

M&T BANK CORP  
Form 10-Q  
August 02, 2018

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 June 30, 2018

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)

(716) 635-4000

(Registrant's telephone number, including area code)

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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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company) Smaller reporting company

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, \$0.50 par value, outstanding as of the close of business on July 27, 2018: 143,790,862 shares.

M&T BANK CORPORATION

FORM 10-Q

For the Quarterly Period Ended June 30, 2018

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## 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		June 30, 2018	December 31, 2017
<b>Assets</b>	Cash and due from banks	\$ 1,367,594	\$ 1,420,888
	Interest-bearing deposits at banks	6,669,985	5,078,903
	Federal funds sold	1,500	—
	Trading account	148,303	132,909
	Investment securities (includes pledged securities that can be sold or repledged of \$473,505 at June 30, 2018; \$487,151 at December 31, 2017) Available for sale (cost: \$9,912,160 at June 30, 2018; \$10,938,796 at December 31, 2017)	9,658,846	10,896,284
	Held to maturity (fair value: \$3,022,329 at June 30, 2018; \$3,341,762 at December 31, 2017)	3,101,095	3,353,213
	Equity and other securities (cost: \$507,389 at June 30, 2018; \$415,028 at December 31, 2017)	523,061	415,028
	<b>Total investment securities</b>	<b>13,283,002</b>	<b>14,664,525</b>
	Loans and leases	88,059,392	88,242,886
	Unearned discount	(261,942 )	(253,903 )
	Loans and leases, net of unearned discount	87,797,450	87,988,983
	Allowance for credit losses	(1,019,248 )	(1,017,198 )
	Loans and leases, net	86,778,202	86,971,785
	Premises and equipment	637,809	646,451
	Goodwill	4,593,112	4,593,112
	Core deposit and other intangible assets	58,569	71,589
	Accrued interest and other assets	4,887,977	5,013,325
	<b>Total assets</b>	<b>\$ 118,426,053</b>	<b>\$ 118,593,487</b>
<b>Liabilities</b>	Noninterest-bearing deposits	\$ 32,086,191	\$ 33,975,180
	Savings and interest-checking deposits	51,107,290	51,698,008
	Time deposits	5,817,680	6,580,962
	Deposits at Cayman Islands office	261,427	177,996
	<b>Total deposits</b>	<b>89,272,588</b>	<b>92,432,146</b>
	Short-term borrowings	3,239,416	175,099
	Accrued interest and other liabilities	1,953,848	1,593,993
	Long-term borrowings	8,382,316	8,141,430
	<b>Total liabilities</b>	<b>102,848,168</b>	<b>102,342,668</b>

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Shareholders' equity	Preferred stock, \$1.00 par, 1,000,000 shares authorized;		
	Issued and outstanding: Liquidation preference of \$1,000 per share: 731,500 shares at June 30, 2018 and December 31, 2017; Liquidation preference of \$10,000 per share: 50,000 shares at June 30, 2018 and December 31, 2017	1,231,500	1,231,500
	Common stock, \$.50 par, 250,000,000 shares authorized, 159,767,147 shares issued at June 30, 2018;		
	159,817,518 shares issued at December 31, 2017	79,884	79,909
	Common stock issuable, 24,447 shares at June 30, 2018;		
	27,138 shares at December 31, 2017	1,691	1,847
	Additional paid-in capital	6,579,395	6,590,855
	Retained earnings	10,763,638	10,164,804
	Accumulated other comprehensive income (loss), net	(517,941 )	(363,814 )
	Treasury stock — common, at cost — 15,530,445 shares at June 30, 2018;		
	9,733,115 shares at December 31, 2017	(2,560,282 )	(1,454,282 )
	Total shareholders' equity	15,577,885	16,250,819
	Total liabilities and shareholders' equity	\$ 118,426,053	\$ 118,593,487

