

M&T BANK CORP  
Form 10-Q  
May 02, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2019

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-9861

M&T BANK CORPORATION

(Exact name of registrant as specified in its charter)

New York	16-0968385
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)

One M & T Plaza

Buffalo, New York	14203
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code:

(716) 635-4000

Securities registered pursuant to Section 12(b) of the Act:

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Title of Each Class	Trading Symbols	Name of Each Exchange on Which Registered
Common Stock, \$.50 par value	MTB	New York Stock Exchange
6.375% Cumulative Perpetual Preferred Stock, Series A, \$1,000 liquidation preference per share	MTBPr	New York Stock Exchange
6.375% Cumulative Perpetual Preferred Stock, Series C, \$1,000 liquidation preference per share	MTBPrC	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

<input type="checkbox"/>	Large accelerated filer	<input type="checkbox"/>	Accelerated filer
<input type="checkbox"/>	Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company
<input type="checkbox"/>	Emerging growth company		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes No

Number of shares of the registrant's Common Stock, \$.50 par value, outstanding as of the close of business on April 26, 2019: 136,622,163 shares.

M&T BANK CORPORATION

FORM 10-Q

For the Quarterly Period Ended March 31, 2019

Table of Contents of Information Required in Report Page

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements.

CONSOLIDATED BALANCE SHEET – March 31, 2019 and December 31, 2018 3

CONSOLIDATED STATEMENT OF INCOME – Three months ended March 31, 2019 and 2018 4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – Three months ended March 31, 2019 and 2018 5

CONSOLIDATED STATEMENT OF CASH FLOWS – Three months ended March 31, 2019 and 2018 6

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY – Three months ended March 31, 2019 and 2018 7

NOTES TO FINANCIAL STATEMENTS 8

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. 47

Item 3. Quantitative and Qualitative Disclosures About Market Risk. 78

Item 4. Controls and Procedures. 78

Part II. OTHER INFORMATION

Item 1. Legal Proceedings. 78

Item Risk Factors.  
1A. 79

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds. 79

Item 3. Defaults Upon Senior Securities. 79

Item 4. Mine Safety Disclosures. 79

Item 5. Other Information. 79

Item 6. <u>Exhibits.</u>	80
<u>SIGNATURES</u>	80

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements.

## M&amp;T BANK CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET (Unaudited)

(Dollars in thousands, except per share)	March 31, 2019	December 31, 2018
<b>Assets</b>		
Cash and due from banks	\$1,267,260	\$1,605,439
Interest-bearing deposits at banks	7,602,897	8,105,197
Trading account	276,322	185,584
Investment securities (includes pledged securities that can be sold or repledged of \$471,572 at March 31, 2019; \$487,365 at December 31, 2018) Available for sale (cost: \$8,398,686 at March 31, 2019; \$8,869,423 at December 31, 2018)	8,325,584	8,682,509
Held to maturity (fair value: \$3,699,596 at March 31, 2019; \$3,255,483 at December 31, 2018)	3,714,699	3,316,640
Equity and other securities (cost: \$468,232 at March 31, 2019; \$677,187 at December 31, 2018)	496,557	693,664
<b>Total investment securities</b>	<b>12,536,840</b>	<b>12,692,813</b>
Loans and leases	88,897,260	88,733,492
Unearned discount	(257,377 )	(267,015 )
Loans and leases, net of unearned discount	88,639,883	88,466,477
Allowance for credit losses	(1,019,337 )	(1,019,444 )
Loans and leases, net	87,620,546	87,447,033
Premises and equipment	1,044,761	647,408
Goodwill	4,593,112	4,593,112
Core deposit and other intangible assets	43,947	47,067
Accrued interest and other assets	5,039,520	4,773,750
<b>Total assets</b>	<b>\$120,025,205</b>	<b>\$120,097,403</b>
<b>Liabilities</b>		
Noninterest-bearing deposits	\$29,966,753	\$32,256,668
Savings and interest-checking deposits	52,932,297	50,963,744
Time deposits	6,501,509	6,124,254
Deposits at Cayman Islands office	1,069,191	811,906
<b>Total deposits</b>	<b>90,469,750</b>	<b>90,156,572</b>
Short-term borrowings	3,602,566	4,398,378
Accrued interest and other liabilities	1,889,336	1,637,348
Long-term borrowings	8,476,024	8,444,914
<b>Total liabilities</b>	<b>104,437,676</b>	<b>104,637,212</b>
Shareholders' equity		
Preferred stock, \$1.00 par, 1,000,000 shares authorized;	1,231,500	1,231,500

