

M&T BANK CORP  
Form 10-Q  
August 08, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended June 30, 2013

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)

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<b>New York</b> (State or other jurisdiction of incorporation or organization)	<b>16-0968385</b> (I.R.S. Employer Identification No.)
<b>One M &amp; T Plaza</b>  <b>Buffalo, New York</b> (Address of principal executive offices)	<b>14203</b> (Zip Code)
<b>(716) 842-5445</b>  (Registrant's telephone number, including area code)	

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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 31, 2013: 130,037,423 shares.

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M&T BANK CORPORATION

FORM 10-Q

For the Quarterly Period Ended June 30, 2013

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements.

## M&amp;T BANK CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET (Unaudited)

<i>Dollars in thousands, except per share</i>	June 30, 2013	December 31, 2012
<b>Assets</b>		
Cash and due from banks	\$ 1,350,015	1,983,615
Interest-bearing deposits at banks	2,555,354	129,945
Federal funds sold	124,487	3,000
Trading account	378,235	488,966
Investment securities (includes pledged securities that can be sold or repledged of \$1,724,073 at June 30, 2013; \$1,801,842 at December 31, 2012)		
Available for sale (cost: \$2,985,526 at June 30, 2013; \$4,643,070 at December 31, 2012)	3,085,086	4,739,437
Held to maturity (fair value: \$1,737,578 at June 30, 2013; \$976,883 at December 31, 2012)	1,819,691	1,032,276
Other (fair value: \$305,749 at June 30, 2013; \$302,648 at December 31, 2012)	305,749	302,648
Total investment securities	5,210,526	6,074,361
Loans and leases	66,197,178	66,790,186
Unearned discount	(225,312)	(219,229)
Loans and leases, net of unearned discount	65,971,866	66,570,957
Allowance for credit losses	(927,065)	(925,860)
Loans and leases, net	65,044,801	65,645,097
Premises and equipment	595,536	594,652
Goodwill	3,524,625	3,524,625
Core deposit and other intangible assets	89,918	115,763
Accrued interest and other assets	4,355,508	4,448,779
Total assets	\$ 83,229,005	83,008,803
<b>Liabilities</b>		
Noninterest-bearing deposits	\$ 24,074,815	24,240,802
NOW accounts	1,791,995	1,979,619
Savings deposits	35,455,693	33,783,947
Time deposits	4,054,524	4,562,366
Deposits at Cayman Islands office	284,443	1,044,519
Total deposits	65,661,470	65,611,253
Federal funds purchased and agreements to repurchase securities	307,740	1,074,482
Accrued interest and other liabilities	1,421,067	1,512,717
Long-term borrowings	5,122,398	4,607,758

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	Total liabilities	72,512,675	72,806,210
Shareholders' equity	Preferred stock, \$1.00 par, 1,000,000 shares authorized; Issued and outstanding: Liquidation preference of \$1,000 per share: 381,500 shares at June 30, 2013 and December 31, 2012; Liquidation preference of \$10,000 per share: 50,000 shares at June 30, 2013 and December 31, 2012	876,796	872,500
	Common stock, \$.50 par, 250,000,000 shares authorized, 129,416,718 shares issued at June 30, 2013; 128,176,912 shares issued at December 31, 2012	64,709	64,088
	Common stock issuable, 46,813 shares at June 30, 2013; 57,409 shares at December 31, 2012	2,860	3,473
	Additional paid-in capital	3,112,666	3,025,520
	Retained earnings	6,887,070	6,477,276
	Accumulated other comprehensive income (loss), net	(227,771)	(240,264)
	Total shareholders' equity	10,716,330	10,202,593
	Total liabilities and shareholders' equity	\$ 83,229,005	83,008,803

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## M&amp;T BANK CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF INCOME (Unaudited)

