

FEDERAL RESERVE BANK *of* NEW YORK

33 LIBERTY STREET, NEW YORK, NY 10045-0001

April 12, 2021

Mark J. Menting
Sullivan & Cromwell LLP
125 Broad Street
New York, NY 10004

Dear Mr. Menting:

We refer to the applications filed on behalf of M&T Bank Corporation, Buffalo, New York (“M&T”), to acquire People’s United Financial Inc. (“People’s United”), and thereby indirectly acquire People’s United Bank, National Association (“People’s United Bank”), both of Bridgeport, Connecticut, pursuant to Sections 3(a)(3) and 3(a)(5) of the Bank Holding Company Act of 1956, as amended (the “BHC Act”), and for Manufacturers and Traders Trust Company, Buffalo, New York (“M&T Bank”), to merge with People’s United Bank (the “Bank Merger”), pursuant to Section 18(c) of the Federal Deposit Insurance Act, and to establish branches at the locations of People’s United Bank, pursuant to Section 9 of the Federal Reserve Act.

Based on our review of the current record, the following additional information is requested. Please provide responses to the following items, including those in the Confidential Annex. Supporting documentation should be provided, as appropriate.

Financial and Managerial

1. Provide actual and pro forma asset quality ratios (the classified ratio and the nonperforming assets ratio) for M&T on a consolidated basis and M&T Bank as of the most recent quarter end. The numerator and denominator of each calculated ratio must be as of the same date. The asset quality ratios should be calculated as follows:
 - a. Focus on two separate elements: (i) internally classified assets, comprised of the separate categories of substandard, doubtful, and loss (with relevant components of other real estate owned (“OREO”) separately identified in each category), and (ii) nonperforming assets, comprised of nonaccrual loans, all restructured loans, and OREO.
 - b. A breakdown of each category (for example, commercial real estate, oil and gas, consumer loans) of internally classified assets and nonperforming assets.
 - c. For the classified assets ratio, the level of classified assets should be compared to the total amount of tier 1 capital and allowance for loan loss reserves.
 - d. For the nonperforming assets ratio, the level of nonperforming assets should be compared to the total equity capital (common stock, perpetual preferred stock,

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- surplus, retained earnings, accumulated other comprehensive income) and the allowance for loan loss reserves.
- e. Provide details of the calculations.
2. Provide actual and pro forma loan loss reserve coverage ratios for M&T on a consolidated basis and M&T Bank as of the most recent quarter end. The coverage ratios should be calculated as follows:
 - a. For the consolidated M&T, for the numerator use the total allowance for loan loss reserves and for the denominator use nonaccrual loans and loans past due more than 90 days.
 - b. For People's United Bank, and the prospective merged bank, for the numerator use the total allowance for loan loss reserves and for the denominator use nonaccrual loans.
 - c. Provide details of the calculations.
 3. Provide a sensitivity analysis of the pro forma financials, both on and off balance sheet, and capital ratios under base-case and heightened stress scenarios including a discussion of the major underlying scenario assumptions related to the economy and expected asset quality trends as relevant to the proposed transaction.
 4. Provide the pro forma investment in bank premises calculation for M&T Bank following consummation of the proposed transaction and confirm the calculation is consistent with SR 19-7 (Statement on the Implications of the New Lease Accounting Standard on Regulation H).
 5. Please provide updated financial information as of March 31, 2021, when available. The response should include relevant underlying assumptions and any supporting financial analysis. Specifically, provide:
 - a. Updated pro forma balance sheet, parent-only and consolidated, and capital ratios.
 - b. Pro forma income statements, parent-only and consolidated, for the three-month period ended March 31, 2021.
 - c. Pro forma cash flow statements, parent-only and consolidated.

Consumer

6. Discuss how the corporate governance and compliance structures of M&T and People's United would be integrated following consummation of the proposed transaction, and provide resumes for key compliance personnel. Additionally, discuss how compliance staffing needs will be assessed and addressed to maintain current compliance standards.
7. Explain how M&T management anticipates and responds to changes in applicable consumer laws and regulations, including but not limited to state usury laws, market

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conditions, and products and services offered. Your response should consider, at a minimum, assignment of responsibilities and necessary changes in policies and procedures, and whether these changes could have an impact on the level of inherent risk.

