

M&T BANK CORP  
Form 10-Q  
May 09, 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 March 31, 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 April 30, 2013: 129,008,896 shares.

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**M&T BANK CORPORATION**

**FORM 10-Q**

**For the Quarterly Period Ended March 31, 2013**

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements.

## M&amp;T BANK CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET (Unaudited)

		March 31, 2013	December 31, 2012
<i>Dollars in thousands, except per share</i>			
Assets	Cash and due from banks	\$ 1,231,091	1,983,615
	Interest-bearing deposits at banks	1,304,770	129,945
	Federal funds sold	594,976	3,000
	Trading account	420,144	488,966
	Investment securities (includes pledged securities that can be sold or repledged of \$1,761,978 at March 31, 2013; \$1,801,842 at December 31, 2012)		
	Available for sale (cost: \$4,288,994 at March 31, 2013; \$4,643,070 at December 31, 2012)	4,400,742	4,739,437
	Held to maturity (fair value: \$910,783 at March 31, 2013; \$976,883 at December 31, 2012)	959,199	1,032,276
	Other (fair value: \$300,890 at March 31, 2013; \$302,648 at December 31, 2012)	300,890	302,648
	<b>Total investment securities</b>	<b>5,660,831</b>	<b>6,074,361</b>
	Loans and leases	66,139,206	66,790,186
	Unearned discount	(214,939)	(219,229)
	Loans and leases, net of unearned discount	65,924,267	66,570,957
	Allowance for credit losses	(927,117)	(925,860)
	Loans and leases, net	64,997,150	65,645,097
	Premises and equipment	589,570	594,652
	Goodwill	3,524,625	3,524,625
	Core deposit and other intangible assets	102,420	115,763
	Accrued interest and other assets	4,386,380	4,448,779
	<b>Total assets</b>	<b>\$ 82,811,957</b>	<b>83,008,803</b>
Liabilities	Noninterest-bearing deposits	\$ 23,603,971	24,240,802
	NOW accounts	1,891,621	1,979,619
	Savings deposits	35,024,025	33,783,947
	Time deposits	4,304,033	4,562,366
	Deposits at Cayman Islands office	266,076	1,044,519
	<b>Total deposits</b>	<b>65,089,726</b>	<b>65,611,253</b>
	Federal funds purchased and agreements to repurchase securities	374,593	1,074,482
	Accrued interest and other liabilities	1,530,118	1,512,717
	Long-term borrowings	5,394,563	4,607,758
	<b>Total liabilities</b>	<b>72,389,000</b>	<b>72,806,210</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: 381,500 shares at March 31, 2013 and December 31, 2012; Liquidation preference of \$10,000 per share: 50,000 shares at March 31, 2013 and December 31, 2012	874,627	872,500
	Common stock, \$.50 par, 250,000,000 shares authorized, 128,952,578 shares issued at March 31, 2013; 128,176,912 shares issued at December 31, 2012	64,476	64,088
	Common stock issuable, 46,552 shares at March 31, 2013; 57,409 shares at December 31, 2012	2,829	3,473
	Additional paid-in capital	3,061,783	3,025,520
	Retained earnings	6,645,195	6,477,276
	Accumulated other comprehensive income (loss), net	(225,953)	(240,264)
	 Total shareholders equity	 10,422,957	 10,202,593
	 Total liabilities and shareholders equity	 \$ 82,811,957	 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 March 31	
		2013	2012
Interest income	Loans and leases, including fees	\$ 682,455	648,514
	Deposits at banks	267	213
	Federal funds sold	17	3
	Agreements to resell securities	9	
	Trading account	638	317
	Investment securities		
	Fully taxable	44,760	62,964
	Exempt from federal taxes	1,829	2,084
	<b>Total interest income</b>	<b>729,975</b>	<b>714,095</b>
	Interest expense	NOW accounts	322
Savings deposits		14,037	18,183
Time deposits		8,196	13,509
Deposits at Cayman Islands office		388	213
Short-term borrowings		231	303
Long-term borrowings		50,751	61,215
<b>Total interest expense</b>		<b>73,925</b>	<b>93,706</b>
	<i>Net interest income</i>	656,050	620,389
	Provision for credit losses	38,000	49,000
	<b>Net interest income after provision for credit losses</b>	<b>618,050</b>	<b>571,389</b>
Other income	Mortgage banking revenues	93,103	56,192
	Service charges on deposit accounts	110,949	108,889
	Trust income	121,603	116,953
	Brokerage services income	15,711	13,901
	Trading account and foreign exchange gains	8,927	10,571
	Gain on bank investment securities		45
	Total other-than-temporary impairment ( OTTI ) losses	(1,884)	(20,040)
	Portion of OTTI losses recognized in other comprehensive income (before taxes)	(7,916)	8,554
	<b>Net OTTI losses recognized in earnings</b>	<b>(9,800)</b>	<b>(11,486)</b>
		Equity in earnings of Bayview Lending Group LLC	(3,656)
	Other revenues from operations	96,045	86,410
	<b>Total other income</b>	<b>432,882</b>	<b>376,723</b>
Other expense	Salaries and employee benefits	356,551	346,098
	Equipment and net occupancy	65,159	65,043
	Printing, postage and supplies	10,699	11,872
	Amortization of core deposit and other intangible assets	13,343	16,774
	FDIC assessments	19,438	28,949
	Other costs of operations	170,406	170,959