<i>In thousands, except per share</i>		Three months ended June 30		Six months ended June 30	
		2013	2012	2013	2012
Interest income	Loans and leases, including fees	\$ 705,395	674,549	\$ 1,387,850	1,323,063
	Deposits at banks	1,455	767	1,722	980
	Federal funds sold	45	8	62	11
	Agreements to resell securities	1		10	
	Trading account	241	318	879	635
	Investment securities				
	Fully taxable	41,293	59,724	86,053	122,688
	Exempt from federal taxes	1,777	2,020	3,606	4,104
	<b>Total interest income</b>	<b>750,207</b>	<b>737,386</b>	<b>1,480,182</b>	<b>1,451,481</b>
Interest expense	NOW accounts	321	424	643	707
	Savings deposits	13,790	16,940	27,827	35,123
	Time deposits	7,484	12,354	15,680	25,863
	Deposits at Cayman Islands office	200	232	588	445
	Short-term borrowings	96	348	327	651
	Long-term borrowings	50,729	59,105	101,480	120,320
	<b>Total interest expense</b>	<b>72,620</b>	<b>89,403</b>	<b>146,545</b>	<b>183,109</b>
	<i>Net interest income</i>	<i>677,587</i>	<i>647,983</i>	<i>1,333,637</i>	<i>1,268,372</i>
	Provision for credit losses	57,000	60,000	95,000	109,000
	<b>Net interest income after provision for credit losses</b>	<b>620,587</b>	<b>587,983</b>	<b>1,238,637</b>	<b>1,159,372</b>
Other income	Mortgage banking revenues	91,262	69,514	184,365	125,706
	Service charges on deposit accounts	111,717	110,982	222,666	219,871
	Trust income	124,728	122,275	246,331	239,228
	Brokerage services income	17,258	16,172	32,969	30,073
	Trading account and foreign exchange gains	9,224	6,238	18,151	16,809
	Gain (loss) on bank investment securities	56,457	(408)	56,457	(363)
	Total other-than-temporary impairment ( OTTI ) losses		(4,072)	(1,884)	(24,112)
	Portion of OTTI losses recognized in other comprehensive income (before taxes)		(12,101)	(7,916)	(3,547)
	<b>Net OTTI losses recognized in earnings</b>		<b>(16,173)</b>	<b>(9,800)</b>	<b>(27,659)</b>
	Equity in earnings of Bayview Lending Group LLC	(2,453)	(6,635)	(6,109)	(11,387)
	Other revenues from operations	100,496	89,685	196,541	176,095
	<b>Total other income</b>	<b>508,689</b>	<b>391,650</b>	<b>941,571</b>	<b>768,373</b>
Other expense	Salaries and employee benefits	323,136	323,686	679,687	669,784
	Equipment and net occupancy	64,278	65,376	129,437	130,419
	Printing, postage and supplies	10,298	11,368	20,997	23,240
	Amortization of core deposit and other intangible assets	12,502	15,907	25,845	32,681
	FDIC assessments	17,695	24,962	37,133	53,911

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Other costs of operations	170,682	186,093	341,088	357,052
Total other expense	598,591	627,392	1,234,187	1,267,087
Income before taxes	530,685	352,241	946,021	660,658
Income taxes	182,219	118,861	323,442	220,815
<i>Net income</i>	\$ 348,466	233,380	\$ 622,579	439,843
Net income available to common shareholders				
Basic	\$ 328,538	214,709	\$ 583,597	402,947
Diluted	328,557	214,716	583,633	402,958
Net income per common share				
Basic	\$ 2.56	1.71	\$ 4.56	3.21
Diluted	2.55	1.71	4.53	3.20
Cash dividends per common share	\$ .70	.70	\$ 1.40	1.40
Average common shares outstanding				
Basic	128,252	125,488	127,962	125,354
Diluted	129,017	125,897	128,828	125,756

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## M&amp;T BANK CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