## M&amp;T BANK CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF INCOME (Unaudited)

In thousands, except per share		Three Months Ended		Six Months Ended	
		June 30 2018	2017	June 30 2018	2017
Interest income	Loans and leases, including fees	\$1,024,471	924,640	\$2,004,440	1,822,678
	Investment securities				
	Fully taxable	82,019	92,996	164,871	188,120
	Exempt from federal taxes	172	379	420	809
	Deposits at banks	21,869	12,213	40,546	24,375
	Other	374	185	778	464
	Total interest income	1,128,905	1,030,413	2,211,055	2,036,446
Interest expense	Savings and interest-checking deposits	48,738	30,543	89,265	56,177
	Time deposits	11,362	16,303	22,298	35,301
	Deposits at Cayman Islands office	542	281	923	546
	Short-term borrowings	1,383	378	2,266	594
	Long-term borrowings	58,093	44,708	111,999	91,368
	Total interest expense	120,118	92,213	226,751	183,986
	Net interest income	1,008,787	938,200	1,984,304	1,852,460
	Provision for credit losses	35,000	52,000	78,000	107,000
	Net interest income after provision for credit losses	973,787	886,200	1,906,304	1,745,460
Other income	Mortgage banking revenues	92,499	86,163	179,805	170,855
	Service charges on deposit accounts	106,784	106,057	211,899	210,233
	Trust income	137,641	126,797	269,016	246,812
	Brokerage services income	12,629	16,617	26,021	34,001
	Trading account and foreign exchange gains	5,255	8,084	9,892	17,775
	Gain (loss) on bank investment securities	2,326	(17 )	(7,105 )	(17 )
	Other revenues from operations	100,280	117,115	226,582	228,002
	Total other income	457,414	460,816	916,110	907,661
Other expense	Salaries and employee benefits	418,537	398,054	881,965	847,795
	Equipment and net occupancy	73,031	73,797	147,828	148,163
	Outside data processing and software	49,712	44,575	98,141	88,876
	FDIC assessments	19,560	25,353	39,840	54,180
	Advertising and marketing	21,768	16,324	38,016	32,434
	Printing, postage and supplies	8,719	8,957	18,038	18,665
	Amortization of core deposit and other intangible assets	6,388	8,113	13,020	16,533
	Other costs of operations	178,862	175,462	473,073	331,841
	Total other expense	776,577	750,635	1,709,921	1,538,487
	Income before taxes	654,624	596,381	1,112,493	1,114,634
	Income taxes	161,464	215,328	266,723	384,654
	Net income	\$493,160	381,053	\$845,770	729,980
	Net income available to common shareholders				

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Basic	\$472,598	360,658	\$805,338	689,208
Diluted	472,600	360,662	805,342	689,217
Net income per common share				
Basic	\$3.26	2.36	\$5.49	4.49
Diluted	3.26	2.35	5.48	4.47
Cash dividends per common share				
	\$.80	.75	\$1.55	1.50
Average common shares outstanding				
Basic	144,825	152,857	146,746	153,638
Diluted	144,998	153,276	146,941	154,108



## M&amp;T BANK CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

In thousands	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Net income	\$493,160	381,053	\$845,770	729,980
Other comprehensive income, net of tax and reclassification adjustments:				
Net unrealized gains (losses) on investment securities	(36,733 )	16,932	(137,417 )	15,576
Cash flow hedges adjustments	(2,569 )	(955 )	(13,011 )	(978 )
Foreign currency translation adjustment	(2,434 )	1,150	(1,144 )	1,626
Defined benefit plans liability adjustments	7,038	4,359	14,298	8,331
Total other comprehensive income (loss)	(34,698 )	21,486	(137,274 )	24,555
Total comprehensive income	\$458,462	402,539	\$708,496	754,535

## M&amp;T BANK CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

In thousands		Six Months Ended	
		June 30 2018	2017
<b>Cash flows from operating</b>			
activities	Net income	\$845,770	729,980
	Adjustments to reconcile net income to net cash provided by operating activities		
	Provision for credit losses	78,000	107,000
	Depreciation and amortization of premises and equipment	54,092	54,901
	Amortization of capitalized servicing rights	24,207	27,984
	Amortization of core deposit and other intangible assets	13,020	16,533
	Provision for deferred income taxes	(123,980 )	17,136
	Asset write-downs	5,237	8,797
	Net gain on sales of assets	(8,738 )	(21,272 )
	Net change in accrued interest receivable, payable	5,759	(6,350 )
	Net change in other accrued income and expense	255,124	50,660
	Net change in loans originated for sale	(756,003 )	545,864
	Net change in trading account assets and liabilities	128,754	92,054
	Net cash provided by operating activities	521,242	1,623,287
<b>Cash flows from investing</b>			
activities	Proceeds from sales of investment securities		
	Available for sale	418	512,129
	Equity and other securities	505,841	31,016
	Proceeds from maturities of investment securities		
	Available for sale	950,071	1,151,982
	Held to maturity	247,385	245,105
	Purchases of investment securities		
	Available for sale	(5,799 )	(244,449 )
	Held to maturity	—	(1,175,608)
	Equity and other securities	(520,040 )	(68,825 )
	Net decrease in loans and leases	859,071	1,134,470
	Net increase in interest-bearing deposits at banks	(1,591,082)	(23,191 )
	Capital expenditures, net	(37,116 )	(49,862 )
	Net decrease in loan servicing advances	262,947	104,289
	Other, net	(8,708 )	47,742
	Net cash provided by investing activities	662,988	1,664,798
<b>Cash flows from financing</b>			
activities	Net decrease in deposits	(3,157,898)	(1,949,877)
	Net increase in short-term borrowings	3,064,317	1,532,011
	Proceeds from long-term borrowings	999,594	898,200
	Payments on long-term borrowings	(706,370 )	(2,728,059)