Issued and outstanding: Liquidation preference of \$1,000 per share: 731,500 shares at March 31, 2019 and December 31, 2018;		
Liquidation preference of \$10,000 per share: 50,000 shares at March 31, 2019 and December 31, 2018		
Common stock, \$.50 par, 250,000,000 shares authorized, 159,741,898 shares issued at March 31, 2019;		
159,765,044 shares issued at December 31, 2018	79,871	79,883
Common stock issuable, 21,324 shares at March 31, 2019;		
24,563 shares at December 31, 2018	1,514	1,726
Additional paid-in capital	6,568,480	6,579,342
Retained earnings	11,842,371	11,516,672
Accumulated other comprehensive income (loss), net	(288,009 )	(420,081 )
Treasury stock — common, at cost — 23,126,505 shares at March 31, 2019;		
21,255,275 shares at December 31, 2018	(3,848,198 )	(3,528,851 )
Total shareholders' equity	15,587,529	15,460,191
Total liabilities and shareholders' equity	\$ 120,025,205	\$ 120,097,403

See accompanying notes to financial statements.

## M&amp;T BANK CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF INCOME (Unaudited)

(In thousands, except per share)	Three Months Ended	
	March 31	
	2019	2018
Interest income		
Loans and leases, including fees	\$1,117,913	\$979,969
Investment securities		
Fully taxable	80,411	82,852
Exempt from federal taxes	95	248
Deposits at banks	27,407	18,677
Other	483	404
Total interest income	1,226,309	1,082,150
Interest expense		
Savings and interest-checking deposits	76,138	40,527
Time deposits	21,081	10,936
Deposits at Cayman Islands office	4,738	381
Short-term borrowings	6,713	883
Long-term borrowings	67,579	53,906
Total interest expense	176,249	106,633
Net interest income	1,050,060	975,517
Provision for credit losses	22,000	43,000
Net interest income after provision for credit losses	1,028,060	932,517
Other income		
Mortgage banking revenues	95,311	87,306
Service charges on deposit accounts	103,112	105,115
Trust income	132,786	131,375
Brokerage services income	12,476	13,392
Trading account and foreign exchange gains	10,802	4,637
Gain (loss) on bank investment securities	11,841	(9,431 )
Other revenues from operations	134,437	126,302
Total other income	500,765	458,696
Other expense		
Salaries and employee benefits	499,200	463,428
Equipment and net occupancy	79,347	74,797
Outside data processing and software	52,417	48,429
FDIC assessments	9,426	20,280
Advertising and marketing	20,275	16,248
Printing, postage and supplies	9,855	9,319
Amortization of core deposit and other intangible assets	5,020	6,632
Other costs of operations	218,808	294,211
Total other expense	894,348	933,344
Income before taxes	634,477	457,869
Income taxes	151,735	105,259
Net income	\$482,742	\$352,610
Net income available to common shareholders		
Basic	\$462,086	\$332,748

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Diluted	462,086	332,749
Net income per common share		
Basic	\$3.35	\$2.24
Diluted	3.35	2.23
Average common shares outstanding		
Basic	137,889	148,688
Diluted	137,920	148,905

See accompanying notes to financial statements.

- 4 -

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## M&amp;T BANK CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

(In thousands)	Three Months Ended March 31	
	2019	2018
Net income	\$482,742	352,610
Other comprehensive income (loss), net of tax and reclassification adjustments:		
Net unrealized gains (losses) on investment securities	84,591	(100,684)
Cash flow hedges adjustments	44,921	(10,442 )
Foreign currency translation adjustment	275	1,290
Defined benefit plans liability adjustments	2,285	7,260
Total other comprehensive income (loss)	132,072	(102,576)
Total comprehensive income	\$614,814	250,034

See accompanying notes to financial statements.

