M&T Bank Corporation

Manufacturers and Traders Trust Company

Company-Run Stress Test
Dodd-Frank Act Stress Test
Results Disclosure

June 23, 2016

Explanatory Note

In accordance with Section 165(i)(2) of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("DFA") and related regulations issued by the Board of Governors of the Federal Reserve System ("FRB"), bank holding companies with total consolidated assets of $50 billion or more ("covered companies"), including M&T Bank Corporation ("M&T"), are required to conduct semiannual stress tests to assess the potential impact of certain hypothetical economic scenarios on, among other things, their prospective earnings, losses and capital levels, which are intended to test the resiliency of a covered company's financial position under severely adverse economic conditions and reflect the Dodd-Frank Act Stress Test ("DFAST") capital actions as described under the heading "Summary of Stress Test Results". Covered companies are also required to disclose a summary of these company-run stress test results for select scenarios over a nine quarter forecast horizon.

On January 28, 2016, the FRB published three macroeconomic scenarios under the publication "2016 Supervisory Scenarios for Annual Stress Tests Required under the Dodd-Frank Act Stress Testing Rules and the Capital Plan Rule." Per the disclosure requirements mentioned above, the stress test results disclosed herein are M&T's estimates of resources, losses and capital levels under the Supervisory Severely Adverse Scenario. **These estimates do not represent forecasts of expected results.** As indicated by the FRB, the economic assumptions embedded in the Supervisory Severely Adverse Scenario represent a hypothetical economic outcome that is more adverse than expected. More information regarding the 2016 supervisory scenarios and the DFAST rules is available on the FRB's website at http://www.federalreserve.gov. The purpose of the stress test is to assess whether M&T and M&T Bank have sufficient capital to absorb losses and support operations during a period of severely adverse economic and financial stress.

It is important to note that M&T's acquisition of Hudson City Bancorp, Inc. ("Hudson City") was approved by the FRB on September 30, 2015 and completed on November 1, 2015. Hudson City's balance sheet, operations and associated risks have been fully incorporated in M&T's company-run stress test results. Consistent with DFAST instructions, prior company-run stress test results also included Hudson City, but on a pro forma basis since the proposed acquisition was subject to regulatory approval.

Risk Types and Methodologies

A critical goal of M&T's capital adequacy process and stress testing is the identification and measurement of risks and vulnerabilities specific to M&T. While credit risk related to its loans represents the most significant risk inherent in M&T's portfolio, the capital adequacy and stress testing process is designed to address a comprehensive set of risks. The types of risks considered in the stress test include, but are not limited to, the following:

- **Credit risk** is the potential loss from not being able to collect the principal and interest balance on a loan or other investment contract when it is due. For M&T, most of this risk stems from its loan portfolio that may experience elevated losses in the Supervisory Severely Adverse Scenario that includes a severely stressed macroeconomic environment.
- **Operational risk** represents the potential losses resulting from human error, inadequate or failed internal processes and systems, and external events. It also encompasses reputational risk and compliance and legal risk. Reputational risk is the risk to business,

earnings and capital levels resulting from damaging publicity, which could adversely affect M&T's ability to attract and retain customers. Legal and compliance risk is characterized as the risk of loss from violations of, or noncompliance with, laws, rules, regulations, prescribed practices or ethical standards, as well as the risk of noncompliance with contractual and other obligations.

- **Liquidity risk** is the possibility that M&T would have insufficient cash flow or liquid assets available to satisfy current and future obligations, including demands for loans and deposit withdrawals, funding operating costs, and other corporate purposes. Liquidity risk arises whenever the maturities of financial instruments included in assets and liabilities differ. M&T's stress test results take into account the impact of the scenario assumptions on M&T's funding needs and its access to liquidity.
- **Market risk** is the possibility that M&T will suffer losses due to adverse changes in the market prices and/or interest rates of financial instruments. The primary market risk that M&T is exposed to is interest rate risk. Interest rate risk arises from M&T's core banking activities of lending and deposit-taking, because assets and liabilities reprice at different times and by different amounts as interest rates change. As a result, net interest income is subject to the effects of changing interest rates. The Supervisory Severely Adverse Scenario provided by the FRB includes assumptions about key interest rates which are incorporated in M&T's stress test results.

