

M&T BANK CORP  
Form 10-Q  
November 03, 2017

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 September 30, 2017

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, or a smaller reporting 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 October 31, 2017: 150,515,367 shares.

M&T BANK CORPORATION

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For the Quarterly Period Ended September 30, 2017

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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		September 30, 2017	December 31, 2016
<b>Assets</b>			
	Cash and due from banks	\$ 1,368,252	1,320,549
	Interest-bearing deposits at banks	6,306,484	5,000,638
	Trading account	170,516	323,867
	Investment securities (includes pledged securities that can be sold or replighted of		
	\$488,200 at September 30, 2017; \$1,203,473 at December 31, 2016)		
	Available for sale (cost: \$11,369,815 at September 30, 2017;		
	\$13,338,301 at December 31, 2016)	11,416,824	13,332,072
	Held to maturity (fair value: \$3,247,954 at September 30, 2017;		
	\$2,451,222 at December 31, 2016)	3,242,124	2,457,278
	Other (fair value: \$414,978 at September 30, 2017;		
	\$461,118 at December 31, 2016)	414,978	461,118
	Total investment securities	15,073,926	16,250,468
	Loans and leases	88,171,225	91,101,677
	Unearned discount	(246,091 )	(248,261 )
	Loans and leases, net of unearned discount	87,925,134	90,853,416
	Allowance for credit losses	(1,013,326 )	(988,997 )
	Loans and leases, net	86,911,808	89,864,419
	Premises and equipment	656,713	675,263
	Goodwill	4,593,112	4,593,112
	Core deposit and other intangible assets	78,614	97,655
	Accrued interest and other assets	5,242,379	5,323,235
	Total assets	\$ 120,401,804	123,449,206
<b>Liabilities</b>			
	Noninterest-bearing deposits	\$ 33,111,246	32,813,896
	Savings and interest-checking deposits	52,936,615	52,346,207
	Time deposits	7,233,518	10,131,846
	Deposits at Cayman Islands office	232,014	201,927
	Total deposits	93,513,393	95,493,876
	Federal funds purchased and agreements to repurchase securities	200,768	163,442
	Accrued interest and other liabilities	1,791,946	1,811,431

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	Long-term borrowings	8,577,645	9,493,835
	Total liabilities	104,083,752	106,962,584
Shareholders' equity	Preferred stock, \$1.00 par, 1,000,000 shares authorized;		
	Issued and outstanding: Liquidation preference of \$1,000 per share: shares 731,500 at September 30, 2017 and December 31, 2016; Liquidation preference of \$10,000 per share: 50,000 shares at September 30, 2017 and December 31, 2016	1,231,500	1,231,500
	Common stock, \$.50 par, 250,000,000 shares authorized, 159,819,892 shares issued at September 30, 2017;		
	159,945,678 shares issued at December 31, 2016	79,910	79,973
	Common stock issuable, 27,019 shares at September 30, 2017;		
	32,403 shares at December 31, 2016	1,827	2,145
	Additional paid-in capital	6,598,048	6,676,948
	Retained earnings	9,909,415	9,222,488
	Accumulated other comprehensive income (loss), net	(247,915 )	(294,636 )
	Treasury stock — common, at cost — 8,555,636 shares at September 30, 2017;		
	3,764,742 shares at December 31, 2016	(1,254,733 )	(431,796 )
	Total shareholders' equity	16,318,052	16,486,622
	Total liabilities and shareholders' equity	\$ 120,401,804	123,449,206

## M&amp;T BANK CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF INCOME (Unaudited)

In thousands, except per share		Three Months Ended		Nine Months Ended	
		September 30 2017	2016	September 30 2017	2016
<b>Interest income</b>	Loans and leases, including fees	\$953,662	871,345	\$2,776,340	2,602,208
	Investment securities				
	Fully taxable	87,937	84,893	276,057	274,092
	Exempt from federal taxes	345	623	1,154	2,081
	Deposits at banks	14,970	12,354	39,345	33,684
	Other	296	300	760	905
	<b>Total interest income</b>	<b>1,057,210</b>	<b>969,515</b>	<b>3,093,656</b>	<b>2,912,970</b>
<b>Interest expense</b>	Savings and interest-checking deposits	37,714	24,067	93,891	60,906
	Time deposits	13,992	27,886	49,293	79,075
	Deposits at Cayman Islands office	310	204	856	578
	Short-term borrowings	554	169	1,148	3,474
	Long-term borrowings	47,506	58,849	138,874	174,814
	<b>Total interest expense</b>	<b>100,076</b>	<b>111,175</b>	<b>284,062</b>	<b>318,847</b>
	<b>Net interest income</b>	<b>957,134</b>	<b>858,340</b>	<b>2,809,594</b>	<b>2,594,123</b>
	Provision for credit losses	30,000	47,000	137,000	128,000
	<b>Net interest income after provision for credit losses</b>	<b>927,134</b>	<b>811,340</b>	<b>2,672,594</b>	<b>2,466,123</b>
<b>Other income</b>	Mortgage banking revenues	96,737	103,747	267,592	275,193
	Service charges on deposit accounts	109,356	107,935	319,589	314,212
	Trust income	124,900	118,654	371,712	350,181
	Brokerage services income	14,676	15,914	48,677	48,190
	Trading account and foreign exchange gains	7,058	12,754	24,833	33,434
	Gain (loss) on bank investment securities	—	28,480	(17 )	28,748
	Other revenues from operations	106,702	103,866	334,704	310,579
	<b>Total other income</b>	<b>459,429</b>	<b>491,350</b>	<b>1,367,090</b>	<b>1,360,537</b>
<b>Other expense</b>	Salaries and employee benefits	399,089	399,786	1,247,851	1,230,246
	Equipment and net occupancy	75,558	75,263	223,721	225,165
	Outside data processing and software	45,761	42,878	134,637	128,402
	FDIC assessments	23,969	28,459	78,149	76,054
	Advertising and marketing	17,403	21,996	49,837	66,063
	Printing, postage and supplies	8,732	8,972	27,397	30,865
	Amortization of core deposit and other intangible assets	7,808	9,787	24,341	33,524
	Other costs of operations	227,705	165,251	558,579	488,063
	<b>Total other expense</b>	<b>806,025</b>	<b>752,392</b>	<b>2,344,512</b>	<b>2,278,382</b>
	<b>Income before taxes</b>	<b>580,538</b>	<b>550,298</b>	<b>1,695,172</b>	<b>1,548,278</b>
	Income taxes	224,615	200,314	609,269	563,735
	<b>Net income</b>	<b>\$355,923</b>	<b>349,984</b>	<b>\$1,085,903</b>	<b>984,543</b>

