KNIGHT TRANSPORTATION INC
Form 10-Q
August 06, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[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

For the transition period from to

Commission File Number: 001-32396

KNIGHT TRANSPORTATION, INC.
(Exact name of registrant as specified in its charter)

Arizona	86-0649974
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5601 West Buckeye Road
Phoenix, Arizona
85043
(Address of Principal Executive Offices)
(Zip Code)

Registrant's telephone number, including area code: 602-269-2000

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.
xYes oNo

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
xYes oNo

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 definition of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
oYes xNo

The number of shares outstanding of registrant's common stock, par value $0.01 per share, as of July 24, 2013, was 80,018,599 shares.

KNIGHT TRANSPORTATION, INC.

TABLE OF CONTENTS

		Page Number
PART I – FINANCIAL INFORMATION		
Item 1.	Financial Statements	
	Condensed Consolidated Unaudited Balance Sheets as of June 30, 2013 and December 31, 2012	1
	Condensed Consolidated Unaudited Statements of Income for the three months and six months ended June 30, 2013 and 2012	3
	Condensed Consolidated Unaudited Statements of Comprehensive Income for the three months and six months ended June 30, 2013 and 2012	4
	Condensed Consolidated Unaudited Statements of Cash Flows for the six months ended June 30, 2013 and 2012	5
	Notes to Condensed Consolidated Unaudited Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	15
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	24
Item 4.	Controls and Procedures	24
Part II – OTHER INFORMATION		
Item 1.	Legal Proceedings	25
Item 1A.	Risk Factors	25
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	25
Item 3.	Defaults Upon Senior Securities	26
Item 4.	Mine Safety Disclosures	26
Item 5.	Other Information	26
Item 6.	Exhibits	27

Signatures 28

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

KNIGHT TRANSPORTATION, INC. AND SUBSIDIARIES
Condensed Consolidated Unaudited Balance Sheets
as of June 30, 2013 and December 31, 2012
(in thousands)

	June 30, 2013	December 31, 2012
ASSETS		
Current Assets:		
Cash and cash equivalents	$747	$5,684
Trade receivables, net of allowance for doubtful accounts	109,671	102,553
Notes receivable, net of allowance for doubtful accounts	749	791
Related party notes and interest receivable	1,663	2,814
Prepaid expenses	11,371	17,035
Assets held for sale	14,119	18,362
Other current assets	10,944	12,449
Current deferred tax assets	4,239	3,409
Total current assets	153,503	163,097
Property and Equipment:		
Revenue equipment	669,447	681,864
Land and land improvements	40,962	38,979
Buildings and improvements	109,139	100,158
Furniture and fixtures	16,930	15,953
Shop and service equipment	8,689	9,065
Leasehold improvements	3,004	2,989
Gross property and equipment	848,171	849,008
Less: accumulated depreciation and amortization	(278,551)	(264,944)
Property and equipment, net	569,620	584,064
Notes receivable, net of current portion	3,267	3,692
Goodwill	10,266	10,276
Other long-term assets and restricted cash	22,036	21,383
Total assets	$758,692	$782,512

The accompanying notes are an integral part of these condensed consolidated unaudited financial statements.

KNIGHT TRANSPORTATION, INC. AND SUBSIDIARIES
Condensed Consolidated Unaudited Balance Sheets (continued)
as of June 30, 2013 and December 31, 2012
(in thousands, except par values)

	June 30, 2013	December 31, 2012
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$20,892	$11,281
Accrued payroll and purchased transportation	11,241	10,489
Accrued liabilities	13,288	16,020
Claims accrual – current portion	15,563	15,892
Dividend payable – current portion	152	141
Total current liabilities	61,136	53,823
Long-term Liabilities:		
Claims accrual – long-term portion	9,741	10,340
Long-term dividend payable and other liabilities	2,369	2,638
Deferred tax liabilities	141,367	144,871
Long-term debt	26,000	80,000
Total long-term liabilities	179,477	237,849
Total liabilities	240,613	291,672
Commitments and Contingencies (Note 6)		
Shareholders' Equity:		
Preferred stock, $0.01 par value; 50,000 shares authorized; none issued and outstanding	-	-
Common stock, $0.01 par value; 300,000 shares authorized; 80,002 and 79,760 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively	800	798
Additional paid-in capital	146,213	142,837
Accumulated other comprehensive loss	(251)	(302)
Retained earnings	370,680	346,899
Total Knight Transportation shareholders' equity	517,442	490,232
Noncontrolling interest	637	608
Total shareholders’ equity	518,079	490,840
Total liabilities and shareholders' equity	$758,692	$782,512

The accompanying notes are an integral part of these condensed consolidated unaudited financial statements.

Return to Table of Contents

KNIGHT TRANSPORTATION, INC. AND SUBSIDIARIES
Condensed Consolidated Unaudited Statements of Income
(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
REVENUE:				
Revenue, before fuel surcharge	$200,104	$188,838	$389,704	$364,437
Fuel surcharge	44,679	47,430	90,479	91,363
Total revenue	244,783	236,268	480,183	455,800
OPERATING EXPENSES:				
Salaries, wages and benefits	56,807	59,089	114,461	120,045
Fuel	52,739	56,612	108,432	113,923
Operations and maintenance	15,919	15,078	31,828	28,815
Insurance and claims	7,295	8,281	14,450	15,926
Operating taxes and licenses	3,985	3,973	7,893	8,075
Communications	1,200	1,271	2,372	2,666
Depreciation and amortization	21,089	20,933	42,597	41,305
Purchased transportation	49,883	36,064	92,675	67,924
Miscellaneous operating expenses	3,941	2,864	8,006	5,184
Total operating expenses	212,858	204,165	422,714	403,863
Income from operations	31,925	32,103	57,469	51,937
Interest income	96	108	205	221
Interest expense	(77)	(114)	(219)	(242)
Other income (expense)	(168)	197	53	394
Income before income taxes	31,776	32,294	57,508	52,310
Income taxes	12,712	12,924	23,010	22,280
Net income	19,064	19,370	34,498	30,030
Net income attributable to noncontrolling interest	(125)	(81)	(376)	(195)
Net income attributable to Knight Transportation	$18,939	$19,289	$34,122	$29,835
Basic Earnings Per Share	$0.24	$0.24	$0.43	$0.37
Diluted Earnings Per Share	$0.24	$0.24	$0.43	$0.37
Weighted Average Shares Outstanding - Basic	79,954	79,686	79,898	79,609
Weighted Average Shares Outstanding - Diluted	80,296	80,076	80,209	80,045

The accompanying notes are an integral part of these condensed consolidated unaudited financial statements.

3

Return to Table of Contents

KNIGHT TRANSPORTATION, INC. AND SU
Condensed Consolidated Unaudited Statements of Co
(in thousands)

	Three Months Ended June 30,		Six M J
	2013	2012	2013
Net income attributable to Knight Transportation	$18,939	$19,289	$34,122
Other comprehensive income, net of tax:			
Unrealized (loss) gain from available-for-sale securities	(200)	(406)	51

One of the important rules in governing deposits is the Electronic Fund Trans
consumers fees for paying overdrafts on automated teller machines ("ATM")
overdraft service for those type of transactions. If a consumer does not opt in,
exceeds the customer's available balance will be declined. Overdrafts on othe

21

(e.g. checks, recurring debit card transactions and ACH transactions) are not c
explains the financial institution's overdraft services, including the fees assoc
consumers who do not opt in with the same account terms, conditions and fea

The CFPB issued final rules that change the reporting requirements for lender
on January 1, 2018, expand the range of transactions subject to the requireme
also increased the overall amount of data required to be collected and submitt

In addition, the Dodd-Frank Act permits states to adopt consumer protection l
and, in certain circumstances, permits state attorneys general to enforce comp

Community Reinvestment Act

The CRA is intended to encourage depository institutions to help meet the cre
moderate-income neighborhoods, consistent with safe and sound operations. C
supervising depository institutions: the Federal Reserve, the FDIC and the OC
community is evaluated in the context of information about the institution (ca
economic data, lending, investment, and service opportunities), and its compe
assigned using a four-tiered rating system. These ratings are: "Outstanding," "
is used in evaluating applications for future approval of bank activities includ
Bank has a current rating of "Outstanding." M&T Bank is also subject to New
Bank currently has an "Outstanding" rating from the NYSDFS. Wilmington T
and is therefore exempt from the requirements of the CRA. In April 2018, the
regulators with recommended changes to the CRA's implementing regulation
the OCC published an advance notice of proposed rulemaking soliciting "idea
implement the CRA," without proposing any specific revisions to present CR
the regulations implementing the CRA.

Bank Secrecy and Anti-Money Laundering

Federal laws and regulations impose obligations on U.S. financial institutions
appropriate policies, procedures and controls which are reasonably designed t
terrorism and to verify the identity of their customers. In addition, these provi
effectiveness of a financial institution's anti-money laundering activities when
maintain and implement adequate programs to combat money laundering and
institution.

22

In May 2016, Financial Crimes Enforcement Network, which drafts regulatio
secrecy act legislation, issued final rules that require financial institutions to c
such institutions conduct business, subject to certain exclusions and exemptio
were required to comply by May 2018. Bank regulators are focusing their exa
and augment, where necessary, its anti-money laundering compliance progra

Office of Foreign Assets Control Regulation

The United States has imposed economic sanctions that affect transactions wi
the "OFAC" rules based on their administration by the U.S. Treasury Departr
targeting countries take many different forms. Generally, however, they conta
investment in a sanctioned country, including prohibitions against direct or in
persons" engaging in financial transactions relating to making investments in,
(ii) a blocking of assets in which the government or specially designated natio
subject to U.S. jurisdiction (including property in the possession or control of
withdrawn, set off or transferred in any manner without a license from OFAC
consequences.