<i>In thousands</i>	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
Net income	\$ 348,466	233,380	\$ 622,579	439,843
Other comprehensive income, net of tax and reclassification adjustments:				
Net unrealized gains (losses) on investment securities	(6,722)	49,289	3,357	69,371
Reclassification to income for amortization of gains on terminated cash flow hedges		(42)		(112)
Foreign currency translation adjustment	(114)	(533)	(1,046)	(131)
Defined benefit plans liability adjustment	5,018	4,695	10,182	9,464
<i>Total other comprehensive income</i>	(1,818)	53,409	12,493	78,592
<i>Total comprehensive income</i>	\$ 346,648	286,789	\$ 635,072	518,435

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## M&amp;T BANK CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

<i>In thousands</i>		Six months ended June 30	
		2013	2012
Cash flows from operating activities	Net income	\$ 622,579	439,843
	Adjustments to reconcile net income to net cash provided by operating activities		
	Provision for credit losses	95,000	109,000
	Depreciation and amortization of premises and equipment	43,354	41,762
	Amortization of capitalized servicing rights	30,653	28,773
	Amortization of core deposit and other intangible assets	25,845	32,681
	Provision for deferred income taxes	30,373	12,064
	Asset write-downs	15,043	39,676
	Net gain on sales of assets	(59,134)	(3,786)
	Net change in accrued interest receivable, payable	(1,131)	1,731
	Net change in other accrued income and expense	20,336	(35,590)
	Net change in loans originated for sale	(220,784)	(33,964)
	Net change in trading account assets and liabilities	14,362	12,438
	Net cash provided by operating activities	616,496	644,628
Cash flows from investing activities	Proceeds from sales of investment securities		
	Available for sale	1,081,496	48,873
	Other	5,439	45,374
	Proceeds from maturities of investment securities		
	Available for sale	652,074	741,571
	Held to maturity	141,255	157,849
	Purchases of investment securities		
	Available for sale	(39,411)	(19,808)
	Held to maturity	(11,252)	(269,854)
	Other	(8,540)	(13,269)
	Net increase in loans and leases	(228,853)	(2,805,640)
	Net increase in interest-bearing deposits at banks	(2,425,409)	(914,757)
	Other investments, net	(3,936)	(5,436)
	Capital expenditures, net	(43,663)	(46,892)
	Proceeds from sales of real estate acquired in settlement of loans	35,456	64,735
	Other, net	53,842	(38,849)
	Net cash used by investing activities	(791,502)	(3,056,103)
Cash flows from financing activities	Net increase in deposits	54,101	3,162,352
	Net increase (decrease) in short-term borrowings	(766,742)	193,515
	Proceeds from long-term borrowings	799,760	
	Payments on long-term borrowings	(257,178)	(1,006,539)
	Dividends paid - common	(181,842)	(179,446)
	Dividends paid - preferred	(26,725)	(26,725)
	Other, net	41,519	238,752
	Net cash provided (used) by financing activities	(337,107)	2,381,909

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	Net decrease in cash and cash equivalents	(512,113)	(29,566)
	Cash and cash equivalents at beginning of period	1,986,615	1,452,397
	Cash and cash equivalents at end of period	\$ 1,474,502	1,422,831
Supplemental disclosure of cash flow information	Interest received during the period	\$ 1,459,142	1,457,310
	Interest paid during the period	151,737	192,666
	Income taxes paid during the period	226,406	204,249
Supplemental schedule of noncash investing and financing activities	Securitization of residential mortgage loans allocated to Held to maturity investment securities	\$ 917,045	
	Capitalized servicing rights	8,907	
	Real estate acquired in settlement of loans	15,502	26,623

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## M&amp;T BANK CORPORATION AND SUBSIDIARIES