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Purchases of treasury stock	(1,196,062)	(756,967 )
Dividends paid — common	(227,565 )	(230,652 )
Dividends paid — preferred	(36,260 )	(36,474 )
Other, net	24,220	8,662
Net cash used by financing activities	(1,236,024)	(3,263,156)
Net increase (decrease) in cash, cash equivalents and restricted cash	(51,794 )	24,929
Cash, cash equivalents and restricted cash at beginning of period	1,420,888	1,320,549
Cash, cash equivalents and restricted cash at end of period	\$ 1,369,094	1,345,478

Supplemental disclosure of cash

flow information	Interest received during the period	\$2,210,063	2,038,009
	Interest paid during the period	218,731	199,621
	Income taxes paid during the period	175,619	321,106

Supplemental schedule of

noncash investing and financing

activities	Real estate acquired in settlement of loans	\$36,418	57,202
	Securitization of residential mortgage loans allocated to Available-for-sale investment securities	10,303	10,025
	Capitalized servicing rights	150	106

## M&amp;T BANK CORPORATION AND SUBSIDIARIES

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

	Preferred	Common	Common	Additional	Retained	Accumulated Other Comprehensive Income	Treasury	Total
Dollars in thousands, except per share	Stock	Stock	Stock	Paid-in Capital	Earnings	(Loss), Net	Stock	
2017								
Balance —								
January 1, 2017	\$1,231,500	79,973	2,145	6,676,948	9,222,488	(294,636 )	(431,796 )	16,486,622
Total comprehensive income	—	—	—	—	729,980	24,555	—	754,535
Preferred stock cash dividends	—	—	—	—	(36,474 )	—	—	(36,474 )
Exercise of 146,157 Series A stock  warrants into 79,470 shares of  common stock	—	—	—	(10,443 )	—	—	10,443	—
Purchases of treasury stock	—	—	—	—	—	—	(756,967 )	(756,967 )
Stock-based compensation plans:								
Compensation expense, net	—	(62 )	—	(58,749 )	—	—	56,290	(2,521 )
Exercises of stock options, net	—	—	—	(5,354 )	—	—	62,428	57,074
Stock purchase plan	—	—	—	2,563	—	—	8,268	10,831
Directors' stock plan	—	—	—	173	—	—	792	965
Deferred compensation plans, net,  including dividend	—	—	(205 )	(208 )	(43 )	—	401	(55 )

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equivalents								
Common stock								
cash dividends —								
\$1.50 per								
share	—	—	—	—	(230,473 )	—	—	(230,473 )
Balance —								
June 30, 2017	\$1,231,500	79,911	1,940	6,604,930	9,685,478	(270,081 )	(1,050,141)	16,283,537
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	—	—	—	—	845,770	(137,274 )	—	708,496
Preferred stock								
cash dividends	—	—	—	—	(36,260 )	—	—	(36,260 )
Exercise of								
54,226 Series A								
stock								
warrants into								
32,668 shares of								
common stock	—	—	—	(5,123 )	—	—	5,123	—
Purchases of								
treasury stock	—	—	—	—	—	—	(1,196,062)	(1,196,062 )
Stock-based								
compensation								
plans:								
Compensation								
expense, net	—	(25 )	—	(6,194 )	—	—	21,665	15,446
Exercises of								
stock options,								
net	—	—	—	(2,402 )	—	—	53,073	50,671
Stock purchase								
plan	—	—	—	2,358	—	—	8,766	11,124
Directors' stock								
plan	—	—	—	149	—	—	1,043	1,192
Deferred	—	—	(156 )	(248 )	(37 )	—	392	(49 )
compensation								
plans, net,								

including dividend equivalents Common stock cash dividends —								
\$1.55 per share	—	—	—	—	(227,492 )	—	—	(227,492 )
Balance — June 30, 2018	\$1,231,500	79,884	1,691	6,579,395	10,763,638	(517,941 )	(2,560,282)	15,577,885

## NOTES TO FINANCIAL STATEMENTS

## 1. Significant accounting policies

The consolidated 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, 2017 (“2017 Annual Report”), except that effective January 1, 2018 the Company adopted amended accounting guidance that is discussed in notes 2, 15 and 16 herein. In the opinion of management, all adjustments necessary for a fair presentation have been made and were all of a normal recurring nature.

## 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. Net unrealized gains recorded as gain (loss) on bank investment securities in the consolidated statement of income during the three months ended June 30, 2018 were \$2 million and net unrealized losses during the six months ended June 30, 2018 were \$7 million. 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>June 30, 2018</b>				
Investment securities available for sale:				
U.S. Treasury and federal agencies	\$1,726,242	4	18,425	\$1,707,821
Obligations of states and political subdivisions	1,914	12	1	1,925
Mortgage-backed securities:				
Government issued or guaranteed	8,046,603	15,521	244,825	7,817,299
Privately issued	26	—	2	24
Other debt securities	137,375	2,225	7,823	131,777
	9,912,160	17,762	271,076	9,658,846
Investment securities held to maturity:				
Obligations of states and political subdivisions	13,547	57	20	13,584
Mortgage-backed securities:				
Government issued or guaranteed	2,960,045	4,539	71,183	2,893,401
Privately issued	122,906	11,451	23,610	110,747