Federal Reserve Policies

The earnings of the Company are significantly affected by the monetary and f
the instruments of monetary policy used by the Federal Reserve are open-mar
discount rate on member bank borrowings and changes in reserve requiremen
varying combinations to influence the overall level of bank loans, investment
Federal Reserve frequently uses these instruments of monetary policy, especi
interest rates and to affect the strength of the economy, the level of inflation o
Federal Reserve have had a significant effect on the operating results of bank
not possible to predict the nature of future changes in monetary and fiscal pol

Corporate Governance

M&T's Corporate Governance Standards and the following corporate governa
Disclosure and Regulation FD Policy; Executive Committee Charter; Nomina
Risk Committee Charter; Financial Reporting and Disclosure Controls and Pr
Business Conduct and Ethics; Employee Complaint Procedures for Accountin
such governance documents are also available, free of charge, to any person v

23

Shareholder Relations Department, One M&T Plaza, 8th Floor, Buffalo, NY

Competition

The Company competes in offering commercial and personal financial and w
of other industries, such as credit unions, personal loan companies, sales finar
companies, hedge funds, wealth and investment advisory firms, insurance co
financial services companies are able to offer a combination of these services
significantly impacted by state and federal regulations applicable to the banki
Interstate Banking Act and state banking laws have allowed for increased co
Internet-based companies.

Other Information

Through a link on the Investor Relations section of M&T's website at www.n
10-Q and Current Reports on Form 8-K, and amendments to those reports file
available, free of charge, as soon as reasonably practicable after electronically
other information are also available at no charge to any person who requests t
Shareholder Relations Department, One M&T Plaza, 8th Floor, Buffalo, NY

Statistical Disclosure Pursuant to Guide 3

See cross-reference sheet for disclosures incorporated elsewhere in this Annu

24

Table 1

SELECTED CONSOLIDATED YEAR-END BALANCES

	2018	2017	201
	(In thousands)		
Interest-bearing deposits at banks	$8,105,197	$5,078,903	$5,
Federal funds sold	—	—	—
Trading account	185,584	132,909	32
Investment securities			
U.S. Treasury and federal agencies	11,746,240	13,851,832	15
Obligations of states and political subdivisions	9,153	27,151	64
Other	937,420	785,542	1,
Total investment securities	12,692,813	14,664,525	16
Loans and leases			
Commercial, financial, leasing, etc.	23,136,913	21,900,258	22
Real estate — construction	8,823,635	8,125,925	8,
Real estate — mortgage	42,816,858	44,965,038	48
Consumer	13,956,086	13,251,665	12
Total loans and leases	88,733,492	88,242,886	91
Unearned discount	(267,015)	(253,903)	(2
Loans and leases, net of unearned discount	88,466,477	87,988,983	90
Allowance for credit losses	(1,019,444)	(1,017,198)	(9
Loans and leases, net	87,447,033	86,971,785	89
Goodwill	4,593,112	4,593,112	4,
Core deposit and other intangible assets	47,067	71,589	97
Real estate and other assets owned	78,375	111,910	13
Total assets	120,097,403	118,593,487	12
Noninterest-bearing deposits	32,256,668	33,975,180	32
Savings and interest-checking deposits	50,963,744	51,698,008	52
Time deposits	6,124,254	6,580,962	10
Deposits at Cayman Islands office	811,906	177,996	20
Total deposits	90,156,572	92,432,146	95
Short-term borrowings	4,398,378	175,099	16
Long-term borrowings	8,444,914	8,141,430	9,
Total liabilities	104,637,212	102,342,668	10
Shareholders’ equity	15,460,191	16,250,819	16

Table 2

SHAREHOLDERS, EMPLOYEES AND OFFICES

Number at Year-End	2018
Shareholders	18,099
Employees	17,267
Offices	794

25

Table 3

CONSOLIDATED EARNINGS

Interest income	
Loans and leases, including fees	
Investment securities	
Fully taxable	
Exempt from federal taxes	
Deposits at banks	
Other	
Total interest income	
Interest expense	
Savings and interest-checking deposits	
Time deposits	
Deposits at Cayman Islands office	
Short-term borrowings	
Long-term borrowings	
Total interest expense	
Net interest income	
Provision for credit losses	
Net interest income after provision for credit losses	
Other income	
Mortgage banking revenues	
Service charges on deposit accounts	
Trust income	
Brokerage services income	
Trading account and foreign exchange gains	
Gain (loss) on bank investment securities	
Other revenues from operations	
Total other income	
Other expense	
Salaries and employee benefits	
Equipment and net occupancy	
Outside data processing and software	
FDIC assessments	
Advertising and marketing	
Printing, postage and supplies	
Amortization of core deposit and other intangible assets	
Other costs of operations	
Total other expense	
Income before income taxes	
Income taxes	
Net income	
Dividends declared	
Common	
Preferred	

26

Table 4

COMMON SHAREHOLDER DATA

	20
Per share	
Net income	
Basic	$
Diluted	
Cash dividends declared	3
Common shareholders' equity at year-end	
Tangible common shareholders' equity at year-end	6
Dividend payout ratio	2

Table 5

CHANGES IN INTEREST INCOME AND EXPENSE(a)

	2018 C
	Total Chang (Increa
Interest income	
Loans and leases, including fees	$410,5
Deposits at banks	46,85
Federal funds sold and agreements to resell securities	17
Trading account	277
Investment securities	
U.S. Treasury and federal agencies	(36,9
Obligations of states and political subdivisions	(1,20
Other	(1,33
Total interest income	$418,2
Interest expense	
Interest-bearing deposits	
Savings and interest-checking deposits	$82,23
Time deposits	(10,0

Deposits at Cayman Islands office	4,447
Short-term borrowings	3,875
Long-term borrowings	59,18
Total interest expense	$139,6

(a) Interest income data are on a taxable-equivalent basis. The apportionment
on the separately determined volume and rate changes.

27

Item 1A. Risk Factors.
M&T and its subsidiaries could be adversely impacted by a number of risks a
elements are inherent in the ordinary course of the Company's business activi
Company's business, financial condition and results of operations, as well as
Company has developed a risk management process to identify, understand, r
forth some of the risks that could materially and adversely impact the Compar
that may adversely affect the Company.

Market Risk

Weakness in the economy has adversely affected the Company in the past and

Poor business and economic conditions in general or specifically in markets s
including:

- A decrease in the demand for loans and other products and services offered b
- A decrease in net interest income derived from the Company's lending and d
- A decrease in the value of the Company's investment securities, loans held f
- Other-than-temporary impairment of investment securities in the Company's
- A decrease in fees from the Company's brokerage and trust businesses assoc
- Potential higher FDIC assessments due to the DIF falling below minimum re
- An impairment of certain intangible assets, such as goodwill.
- An increase in the number of customers and counterparties who become deli
obligations to the Company. An increase in the number of delinquencies, ban
charge-offs, provision for credit losses and valuation adjustments on loans he

The Company's business and financial performance is impacted significantly
policies of governmental agencies, including the Federal Reserve, have a sign
the Company has no control and which the Company may not be able to antic

As a result of the high percentage of the Company's assets and liabilities that
rates, in the shape of the yield curve or in spreads between different market in
and the value of the Company's assets and liabilities. For example, changes in

- Affect the difference between the interest that the Company earns on assets a

28

interest that the Company pays on liabilities, which impacts the Company's c
- Adversely affect the ability of borrowers to meet obligations under variable c
Company's loss rates on those assets.
- Decrease the demand for interest rate based products and services, including
- Affect the Company's ability to hedge various forms of market and interest r
associated with such hedges.
- Affect mortgage prepayment speeds and could result in the impairment of ca
increase the volatility of mortgage banking revenues, potentially adversely a

The monetary, tax and other policies of the government and its agencies, inclu
financial market performance. These governmental policies can thus affect th
An important function of the Federal Reserve is to regulate the national suppl
influence the rates of interest that the Company charges on loans and that the
value of the Company's on-balance sheet and off-balance sheet financial instr
Reserve's policies influence, to a significant extent, the Company's cost of su

In addition, the Company is routinely subject to examinations from various go
tax return treatment applied by the Company to specific transactions. Manage
or liabilities have been appropriate. Should tax laws change or the tax authori
adjustments required could have a material effect on the Company's results o
tax and other policies or the effect that they may have on the Company's busi

Changes in the method pursuant to which LIBOR and other benchmark rates

Our floating-rate funding, certain hedging transactions and certain of the prod
applicable interest rate or payment amount by reference to a benchmark rate,
basket or other financial metric. LIBOR and certain other benchmark rates are
proposals for reform. In July 2017, the Chief Executive of the Financial Cond
compelling banks to submit rates for the calculation of LIBOR after 2021. Th
cannot and will not be guaranteed after 2021. Consequently, at this time, it is
submissions for the calculation of LIBOR. Similarly, it is not possible to pred
what rate or rates may become accepted alternatives to LIBOR, or what the ef
LIBOR-linked financial instruments.

The discontinuation of LIBOR, changes in LIBOR or changes in market perc
Company's risk exposures (for example, if the anticipated discontinuation of
therefore, the Company's exposure to fluctuations in interest rates) or otherwi
that the Company owns or has issued. A substantial portion of the Company's
extend beyond 2021) are indexed to LIBOR, including interest rate swap agre
commercial customers and consumers (including mortgage loans and other lo
pricing volatility and increased capital requirements, loss of market share in c
operational costs and risks.

The Company's business and performance is vulnerable to the impact of vola

As most of the Company's assets and liabilities are financial in nature, the Co
Turmoil and volatility in U.S. and global financial markets can be a major co
discussed herein, including the impaired ability of borrowers and other counte

- Affect the value or liquidity of the Company's on-balance sheet and off-bala
- Affect the value of capitalized servicing assets.
- Affect M&T's ability to access capital markets to raise funds. Inability to ac
Company's liquidity and results of operations.
- Affect the value of the assets that the Company manages or otherwise admin
changes in the value of such assets, decreases in the value of those assets wo
Company's services.
- Impact the nature, profitability or risk profile of the financial transactions in

Volatility in the markets for real estate and other assets commonly securing fi
overall volatility in financial markets. In addition, unfavorable or uncertain e
limitations on international trade and travel, which can result in market volati
condition and results of operations.