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

<i>In thousands, except per share</i>	Preferred stock	Common stock	Common stock issuable	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss), net	Total
<b>2012</b>							
Balance - January 1, 2012	\$ 864,585	62,842	4,072	2,828,986	5,867,165	(356,441)	9,271,209
Total comprehensive income					439,843	78,592	518,435
Preferred stock cash dividends					(26,725)		(26,725)
Amortization of preferred stock discount	3,848				(3,848)		
Stock-based compensation plans:							
Compensation expense, net		216		18,289			18,505
Exercises of stock options, net		227		24,912			25,139
Directors stock plan		4		764			768
Deferred compensation plans, net, including dividend equivalents		5	(643)	549	(80)		(169)
Other				1,016			1,016
Common stock cash dividends - \$1.40 per share					(178,271)		(178,271)
Balance - June 30, 2012	\$ 868,433	63,294	3,429	2,874,516	6,098,084	(277,849)	9,629,907
<b>2013</b>							
Balance - January 1, 2013	\$ 872,500	64,088	3,473	3,025,520	6,477,276	(240,264)	10,202,593
Total comprehensive income					622,579	12,493	635,072
Preferred stock cash dividends					(26,725)		(26,725)
Amortization of preferred stock discount	4,296				(4,296)		
Exercise of 407,542 Series C stock warrants into 186,589 shares of common stock		93		(93)			
Stock-based compensation plans:							
Compensation expense, net		153		21,056			21,209
Exercises of stock options, net		366		63,505			63,871
Directors stock plan		4		793			797
Deferred compensation plans, net, including dividend equivalents		5	(613)	564	(66)		(110)
Other				1,321			1,321
Common stock cash dividends - \$1.40 per share					(181,698)		(181,698)
Balance - June 30, 2013	\$ 876,796	64,709	2,860	3,112,666	6,887,070	(227,771)	10,716,330

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## 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 the 2012 Annual Report. In the opinion of management, all adjustments necessary for a fair presentation have been made and were all of a normal recurring nature.

**2. Acquisitions**

On August 27, 2012, M&T announced that it had entered into a definitive agreement with Hudson City Bancorp, Inc. ( Hudson City ), headquartered in Paramus, New Jersey, under which Hudson City would be acquired by M&T. Pursuant to the terms of the agreement, Hudson City shareholders will receive consideration for each common share of Hudson City in an amount valued at .08403 of an M&T share in the form of either M&T common stock or cash, based on the election of each Hudson City shareholder, subject to proration as specified in the merger agreement (which provides for an aggregate split of total consideration of 60% common stock of M&T and 40% cash). As of June 30, 2013, total consideration to be paid was valued at approximately \$4.7 billion. At June 30, 2013, Hudson City had \$39.7 billion of assets, including \$25.3 billion of loans and \$10.6 billion of investment securities, and \$35.0 billion of liabilities, including \$22.6 billion of deposits. The merger has received the approval of the common shareholders of M&T and Hudson City. However, the merger is subject to a number of other conditions, including regulatory approvals.

On April 12, 2013, M&T announced that additional time would be required to obtain a regulatory determination on the applications for the proposed merger with Hudson City. M&T learned that the Federal Reserve Bank of New York ( Federal Reserve Bank ) identified certain concerns with the Company s procedures, systems and processes related to the Company s Bank Secrecy Act and anti-money-laundering compliance program. On June 17, 2013, M&T and Manufacturers and Traders Trust Company ( M&T Bank ), M&T s principal banking subsidiary, entered into a written agreement with the Federal Reserve Bank. Under the terms of the agreement, M&T and M&T Bank are required to submit to the Federal Reserve Bank a revised compliance risk management program designed to ensure compliance with anti-money-laundering laws and regulations and to take certain other steps to enhance their compliance practices. M&T has commenced a major initiative, including the hiring of outside consulting firms, intended to fully address the Federal Reserve Bank s concerns. In view of the potential timeframe required to implement this initiative, demonstrate its efficacy to the satisfaction of the Federal Reserve Bank and otherwise meet any other regulatory requirements that may be imposed in connection with these matters, M&T and Hudson City extended the date after which either party may elect to terminate the merger agreement if the merger has not yet been completed from August 27, 2013 to January 31, 2014. There can be no assurances that the merger will be completed by that date.

In connection with the pending acquisition, the Company incurred merger-related expenses related to preparing for systems conversions and other costs of integrating and conforming acquired operations with and into the Company. Those expenses consisted largely of professional services and other temporary help fees associated with planning for the conversion of systems and/or integration of operations; initial marketing and promotion expenses designed to introduce M&T Bank to its new customers; travel costs; and printing, postage, supplies and other costs of planning for the transaction and commencing operations in new markets and offices.