## M&amp;T BANK CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

(In thousands)	Three Months Ended	
	March 31	2018
Cash flows from operating activities		
Net income	\$482,742	\$352,610
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for credit losses	22,000	43,000
Depreciation and amortization of premises and equipment	50,982	27,281
Amortization of capitalized servicing rights	16,170	11,656
Amortization of core deposit and other intangible assets	5,020	6,632
Provision for deferred income taxes	13,441	(124,772 )
Asset write-downs	1,919	3,192
Net gain on sales of assets	(5,171 )	(4,547 )
Net change in accrued interest receivable, payable	(35,071 )	(14,803 )
Net change in other accrued income and expense	(171,304 )	165,114
Net change in loans originated for sale	202,670	(72,403 )
Net change in trading account assets and liabilities	(170,092 )	91,219
Net cash provided by operating activities	413,306	484,179
Cash flows from investing activities		
Proceeds from sales of investment securities		
Available for sale	—	100
Equity and other securities	312,743	254,860
Proceeds from maturities of investment securities		
Available for sale	371,714	349,294
Held to maturity	99,960	123,923
Purchases of investment securities		
Available for sale	(1,595 )	(100 )
Held to maturity	(495,277 )	—
Equity and other securities	(103,795 )	(288,259 )
Net (increase) decrease in loans and leases	(412,670 )	303,886
Net (increase) decrease in interest-bearing deposits at banks	502,300	(1,056,531)
Capital expenditures, net	(30,710 )	(9,544 )
Net decrease in loan servicing advances	22,891	115,163
Other, net	5,700	(41,322 )
Net cash provided (used) by investing activities	271,261	(248,530 )
Cash flows from financing activities		
Net increase (decrease) in deposits	313,849	(1,484,629)
Net increase (decrease) in short-term borrowings	(795,812 )	1,451,030
Proceeds from long-term borrowings	—	999,594
Payments on long-term borrowings	(1,139 )	(504,192 )
Purchases of treasury stock	(365,628 )	(720,966 )
Dividends paid — common	(139,595 )	(112,318 )
Dividends paid — preferred	(17,368 )	(17,368 )
Other, net	(17,053 )	24,976
Net cash used by financing activities	(1,022,746)	(363,873 )

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Net decrease in cash, cash equivalents and restricted cash	(338,179 )	(128,224 )
Cash, cash equivalents and restricted cash at beginning of period	1,605,439	1,420,888
Cash, cash equivalents and restricted cash at end of period	\$1,267,260	\$1,292,664
Supplemental disclosure of cash flow information		
Interest received during the period	\$1,194,023	\$1,077,676
Interest paid during the period	191,309	118,342
Income taxes paid during the period	149,548	37,999
Supplemental schedule of noncash investing and financing activities		
Real estate acquired in settlement of loans	\$24,840	\$15,410
Securitization of residential mortgage loans allocated to		
Available-for-sale investment securities	\$5,379	\$5,128
Capitalized servicing rights	83	64
Adoption of lease accounting standard		
Right-of-use assets	\$393,877	\$—
Other liabilities	398,810	—
Additions to right-of-use assets under operating leases	20,410	—

See accompanying notes to financial statements.