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Net income available to common shareholders				
Basic	\$ 335,801	326,992	\$ 1,025,011	915,670
Diluted	335,804	326,998	1,025,023	915,686
Net income per common share				
Basic	\$ 2.22	2.10	\$ 6.71	5.82
Diluted	2.21	2.10	6.69	5.80
Cash dividends per common share				
	\$ .75	.70	\$ 2.25	2.10
Average common shares outstanding				
Basic	151,347	155,493	152,866	157,336
Diluted	151,691	156,026	153,293	157,843

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## M&amp;T BANK CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

In thousands	Three Months		Nine Months Ended	
	Ended September 30 2017	2016	September 30 2017	2016
Net income	\$355,923	349,984	\$1,085,903	984,543
Other comprehensive income, net of tax and reclassification adjustments:				
Net unrealized gains (losses) on investment securities	18,258	(17,133 )	33,834	127,331
Cash flow hedges adjustments	(1,120 )	(23 )	(2,098 )	(70 )
Foreign currency translation adjustment	863	(229 )	2,489	(1,847 )
Defined benefit plans liability adjustments	4,165	3,847	12,496	11,654
Total other comprehensive income (loss)	22,166	(13,538 )	46,721	137,068
Total comprehensive income	\$378,089	336,446	\$1,132,624	1,121,611

## M&amp;T BANK CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

In thousands		Nine Months Ended	
		September 30 2017	2016
<b>Cash flows from operating</b>			
activities	Net income	\$ 1,085,903	984,543
	Adjustments to reconcile net income to net cash provided by operating activities		
	Provision for credit losses	137,000	128,000
	Depreciation and amortization of premises and equipment	84,631	79,911
	Amortization of capitalized servicing rights	41,475	37,979
	Amortization of core deposit and other intangible assets	24,341	33,524
	Provision for deferred income taxes	9,926	109,274
	Asset write-downs	10,878	14,276
	Net gain on sales of assets	(27,967 )	(46,732 )
	Net change in accrued interest receivable, payable	(23,059 )	(13,833 )
	Net change in other accrued income and expense	110,138	113,809
	Net change in loans originated for sale	523,895	(285,824 )
	Net change in trading account assets and liabilities	88,705	(82,837 )
	Net cash provided by operating activities	2,065,866	1,072,090
<b>Cash flows from investing</b>			
activities	Proceeds from sales of investment securities		
	Available for sale	512,143	61,947
	Other	178,244	94,516
	Proceeds from maturities of investment securities		
	Available for sale	1,650,258	1,690,665
	Held to maturity	390,278	459,399
	Purchases of investment securities		
	Available for sale	(248,705 )	(1,150,523)
	Held to maturity	(1,175,608)	(15,806 )
	Other	(132,104 )	(1,514 )
	Net decrease (increase) in loans and leases	2,259,049	(2,021,004)
	Net increase in interest-bearing deposits at banks	(1,305,846)	(3,183,286)
	Capital expenditures, net	(62,515 )	(65,277 )
	Net decrease in loan servicing advances	47,786	121,226
	Other, net	66,357	11,459
	Net cash provided (used) by investing activities	2,179,337	(3,998,198)
<b>Cash flows from financing</b>			
activities	Net increase (decrease) in deposits	(1,976,237)	6,195,511
	Net increase (decrease) in short-term borrowings	37,326	(1,886,701)
	Proceeds from long-term borrowings	2,145,950	—
	Payments on long-term borrowings	(3,029,320)	(427,035 )

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Purchases of treasury stock	(981,691 )	(604,000 )
Dividends paid — common	(345,166 )	(333,042 )
Dividends paid — preferred	(53,842 )	(58,003 )
Other, net	5,480	3,540
Net cash provided (used) by financing activities	(4,197,500)	2,890,270
Net increase (decrease) in cash and cash equivalents	47,703	(35,838 )
Cash and cash equivalents at beginning of period	1,320,549	1,368,040
Cash and cash equivalents at end of period	\$ 1,368,252	1,332,202

Supplemental disclosure of cash

flow information	Interest received during the period	\$3,088,042	2,923,278
	Interest paid during the period	310,640	387,695
	Income taxes paid during the period	462,163	138,375

Supplemental schedule of

noncash investing and financing

activities	Real estate acquired in settlement of loans	\$88,551	100,106
	Securitization of residential mortgage loans allocated to Available-for-sale investment securities	22,527	18,685
	Capitalized servicing rights	262	193

M&T BANK CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

Accumulated