These risks, under stressed conditions, may result in diminished revenues, higher expenses or elevated losses, thereby impacting M&T's prospective capital levels. M&T's capital adequacy process primarily relies on a model-based approach to project resources and losses under various scenarios. It includes a number of statistical models developed to consider applicable material risks and exposures. In forecasting revenues and losses, these models consider the impact of macroeconomic conditions on loan charge-offs, new originations, prepayments, renewals, pay downs, etc. The models are designed to capture M&T's material exposures and consider M&T's specific portfolio and business characteristics. For estimating the provision for loan losses, M&T leverages its regular provision methodology based on several key considerations. These considerations include loan loss forecasts, projections of portfolio balances over the forecast horizon, and macroeconomic factors of the scenario, as applicable.

In addition to model outputs, M&T's capital adequacy process also considers qualitative components that are guided by management's review and governance regarding the stress test results and processes. These management reviews involve subject matter experts from business units and risk areas across the institution and may result in conservative overlays to modeled outcomes.

Changes to M&T's capital position and capital ratios are calculated by analyzing the impact to capital of projected earnings and changes in asset balances based on the aggregated results of the model outputs and qualitative components, as well as prescribed capital actions. Risk-weighted asset projections are based on risk weightings as specified in applicable regulations pertaining to each type of asset category and projected balance sheet changes.

Summary of Stress Test Results

Table 1 summarizes the projected capital ratios, risk-weighted assets, gains or losses, revenue, and net income before taxes under the Supervisory Severely Adverse Scenario. The projected capital ratios reflect the DFAST capital actions which include (i) M&T's actual capital actions during the first forecasted quarter, (ii) in each quarter thereafter maintaining common stock dividends equal to the average quarterly amount paid in the previous year plus dividends on shares issued in conjunction with the acquisition of Hudson City on November 1, 2015, and (iii) no redemptions or issuance of any regulatory capital instruments except for issuances related to expensed employee compensation. M&T's projected Common Equity Tier 1 capital ratio declines from 11.1% as of December 31, 2015 to a minimum of 10.6% in the second quarter of 2017. At the end of the nine quarter severely stressed forecast horizon the Common Equity Tier 1 ratio is projected to be 10.8%.

The significant contributors to the change in M&T's Common Equity Tier 1 capital ratio under the Supervisory Severely Adverse Scenario are as follows:

- Elevated credit-related losses, predominately in the form of net loan charge-offs and a provision for loan losses necessary to build the allowance for loan losses.
- Pre-provision net revenue that, although adversely affected by the severe economic conditions of the scenario, partially offsets the capital impact from credit losses.

The changes in the Tier 1 Capital, Total Risk-Based Capital, and Tier 1 Leverage ratios reflect the same factors affecting the Common Equity Tier 1 ratio, and incorporate the prescribed regulatory capital credit for M&T's outstanding capital securities under applicable regulations. Under the Supervisory Severely Adverse Scenario, using DFAST capital actions, all regulatory capital ratios remain above the required minimum levels throughout the nine quarter forecast horizon.

Table 1: Quantitative Disclosure for M&T Bank Corporation

Projected Capital Ratios

	Actual	Stressed Capital Ratios[1]	
	Q4 2015	Q1 2018	Minimum
Common Equity Tier 1 Ratio (%)	11.1%	10.8%	10.6%
Tier 1 Capital Ratio (%)	12.7%	12.1%	12.0%
Total Risk-based Capital Ratio (%)	14.9%	14.3%	14.3%
Tier 1 Leverage Ratio (%)	10.9%	10.3%	9.7%

1. The capital ratios are calculated using capital action assumptions provided within the Dodd-Frank Act stress testing rule. These projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. These estimates are not forecasts of expected losses, revenues, net income before taxes, or capital ratios. The minimum capital ratio presented is for the period Q1 2016 to Q1 2018.