## M&amp;T BANK CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

	Preferred	Common	Common Stock	Additional Paid-in	Retained	Accumulated Other Comprehensive Income	Treasury	Total
Dollars in thousands, except per share	Stock	Stock	Issuable	Capital	Earnings	(Loss), Net	Stock	
2018								
Balance —								
January 1, 2018	\$1,231,500	79,909	1,847	6,590,855	10,164,804	(363,814 )	(1,454,282)	\$16,250,819
Cumulative effect of change in								
accounting principle — equity								
securities	—	—	—	—	16,853	(16,853 )	—	—
Total comprehensive income	—	—	—	—	352,610	(102,576 )	—	250,034
Preferred stock cash dividends (a)	—	—	—	—	(18,130 )	—	—	(18,130 )
Exercise of 36,974 Series A stock								
warrants into 22,553 shares of								
common stock	—	—	—	(3,455 )	—	—	3,455	—
Purchases of treasury stock	—	—	—	—	—	—	(720,966 )	(720,966 )
Stock-based compensation plans:								
Compensation expense, net	—	(25 )	—	(15,362 )	—	—	21,220	5,833
Exercises of stock options, net	—	—	—	(1,945 )	—	—	44,045	42,100
	—	—	—	2,358	—	—	8,766	11,124

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Stock purchase plan									
Directors' stock plan	—	—	—	74	—	—	515	589	
Deferred compensation plans, net,									
including dividend equivalents	—	—	(172 )	(244 )	(18 )	—	386	(48 )	
Common stock cash dividends —									
\$.75 per share	—	—	—	—	(111,661 )	—	—	(111,661 )	
Balance —									
March 31, 2018	\$1,231,500	79,884	1,675	6,572,281	10,404,458	(483,243 )	(2,096,861)	\$15,709,694	
2019									
Balance —									
January 1, 2019	\$1,231,500	79,883	1,726	6,579,342	11,516,672	(420,081 )	(3,528,851)	\$15,460,191	
Total comprehensive income	—	—	—	—	482,742	132,072	—	614,814	
Preferred stock cash dividends (a)	—	—	—	—	(18,130 )	—	—	(18,130 )	
Purchases of treasury stock	—	—	—	—	—	—	(365,628 )	(365,628 )	
Stock-based compensation plans:									
Compensation expense, net	—	(12 )	—	(7,606 )	—	—	25,738	18,120	
Exercises of stock options, net	—	—	—	(2,818 )	—	—	7,545	4,727	
Stock purchase plan	—	—	—	(67 )	—	—	11,899	11,832	
Directors' stock plan	—	—	—	(84 )	—	—	613	529	
Deferred compensation plans, net,									
including dividend equivalents	—	—	(212 )	(316 )	(22 )	—	486	(64 )	
Performance share unit dividends	—	—	—	29	(29 )	—	—	—	
	—	—	—	—	(138,862 )	—	—	(138,862 )	

Common stock  
cash dividends —

\$1.00 per  
share

Balance —

March 31, 2019	\$1,231,500	79,871	1,514	6,568,480	11,842,371	(288,009 )	(3,848,198)	\$15,587,529
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(a) For each of the three-month periods ended March 31, 2019 and 2018, dividends per preferred share were: Preferred Series A- \$15.9375; Preferred Series C - \$15.9375; Preferred Series E - \$16.125; and Preferred Series F - \$128.125.

See accompanying notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

## 1. Significant accounting policies

The consolidated interim financial statements of M&T Bank Corporation (“M&T”) and subsidiaries (“the Company”) were compiled in accordance with generally accepted accounting principles (“GAAP”) using the accounting policies set forth in note 1 of Notes to Financial Statements included in Form 10-K for the year ended December 31, 2018 (“2018 Annual Report”), except that effective January 1, 2019 the Company adopted accounting guidance that is discussed in notes 3, 4 and 16 herein. The financial statements contain all adjustments which are, in the opinion of management, necessary for a fair statement of the Company’s financial position, results of operations and cash flows for the interim periods presented.

## 2. Investment securities

On January 1, 2018, the Company adopted amended guidance requiring equity investments with readily determinable fair values to be measured at fair value with changes in fair value recognized in the consolidated statement of income. This amended guidance excludes equity method investments, investments in consolidated subsidiaries, exchange membership ownership interests, and Federal Home Loan Bank of New York and Federal Reserve Bank of New York capital stock. Upon adoption the Company reclassified \$17 million, after-tax effect, from accumulated other comprehensive income to retained earnings, representing the difference between fair value and the cost basis of equity investments with readily determinable fair values at January 1, 2018.