8. Provide People's United's record and experience with customer complaints and the types of actions taken by the company to resolve these complaints. Explain the complaint handling process, including identification, evaluation, monitoring, and resolution. Identify the number of complaints received during each of the last two years and how the complaints were resolved. Discuss the policies and procedures People's United has in place to protect customers and resolve complaints. Please also provide plans for an integrated complaints process and any early measures to monitor consumer complaints following consummation of the proposed transaction.
9. Indicate any legal proceedings/investigations related to consumer protection concerns that either M&T or People's United may be involved in. Describe the nature of the litigation, the progress of the litigation to date, and how management is responding or intends to respond. Provide an evaluation of the likelihood of an unfavorable outcome and an estimate, if possible, of the amount or range of potential loss and customer impact.
10. Provide any consumer compliance-related due diligence results of People's United. Provide specific results related to fair lending assessments for lending and branching in the various geographies.
11. Provide the most recent consumer compliance risk assessments for both M&T and People's United, compliance testing and compliance risk assessments for the prior two years, as well as any corrective action taken. Also, for each institution, provide reports used by management and the board for tracking outstanding audit and compliance issues, minutes and materials from board and committee meetings that have occurred surrounding such issues, as well as the proposed integrated governance structure for MIS/Reporting.
12. With respect to the 2019/2020 Compliance Monitoring and Testing Schedule, discuss whether the schedule was satisfied by both institutions and what changes/recommendations were made, if any. For both institutions, provide the 2021 monitoring and testing plan, if available. Additionally, for both institutions, provide service level agreements for third party service providers and vendors that are listed as owners of listed regulatory areas.
13. Provide the following policies for both institutions: Enterprise Compliance Policy, Fair Credit Reporting Act Policy, Fair Debt Collections Practice Act Policy, Adverse Action Notice Policy, Customer Complaints Handling Manual, E-Sign and Electronic

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Documents and Communications Policy, Fair Lending Policy, Federal Right to Financial Privacy Policy, Servicemembers Civil Relief Act Policy, Equal Credit Opportunity Act Policy, and UDA(A)P Policy. To the extent that any of the aforementioned policies are embedded in an overarching policy, identify and provide the overarching policy.

14. Provide any and all fair lending/CRA analysis conducted on anticipated branch closures of People's United and HMDA activity in connection with the proposed transaction, risks identified and plans to mitigate.
15. Discuss any plans to provide new or modified consumer products in connection with the proposed transaction as well as the review, approval, and evaluation processes for such consumer products and their related technology transition plans. Also provide details of the compliance review and approvals, including controls related to new or modified consumer products.

Competition

16. Please provide the following middle market lending data for People's United, which is comparable to the information provided by M&T on the FR Y-14Q.
 - a. Regarding commercial products for medium-sized businesses, provide People's United's state-level 2019 and 2020 total committed credit facilities and utilized funded volume for organizations with (i) \$10M-\$250M and (ii) \$250M-\$5B in annual revenue or sales. State-level totals should be based on the obligor's state, as identified by the obligor's address associated with the credit facility / account. Refer to Appendix B for additional clarifying criteria.

Financial Stability

17. The submission includes an analysis by M&T of the potential impact of the proposed transaction on the stability of the U.S. banking or financial system under five systemic risk factors. Discuss what, if any, other financial stability risks and vulnerabilities would increase as a result of the proposed transaction, and what steps M&T would take to mitigate these risks and vulnerabilities.
18. Identify whether M&T or People's United are involved in each of the following activities, discuss the nature of this involvement, and provide a brief listing of other firms that engage in the same activity in the United States. For both M&T and People's United, provide measures of the scale of each activity specified, for both the most recent quarter and the most recently completed year. Measures should be stated both in U.S. dollars and as a share of overall U.S. activity; derivatives should be stated as notional dollar amounts. Responses may be confined to information maintained in the regular course of business.
 - a. Short-term lending