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Total other expense	635,596	639,695
Income before taxes	415,336	308,417
Income taxes	141,223	101,954
<i>Net income</i>	\$ 274,113	206,463
Net income available to common shareholders		
Basic	\$ 255,079	188,236
Diluted	255,096	188,241
Net income per common share		
Basic	\$ 2.00	1.50
Diluted	1.98	1.50
Cash dividends per common share	\$ .70	.70
Average common shares outstanding		
Basic	127,669	125,220
Diluted	128,636	125,616

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## M&amp;T BANK CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

<i>In thousands</i>	Three months ended March 31	
	2013	2012
Net income	\$ 274,113	206,463
Other comprehensive income, net of tax and reclassification adjustments:		
Net unrealized gains on investment securities	10,079	20,082
Reclassification to income for amortization of gains on terminated cash flow hedges		(70)
Foreign currency translation adjustment	(932)	402
Defined benefit plans liability adjustment	5,164	4,769
<i>Total other comprehensive income</i>	14,311	25,183
<i>Total comprehensive income</i>	\$ 288,424	231,646



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## M&amp;T BANK CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

<i>In thousands</i>		Three months ended March 31	
		2013	2012
Cash flows from operating activities	Net income	\$ 274,113	206,463
	Adjustments to reconcile net income to net cash provided by operating activities		
	Provision for credit losses	38,000	49,000
	Depreciation and amortization of premises and equipment	22,027	21,022
	Amortization of capitalized servicing rights	15,208	14,476
	Amortization of core deposit and other intangible assets	13,343	16,774
	Provision for deferred income taxes	19,253	15,225
	Asset write-downs	13,558	16,388
	Net gain on sales of assets	(2,676)	(2,471)
	Net change in accrued interest receivable, payable	(2,872)	7,725
	Net change in other accrued income and expense	80,645	32,134
	Net change in loans originated for sale	205,643	154,436
	Net change in trading account assets and liabilities	22,156	7,840
	Net cash provided by operating activities	698,398	539,012
Cash flows from investing activities	Proceeds from sales of investment securities		
	Available for sale		1,045
	Other	2,032	10,224
	Proceeds from maturities of investment securities		
	Available for sale	353,305	417,348
	Held to maturity	79,164	82,670
	Purchases of investment securities		
	Available for sale	(14,597)	(10,286)
	Held to maturity	(6,010)	(6,287)
	Other	(274)	(318)
	Net (increase) decrease in loans and leases	404,142	(1,042,144)
	Net increase in interest-bearing deposits at banks	(1,174,825)	(1,127,080)
	Other investments, net	698	2,416
	Capital expenditures, net	(16,671)	(19,377)
	Proceeds from sales of real estate acquired in settlement of loans	15,500	33,775
	Other, net	(14,237)	(25,840)
	Net cash used by investing activities	(371,773)	(1,683,854)
Cash flows from financing activities	Net increase (decrease) in deposits	(519,555)	1,522,583
	Net decrease in short-term borrowings	(699,889)	(270,081)
	Proceeds from long-term borrowings	799,760	
	Payments on long-term borrowings	(3,460)	(202,352)
	Dividends paid common	(90,788)	(89,041)
	Dividends paid preferred	(4,769)	(4,769)
	Other, net	31,528	80,197
	Net cash provided (used) by financing activities	(487,173)	1,036,537