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

**2. Acquisitions, continued**

A summary of merger-related expenses in 2013 associated with the pending Hudson City acquisition and in 2012 associated with the May 16, 2011 acquisition of Wilmington Trust Corporation ( Wilmington Trust ) included in the consolidated statement of income follows:

	Three months ended		Six months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	(in thousands)			
Salaries and employee benefits	\$ 300	3,024	\$ 836	4,997
Equipment and net occupancy	489		690	15
Printing, postage and supplies	998		1,825	
Other costs of operations	5,845	4,127	9,013	4,867
	\$ 7,632	7,151	\$ 12,364	9,879

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

**3. Investment securities**

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

	Amortized cost	Gross unrealized gains (in thousands)	Gross unrealized losses	Estimated fair value
<b>June 30, 2013</b>				
Investment securities available for sale:				
U.S. Treasury and federal agencies	\$ 37,486	622		\$ 38,108
Obligations of states and political subdivisions	18,874	364	7	19,231
Mortgage-backed securities:				
Government issued or guaranteed	2,612,466	83,452	1,025	2,694,893
Privately issued	4,771	525	24	5,272
Collateralized debt obligations	42,911	18,140	1,135	59,916
Other debt securities	136,841	1,760	20,650	117,951
Equity securities	132,177	18,230	692	149,715
	2,985,526	123,093	23,533	3,085,086
Investment securities held to maturity:				
Obligations of states and political subdivisions	177,824	4,355	73	182,106
Mortgage-backed securities:				
Government issued or guaranteed	1,401,569	12,517	30,841	1,383,245
Privately issued	230,625	22	68,093	162,554
Other debt securities	9,673			9,673
	1,819,691	16,894	99,007	1,737,578
Other securities	305,749			305,749
Total	\$ 5,110,966	139,987	122,540	\$ 5,128,413
<b>December 31, 2012</b>				
Investment securities available for sale:				
U.S. Treasury and federal agencies	\$ 38,422	922		\$ 39,344
Obligations of states and political subdivisions	20,375	534	8	20,901
Mortgage-backed securities:				
Government issued or guaranteed	3,163,210	208,060	229	3,371,041
Privately issued	1,142,287	7,272	125,673	1,023,886
Collateralized debt obligations	43,228	19,663	1,022	61,869
Other debt securities	136,603	2,247	26,900	111,950
Equity securities	98,945	14,921	3,420	110,446
	4,643,070	253,619	157,252	4,739,437
Investment securities held to maturity:				
Obligations of states and political subdivisions	182,103	7,647	27	189,723
Mortgage-backed securities:				
Government issued or guaranteed	597,340	31,727		629,067

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Privately issued	242,378	160	94,900	147,638
Other debt securities	10,455			10,455
	1,032,276	39,534	94,927	976,883
Other securities	302,648			302,648
Total	\$ 5,977,994	293,153	252,179	\$ 6,018,968

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

**3. Investment securities, continued**

Gross realized gains on investment securities were \$116 million for the three-month and six-month periods ended June 30, 2013. During the second quarter of 2013, the Company sold its holdings of Visa Class B shares for a gain of approximately \$90 million and its holdings of MasterCard Class B shares for a gain of \$13 million. Gross realized losses on investment securities were \$60 million for the three-month and six-month periods ended June 30, 2013. During the second quarter of 2013, the Company sold substantially all of its privately issued mortgage-backed securities held in the available-for-sale investment securities portfolio. In total, \$1.0 billion of such securities were sold for a net loss of approximately \$46 million. Gross realized gains and losses from sales of investment securities were not significant for the three-month and six-month periods ended June 30, 2012.