The Company's regional concentrations expose it to adverse economic condit

The Company's core banking business is largely concentrated within the Com
Maryland, New Jersey, Pennsylvania, Delaware, Connecticut, Virginia, West
may be, particularly vulnerable to adverse changes in economic conditions in

Risks Relating to Compliance and the Regulatory Environment

The Company is subject to extensive government regulation and supervision a
financial regulatory reform initiatives.

The Company is subject to extensive federal and state regulation and supervis
deposit insurance funds and the financial system as a whole, not stockholders
practices, capital structure, amounts of capital, investment practices, dividend
with laws, regulations, policies or supervisory guidance could result in civil o
revocation of a banking charter, other sanctions by regulatory agencies, and/o
business, financial condition and results of operations. In this regard, governm
enforcement actions with respect to compliance and other legal matters involv
perceived compliance failures and may also adversely affect the Company's a
necessary regulatory approvals in connection therewith. In general, the amou
increased substantially and are likely to remain elevated. In some cases, gover
part of such settlements, which could have significant collateral consequences
access the capital markets, and the inability to operate certain businesses or o
impact the Company's supervisory and CRA ratings, which may in turn restri

Any new regulatory requirements or changes to existing requirements could r
and affect the profitability of such businesses. Additionally, such activity cou
course of business, such as rating agencies, insurance companies and investor
Company in substantial and unpredictable ways, and, in turn, could have a ma
operations.

There have been significant revisions to the laws and regulations applicable t
other rules to implement the changes have yet to be finalized, and the final ti
financial institutions remain uncertain. For more information on the regulatio
regulation, see Part I, Item 1 — Business in this report.

Capital and liquidity standards adopted by the U.S. banking regulators have r
quality capital and greater liquidity than has historically been the case.

Capital standards imposed as a result of the Dodd-Frank Act (as amended by
on banks and bank holding companies, including M&T. The U.S. capital rule
substantially more capital, with a greater emphasis on common equity. For ad

31

The requirement to maintain more and higher quality capital, as well as greate
scrutiny with respect to capital and liquidity levels, could limit the Company'
through acquisitions. It could also result in M&T being required to take steps
ability to pay dividends or otherwise return capital to shareholders, or sell or r
the assets' underlying risks.

In addition, the U.S. Basel III-based liquidity coverage ratio requirement and
prudential supervision requirements require the Company to hold increased le
ability to invest in other longer-term assets even if deemed more desirable fro
agencies have been taking into account expectations regarding the ability of b
actions that represent uses of capital, such as dividend increases, common sto

Certain elements of these capital and liquidity standards may be eased in the f
banking agencies following the enactment of EGRRCPA. However, the ultim
expects to remain subject to these standards in the near term.

M&T's ability to return capital to shareholders and to pay dividends on comm
and will depend, in part, on a review of its capital plan by the Federal Reserve

Any decision by M&T to return capital to shareholders, whether through a co
requires the approval of M&T's Board of Directors and depends in large part
process and the supervisory stress tests required under the Dodd-Frank Act w
conditions. Prior to the public disclosure of a BHC's CCAR results, the Feder
will offer a one-time opportunity for the BHC to reduce planned capital distri
object to any capital plan in which a BHC's regulatory capital ratios inclusive
requirements throughout a nine-quarter period under severely adverse stress c
capital plan and stress testing rules for the 2017 cycle. The rule eliminated the
consolidated assets between $50 billion and $250 billion, such as M&T. The
BHC's capital plan, the assumptions and analysis underlying the plan, and the
processes, analyses, controls and governance. The Federal Reserve will contin
horizontal reviews of particular aspects of capital planning. If the Federal Res
return capital to shareholders, including through paying dividends, entering in
impact market and investor perceptions of M&T. In June 2018, the Federal R
M&T cannot be certain that the Federal Reserve will not object to future capi

32

In addition, Federal Reserve capital planning and stress testing rules generally
common stock share repurchases – if the amount of actual cumulative quarter
BHC had indicated in its submitted capital plan as to which it received a non-
dividends on its common stock, as well as the amount of such dividends, will
otherwise remain in compliance with its capital plan, which may be adversely

Certain elements of these stress testing and capital planning requirements may
the Federal banking agencies following the enactment of EGRRCPA. Howev
Company expects to remain subject to these standards in the near term.

The effect of resolution plan requirements may have a material adverse impac

Bank holding companies with consolidated assets of $100 billion or more, suc
plan for their rapid and orderly resolution in the event of material financial di
depository institution subsidiaries are adequately protected from risks arising
FDIC prescribes specific standards for the resolution plans, including requirin
actions the Company proposes to take in resolution, and a description of the C
interconnections and interdependencies, and management information system
December 2017. In addition, insured depository institutions with $50 billion o
periodic plans for resolution in the event of the institution's failure. M&T Ba

If the Federal Reserve and the FDIC jointly determine that the resolution plan
manner, then the Federal Reserve and the FDIC may jointly impose on the co
requirements or restrictions on growth, activities or operations, or require the
jointly determine that M&T's resolution plan is not credible or would not faci
become subject to more stringent regulatory requirements or business restricti
have a material adverse effect on the Company's business, financial condition

If an orderly liquidation of a systemically important BHC or non-bank financi
Liquidation Fund ("OLF").

The Dodd-Frank Act creates a mechanism, the OLF, for liquidation of system
OLF is administered by the FDIC and is based on the FDIC's bank resolution
authority after consultation with the President of the U.S. and after receiving a
two-thirds vote. Liquidation proceedings will be funded by the OLF, which w

33

impose risk-based assessments on covered financial companies. Risk-based a
they would have received in the liquidation to the extent of such excess, and s
consolidated assets of $50 billion or more, such as M&T. Any such assessmen
operations.

Credit Risk

Deteriorating credit quality could adversely impact the Company.

As a lender, the Company is exposed to the risk that customers will be unable
collateral securing the loans may be insufficient to assure full repayment. Cre

Factors that influence the Company's credit loss experience include overall ec
residential and commercial real estate valuations, in particular, given the size
Company's credit loss experience include: (i) the impact of residential real es
secured by residential real estate; (ii) the concentrations of commercial real es
industrial loans to businesses in areas of New York State outside of the New
economic growth and vitality than many other regions of the country; (iv) the
residential real estate; and (v) the size of the Company's portfolio of loans to
a percentage of loans outstanding than loans to other types of borrowers.

Commercial real estate valuations can be highly subjective as they are based
relatively short periods of time by changes in business climate, economic con
other occupants of the real property. Similarly, residential real estate valuatio
interest rates, governmental policy regarding housing and housing finance, an

The Company maintains an allowance for credit losses which represents, in m
The allowance is determined by management's evaluation of the loan and lea
each loan category, the current financial condition of specific borrowers, the e
value of any collateral and, where applicable, the existence of any guarantees
flows on loans acquired at a discount are also considered in the establishment

Management believes that the allowance for credit losses appropriately reflec
assurance that the allowance will be sufficient to cover such credit losses, par
a downturn. In those cases, the Company may be required to increase the allo
income.

34

The Company may be adversely affected by the soundness of other financial i

Financial services institutions are interrelated as a result of trading, clearing, c
industries and counterparties, and routinely executes transactions with counte
dealers, investment banks, and other institutional clients. Many of these transa
or client. In addition, the Company's credit risk may be exacerbated when the
sufficient to recover the full amount of the credit or derivative exposure due to
Company's financial condition and results of operations.

Liquidity Risk

The Company must maintain adequate sources of funding and liquidity.

The Company must maintain adequate funding sources in the normal course o
regulatory expectations. The Company primarily relies on deposits to be a lov
business. Core customer deposits, which include noninterest-bearing deposits
$250,000 or less, have historically provided the Company with a sizeable sou
of liquidity include borrowings from third party banks, securities dealers, vari

The Company's liquidity and ability to fund and operate the business could be
financial and credit market disruptions and volatility or a lack of market or cu
customer deposits or outflows of cash or collateral and/or ability to access cap
services industry generally may reduce market or customer confidence in the
and funding. Such reputational damage may result in the loss of customer de
or more of the Company's credit ratings, and may also negatively affect the C
ratings, which could result from general industry-wide or regulatory factors n
borrow funds, including by raising the cost of borrowings substantially, and c
take other actions that could adversely affect M&T's ability to raise capital. M
has little or no control. There can be no assurance that significant disruption a

Recent regulatory changes relating to liquidity and risk management have also
regulations address, among other matters, liquidity stress testing, minimum li
companies.

If the Company is unable to continue to fund assets through customer bank de
increase in borrowing costs or otherwise fails to manage liquidity effectively,
operations may be materially adversely affected.

35

M&T relies on dividends from its subsidiaries for its liquidity.

M&T is a separate and distinct legal entity from its subsidiaries. M&T typical
dividends are M&T's principal source of funds to pay dividends on common
common stock. Various federal and/or state laws and regulations, as well as r
subsidiaries and certain non-bank subsidiaries may pay. Regulatory scrutiny c
subsidiaries has increased in recent years and has resulted in increased regula
distributions to shareholders of banks, such as parent bank holding companies
restrictions on dividend declarations. Also, M&T's right to participate in a di
prior claims of that subsidiary's creditors. Limitations on M&T's ability to re
liquidity and ability to pay dividends on its stock or interest and principal on i

Strategic Risk

The financial services industry is highly competitive and creates competitive

The financial services industry in which the Company operates is highly com
thrifts, but also with insurance companies, mutual funds, hedge funds, securit
globally and over the Internet. Some of the Company's non-bank competitors
greater flexibility in competing for business. In particular, the activity and pro
companies has grown significantly in recent years and is expected to continue
access to capital, revenue generation, products, services, transaction executio
services industry have become more concentrated, as institutions involved in
firms. These developments could result in the Company's competitors gainin
and geographic diversity. The Company may experience pricing pressures as
by reducing prices or paying higher rates of interest on deposits.