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	Net decrease in cash and cash equivalents	(160,548)	(108,305)
	Cash and cash equivalents at beginning of period	1,986,615	1,452,397
	Cash and cash equivalents at end of period	\$ 1,826,067	1,344,092
Supplemental disclosure of cash flow information	Interest received during the period	\$ 718,296	721,159
	Interest paid during the period	72,106	89,241
	Income taxes paid during the period	9,545	8,416
Supplemental schedule of noncash investing and financing activities	Real estate acquired in settlement of loans	\$ 8,244	17,123

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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					206,463	25,183	231,646
Preferred stock cash dividends					(13,363)		(13,363)
Amortization of preferred stock discount	1,904				(1,904)		
Stock-based compensation plans:							
Compensation expense, net		207		7,783			7,990
Exercises of stock options, net		183		19,429			19,612
Directors stock plan		2		370			372
Deferred compensation plans, net, including dividend equivalents		4	(645)	507	(40)		(174)
Other				481			481
Common stock cash dividends \$ .70 per share					(89,085)		(89,085)
Balance March 31, 2012	\$ 866,489	63,238	3,427	2,857,556	5,969,236	(331,258)	9,428,688
<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					274,113	14,311	288,424
Preferred stock cash dividends					(13,363)		(13,363)
Amortization of preferred stock discount	2,127				(2,127)		
Exercise of 407,542 Series C stock warrants into 186,589 shares of common stock		93		(93)			
Stock-based compensation plans:							
Compensation expense, net		160		12,911			13,071
Exercises of stock options, net		126		21,444			21,570
Directors stock plan		4		772			776
Deferred compensation plans, net, including dividend equivalents		5	(644)	563	(32)		(108)
Other				666			666
Common stock cash dividends \$ .70 per share					(90,672)		(90,672)
Balance March 31, 2013	\$ 874,627	64,476	2,829	3,061,783	6,645,195	(225,953)	10,422,957

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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 March 31, 2013 total consideration to be paid was valued at approximately \$4.4 billion.

At March 31, 2013, Hudson City had \$40.3 billion of assets, including \$26.2 billion of loans and \$10.6 billion of investment securities, and \$35.6 billion of liabilities, including \$23.2 billion of deposits. After the merger is completed, M&T forecasts that it will likely repay approximately \$12 billion of Hudson City's long-term borrowings and sell investment securities. 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 has learned that the Federal Reserve has identified certain regulatory concerns with the Company's procedures, systems and processes related to the Company's Bank Secrecy Act and anti-money-laundering compliance program. M&T has commenced a major initiative, including the hiring of an outside consulting firm, intended to fully address the Federal Reserve's concerns. In view of the potential timeframe required to implement this initiative, demonstrate its efficacy to the satisfaction of the Federal Reserve 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. M&T and Hudson City intend to close the merger as soon as possible following the receipt of all necessary regulatory approvals and satisfaction of all other conditions to closing.