The Company recognized \$10 million of pre-tax other-than-temporary impairment ( OTTI ) losses during the six months ended June 30, 2013 and \$16 million and \$28 million during the three months and six months ended June 30, 2012, respectively, related to privately issued mortgage-backed securities. There were no other-than-temporary impairment losses during the second quarter of 2013. The impairment charges were recognized in light of deterioration of real estate values and a rise in delinquencies and charge-offs of underlying mortgage loans collateralizing those securities. The OTTI losses represented management's estimate of credit losses inherent in the debt securities considering projected cash flows using assumptions for delinquency rates, loss severities, and other estimates of future collateral performance.

Changes in credit losses associated with debt securities for which OTTI losses have been recognized in earnings for the three months and six months ended June 30, 2013 and 2012 follows:

	Three months ended June 30	
	2013	2012
	(in thousands)	
Beginning balance	\$ 187,114	267,473
Additions for credit losses not previously recognized		16,173
Reductions for realized losses	(186,320)	(19,449)
Ending balance	\$ 794	264,197
	Six months ended June 30	
	2013	2012
	(in thousands)	
Beginning balance	\$ 197,809	285,399
Additions for credit losses not previously recognized	9,800	27,659
Reductions for realized losses	(206,815)	(48,861)
Ending balance	\$ 794	264,197



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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

**3. Investment securities, continued**

At June 30, 2013, the amortized cost and estimated fair value of debt securities by contractual maturity were as follows:

	Amortized cost	Estimated fair value
	(in thousands)	
<b>Debt securities available for sale:</b>		
Due in one year or less	\$ 25,043	25,170
Due after one year through five years	21,020	21,951
Due after five years through ten years	8,772	9,189
Due after ten years	181,277	178,896
	236,112	235,206
<b>Mortgage-backed securities available for sale</b>	<b>2,617,237</b>	<b>2,700,165</b>
	\$ 2,853,349	2,935,371
<b>Debt securities held to maturity:</b>		
Due in one year or less	\$ 24,360	24,490
Due after one year through five years	61,785	63,641
Due after five years through ten years	91,679	93,975
Due after ten years	9,673	9,673
	187,497	191,779
<b>Mortgage-backed securities held to maturity</b>	<b>1,632,194</b>	<b>1,545,799</b>
	\$ 1,819,691	1,737,578

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

**3. Investment securities, continued**

A summary of investment securities that as of June 30, 2013 and December 31, 2012 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 value	Unrealized losses	Fair value	Unrealized losses
	(in thousands)			
<b>June 30, 2013</b>				
Investment securities available for sale:				
Obligations of states and political subdivisions	\$		676	(7)
Mortgage-backed securities:				
Government issued or guaranteed	199,273	(886)	7,012	(139)
Privately issued	326	(17)	124	(7)
Collateralized debt obligations			5,955	(1,135)
Other debt securities	4,804	(18)	102,116	(20,632)
Equity securities	2,450	(692)		
	206,853	(1,613)	115,883	(21,920)
Investment securities held to maturity:				
Obligations of states and political subdivisions	11,734	(54)	1,558	(19)
Mortgage-backed securities:				
Government issued or guaranteed	1,080,577	(30,841)		
Privately issued			162,395	(68,093)
	1,092,311	(30,895)	163,953	(68,112)
<b>Total</b>	<b>\$ 1,299,164</b>	<b>(32,508)</b>	<b>279,836</b>	<b>(90,032)</b>
<b>December 31, 2012</b>				
Investment securities available for sale:				
Obligations of states and political subdivisions	\$ 166	(1)	683	(7)
Mortgage-backed securities:				
Government issued or guaranteed	12,107	(65)	8,804	(164)
Privately issued	121,487	(692)	774,328	(124,981)
Collateralized debt obligations			6,043	(1,022)
Other debt securities			95,685	(26,900)
Equity securities	5,535	(1,295)	2,956	(2,125)
	139,295	(2,053)	888,499	(155,199)
Investment securities held to maturity:				
Obligations of states and political subdivisions	1,026	(5)	3,558	(22)
Privately issued mortgage-backed securities			147,273	(94,900)
	1,026	(5)	150,831	(94,922)