Finally, technological change is influencing how individuals and firms condu
Financial technology providers, who invest substantial resources in developin
beginning to offer more traditional banking products (either directly or throug
obtaining a bank-like charter, such as the OCC's fintech charter. As a result, t
many that are not located within the geographic footprint of its banking office
the Company frequently attempts to introduce new technology-driven produc
and to reduce costs. The Company may not be able to effectively implement r

36

allow it to remain competitive or be successful in marketing these products ar

Difficulties in combining the operations of acquired entities with the Compan
acquisitions.

M&T has expanded its business through past acquisitions and may do so in th
entity. M&T may not be able to fully achieve its strategic objectives and plan
in which the Company and its actual or potential acquisition targets operate ar
customers of acquired entities as a result of an acquisition. Acquisition and in
result M&T may not be able to pursue other business opportunities while inte

After completing an acquisition, the Company may not realize the expected b
entity. For example, the Company could experience higher credit losses, incur
related to an acquired entity.

Operational Risk

The Company is subject to operational risk which could adversely affect the C

Like all businesses, the Company is subject to operational risk, which represe
processes and systems, and external events. Operational risk also encompasse
violations of, or noncompliance with, laws, rules, regulations, prescribed prac
other obligations. The Company is also exposed to operational risk through ou
of its outsourcing vendors can have on the Company's ability to continue to p
to mitigate operational risk through a system of internal controls that are revie
infallible. Control weaknesses or failures or other operational risks could resu
foregone business opportunities.

M&T could suffer if it fails to attract and retain skilled personnel.

M&T's success depends, in large part, on its ability to attract and retain key in
candidates in the activities in which the Company engages and markets that th
candidates and retain them. Growth in the Company's business, including thro
Company is increasingly competing for personnel with financial technology p
compensation as the Company does. If the Company is not able to hire or reta
strategies and may suffer adverse consequences to its business, financial cond

37

The Company's compensation practices are subject to review and oversight b
agencies have issued joint guidance on executive compensation designed to h
encourage imprudent risk taking and are consistent with the safety and soundr
along with the SEC, to adopt rules to require reporting of incentive compensa
with such rules the Company is unable to attract and retain qualified employe
compensation costs required to attract and retain employees become more sig
materially adversely affected.

The Company's information systems may experience interruptions or breache

The Company relies heavily on communications and information systems, inc
interruption or breach in security of these systems could result in disruptions t
Company's customer relationships. While the Company has policies and proc
no assurance that any such failure, interruption or security breach will not occ

Information security risks for large financial institutions such as M&T have in
technologies, such as Internet and mobile banking to conduct financial transac
terrorists, nation-states, activists and other external parties. There have been i
breach data security at financial institutions or with respect to financial transa
consumer-based companies reporting unauthorized access to and disclosure o
including by executive impersonation and third party vendors. There have als
payments in exchange for not disclosing customer information.

As cyber threats continue to evolve, the Company may be required to expend
defense or to investigate and remediate any information security vulnerabiliti
recognized until launched and can be initiated by a variety of actors, including
to fraudulently induce employees, customers or other users of the Company's
Company's systems. These risks may increase as the use of mobile payment a

Further, third parties with which the Company does business, as well as vend
also be sources of information security risk to the Company, particularly whe
such as through the use of the Internet, personal computers, tablets, smart pho
customers, or systems breakdowns or failures, security breaches or employee
steps to protect the integrity of its own systems or to safeguard confidential in
operational costs and adversely affecting its business.

The occurrence of any failure, interruption or security breach of the Company
third-party providers),

particularly if widespread or resulting in financial losses to customers, could c
Company to additional regulatory scrutiny and potential sanctions, or expose

The Company is also subject to laws and regulations relating to the privacy of
these laws and regulations could expose the Company to liability and/or reput
cybersecurity regulation of the NYSDFS, are implemented, the time and resou
its potential liability for non-compliance and reporting obligations in the case
increasingly subject to laws and regulations relating to privacy, surveillance,
these laws and regulations may require changes to policies, procedures and te
other things, make the Company more vulnerable to operational failures, and

M&T relies on other companies to provide key components of the Company's

Third parties provide key components of the Company's business infrastructu
access. Any disruption in such services provided by these third parties or any
adversely affect the Company's ability to deliver products and services to clie
third party service provider could adversely affect the Company's business to
provided by that party. The Company may not be insured against all types of
cover all losses resulting from system failures or other disruptions. Failures in
costs of doing business.

The Company is or may become involved from time to time in suits, legal pro
governmental and self-regulatory agencies that may lead to adverse conseque

Many aspects of the Company's business and operations involve substantial r
be named as defendants in various lawsuits arising from its or its subsidiaries
acquired). In addition, from time to time, M&T is, or may become, the subjec
reviews, investigations and proceedings and other forms of regulatory inquiry
authorities. The SEC has announced a policy of seeking admissions of liabilit
litigation. M&T is also at risk when it has agreed to indemnify others for loss
investigations and inquiries, such as in connection with the purchase or sale o
or criminal penalties, including monetary penalties, damages, adverse judgme
conducts its business, or reputational harm.

Although the Company establishes accruals for legal proceedings when inform
that a loss is probable and that the

39

amount of loss can be reasonably estimated, the Company does not have accr
inherent subjectivity of the assessments and unpredictability of the outcome o
Company from the legal proceedings in question. Thus, the Company's ultim
legal loss contingencies, which could adversely affect the Company's financi

Business Risk

Changes in accounting standards could impact the Company's financial condi

The accounting standard setters, including the Financial Accounting Standard
financial accounting and reporting standards that govern the preparation of th
predict and can materially impact how the Company records and reports its fi
required to apply a new or revised standard retroactively, which would result
about recently adopted and not as yet adopted accounting standards is include
Statements and Supplemental Data of this Form 10-K.

The Company's reported financial condition and results of operations depend
estimates about matters that are uncertain.

Accounting policies and processes are fundamental to the Company's reporte
estimates and assumptions that may affect the reported amounts of assets or li
because they require management to make difficult, subjective and complex j
materially different amounts would be reported under different conditions or u
management is required to make certain assumptions and estimates in prepari
Company's financial statements are incorrect, the Company may experience r

Management has identified certain accounting policies as being critical becau
liabilities, commitments and contingencies. A variety of factors could affect t
expense, recovering an asset, valuing an asset or liability, or recognizing or re
that are intended to ensure these critical accounting estimates and judgments a
are intended to ensure that the process for changing methodologies occurs in a
estimates pertaining to these matters, M&T could be required to adjust accour
estimates prove to be incorrect. For additional information, see Part II, Item 7
Operations, "Critical Accounting Estimates" and Note 1, "Significant Accour

40

The Company's models used for business planning purposes could perform p

The Company uses quantitative models to assist in measuring risks and estim
account for all variables and may fail to predict outcomes accurately and/or m
managed models present the risk that the Company's business decisions that c
inadequate or inaccurate information. As a result, the Company may not adeq
information the Company provides to the public or to its regulators based on p
misleading. Decisions that regulators make, including those related to capital
the quality of the models used to generate the relevant information is insuffici

The Company is exposed to reputational risk.

A negative public opinion of the Company and its business can result from an
governance and regulatory compliance, acquisitions and actions taken by regu
harm to the Company's reputation could also arise as a result of regulatory or
customers, other participants in the financial services industry or the Compan
cyber security event impacting the Company's or its customers' data could ha
Company and its cyber security. Damage to the Company's reputation could a

Severe weather, natural disasters, acts of war or terrorism and other external e

Severe weather, natural disasters, acts of war or terrorism and other adverse e
business. Such events could affect the stability of the Company's deposit base
collateral securing loans, cause significant property damage, result in loss of r
Company has established disaster recovery plans and procedures, and monito
occurrence of any such event could have a material adverse effect on the Com

Discussions of the specific risks outlined above and other risks facing the Co
"Business," and Part II, Item 7 "Management's Discussion and Analysis of Fi
heading "Forward-Looking Statements" is included a description of certain ri
predict and that could materially affect the Company's financial condition an
general, and M&T common stock, in particular.

41

In addition, the market price of M&T common stock may fluctuate significan
estimates of financial performance, volatility of stock market prices and volu
companies and changes in accounting policies or procedures as may be requi

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Both M&T and M&T Bank maintain their executive offices at One M&T Pla
approximately 300,000 rentable square feet of space, is owned in fee by M&T
approximately 98% of the building and the remainder is leased to non-affiliat
improvements subsequent to the initial construction), net of accumulated depr

M&T Bank owns and occupies an additional facility in Buffalo, New York (k
space. At December 31, 2018, the cost of this building (including improveme

M&T Bank also owns and occupies three separate facilities in the Buffalo are
total square footage of these facilities approximates 290,000 square feet and t
accumulated depreciation, was $28.9 million at December 31, 2018.

M&T Bank owns a facility in Syracuse, New York with approximately 160,0
M&T Bank. At December 31, 2018, the cost of that building (including impro
$1 million.

M&T Bank owns facilities in Wilmington, Delaware, with approximately 34
rentable square feet of space, respectively. M&T Bank occupies approximate
December 31, 2018, the cost of these buildings (including improvements subs
$12.2 million, respectively.

M&T Bank also owns facilities in Harrisburg, Pennsylvania and Millsboro, D
respectively. M&T Bank occupies approximately 30% and 89% of those facil
improvements subsequent to acquisition), net of accumulated depreciation, w

No other properties owned by M&T Bank have more than 100,000 square fee
Company's premises and equipment is detailed in note 5 of Notes to Financia
Supplementary Data."

Of the 752 domestic banking offices of M&T's subsidiary banks at Decembe

42

Item 3. Legal Proceedings.