Projected Risk-Weighted Assets[1]

	Actual	Projected
Billions of Dollars	Q4 2015	Q1 2018
Risk-Weighted Assets[1]	94.7	91.6

1. Risk-weighted assets are calculated under the Basel III standardized capital risk-based approach.

Projected Losses, Revenue, and Net Income Before Taxes

	Billions of Dollars	Percent of Average Assets[1]
Pre-provision Net Revenue[2]	3.2	2.7%
Other Revenue[3]	(0.0)	
less		
Provisions	2.8	
Realized Gain/Losses on Securities (AFS/HTM)	0.0	
Trading and Counterparty Losses	0.0	
Other Losses/Gains	0.0	
Equals		
Net Income Before Taxes	0.3	0.3%

1. Average assets is the nine-quarter average of total assets.

2. Pre-provision net revenue includes losses from operational risk events.

3. Other Revenue includes one-time items not included in pre-provision net revenue.

Projected Loan Losses

	Billions of Dollars	Portfolio Loss Rates (%)[1]
Loan Losses	2.4	2.8%
First Lien Mortgages, Domestic	0.3	1.4%
Junior Liens and HELOCs, Domestic	0.1	2.2%
Commercial and Industrial[2]	0.6	3.5%
Commercial Real Estate, Domestic	1.0	3.3%
Credit Cards	0.0	11.0%
Other Consumer[3]	0.2	3.8%
Other Loans	0.1	1.7%

1. Average loan balances used to calculate portfolio loss rates exclude loans held for sale and are calculated over nine quarters.

2. Commercial and industrial loans include small- and medium- size enterprise loans and corporate cards.

3. Other consumer loans include automobile and secured loans.

Capital Ratio Projections for Manufacturers and Traders Trust Company

Pursuant to disclosure guidelines under the FRB's Regulation YY, M&T is also disclosing summary stress test results for its principal FDIC insured depository subsidiary, Manufacturers and Traders Trust Company ("M&T Bank").

M&T Bank is the wholly-owned principal bank subsidiary of M&T. M&T Bank and its consolidated subsidiaries hold approximately 99% of M&T's total assets. Given the proportional size of M&T Bank in relation to the consolidated entity, the impact of the Supervisory Severely Adverse Scenario on M&T Bank very closely tracks that of M&T.

Substantially all of M&T's pre-provision net revenue, losses, and balance sheet changes are derived from M&T Bank. As a result, M&T Bank's capital ratios are impacted largely in the same way as those for M&T. **Table 2** represents M&T Bank's capital ratios under the Supervisory Severely Adverse Scenario.

Table 2: Capital Ratio Projections for M&T Bank

Projected Capital Ratios			
	Actual	Stressed Capital Ratios	
	Q4 2015	Q1 2018	Minimum
Common Equity Tier 1 Ratio (%)	11.3%	11.0%	10.8%
Tier 1 Capital Ratio (%)	11.3%	11.0%	10.8%
Total Risk-based Capital Ratio (%)	13.4%	12.8%	12.8%
Tier 1 Leverage Ratio (%)	9.8%	9.3%	8.8%

Forward-Looking Statements

Pursuant to the regulations issued by the FRB under the DFA, M&T and M&T Bank are required to conduct a forward-looking company-run stress test exercise that is complementary to the Comprehensive Capital Analysis and Review ("CCAR") exercise and to publicly disclose the results of that exercise to assess M&T and M&T Bank's ability to absorb losses and support operations during adverse economic conditions.

This release contains certain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995, including projections of financial condition, results of operations, plans, objectives, growth strategy and liquidity, future performance or business prospects under a hypothetical Supervisory Severely Adverse Scenario that incorporates a set of assumed economic and financial conditions prescribed by the FRB. These statements may address issues that involve significant risks, uncertainties, estimates, expectations, and assumptions made by management. The projections are not intended to be a forecast of expected future economic or financial conditions or a forecast of M&T's expected future financial results or condition and actual results may differ materially from current projections and will be influenced by actual economic and financial conditions and various other factors as described in M&T's periodic and current reports filed with the Securities and Exchange Commission which are available at www.sec.gov. M&T expressly disclaims any obligation to publicly update or revise any forward-looking statements following the date of this release.