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Total	\$ 140,321	(2,058)	1,039,330	(250,121)
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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

**3. Investment securities, continued**

The Company owned 278 individual investment securities with aggregate gross unrealized losses of \$123 million at June 30, 2013. Approximately \$68 million of the unrealized losses pertained to privately issued mortgage-backed securities with a cost basis of \$231 million. The Company also had \$22 million of unrealized losses on trust preferred securities issued by financial institutions and securities backed by trust preferred securities having a cost basis of \$135 million. Based on a review of each of the remaining securities in the investment securities portfolio at June 30, 2013 the Company concluded that it expected to recover the amortized cost basis of its investment. As of June 30, 2013, 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 June 30, 2013, the Company has not identified events or changes in circumstances which may have a significant adverse effect on the fair value of the \$306 million of cost method investment securities.

**4. Loans and leases and the allowance for credit losses**

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

	June 30, 2013	December 31, 2012
	(in thousands)	
Outstanding principal balance	\$ 5,690,165	6,705,120
Carrying amount:		
Commercial, financial, leasing, etc.	752,761	928,107
Commercial real estate	2,102,757	2,567,050
Residential real estate	641,734	707,309
Consumer	1,417,358	1,637,887
	\$ 4,914,610	5,840,353

Purchased impaired loans included in the table above totaled \$395 million at June 30, 2013 and \$447 million at December 31, 2012, representing less than 1% of the Company's assets as of each date. A summary of changes in the accretible yield for acquired loans for the three months and six months ended June 30, 2013 and 2012 follows:

	Three months ended June 30			
	2013		2012	
	Purchased impaired	Other acquired	Purchased impaired	Other acquired
	(in thousands)			
Balance at beginning of period	\$ 33,728	577,609	\$ 22,565	747,466
Interest income	(9,747)	(67,539)	(9,621)	(80,249)
Reclassifications from (to) nonaccretible balance, net	31,168	111,702	42,655	97,165
Other (a)		321		(31,221)
Balance at end of period	\$ 55,149	622,093	\$ 55,599	733,161



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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

**4. Loans and leases and the allowance for credit losses, continued**

	Six months ended June 30			
	2013		2012	
	Purchased impaired	Other acquired	Purchased impaired	Other acquired
	(in thousands)			
Balance at beginning of period	\$ 42,252	638,272	\$ 30,805	807,960
Interest income	(18,451)	(129,286)	(17,285)	(153,972)
Reclassifications from (to) nonaccretable balance, net	31,348	122,519	42,079	98,165
Other (a)		(9,412)		(18,992)
<b>Balance at end of period</b>	<b>\$ 55,149</b>	<b>622,093</b>	<b>\$ 55,599</b>	<b>733,161</b>

(a) Other changes in expected cash flows including changes in interest rates and prepayment assumptions.

A summary of current, past due and nonaccrual loans as of June 30, 2013 and December 31, 2012 were as follows:

	Current	30-89 Days past due	90 Days or more past due and accruing		Purchased impaired (b)	Nonaccrual	Total
			Non- acquired	Acquired (a)			
	(in thousands)						
<b>June 30, 2013</b>							
Commercial, financial, leasing, etc.	\$ 17,803,206	41,516	5,701	9,902	16,734	144,753	\$ 18,021,812
<b>Real estate:</b>							
Commercial	21,646,755	132,454	14,397	43,916	110,026	197,987	22,145,535
Residential builder and developer	796,756	15,226	3,291	11,343	151,369	132,621	1,110,606
Other commercial construction	2,709,159	17,789	79	16,339	78,373	38,514	2,860,253
Residential	9,039,263	298,767	312,703	46,900	35,534	254,033	9,987,200
Residential Alt-A	305,693	21,464				85,392	412,549
<b>Consumer:</b>							
Home equity lines and loans	6,039,668	33,205		26,615	2,661	70,488	6,172,637
Automobile	2,467,882	32,752		168		20,533	2,521,335
Other	2,678,668	35,887	4,296	503		20,585	2,739,939
<b>Total</b>	<b>\$ 63,487,050</b>	<b>629,060</b>	<b>340,467</b>	<b>155,686</b>	<b>394,697</b>	<b>964,906</b>	<b>\$ 65,971,866</b>