In connection with the pending acquisition, the Company incurred merger-related expenses related to 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. The Company expects to incur additional merger-related expenses during the remainder of 2013.

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

**2. Acquisitions, continued**

A summary of merger-related expenses in the first quarter of 2013 associated with the pending Hudson City acquisition and in the first quarter of 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	
	March 31, 2013	March 31, 2012
	(in thousands)	
Salaries and employee benefits	\$ 536	\$ 1,973
Equipment and net occupancy	201	15
Printing, postage and supplies	827	
Other cost of operations	3,168	740
	\$ 4,732	\$ 2,728

**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>March 31, 2013</b>				
Investment securities available for sale:				
U.S. Treasury and federal agencies	\$ 38,907	793		\$ 39,700
Obligations of states and political subdivisions	19,545	503	7	20,041
Mortgage-backed securities:				
Government issued or guaranteed	2,855,716	174,372	178	3,029,910
Privately issued residential	1,077,879	5,799	97,989	985,689
Privately issued commercial	6,414	1,144		7,558
Collateralized debt obligations	42,957	19,799	1,038	61,718
Other debt securities	136,645	2,371	21,505	117,511
Equity securities	110,931	27,691	7	138,615
	4,288,994	232,472	120,724	4,400,742
Investment securities held to maturity:				
Obligations of states and political subdivisions	180,458	7,003	31	187,430
Mortgage-backed securities:				
Government issued or guaranteed	532,074	26,003		558,077
Privately issued	236,632	47	81,438	155,241
Other debt securities	10,035			10,035
	959,199	33,053	81,469	910,783

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Other securities	300,890			300,890
Total	\$ 5,549,083	265,525	202,193	\$ 5,612,415

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

**3. Investment securities, continued**

	Amortized cost	Gross unrealized gains (in thousands)	Gross unrealized losses	Estimated fair value
December 31, 2012				
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 residential	1,133,639	4,894	125,647	1,012,886
Privately issued commercial	8,648	2,378	26	11,000
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
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
<b>Total</b>	<b>\$ 5,977,994</b>	<b>293,153</b>	<b>252,179</b>	<b>\$ 6,018,968</b>

Gross realized gains and losses from sales of investment securities were not significant for the quarters ended March 31, 2013 and 2012. The Company recognized \$10 million and \$11 million of pre-tax other-than-temporary impairment ( OTTI ) losses during the quarters ended March 31, 2013 and 2012, respectively, related to privately issued mortgage-backed securities. 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 represent 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 ended March 31, 2013 and 2012 follows:

Three months ended

March 31  
2013                      2012

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	(in thousands)	
Beginning balance	\$ 197,809	285,399
Additions for credit losses not previously recognized	9,800	11,486
Reductions for realized losses	(20,495)	(29,412)
Ending balance	\$ 187,114	267,473

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

**3. Investment securities, continued**

At March 31, 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	\$ 24,442	24,602
Due after one year through five years	22,459	23,522
Due after five years through ten years	9,221	9,843
Due after ten years	181,932	181,003
	238,054	238,970
Mortgage-backed securities available for sale	3,940,009	4,023,157
	\$ 4,178,063	4,262,127
<b>Debt securities held to maturity:</b>		
Due in one year or less	\$ 25,558	25,691
Due after one year through five years	55,547	57,974
Due after five years through ten years	99,177	103,589
Due after ten years	10,211	10,211
	190,493	197,465
Mortgage-backed securities held to maturity	768,706	713,318
	\$ 959,199	910,783