M&T and its subsidiaries are subject in the normal course of business to vario
monetary damages are asserted. On an on-going basis management, after cons
connection with such proceedings. For those matters where it is probable that
estimated, the Company records an expense and corresponding liability in its
could result in exposure in excess of that liability, the amount of such excess
reasonably possible losses for such matters in the aggregate, beyond the existi
not believe that the outcome of pending litigations will be material to the Con
outcomes will be material to the consolidated results of operations for a partic

DOL ESOP Investigations: Wilmington Trust, N.A. provides retirement serv
Ownership Plans ("ESOPs"). Beginning in 2010, the U.S. Department of Lab
particularly with regard to valuation issues relating to ESOP transactions. Be
information and subpoenas relating to certain ESOP transactions for which it
seeking information on its global ESOP trustee business. In addition to these
Wilmington Trust N.A. relating to its role as trustee of two ESOP transactions
lawsuits relating to its role as trustee for four ESOP transactions. Wilmington
transaction documents, Wilmington Trust N.A. may be entitled to indemnifica

The DOL investigations of Wilmington Trust N.A. could result in civil procee
enforcement actions, which could seek damages and/or fines, penalties, restitu
expenses.

Due to their complex nature, it is difficult to estimate when litigation and inve
paragraph to this Item 3 — Legal Proceedings, losses from current litigation a
considered probable are within a range of reasonably possible losses for such
the range of reasonably possible losses set forth above.

Item 4. Mine Safety Disclosures.

Not applicable.

43

Executive Officers of the Registrant

Information concerning M&T's executive officers is presented below as of Fe
with M&T or its subsidiaries is shown parenthetically. In the case of each ent
after such entity's annual meeting, which in the case of M&T takes place imn
are elected and qualified.

René F. Jones, age 54, is chief executive officer, chairman of the board and a
president (2006) of M&T and a vice chairman (2014) of M&T Bank. Mr. Jon
Division, Treasury Division, and Mortgage and Consumer Lending Divisions
Real Estate. Mr. Jones is chairman of the board and a director (2014) of Wilm
Agency. Mr. Jones is chairman of the board and a director (2014) of Wilming
of M&T, M&T Bank and Wilmington Trust, N.A. and had held a number of r

Richard S. Gold, age 58, is president, chief operating officer and a director of
Banking, Legal, Human Resources and Enterprise Transformation Divisions.
of M&T and was a vice chairman and chief risk officer (2014) of M&T Bank
strategy for risk management, as well as relationships with key regulators and
2000 to 2006 and has held a number of management positions since he began
executive officer (2018) and a director (2017) of Wilmington Trust, N.A.

Kevin J. Pearson, age 57, is an executive vice president (2002) and a director
He is a member of the Directors Advisory Council (2006) of the New York C
Commercial Banking, Credit, Technology and Banking Operations, and Weal
vice president of M&T Bank from 2000 to 2002, and has held a number of ma
executive vice president (2003) and a trustee (2014) of M&T Real Estate, cha
executive vice president and a director of Wilmington Trust, N.A. (2014), and

Robert J. Bojdak, age 63, is an executive vice president and chief credit office
Division. From April 2002 to April 2004, Mr. Bojdak served as senior vice pr
director (2004) of Wilmington Trust, N.A.

Janet M. Coletti, age 55, is an executive vice president (2015) of M&T and M
previously served as senior vice president of M&T Bank, most recently respo
positions within M&T Bank since 1985.

44

John L. D'Angelo, age 56, is an executive vice president and chief risk office
Company's governance and strategy for risk management, as well as relations
vice president and chief risk officer (2018) of Wilmington Trust, N.A. and an
served as a senior vice president and general auditor of M&T Bank from 200
Bank in 1987.

William J. Farrell II, age 61, is an executive vice president (2011) of M&T an
development functions of the Company's Wealth and Institutional Services D
Mr. Farrell joined M&T through the Wilmington Trust Corporation acquisitio
management positions, most recently as executive vice president and head of
officer and a director (2012) of Wilmington Trust Company, an executive vic
Wilmington Trust Investment Advisors.

Brian E. Hickey, age 66, is an executive vice president of M&T (1997) and M
Rochester Division of M&T Bank. Mr. Hickey is responsible for co-managin
the non-retail banking segments in Upstate New York, Western New York an
Hickey is also responsible for the Dealer Commercial Services line of busines

Christopher E. Kay, age 53, is an executive vice president (2018) of M&T an
Mortgage, Consumer Lending and Retail businesses, and Business Banking a
officer at Humana from 2014 to 2018 and as managing director of Citi Ventu

Darren J. King, age 49, is an executive vice president (2010) and chief financ
officer (2016) of M&T Bank. Mr. King has responsibility for the overall fina
Divisions. Prior to his current role, Mr. King was the Retail Banking executi
Consumer Lending and M&T Bank's Marketing and Communications team.
number of management positions within M&T Bank since 2000. Mr. King is
Trust, N.A. and is chairman of the board, president and a director (2018) of M

Gino A. Martocci, age 53, is an executive vice president (2014) of M&T and
commercial banking lines of business and all non-retail banking segments in
and Washington, D.C. markets. He is also responsible for M&T Realty Capit
serving in a number of management positions. He is chairman of the board (2
M&T Real Estate, co-chairman of the Senior Loan Committee and a member
member of the Directors Advisory Council of the New York City/Long Islan

45

Doris P. Meister, age 63, is an executive vice president (2016) of M&T and M
business, including Wilmington Trust Wealth Management, M&T Securities
president and a director (2016) of Wilmington Trust, N.A., an executive vice
board, chief executive officer and a director (2017) of Wilmington Trust Inve
U.S. Markets for BNY Mellon Wealth Management from 2009 to 2016 and p
Wealth Management.

Michael J. Todaro, age 57, is an executive vice president (2015) of M&T and
Company dedicated to improving business processes, removing impediments
Todaro was responsible for the Mortgage, Consumer Lending and Customer A
of M&T Bank and has held a number of management positions within M&T
Wilmington Trust, N.A.

Michele D. Trolli, age 57, is an executive vice president (2005) and chief tech
chief information officer (2005) of M&T and M&T Bank. Ms. Trolli leads a v
banking services, corporate services, digital and telephone banking, the enter

D. Scott N. Warman, age 53, is an executive vice president (2009) and treasu
Treasury Division. Mr. Warman previously served as senior vice president of
since 1995. He is an executive vice president and treasurer of Wilmington Tr
president and treasurer of Wilmington Trust Company (2012).

46

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters
M&T's common stock is traded under the symbol MTB on the New York Sto
this Annual Report on Form 10-K for market prices of M&T's common stock
of dividends on common stock and restrictions on the payment of dividends.

During the fourth quarter of 2018, M&T did not issue any shares of its comm

Equity Compensation Plan Information

The following table provides information as of December 31, 2018 with respe
compensation plans. M&T's existing equity compensation plans include the M
Plan, which replaced the 2001 Stock Option Plan, and the 2009 Equity Incent
shareholders, and the M&T Bank Corporation 2008 Directors' Stock Plan and
shareholder approval.

The table does not include information with respect to shares of common stoc
mergers and acquisitions of the companies that originally granted those option
common stock issuable upon the exercise of such assumed options and rights

Plan Category	Number Securitie to be Iss Exercise Outstand Options (A)
Equity compensation plans approved by security holders	137,36
Equity compensation plans not approved by security holders	21,986
Total	159,34

(1) As of December 31, 2018, a total of 89,502 shares of M&T common stock
connection with merger and acquisition transactions. The weighted-averag
Equity compensation plans adopted without the approval of shareholders are

2008 Directors' Stock Plan. M&T maintains a plan for non-employee membe
Council, and the non-employee members of the Board of Directors of M&T B
such directors, advisory directors and members of regional Directors Advisor
M&T common stock.

47

Deferred Bonus Plan. M&T maintains a deferred bonus plan which was froze
Prior to January 1, 2010, the plan allowed eligible officers of M&T and its su
awards and allocate such awards to several investment options, including M&
timing of distributions from the plan. Such distributions are payable in cash, v
distributable in the form of shares of common stock.

Performance Graph

The following graph contains a comparison of the cumulative shareholder ret
Bank Index, compiled by Keefe, Bruyette & Woods, Inc., and the S&P 500 In
on December 31, 2013 and ending on December 31, 2018. The KBW Nasdaq
representing leading large U.S. national money centers, regional banks and th

Comparison of Five-Year Cumulative Return*

Shareholder Value at Year End*

	2
M&T Bank Corporation	$
KBW Nasdaq Bank Index	
S&P 500 Index	

* Assumes a $100 investment on December 31, 2013 and reinvestment of all

In accordance with and to the extent permitted by applicable law or regulatio
incorporated by reference into any future filing under the Securities Act of 19
to be "soliciting material" or to be "filed" with the SEC under the Securities A

48

Issuer Purchases of Equity Securities

On July 17, 2018, M&T announced that it had been authorized by its Board o
June 30, 2019. Repurchase programs authorized in July 2017 and February 20
repurchased 12,295,817 common shares for $2.2 billion during 2018.

During the fourth quarter of 2018, M&T purchased shares of its common stoc

Period	Issuer (a)Tot Numb of Sha (or Un Purcha (1)
October 1 - October 31, 2018	1,108
November 1 - November 30, 2018	1,360
December 1 - December 31, 2018	591,6
Total	3,060

(1) The total number of shares purchased during the periods indicated include
have been received from employees who exercised stock options by attesti
shares received from employees upon the vesting of restricted stock award
M&T's stock-based compensation plans.

(2) On July 17, 2018, M&T announced a program to purchase up to $1.8 billio

Item 6. Selected Financial Data.

See cross-reference sheet for disclosures incorporated elsewhere in this Annu

Item 7. Management's Discussion and Analysis of Financial Condition and Re
Corporate Profile

M&T Bank Corporation (“M&T”) is a bank holding company headquartered
2018. The consolidated financial information presented herein reflects M&T
wholly owned bank subsidiaries are Manufacturers and Traders Trust Compa
N.A.”).