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- i. Reverse bilateral repurchase agreements (volume)
 - ii. Reverse tri-party repurchase agreements (volume)
 - iii. Fed funds (volume)
 - iv. Tri-party repo dealing (volume)
 - b. Commercial lending
 - i. Syndicated lending (volume)
 - ii. Syndicated pipeline commitments (volume)
 - iii. Lending to small and medium-sized enterprises (volume)
 - iv. Unfunded commitments (volume)
 - c. Underwriting services
 - i. Issuance of new equities (volume)
 - ii. Corporate bonds (volume)
 - iii. Commercial paper (volume)
 - iv. Asset backed securities (volume)
 - v. Other debt securities (volume)
 - d. Total provisions of services in the following sectors
 - i. Prime brokerage (number of funds and fund sponsors, and total assets under management)
 - ii. Securities lending (report value of securities lent as a custodian and securities lent from trading book)
 - iii. Corporate trust
 - iv. Correspondent banking
 - v. Wealth management (total assets under management)
 - vi. Insurance (by segment, including reinsurance)
- 19. Provide the five largest counterparties, rolled up to the parent company, and the corresponding amount of the following indicators for People's United:
 - a. Total exposure (as defined by Schedules A and H Line item 5 in FR Y-15)
 - b. Total intra-financial system assets (as defined by Schedules B and I Line item 6 in FR Y-15)
 - c. Total intra-financial system liabilities (as defined by Schedules B and I Line item 12 in FR Y-15)
 - d. Total securities outstanding (as defined by Schedules B and I Line item 20 in FR Y-15)
 - e. Payments activity (as defined by Schedules C and J Line item 2 in FR Y-15)
 - f. Assets held as a custodian on behalf of customers (as defined by Schedules C and J Line item 3 in FR Y-15)
 - g. Total underwriting activity (as defined by Schedules C and J Line item 6 in FR Y-15)
 - h. Total notional amount of OTC derivatives (as defined by Schedules D and K Line item 3 in FR Y-15)

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- i. Total adjusted trading and AFS securities (as defined by Schedules D and K Line item 10 in FR Y-15)
 - j. Assets valued using Level 3 measurement inputs (as defined by Schedules D and K Line item 11 in FR Y-15)
 - k. Foreign claims on an ultimate-risk basis (as defined by Schedules E and L Line item 1 in FR Y-15)
 - l. Adjusted foreign claims on an ultimate-risk basis (as defined by Schedule L Line item 1.a in FR Y-15)
 - m. Total cross-jurisdictional liabilities (as defined by Schedules E and L Line item 4 in FR Y-15)
 - n. Total short-term wholesale funding (as defined by Schedules G and N Line item 6 in FR Y-15)
 - o. Average risk-weighted assets (as defined by Schedule G and N Line item 7 in FR Y-15)
20. Provide the five largest counterparties, rolled up to the parent company, and the corresponding amounts of each component of intra-financial system assets and liabilities for M&T and People's United, reported in the most recent FR Y-15.
- a. For intra-financial system assets:
 - i. Funds deposited with or lent to other financial institution (M351)
 - ii. Unused portion of committed lines extended to other financial institution (J458)
 - iii. Holdings of securities issued by other financial institution ($M352 + M353 + M354 + M345 + M356 - M357$)
 - iv. Net positive current exposure of securities financing transactions (SFTs) with other financial institution (M358)
 - v. Over-the-counter (OTC) derivative contracts with other financial institutions that have a net positive fair value ($M359 + M360$)
 - b. For intra-financial system liabilities:
 - vi. Deposits due to other financial institutions ($M363 + M364$)
 - vii. Borrowings obtained from other financial institutions (Y833)
 - viii. Unused portion of committed lines obtained from other financial institutions (M365)
 - ix. Net negative current exposure of SFTs with other financial institution (M366)
 - x. OTC derivative contracts with other financial institutions that have a net negative fair value ($M367 + M368$)
21. Provide the current market exposure—gross and net of collateral and other risk mitigants—for the five largest counterparties, rolled up to the parent company, of OTC derivatives of both M&T and People's United, as measured by
- a. Positive current exposure after netting arrangements

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- b. Negative current exposure after netting arrangements
22. To the extent not already provided in the notifications, provide a list of activities and products in which M&T plans to initiate new operations, or expand existing operations, subsequent to the closing of the proposed transaction.