The amortized cost and estimated fair value of investment securities were as follows:

	Amortized Cost (In thousands)	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<b>March 31, 2019</b>				
Investment securities available for sale:				
U.S. Treasury and federal agencies	\$1,144,288	\$ 4	\$ 4,864	\$1,139,428
Obligations of states and political subdivisions	1,181	4	4	1,181
Mortgage-backed securities:				
Government issued or guaranteed	7,115,459	29,959	91,511	7,053,907
Privately issued	16	—	—	16
Other debt securities	137,742	1,249	7,939	131,052
	8,398,686	31,216	104,318	8,325,584
Investment securities held to maturity:				
U.S. Treasury and federal agencies	944,230	735	15	944,950
Obligations of states and political subdivisions	6,810	27	—	6,837
Mortgage-backed securities:				
Government issued or guaranteed	2,652,219	11,876	19,472	2,644,623
Privately issued	107,858	12,806	21,060	99,604

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Other debt securities	3,582	—	—	3,582
	3,714,699	25,444	40,547	3,699,596
Total debt securities	\$12,113,385	\$ 56,660	\$ 144,865	\$12,025,180
Equity and other securities:				
Readily marketable equity — at fair value	\$48,261	\$ 28,913	\$ 588	\$76,586
Other — at cost	419,971	—	—	419,971
Total equity and other securities	\$468,232	\$ 28,913	\$ 588	\$496,557

- 8 -

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

## 2. Investment securities, continued

	Amortized Cost (In thousands)	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<b>December 31, 2018</b>				
Investment securities available for sale:				
U.S. Treasury and federal agencies	\$1,346,782	\$ —	\$ 9,851	\$1,336,931
Obligations of states and political subdivisions	1,660	4	5	1,659
Mortgage-backed securities:				
Government issued or guaranteed	7,383,340	15,754	182,103	7,216,991
Privately issued	24	—	2	22
Other debt securities	137,617	770	11,481	126,906
	8,869,423	16,528	203,442	8,682,509
Investment securities held to maturity:				
U.S. Treasury and federal agencies	446,542	—	239	446,303
Obligations of states and political subdivisions	7,494	22	12	7,504
Mortgage-backed securities:				
Government issued or guaranteed	2,745,776	4,165	55,111	2,694,830
Privately issued	113,160	12,345	22,327	103,178
Other debt securities	3,668	—	—	3,668
	3,316,640	16,532	77,689	3,255,483
Total debt securities	\$12,186,063	\$ 33,060	\$ 281,131	\$11,937,992
Equity and other securities:				
Readily marketable equity — at fair value	\$77,440	\$ 17,295	\$ 818	\$93,917
Other — at cost	599,747	—	—	599,747
Total equity and other securities	\$677,187	\$ 17,295	\$ 818	\$693,664

There were no significant gross realized gains or losses from sales of investment securities for the quarters ended March 31, 2019 and 2018. Net unrealized gains recorded as gain (loss) on bank investment securities in the consolidated statement of income during the three months ended March 31, 2019 were \$12 million, compared with losses of \$9 million during the three months ended March 31, 2018.

At March 31, 2019, the amortized cost and estimated fair value of debt securities by contractual maturity were as follows:

	Amortized Cost (In thousands)	Estimated Fair Value
<b>Debt securities available for sale:</b>		

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Due in one year or less	\$1,141,640	1,136,864
Due after one year through five years	9,470	9,355
Due after five years through ten years	102,101	99,642
Due after ten years	30,000	25,800
	1,283,211	1,271,661
Mortgage-backed securities available for sale	7,115,475	7,053,923
	\$8,398,686	8,325,584
Debt securities held to maturity:		
Due in one year or less	\$947,176	947,905
Due after one year through five years	3,864	3,882
Due after ten years	3,582	3,582
	954,622	955,369
Mortgage-backed securities held to maturity	2,760,077	2,744,227
	\$3,714,699	3,699,596

