banks' Capital Needs," May 1, 2009.
- "Ratings On 23 Financial Institutions Placed On CreditWatch Negative," May 4, 2009.

## Ratings List

Ratings Affirmed; CreditWatch/Outlook Action

	To	From
M&T Bank Corp. Counterparty Credit Rating	A-/Negative/A-2	A-/Watch Neg/A-2
Manufacturers & Traders Trust Company Counterparty Credit Rating Certificate Of Deposit Local Currency	A/Negative/A-1 A/A-1	A/Watch Neg/A-1 A/Watch Neg/A-1
M&T Bank Corp. Senior Unsecured	A-	A-/Watch Neg
First Maryland Capital I Preferred Stock	BBB-	BBB-/Watch Neg
First Maryland Capital II Preferred Stock	BBB-	BBB-/Watch Neg
M&T Capital Trust I Preferred Stock	BBB-	BBB-/Watch Neg
M&T Capital Trust II Preferred Stock	BBB-	BBB-/Watch Neg
M&T Capital Trust III Preferred Stock	BBB-	BBB-/Watch Neg
M&T Preferred Capital Trust Preferred Stock	BBB-	BBB-/Watch Neg
Manufacturers & Traders Trust Company Senior Unsecured	A	A/Watch Neg

*Research Update: M&T Bank Corp. 'A-/A-2' Ratings Affirmed With Negative Outlook; Off Credit Watch*

Subordinated

A-

A-/Watch Neg

Complete ratings information is available to RatingsDirect subscribers at [www.ratingsdirect.com](http://www.ratingsdirect.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com); select your preferred country or region, then Ratings in the left navigation bar, followed by Find a Rating.

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