Legal

23. Provide an update, if any, on the status of other required regulatory approvals for the proposed transaction, including state approvals.
24. The application states that the Bank Merger will occur at a date and time, as determined by M&T, following the merger of People's United and M&T. Provide more information on the expected consummation date of the Bank Merger, including a discussion of relevant considerations that would impact the timing of the Bank Merger and when M&T will make a final decision on timing.
25. Confirm, if correct, that LEAF Funding Canada ULC ("LEAF Funding") is the only indirect or direct subsidiary of People's United that engages in activities outside of the United States.
26. Identify when LEAF Funding was established. Describe in greater detail how the acquisition of LEAF Funding would be consistent with 12 U.S.C. § 1843(k)(4)(F) or another authority under the BHC Act.
27. The submission indicates that Shem Creek Capital Fund I, LLC ("Shem Creek") makes "other investments in real estate ventures" and that M&T has authority to acquire Shem Creek under 12 CFR 225.28(b)(1), which permits the extension of credit and the servicing of loans. Discuss in more detail the "other investments in real estate ventures" in which Shem Creek engages and describe how these activities would be consistent with 12 CFR 225.28(b)(1).
28. With regard to Solar Eclipse Investment Fund X, LLC; Solar Eclipse Investment Fund XV, LLC; and Solar Eclipse Investment Fund XXII, LLC (together, the "Solar Funds"):
- a. Discuss in more detail the current relationship between the Solar Funds and D.C. Solar Distribution, Inc., including the specific activities and financing provided by the Solar Funds in relation to D.C. Solar Distribution, Inc. Indicate whether there are active leases between the Solar Funds and D.C. Solar Distribution, Inc.
 - b. Discuss whether there are plans to dissolve the Solar Funds and, if not, the rationale for the continued existence of the Solar Funds.

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29. Public Exhibit 2 indicates that, as a result of the proposed transaction, M&T Bank would acquire a number of People's United Bank's nonbank subsidiaries pursuant to 12 CFR 225.22(e)(2). Under 12 CFR 225.22(e)(2), a state-chartered bank or its subsidiary may, without the Board's prior approval, (i) acquire or retain securities, on the basis of section 4(c)(5) of the BHC Act, 12 U.S.C. § 1843(c)(5), of the kinds and amounts explicitly eligible by federal statute for investment by a national bank; or (ii) acquire or retain all (but, except for directors' qualifying shares, not less than all) of the securities of a company that engages solely in activities in which the parent bank may engage, at locations at which the bank may engage in the activity, and subject to the same limitations as if the bank were engaging in the activity directly.
- a. For each of the subsidiaries of People's United Bank listed in Public Exhibit 2 that list 12 CFR 225.22(e)(2) as the acquirer's legal authority, clarify whether M&T Bank's legal authority would be 12 CFR 225.22(e)(2)(i) or (ii) or another legal authority.
 - b. Identify any subsidiaries of People's United Bank that are not wholly owned by People's United Bank and discuss how ownership of each such subsidiary would be permissible under 12 CFR 225.22(e)(2)(i) or (ii) or another legal authority.
 - c. Public Exhibit 2 indicates that People's United Merchant Services Holdings, Inc. ("Merchants Holding") holds a minority interest in People's United Merchant Services LLC. Explain how ownership of Merchants Holding would be permissible under 12 CFR 225.22(e)(2)(i) or (ii) or another legal authority.
30. Provide additional analysis concerning whether, as a result of acquiring People's United Muni Finance Corp., M&T Bank will remain in compliance with New York State ownership and investment limit restrictions with respect to municipal securities, including 3 NYCRR § 6.7.
31. Indicate whether any existing subsidiaries of M&T Bank will acquire or merge with any of the subsidiaries of People's United Bank after consummation of the proposed transaction.
32. Provide the attached commitments ("Appendix A") executed by a duly authorized representative of M&T or explain why M&T is unable to make such commitments.

Please provide your response addressed to the undersigned within eight business days of the date of this letter. Any information for which confidential treatment is desired should be so labeled and separately bound in accordance with Section 261.17 of the Board's Rules Regarding Availability of Information.

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If you have any questions, please do not hesitate to contact Patricia (Pat) Soriano of the Board's Division of Supervision and Regulation at (202) 728-5878, Alyssa O'Connor of the Board's Legal Division at (202) 452-3886, Peggy Naulty of the Board's Division of Consumer and Community Affairs at (202) 309-8947, John Akal of the Federal Reserve Bank of New York at (212) 720-6532, or myself.

Sincerely,

A handwritten signature in cursive script that reads "Eileen K. Banko".