M&T Bank, with total assets of $119.6 billion at December 31, 2018, is a Ne
State, Maryland, New Jersey, Pennsylvania, Delaware, Connecticut, Virginia
office in Ontario, Canada, and an office in the Cayman Islands. M&T Bank a
consumers, businesses, professional clients, governmental entities and financ
residing in the states noted above and on small and

49

medium size businesses based in those areas, although loans are originated th
also conducted in other states through various subsidiaries. Trust and other fi
Wilmington Trust Company. Other subsidiaries of M&T Bank include: M&T
Corporation, a multifamily commercial mortgage lender; M&T Securities, Inc
Wilmington Trust Investment Advisors, Inc., which serves as an investment a
funds and institutional clients; and M&T Insurance Agency, Inc., an insuranc

Wilmington Trust, N.A. is a national bank with total assets of $4.3 billion at I
and wealth management services. Wilmington Trust, N.A. offered selected d
and direct mail marketing techniques.

Critical Accounting Estimates

The Company's significant accounting policies conform with generally accep
Statements. In applying those accounting policies, management of the Compa
assumptions and estimates to be utilized. Certain of the critical accounting est
volatility in the Company's reported financial performance should the assump
the more significant areas in which management of the Company applies criti

- Accounting for credit losses — The allowance for credit losses represents th
the loan and lease portfolio as of the balance sheet date. A provision for cred
management. In estimating losses inherent in the loan and lease portfolio, as
future cash flows, collateral values and other factors used to determine the b
are economic conditions, industry trends, portfolio trends and borrower-spec
attributable to credit quality which are initially recorded at fair value with no
the cash flows expected at acquisition in excess of estimated fair value are re
decreases in the expected principal cash flows require the Company to evalu
improvements in expected cash flows result first in the recovery of any appli
income over the remaining lives of the loans. Changes in the circumstances c
in changes in those estimates and assumptions, which may result in adjustme
interest income in future periods. A detailed discussion of facts and circumst
included herein under the heading "Provision for Credit Losses" and in note
- Valuation methodologies — Management of the Company applies various v
degree of judgment, particularly when liquid markets do not exist for the par

valued. Quoted market prices are referred to when estimating fair values for
estate loans held for sale and related commitments. However, for those items
significant estimates and assumptions to value such items. Examples of these
intangible assets, other assets and liabilities obtained or assumed in business
obligations, estimated residual values of property associated with leases, and
of various assumptions, including, among others, discount rates, rates of retu
liquidation values. The use of different assumptions could produce significan
Company's results of operations, financial condition or disclosures of fair va
any declines in value below the carrying value of assets that should be consid
recognition of a loss in the consolidated statement of income. Examples inclu
core deposit and other intangible assets, among others. Specific assumptions
management's discussion and analysis of financial condition and results of o
Statements.

• Commitments, contingencies and off-balance sheet arrangements — Informa
and contingent liabilities arising from litigation, and their potential effects o
Statements. In addition, the Company is routinely subject to examinations fr
challenges to the tax return treatment applied by the Company to specific tra
tax-related assets or liabilities have been appropriate. Should tax laws chang
inappropriate, the result and adjustments required could have a material effe
income taxes is presented in note 13 of Notes to Financial Statements. The r
assets and liabilities held by so-called variable interest entities is subject to t
interpretations that require management to estimate and assess the relative si
which the Company can influence the most important activities of the entitie
accounting treatment afforded each such involvement is included in note 19

Overview

The Company recorded net income during 2018 of $1.92 billion or $12.74 of
billion or $8.70 of diluted earnings per common share in 2017. Basic earnings
income in 2016 aggregated $1.32 billion, while diluted and basic earnings pe
average assets,

51

net income in 2018 was 1.64%, compared with 1.17% in 2017 and 1.06% in 2
8.87% in 2017 and 8.16% in 2016.

During 2018, there were several matters that were notable. The Company ado
equity securities at fair value on the consolidated balance sheet (which were p
value recognized in the consolidated statement of income rather than through
securities in 2018 were $6 million. As of March 31, 2018, the Company incre
a civil litigation matter by a wholly-owned subsidiary of M&T, Wilmington T
Corp. by M&T. The increase, on an after-tax basis, reduced net income by $1
received final court approval and is now settled. Income tax expense in 2018
the Tax Cuts and Jobs Act ('the Tax Act") that was enacted on December 22,
to change its tax return treatment for certain loan fees retroactive to 2017. Gi
change in treatment resulted in a $15 million reduction of income tax expense
its fourth quarter contribution to The M&T Charitable Foundation to $20 mill

There were also several notable items in 2017. M&T adopted new accounting
excess tax benefits and tax deficiencies associated with share-based compens
effects resulting from changes in M&T's share price subsequent to the grant c
exercise. The adoption of the amended accounting guidance resulted in a $22
common share. Similarly, income tax expense in 2018 was reduced by $9 mi

On October 9, 2017, WT Corp. reached an agreement with the U.S. Attorney'
between 2009 and 2010 prior to the acquisition of WT Corp. by M&T. The re
purposes. WT Corp. did not admit any liability. As of September 30, 2017, t
coupled with the non-deductible nature of the $44 million payment, reduced n
share. As noted, the Tax Act enacted in December 2017 reduced the Federal
requires that the impact of the provisions of the Tax Act be accounted for in t
by the Company in the fourth quarter of 2017 related to the Tax Act was $85
expense was largely attributable to the reduction in carrying value of net defe
tax rate.

During the fourth quarter of 2017, the Company realized after-tax gains from
to diluted earnings per common share. Gains from investment securities incre
representing $.12 of diluted earnings per common share. The Company increa
2017 quarter, bringing total charitable contributions for all of 2017 to $50 mil
common share.

52

With regard to 2016, the Company incurred acquisition and integration-relate
November 2015 acquisition of Hudson City Bancorp, Inc. (“Hudson City”) th

Taxable-equivalent net interest income rose 7% to $4.09 billion in 2018 from
of the net interest margin, or taxable-equivalent net interest income expressed
2018. Partially offsetting the impact of the expanded net interest margin was
in 2017. Taxable-equivalent net interest income in 2017 was 9% above $3.50
3.11% in 2016, partially offset by a $2.6 billion or 2% decline in average earn

The provision for credit losses declined 21% to $132 million in 2018 from $1

Other income totaled $1.86 billion and $1.85 billion in 2018 and 2017, respec
income and income from Bayview Lending Group LLC ("BLG") in 2018 wer
2017. Comparing 2017 to 2016, higher trust income and service charges on d
revenues and lower gains on investment securities.

Other expense increased 5% to $3.29 billion in 2018 from $3.14 billion in 20
expenses considered by M&T to be “nonoperating” in nature, consisting of an
$43 million in 2018, 2017 and 2016, respectively, and merger-related expense
of those nonoperating expenses, noninterest operating expenses totaled $3.26
increase in such expenses in 2018 as compared with 2017 was largely due to l
to the reserve for legal matters, partially offset by lower FDIC assessments an
expenses in 2017 as compared with 2016 were higher costs for salaries and em
the reserve for legal matters.

The efficiency ratio measures the relationship of noninterest operating expens
(as previously defined) divided by the sum of taxable-equivalent net interest i
securities), was 54.8% in 2018, compared with 55.1% and 56.1% in 2017 and

The Company’s effective tax rate was 23.5%, 39.4% and 36.1% in 2018, 2017
corporate Federal income tax rate from 35% to 21% as of January 1, 2018.

On June 28, 2018, M&T announced that the Federal Reserve did not object to
to $1.8 billion of common shares during the four-quarter period starting on Ju
quarter of 2018 of up to $.20 per share to $1.00 per share. M&T may continu
regulatory capital, including preferred stock, trust preferred securities and sub
contractual terms of those instruments. Dividends are subject to declaration b
new stock repurchase program to repurchase up to $1.8 billion of shares of M

53

common stock subject to all applicable regulatory limitations, including those
M&T increased the quarterly common stock cash dividend by $.20 to $1.00 p
second quarter of 2018.

On February 5, 2018, M&T received notice of non-objection from the Federa
June 30, 2018. This amount was in addition to the previously announced $90
Plan and approved by M&T's Board of Directors. A new stock repurchase pr
the repurchase of up to $745 million. In accordance with authorized stock rep
cost of $2.2 billion during 2018. The dollar amount and number of common s
million and 5,607,595, respectively, in 2016.

Table 1

EARNINGS SUMMARY

Dollars in millions

Increase (Decrease)(a)				
2017 to 2018		2016 to 2017		
Amount	%	Amount	%	
$418.2	10	$279.6	7	Interest income(b)
139.6	36	(39.2)	(9)	Interest expense
278.6	7	318.8	9	Net interest income(b)
(36.0)	(21)	(22.0)	(12)	Less: provision for credit losses
(27.6)	—	(9.0)	(30)	Gain (loss) on bank investment secu
32.4	2	34.2	2	Other income
				Less:
103.5	6	30.7	2	Salaries and employee benefits
44.3	3	62.2	5	Other expense
171.6	7	273.1	13	Income before income taxes
				Less:
(12.7)	(37)	7.6	28	Taxable-equivalent adjustment(b)
(325.5)	(36)	172.3	23	Income taxes
$509.8	36	$93.2	7	Net income

(a) Changes were calculated from unrounded amounts.
(b) Interest income data are on a taxable-equivalent basis. The taxable-equival
income were subject to income taxes. This adjustment, which is related to
preferred equity securities, is based on a composite income tax rate of appr

Supplemental Reporting of Non-GAAP Results of Operations

As a result of business combinations and other acquisitions, the Company had
assets totaling $4.6 billion and $4.7 billion at December 31, 2017 and 2016, r
of those dates. Amortization of core deposit and other intangible assets, after-

2016, respectively.

M&T consistently provides supplemental reporting of its results on a “net ope
amortization of core deposit and

54

other intangible assets (and the related goodwill, core deposit intangible and o
and expenses associated with merging acquired operations into the Company,
Those merger-related expenses generally consist of professional services and
systems and/or integration of operations; costs related to branch and office co
purchase various services; initial marketing and promotion expenses designed
costs; travel costs; and printing, supplies and other costs of completing the tra
expenses associated with M&T's November 1, 2015 acquisition of Hudson C
expenses in 2018 or 2017. Although "net operating income" as defined by M&
investors understand the effect of acquisition activity in reported results.