- 9 -

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

## 2. Investment securities, continued

A summary of investment securities that as of March 31, 2019 and December 31, 2018 had been in a continuous unrealized loss position for less than twelve months and those that had been in a continuous unrealized loss position for twelve months or longer follows:

	Less Than 12 Months		12 Months or More	
	Fair	Unrealized	Fair	Unrealized
	Value	Losses	Value	Losses
	(In thousands)			
<b>March 31, 2019</b>				
Investment securities available for sale:				
U.S. Treasury and federal agencies	\$274	(1 )	1,137,550	(4,863 )
Obligations of states and political subdivisions	—	—	507	(4 )
Mortgage-backed securities:				
Government issued or guaranteed	18,447	(111 )	5,076,762	(91,400 )
Other debt securities	36,500	(294 )	67,662	(7,645 )
	55,221	(406 )	6,282,481	(103,912 )
Investment securities held to maturity:				
U.S. Treasury and federal agencies	249,082	(15 )	—	—
Mortgage-backed securities:				
Government issued or guaranteed	—	—	1,620,580	(19,472 )
Privately issued	—	—	51,091	(21,060 )
	249,082	(15 )	1,671,671	(40,532 )
<b>Total</b>	<b>\$304,303</b>	<b>(421 )</b>	<b>7,954,152</b>	<b>(144,444 )</b>
<b>December 31, 2018</b>				
Investment securities available for sale:				
U.S. Treasury and federal agencies	\$273	(2 )	1,335,559	(9,849 )
Obligations of states and political subdivisions	629	(5 )	—	—
Mortgage-backed securities:				
Government issued or guaranteed	405,558	(2,892 )	5,646,773	(179,211 )
Privately issued	22	(2 )	—	—
Other debt securities	53,478	(2,187 )	66,014	(9,294 )
	459,960	(5,088 )	7,048,346	(198,354 )
Investment securities held to maturity:				
U.S. Treasury and federal agencies	446,303	(239 )	—	—
Obligations of states and political subdivisions	—	—	3,126	(12 )
Mortgage-backed securities:				
Government issued or guaranteed	179,354	(989 )	2,082,723	(54,122 )
Privately issued	—	—	51,943	(22,327 )
	625,657	(1,228 )	2,137,792	(76,461 )

Total	\$1,085,617	(6,316 )	9,186,138	(274,815 )
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The Company owned 1,166 individual debt securities with aggregate gross unrealized losses of \$145 million at March 31, 2019. Based on a review of each of the securities in the investment securities portfolio at March 31, 2019, the Company concluded that it expected to recover the amortized cost basis of its investment. As of March 31, 2019, the Company does not intend to sell nor is it anticipated that it would be required to sell any of its impaired investment securities at a loss. At March 31, 2019, the Company has not identified events or changes in circumstances which may have a significant adverse effect on the fair value of the \$420 million of cost method equity securities.

- 10 -

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

## 3. Loans and leases and the allowance for credit losses

A summary of current, past due and nonaccrual loans as of March 31, 2019 and December 31, 2018 follows:

			30-89 Days	Due 90 Days or More (a)	Accruing Loans Past Due 90 days or More (b)	Acquired at Discount Past Due Purchased	Impaired (c)	Nonaccrual	Total
	Current (In thousands)	Past Due							
<b>March 31, 2019</b>									
Commercial, financial, leasing, etc.	\$22,701,500	141,555	1,047	283	—	245,819			\$23,090,204
<b>Real estate:</b>									
Commercial	25,441,419	159,209	7,394	158	10,305	207,709			25,826,194
Residential builder and developer	1,738,846	2,190	—	—	549	4,392			1,745,977
Other commercial construction	7,036,036	31,152	31,032	—	640	19,899			7,118,759
Residential	13,337,558	406,106	199,940	6,425	187,631	210,266			14,347,926
Residential — limited documentation	2,186,132	71,354	—	—	79,658	84,863			2,422,007
<b>Consumer:</b>									
Home equity lines and loans	4,634,634	31,145	—	4,871	—	69,245			4,739,895
Recreational finance	4,295,732	22,549	—	235	—	10,972			4,329,488
Automobile	3,619,015	62,846	—	—	—	21,209			3,703,070
Other	1,257,839	14,420	4,844	32,023	—	7,237			1,316,363
<b>Total</b>	<b>\$86,248,711</b>	<b>942,526</b>	<b>244,257</b>	<b>43,995</b>	<b>278,783</b>	<b>881,611</b>			<b>\$88,639,883</b>
<b>December 31, 2018</b>									
Commercial, financial, leasing, etc.	\$22,701,020	39,798	2,567	168	—	234,423			\$22,977,976
<b>Real estate:</b>									
Commercial	25,250,983	134,474	11,457	10	9,769	203,672			25,610,365