Eileen Banko
Bank Applications Officer
Bank Applications Function

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APPENDIX A

Commitments to the Board of Governors of the Federal Reserve System

In connection with the applications by M&T Bank Corporation, Buffalo, New York (“M&T”), to acquire People’s United Financial Inc. (“People’s United”), and thereby indirectly acquire People’s United Bank, National Association, both of Bridgeport, Connecticut, pursuant to Sections 3(a)(3) and 3(a)(5) of the Bank Holding Company Act of 1956, as amended (“BHC Act”), and Manufacturers and Traders Trust Company, Buffalo, New York, to merge with People’s United Bank, pursuant to the Section 18(c) of the Federal Deposit Insurance Act, and to establish branches at the existing locations of People’s United Bank, pursuant to Section 9 of the Federal Reserve Act (collectively, the “Applications”), M&T hereby makes the following commitments to the Board of Governors of the Federal Reserve System (“Board”):

1. M&T will not use or attempt to use its rights under the restrictive covenants in sections 5.2(f), (h), (k), (m), (n), and (q) of the Agreement and Plan of Merger by and among M&T, Bridge Merger Corp., and People’s United, dated as of February 21, 2021, to exercise control (as defined in section 2(a)(2) of the BHC Act, 12 U.S.C. § 1841(a)(2)) over the management or policies of People’s United prior to consummation of the transaction.

M&T also commits that it will promptly provide an executed copy of these commitments to People’s United.

M&T acknowledges that these commitments constitute conditions imposed in writing in connection with the Board’s findings and decisions related to the Applications and, as such, may be enforced in proceedings under applicable law.

M&T Bank Corporation

By: _____
Name:
Title:
Date:

APPENDIX B

Clarifying criteria to identify credit facilities (approximating FR Y-14Q report) to include in state-level aggregates.¹

- a. Obligor is a domestic commercial for-profit nonfinancial entity (“qualifying obligor”).
 - Exclude entities domiciled outside the U.S. (defined in the FR Y-9C Glossary).
 - Exclude nonprofit entities.
 - Exclude obligors with a NAICS code beginning with 52 (Finance and Insurance), or 5312 (Real Estate Agents and Brokers), or 551111 (Offices of Bank or Intermediate Holding Companies).
 - Exclude “Natural Person” obligors (including individuals doing business as (DBA) another entity where the primary source of repayment analyzed is the personal credit of the natural person behind the DBA).
- b. Obligor is not a small business² and facility is not a small business loan.
 - Exclude small business loans as defined in the consolidated holding company’s normal course of business. And exclude loans guaranteed by the Small Business Administration.
- c. Obligor has \$1 million or more in total committed credit³ with the consolidated holding company.

¹ Criteria (a), (b), and (c) summarize or simplify applicable FR Y-14Q reporting instructions, see p. 159-163 and p. 219-221 of “Instructions for the Capital Assessments and Stress Testing information collection (Reporting Form FR Y-14Q)” December 2020. OMB No. 7100-0341. https://www.federalreserve.gov/reportforms/forms/FR_Y-14Q20201231_i.pdf.

² For the sake of this calculation: (taking from p. 160 of OMB No. 7100-0341) the differentiating factor between qualifying loans and small business loans is how the consolidated holding company evaluates the creditworthiness of the borrower. For qualifying facilities, banks typically look at the commercial operations process (an internal risk rating or a commercial grading) to assess credit risk. Qualifying facilities are those which are “graded” or “rated” using the consolidated holding company’s commercial credit rating system, as it is defined in the consolidated holding company’s normal course of business. For small business lending, banks typically look at the credit score of the borrower (scored rating) and/or use delinquency management. Therefore, exclude from your calculations small business loans that are “scored” or “delinquency managed” for which a commercial internal risk rating is not used.

³ Obligor may have more than one credit facility with the holding company. See p. 161 of OMB No. 7100-0341. The \$1 million dollar reporting threshold applies to any set of

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- d. Exclude all credit card / charge card loans.
- e. If a measure of obligor revenue⁴ is available, include facilities with obligors having between \$10 million and \$5 billion in revenue. Classify obligors as having (i) \$10 million to \$250 million and (ii) \$250 million and \$5 billion in revenue.
 - If criteria (a), (b) and (c) are met but a measure of obligor revenue is unavailable, include facilities with committed exposure between \$1M and \$1B. Categorize these facilities with revenue bucket (i) for the sake of state-level totals.

commitments where the sum of those commitments, governed under one common credit agreement, is greater than or equal to \$1 million.

⁴ Whenever available, a bank-internal data field “Revenue” suffices for the sake of this classification. *See* p. 192 of OMB No. 7100-0341. The measure of revenue or sales should approximate gross sales of the entity reduced by cash discounts, trade discounts, and returned sales and allowances for which credit is given to customers less returns and allowances, freight out, and cash discounts allowed for the designated period.