Net operating income was $1.94 billion in 2018, compared with $1.43 billion
share were $12.86 in 2018, $8.82 in 2017 and $8.08 in 2016.

Net operating income expressed as a rate of return on average tangible assets
operating income represented a return on average tangible common equity of

Reconciliations of GAAP amounts with corresponding non-GAAP amounts a

55

Table 2

RECONCILIATION OF GAAP TO NON-GAAP MEASURES

Income statement data
Dollars in thousands, except per share
Net income
Net income
Amortization of core deposit and other intangible ass
Merger-related expenses(a)
Net operating income
Earnings per common share
Diluted earnings per common share
Amortization of core deposit and other intangible ass
Merger-related expenses(a)
Diluted net operating earnings per common share
Other expense
Other expense
Amortization of core deposit and other intangible ass
Merger-related expenses
Noninterest operating expense
Merger-related expenses
Salaries and employee benefits
Equipment and net occupancy
Outside data processing and software
Advertising and marketing
Printing, postage and supplies
Other costs of operations
Total
Efficiency ratio
Noninterest operating expense (numerator)
Taxable-equivalent net interest income
Other income
Less: Gain (loss) on bank investment securities
Denominator
Efficiency ratio
Balance sheet data
In millions
Average assets
Average assets
Goodwill
Core deposit and other intangible assets
Deferred taxes
Average tangible assets
Average common equity
Average total equity
Preferred stock
Average common equity

Goodwill
Core deposit and other intangible assets
Deferred taxes
Average tangible common equity
At end of year
Total assets
Total assets
Goodwill
Core deposit and other intangible assets
Deferred taxes
Total tangible assets
Total common equity
Total equity
Preferred stock
Undeclared dividends — cumulative preferred stock
Common equity, net of undeclared cumulative prefer
Goodwill
Core deposit and other intangible assets
Deferred taxes
Total tangible common equity

(a) After any related tax effect.

56

Net Interest Income/Lending and Funding Activities

Net interest income expressed on a taxable-equivalent basis aggregated $4.09
widening of the net interest margin to 3.83% in 2018 from 3.47% in 2017. Th
yields on loans due to the higher interest rate environment in 2018. The Fede
during 2017 and four times during 2018. Partially offsetting the favorable imp
assets to $106.8 billion in 2018 from $110.0 billion in 2017 that reflected dec
and lease balances of $1.4 billion.

Average loans and leases declined to $87.4 billion in 2018 from $88.8 billion

Average balances of commercial loans and leases decreased $149 million or 1
commercial real estate loans increased $485 million or 1% to $33.7 billion in
up $930 million or 7% from $12.6 billion in 2017, due to growth in recreation
outstanding balances of home equity loans and lines of credit. Recreational fi
recreational vehicles and boats. Average residential real estate loans declined
predominantly due to ongoing repayments of loans obtained in the acquisition

Taxable-equivalent net interest income in 2017 increased 9% from $3.50 billi
3.47% in 2017 from 3.11% in 2016. The improvement in the net interest marg
rate environment in 2017. The Federal Reserve raised its target Federal funds
and December 2017. Partially offsetting the favorable impact of higher intere
in 2017 from $112.6 billion in 2016 that reflected lower interest-bearing depo

Average loans and leases increased to $88.8 billion in 2017 from $88.6 billion
or 3% to $22.0 billion in 2017 from $21.4 billion in 2016. Average commerci
billion in 2016. Consumer loans averaged $12.6 billion in 2017, up $784 mill
automobile loans. Average residential real estate loans declined $3.5 billion o
ongoing repayments of loans obtained in the acquisition of Hudson City.

Table 3

AVERAGE BALANCE SHEETS AND TAXABLE-EQUIVALENT RATES

	2018 Average Balance	Interest	Average Rate	2017 Average Balance	Interest
	(Average balance in millions of dollars; interest in thou				
Assets					
Earning assets					
Loans and leases, net of unearned discount(a)					
Commercial, financial, etc.	$21,832	$1,003,462	4.60 %	21,981	853,389
Real estate — commercial	33,682	1,712,247	5.01	33,196	1,481,427
Real estate — consumer	18,330	766,552	4.18	21,013	832,574
Consumer	13,555	703,919	5.19	12,625	608,253
Total loans and leases, net	87,399	4,186,180	4.79	88,815	3,775,643
Interest-bearing deposits at banks	5,614	108,182	1.93	5,578	61,326
Federal funds sold and agreements to resell securities	1	23	1.95	—	6
Trading account	58	1,479	2.55	71	1,202
Investment securities(b)					
U.S. Treasury and federal agencies	12,915	299,543	2.32	14,701	336,446
Obligations of states and political subdivisions	16	747	4.58	43	1,951
Other	763	24,454	3.21	794	25,791
Total investment securities	13,694	324,744	2.37	15,538	364,188
Total earning assets	106,766	4,620,608	4.33	110,002	4,202,365
Allowance for credit losses	(1,019)			(1,012)	
Cash and due from banks	1,312			1,295	
Other assets	9,900			10,575	
Total assets	$116,959			120,860	
Liabilities and Shareholders' Equity					
Interest-bearing liabilities					
Interest-bearing deposits					
Savings and interest-checking deposits	$52,102	215,411	.41	53,399	133,177
Time deposits	6,025	51,423	.85	8,161	61,505
Deposits at Cayman Islands office	394	5,633	1.43	185	1,186
Total interest-bearing deposits	58,521	272,467	.47	61,745	195,868
Short-term borrowings	331	5,386	1.63	205	1,511

Long-term borrowings	8,845	248,556	2.81	8,302	189,372
Total interest-bearing liabilities	67,697	526,409	.78	70,252	386,751
Noninterest-bearing deposits	31,893			32,520	
Other liabilities	1,739			1,793	
Total liabilities	101,329			104,565	
Shareholders' equity	15,630			16,295	
Total liabilities and shareholders' equity	$116,959			120,860	
Net interest spread			3.55		
Contribution of interest-free funds			.28		
Net interest income/margin on earning assets		$4,094,199	3.83 %		3,815,61

(a) Includes nonaccrual loans.
(b) Includes available-for-sale investment securities at amortized cost.

Table 4 summarizes average loans and leases outstanding in 2018 and percen

Table 4

AVERAGE LOANS AND LEASES

(Net of unearned discount)

Commercial, financial, etc
Real estate — commercial
Real estate — consumer
Consumer
Home equity lines and loa
Recreational finance
Automobile
Other
Total consumer
Total

Commercial loans and leases, excluding loans secured by real estate, totaled S
Table 5 presents information on commercial loans and leases as of December
are secured by collateral or unsecured. Of the $23.0 billion of commercial loa
were secured, while 39% were granted to businesses in New York State and 2
includes Delaware, Maryland, New Jersey, Virginia, West Virginia and the D
customers, primarily for equipment. Commercial leases included in total com
47% were secured by collateral located in New York State, 18% were secured
Mid-Atlantic area.

59

Table 5

COMMERCIAL LOANS AND LEASES, NET OF UNEARNED DISCOUN

(Excludes Loans Secured by Real Estate)

December 31, 2018

	New York		Pen
	(Dollars in mill		
Automobile dealerships	$ 1,783		$ 1
Services	1,317		6
Manufacturing	1,449		8
Wholesale	828		6
Financial and insurance	660		3
Health services	634		2
Real estate investors	889		1
Transportation, communications, utilities	390		3
Retail	298		3
Construction	355		3
Public administration	150		6
Agriculture, forestry, fishing, etc.	21		6
Other	81		2
Total	$ 8,855		$ 5
Percent of total	39	%	2
Percent of dollars outstanding			
Secured	82	%	8
Unsecured	11		1
Leases	7		4
Total	100	%	1
Percent of dollars outstanding by size of loan			
Less than $1 million	22	%	1
$1 million to $5 million	22		2
$5 million to $10 million	15		2
$10 million to $20 million	17		1
$20 million to $30 million	9		9
$30 million to $50 million	7		6
Greater than $50 million	8		4
Total	100	%	1

(a) Includes Delaware, Maryland, New Jersey, Virginia, West Virginia and th
International loans included in commercial loans and leases totaled $109 mill
loans were $78 million and $54 million, respectively, of loans at M&T Bank'
are predominantly to domestic companies with foreign operations.

Loans secured by real estate, including outstanding balances of home equity l
represented approximately 65% of the loan

60

and lease portfolio during 2018, compared with 67% and 69% in 2017 and 20
billion of commercial real estate loans, $17.2 billion of consumer real estate l
loans originated for sale) and $4.9 billion of outstanding balances of home eq
billion, respectively, at December 31, 2017. The decrease in residential real e
acquisition. Included in commercial real estate loans at December 31, 2018 a
including amounts due from builders and developers of residential real estate
respectively. Commercial real estate loans also included loans held for sale to
International loans included in commercial real estate loans totaled $49 millio

Commercial real estate loans originated by the Company include fixed rate in
principal at maturity, in many cases five years after origination. For borrower
additional five years at the then-current market rate of interest. The Company
than five years, generally having original maturity terms of approximately se
commercial real estate loans represented approximately 76% of the commerci
estate loans by geographic area, type of collateral and size of the loans outsta
totaled $8.7 billion at December 31, 2018. The $7.8 billion of investor-owned
multifamily residential properties, retail space and office space. The Compan
demonstrate more volatile fluctuations in value through economic cycles and
Approximately 33% of the aggregate dollar amount of New York City area lo
more than $50 million made up approximately 18% of the total.