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

**4. Loans and leases and the allowance for credit losses, continued**

	Current	30-89 Days past due	Non- acquired	90 Days or more past due and accruing Acquired (a)	Purchased impaired (b)	Nonaccrual	Total
	(in thousands)						
December 31, 2012							
Commercial, financial, leasing, etc.	\$ 17,511,052	62,479	23,490	10,587	17,437	151,908	\$ 17,776,953
Real estate:							
Commercial	21,759,997	118,249	13,111	54,995	132,962	193,859	22,273,173
Residential builder and developer	757,311	35,419	3,258	23,909	187,764	181,865	1,189,526
Other commercial construction	2,379,953	35,274	509	9,572	68,971	36,812	2,531,091
Residential	9,811,956	337,969	313,184	45,124	36,769	249,314	10,794,316
Residential Alt-A	331,021	19,692				95,808	446,521
Consumer:							
Home equity lines and loans	6,199,591	40,759		20,318	3,211	58,071	6,321,950
Automobile	2,442,502	40,461		251		25,107	2,508,321
Other	2,661,432	40,599	4,845	1,798		20,432	2,729,106
<b>Total</b>	<b>\$ 63,854,815</b>	<b>730,901</b>	<b>358,397</b>	<b>166,554</b>	<b>447,114</b>	<b>1,013,176</b>	<b>\$ 66,570,957</b>

(a) *Acquired loans that were recorded at fair value at acquisition date. This category does not include purchased impaired loans that are presented separately.*

(b) *Accruing loans that were impaired at acquisition date and were recorded at fair value.*

One-to-four family residential mortgage loans originated for sale were \$809 million and \$1.2 billion at June 30, 2013 and December 31, 2012, respectively. Additionally, approximately \$1.0 billion of one-to-four family residential mortgage loans in the Company's loan portfolio at June 30, 2013 are anticipated to be securitized with Ginnie Mae in the third quarter of 2013 with the Company retaining the substantial majority of such securities. Commercial mortgage loans held for sale were \$133 million at June 30, 2013 and \$200 million at December 31, 2012. In the third quarter of 2013, the Company anticipates securitizing up to approximately \$1.5 billion of consumer loans through securitization transactions.

Changes in the allowance for credit losses for the three months ended June 30, 2013 were as follows:

	Commercial, Financial, Leasing, etc.	Real Estate			Unallocated	Total
		Commercial	Residential	Consumer		
	(in thousands)					
Beginning balance	\$ 257,851	328,016	90,122	176,793	74,335	\$ 927,117
Provision for credit losses	55,647	(10,913)	(1,438)	13,707	(3)	57,000
Net charge-offs						
Charge-offs	(46,312)	(4,204)	(5,092)	(21,018)		(76,626)
Recoveries	1,681	11,365	1,719	4,809		19,574
Net charge-offs	(44,631)	7,161	(3,373)	(16,209)		(57,052)

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Ending balance	\$ 268,867	324,264	85,311	174,291	74,332	\$ 927,065
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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

**4. Loans and leases and the allowance for credit losses, continued**

Changes in the allowance for credit losses for the three months ended June 30, 2012 were as follows:

	Commercial, Financial, Leasing, etc.	Real Estate			Unallocated	Total
		Commercial	Residential	Consumer		
			(in thousands)			
Beginning balance	\$ 239,273	356,554	97,301	142,912	72,966	\$ 909,006
Provision for credit losses	19,103	(3,309)	5,587	38,427	192	60,000
Net charge-offs						
Charge-offs	(16,078)	(13,056)	(11,407)	(23,621)		(64,162)
Recoveries	2,430	1,332	1,788	6,634		12,184
Net charge-offs	(13,648)	(11,724)	(9,619)	(16,987)		(51,978)