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Residential builder and developer	1,665,178	20,333	—	—	—	4,798	1,690,309
Other commercial construction	6,982,077	43,615	14,344	—	641	22,205	7,062,882
Residential	13,591,790	404,808	189,682	6,650	203,044	233,352	14,629,326
Residential — limited documentation	2,278,040	72,544	—	—	89,851	84,685	2,525,120
Consumer:							
Home equity lines and loans	4,758,513	25,416	—	5,033	—	71,292	4,860,254
Recreational finance	4,085,781	29,947	—	235	—	11,199	4,127,162
Automobile	3,555,757	79,804	—	—	—	23,359	3,658,920
Other	1,271,811	15,598	4,477	27,654	—	4,623	1,324,163
Total	\$86,140,950	866,337	222,527	39,750	303,305	893,608	\$88,466,477

(a) Excludes loans acquired at a discount.

(b) Loans acquired at a discount that were recorded at fair value at acquisition date. This category does not include purchased impaired loans that are presented separately.

(c) Accruing loans acquired at a discount that were impaired at acquisition date and recorded at fair value.

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

## 3. Loans and leases and the allowance for credit losses, continued

One-to-four family residential mortgage loans held for sale were \$178 million and \$205 million at March 31, 2019 and December 31, 2018, respectively. Commercial real estate loans held for sale were \$166 million at March 31, 2019 and \$347 million at December 31, 2018.

The outstanding principal balance and the carrying amount of loans acquired at a discount that were recorded at fair value at the acquisition date and included in the consolidated balance sheet were as follows:

	March 31, 2019	December 31, 2018
	(In thousands)	
Outstanding principal balance	\$960,990	\$ 1,016,785
Carrying amount:		
Commercial, financial, leasing, etc.	25,060	27,073
Commercial real estate	125,310	135,047
Residential real estate	442,260	473,511
Consumer	93,486	91,860
	\$686,116	\$ 727,491

Purchased impaired loans included in the table above totaled \$279 million at March 31, 2019 and \$303 million at December 31, 2018, representing less than 1% of the Company's assets as of each date. A summary of changes in the accretable yield for loans acquired at a discount for the three months ended March 31, 2019 and 2018 follows:

	Three Months Ended March 31			
	2019		2018	
	Purchased Impaired	Other Acquired	Purchased Impaired	Other Acquired
	(In thousands)			
Balance at beginning of period	\$ 147,210	\$ 96,907	\$ 157,918	\$ 133,162
Interest income	(18,082 )	(9,717 )	(9,819 )	(15,112 )
Reclassifications from nonaccretable balance	11,189	4,865	908	207
Other (a)	—	1,632	—	(73 )
Balance at end of period	\$ 140,317	\$ 93,687	\$ 149,007	\$ 118,184

(a) Other changes in expected cash flows including changes in interest rates and prepayment assumptions. Changes in the allowance for credit losses for the three months ended March 31, 2019 were as follows:

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Commercial,

Financial, Real Estate

Leasing,

etc. Commercial Residential Consumer Unallocated Total

(In thousands)