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

**3. Investment securities, continued**

A summary of investment securities that as of March 31, 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>March 31, 2013</b>				
Investment securities available for sale:				
Obligations of states and political subdivisions	\$ 572	(3)	680	(4)
Mortgage-backed securities:				
Government issued or guaranteed	7,966	(41)	7,450	(137)
Privately issued	89,046	(401)	695,871	(97,588)
Collateralized debt obligations			6,039	(1,038)
Other debt securities			101,198	(21,505)
Equity securities	7	(7)		
	97,591	(452)	811,238	(120,272)
Investment securities held to maturity:				
Obligations of states and political subdivisions	1,065	(7)	1,794	(24)
Privately issued mortgage-backed securities			155,050	(81,438)
	1,065	(7)	156,844	(81,462)
<b>Total</b>	<b>\$ 98,656</b>	<b>(459)</b>	<b>968,082</b>	<b>(201,734)</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 residential	121,487	(692)	773,409	(124,955)
Privately issued commercial			919	(26)
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 241 individual investment securities with aggregate gross unrealized losses of \$202 million at March 31, 2013. Approximately \$179 million of the unrealized losses pertain to privately issued mortgage-backed securities with a cost basis of \$1.1 billion. The Company also had \$23 million of unrealized losses on trust preferred securities issued by financial institutions and securities backed by trust preferred securities having a cost basis of \$130 million. Based on a review of each of the remaining securities in the investment securities portfolio at March 31, 2013, with the exception of the aforementioned securities for which OTTI losses were recognized, the Company concluded that it expected to recover the amortized cost basis of its investment. As of March 31, 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 March 31, 2013, the Company has not identified events or changes in circumstances which may have a significant adverse effect on the fair value of the \$301 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 were as follows:

	March 31, 2013	December 31, 2012
	(in thousands)	
Outstanding principal balance	\$ 6,148,875	6,705,120
Carrying amount:		
Commercial, financial, leasing, etc.	754,913	928,107
Commercial real estate	2,322,317	2,567,050
Residential real estate	677,306	707,309
Consumer	1,560,598	1,637,887
	\$ 5,315,134	5,840,353

Purchased impaired loans included in the table above totaled \$425 million at March 31, 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 ended March 31, 2013 and 2012 follows:

	Three months ended March 31, 2013		
	Purchased impaired	Other acquired	Total
	(in thousands)		
Balance at beginning of period	\$ 42,252	638,272	680,524
Interest income	(8,704)	(61,747)	(70,451)
Reclassifications from (to) nonaccretible balance, net	180	10,817	10,997
Other (a)		(9,733)	(9,733)
Balance at end of period	\$ 33,728	577,609	611,337



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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

	Three months ended March 31, 2012		
	Purchased impaired	Other acquired (in thousands)	Total
Balance at beginning of period	\$ 30,805	807,960	838,765
Interest income	(7,664)	(73,723)	(81,387)
Reclassifications from (to) nonaccrueable balance, net	(576)	1,000	424
Other (a)		12,229	12,229
Balance at end of period	\$ 22,565	747,466	770,031

(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 March 31, 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 (in thousands)	Acquired (a)			
March 31, 2013							
Commercial, financial, leasing, etc.	\$ 17,144,615	90,708	3,669	9,206	16,741	204,199	17,469,138
Real estate:							
Commercial	21,513,598	185,101	11,444	41,268	121,090	186,239	22,058,740
Residential builder and developer	781,748	30,019	513	20,365	167,207	166,796	1,166,648
Other commercial construction	2,541,578	42,849	2,279	14,301	78,254	40,170	2,719,431
Residential	9,742,192	279,879	309,366	43,050	38,709	252,799	10,665,995
Residential Alt-A	315,500	24,779				88,303	428,582
Consumer:							
Home equity lines and loans	6,068,137	33,433		27,359	3,231	72,021	6,204,181
Automobile	2,466,577	30,363		158		20,095	2,517,193
Other	2,634,775	32,039	4,012	1,361		22,172	2,694,359
Total	\$ 63,208,720	749,170	331,283	157,068	425,232	1,052,794	65,924,267

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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	90 Days or more past due and accruing		Purchased impaired	Nonaccrual	Total	
			Non- acquired	Acquired (a)	(b)			
			(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				