Beginning balance	\$330,055	341,655	69,125	200,564	78,045	\$1,019,444
Provision for credit losses	6,271	(4,203 )	(2,447 )	22,883	(504 )	22,000
Net charge-offs						
Charge-offs	(8,500 )	(283 )	(3,372 )	(32,945 )	—	(45,100 )
Recoveries	7,794	826	1,830	12,543	—	22,993
Net (charge-offs) recoveries	(706 )	543	(1,542 )	(20,402 )	—	(22,107 )
Ending balance	\$335,620	337,995	65,136	203,045	77,541	\$1,019,337

- 12 -



## NOTES TO FINANCIAL STATEMENTS, CONTINUED

## 3. Loans and leases and the allowance for credit losses, continued

Changes in the allowance for credit losses for the three months ended March 31, 2018 were as follows:

	Commercial, Financial, Leasing, etc.	Commercial Real Estate	Commercial Residential	Consumer	Unallocated	Total
	(In thousands)					
Beginning balance	\$328,599	374,085	65,405	170,809	78,300	\$1,017,198
Provision for credit losses	7,230	(5,225 )	10,486	29,814	695	43,000
Net charge-offs						
Charge-offs	(14,581 )	(1,366 )	(4,354 )	(36,451 )	—	(56,752 )
Recoveries	4,823	223	1,510	9,669	—	16,225
Net (charge-offs) recoveries	(9,758 )	(1,143 )	(2,844 )	(26,782 )	—	(40,527 )
Ending balance	\$326,071	367,717	73,047	173,841	78,995	\$1,019,671

Despite the allocation in the preceding tables, the allowance for credit losses is general in nature and is available to absorb losses from any loan or lease type.

In establishing the allowance for credit losses, the Company estimates losses attributable to specific troubled credits identified through both normal and targeted credit review processes and also estimates losses inherent in other loans and leases on a collective basis. For purposes of determining the level of the allowance for credit losses, the Company evaluates its loan and lease portfolio by loan type. The amounts of loss components in the Company's loan and lease portfolios are determined through a loan-by-loan analysis of larger balance commercial loans and commercial real estate loans that are in nonaccrual status and by applying loss factors to groups of loan balances based on loan type and management's classification of such loans under the Company's loan grading system. Measurement of the specific loss components is typically based on expected future cash flows, collateral values and other factors that may impact the borrower's ability to pay. In determining the allowance for credit losses, the Company utilizes a loan grading system which is applied to commercial and commercial real estate credits on an individual loan basis. Loan grades are assigned loss component factors that reflect the Company's loss estimate for each group of loans and leases. Factors considered in assigning loan grades and loss component factors include borrower-specific information related to expected future cash flows and operating results, collateral values, geographic location, financial condition and performance, payment status, and other information; levels of and trends in portfolio charge-offs and recoveries; levels of and trends in portfolio delinquencies and impaired loans; changes in the risk profile of specific portfolios; trends in volume and terms of loans; effects of changes in credit concentrations; and observed trends and practices in the banking industry.

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

## 3. Loans and leases and the allowance for credit losses, continued

Information with respect to loans and leases that were considered impaired as of March 31, 2019 and December 31, 2018 and for the three-month periods ended March 31, 2019 and 2018 follows.

	March 31, 2019			December 31, 2018		
	Unpaid			Unpaid		
	Recorded	Principal	Related	Recorded	Principal	Related
	Investment Balance		Allowance	Investment Balance		Allowance
	(In thousands)					
With an allowance recorded:						
Commercial, financial, leasing, etc.	\$201,337	220,116	50,192	153,478	175,549	46,034
Real estate:						
Commercial	102,247	119,062	10,449	110,253	125,117	11,937
Residential builder and developer	6,805	7,399	327	5,981	6,557	462
Other commercial construction	10,696	13,624	703	10,563	11,113	640
Residential	121,351	142,872	5,291	124,974	147,817	5,402
Residential — limited documentation	71,113	86,276	3,000	74,156	90,066	3,000
Consumer:						
Home equity lines and loans	47,363	52,583	9,025	47,982	53,248	9,135
Recreational finance	5,539	5,740	1,147	6,138	9,163	1,261
Automobile	3,522	3,603	729	3,527	3,599	729
Other	5,612	11,902	1,128	5,203		