61

Table 6

COMMERCIAL REAL ESTATE LOANS, NET OF UNEARNED DISCOU

December 31, 2018

	New York State	
	New York City	Other
	(Dollars in millions)	
Investor-owned		
Permanent finance by property type		
Office	$1,485	$946
Retail/Service	1,379	604
Apartments/Multifamily	1,410	826
Hotel	685	408
Health facilities	426	455
Industrial/Warehouse	251	215
Other	124	30
Total permanent	5,760	3,484
Construction/Development		
Commercial		
Construction	1,387	607
Land/Land development	276	27
Residential builder and developer		
Construction	323	9
Land/Land development	27	19
Total construction/ development	2,013	662
Total investor-owned	7,773	4,146
Owner-occupied by industry(b)		
Other services	177	384
Retail	151	136
Automobile dealerships	163	202
Health services	124	341
Wholesale	95	90
Manufacturing	80	209
Real estate investors	34	35
Other	126	186
Total owner-occupied	950	1,583
Total commercial real estate	$8,723	$5,729
Percent of total	26 %	17 %

Percent of dollars outstanding by size of loan				
Less than $1 million	4	%	15	%
$1 million to $5 million	16		27	
$5 million to $10 million	13		20	
$10 million to $30 million	32		31	
$30 million to $50 million	17		6	
$50 million to $100 million	14		1	
Greater than $100 million	4		—	
Total	100	%	100	%

(a) Includes Delaware, Maryland, New Jersey, Virginia, West Virginia and th

(b) Includes $341 million of construction loans.

62

Commercial real estate loans secured by properties located in other parts of N
diversity of collateral types and include a significant amount of lending to cus
Approximately 62% of the aggregate dollar amount of commercial real estate
City area were for loans with outstanding balances of $10 million or less. Of t
Mid-Atlantic area, approximately 57% and 45%, respectively, were for loans

Commercial real estate loans secured by properties located outside of Pennsyl
commercial real estate loans as of December 31, 2018.

Commercial real estate construction and development loans made to investors
loans and leases. Approximately 98% of those construction loans had adjustal
loans to builders and developers of residential real estate properties. The rem
loans made for various purposes, including the construction of office building

M&T Realty Capital Corporation, a commercial real estate lending subsidiary
program of Fannie Mae, pursuant to which commercial real estate loans are o
sold. Under this program, loans are sold with partial credit recourse to M&T I
of any credit loss incurred by the purchaser on an individual loan, although in
balance. The Company's maximum credit risk for recourse associated with so
December 31, 2018 and 2017, respectively. There have been no material losse
2017, commercial real estate loans serviced by the Company for other investo
estate loans serviced for others were loans sub-serviced for others that had ou
respectively.

Real estate loans secured by one-to-four family residential properties were $1
properties located in New York State, 8% secured by properties located in Pe
properties located in other Mid-Atlantic areas. The Company's portfolio of al
loans") held for investment totaled $2.5 billion at December 31, 2018, down f
acquired with the Hudson City transaction totaled $2.4 billion and $2.8 billion
origination typically included some form of limited borrower documentation
City loans that were eligible for limited documentation processing were availa
the property. Hudson City discontinued its limited documentation loan progra
City transaction were originated by the Company prior to 2008. Loans to indi
totaled $41 million at December 31, 2018 and $22 million at December 31, 20

63

at each of those dates. Information about the credit performance of the Compa
Credit Losses."

Consumer loans comprised approximately 16% and 15% of total loans and le
equity loans and lines of credit represent the largest component of the consum
loans and leases at December 31, 2018 and December 31, 2017, respectively.
December 31, 2018 were secured by properties in New York State, 25% in M
finance loan balances increased to $4.1 billion at December 31, 2018 from $3
relationships. Outstanding automobile loan balances rose to $3.7 billion at D
continued consumer demand for motor vehicles.

Table 7 presents the composition of the Company's loan and lease portfolio a
New York State, Pennsylvania, the Mid-Atlantic area and other states.

Table 7

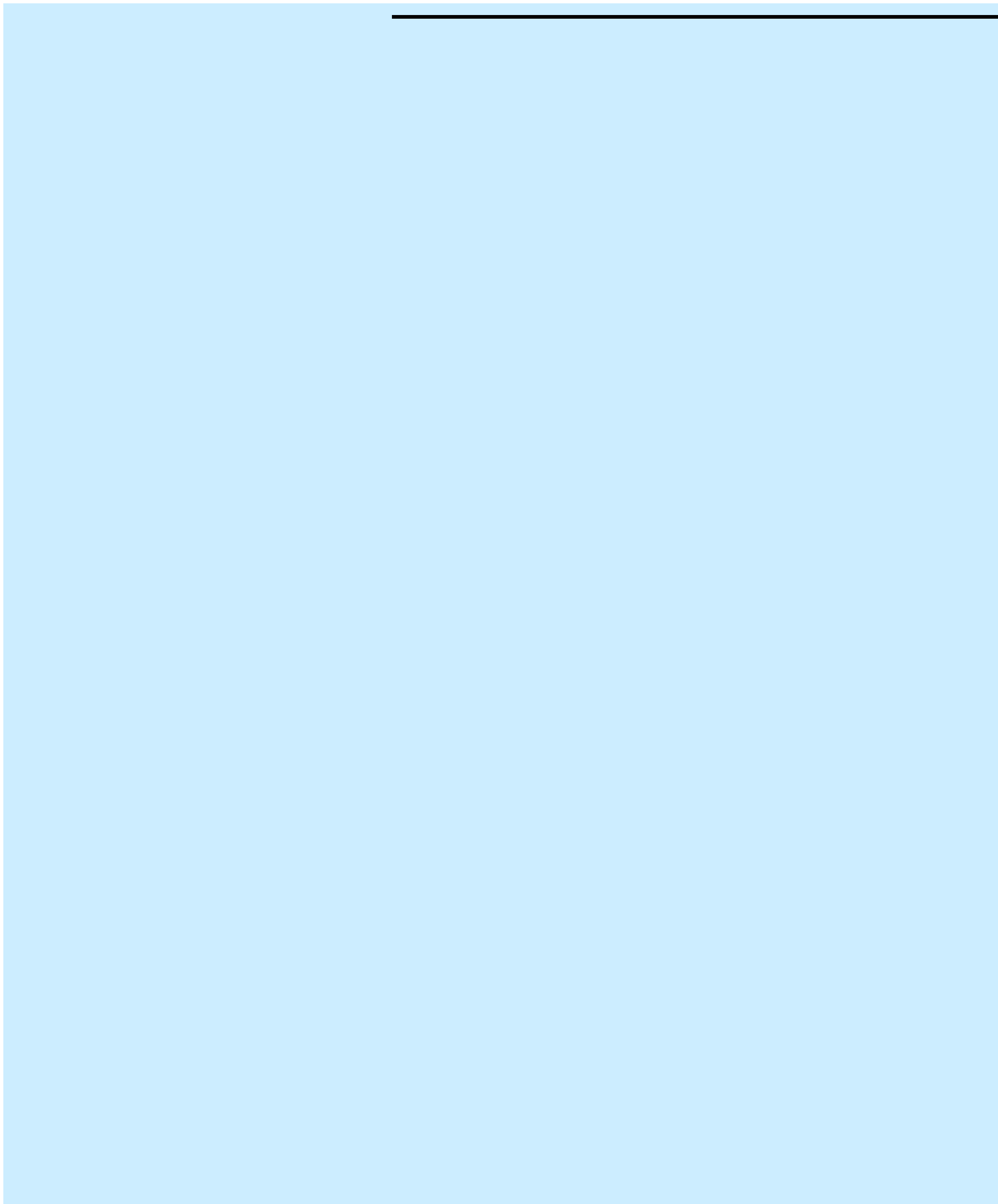
LOANS AND LEASES, NET OF UNEARNED DISCOUNT

December 31, 2018

	Outstandings (In millions)
Real estate	
Residential	$ 17,154
Commercial	34,364
Total real estate	51,518
Commercial, financial, etc.	21,715
Consumer	
Home equity lines and loans	4,860
Recreational finance	4,127
Automobile	3,659
Other secured or guaranteed	348
Other unsecured	976
Total consumer	13,970
Total loans	87,203
Commercial leases	1,263
Total loans and leases	$ 88,466

(a) Includes Delaware, Virginia, West Virginia and the District of Columbia.

The investment securities portfolio averaged $13.7 billion in 2018, compared
average balances in 2018 as compared with 2017 largely reflect maturities an



purchases of approximately $450 million of U.S. Treasury notes. During 2017
predominantly Ginnie Mae and Freddie Mac securities, and $219 million of U
Mae and Freddie Mac mortgage-backed securities during 2017 largely due to
included in the highest tier of "high quality liquid assets" for the Liquidity Co
Fannie Mae and Freddie Mac preferred stock during December 2017 for a gai
write-downs) of $3 million. During 2016, the Company sold all of its collate
securities portfolio for a gain of approximately $30 million. Those securities
included in the Dodd-Frank Wall Street Reform and Consumer Protection Ac

The investment securities portfolio is largely comprised of residential mortga
When purchasing investment securities, the Company considers its liquidity p
returns relative to risks assumed, including prepayments. The Company mana
established by regulators. The LCR is intended to ensure that banks hold a su
outflows during a hypothetical acute 30-day stress scenario. For additional in
the heading "Liquidity."

The Company may occasionally sell investment securities as a result of chang
associated with a particular security, or as a result of restructuring its investm
investment securities held by the Company are influenced by such factors as
repayments, the levels of deposits, and management of liquidity (including th

The Company regularly reviews its investment securities for declines in value
were no other-than-temporary impairment charges recognized in the investme
future cash flows associated with individual investment securities as of Decen
associated with the investment securities portfolio were temporary in nature.
the heading "Capital." Additional information about the investment securities

Other earning assets include interest-bearing deposits at the Federal Reserve
Those other earning assets in the aggregate averaged $5.7 billion in 2018, $5.
averaged $5.6 billion in each of 2018 and 2017, compared with $8.8 billion in
were predominantly comprised of deposits held at the Federal Reserve Bank
trust-related deposits of commercial entities, purchases or maturities of invest

The most significant source of funding for the Company is core deposits. The
accounts, savings deposits and time deposits of $250,000 or less as core depo
generally carry lower interest rates than wholesale funds of

comparable maturities. Average core deposits totaled $87.3 billion in 2018, c
average core deposits in 2018 as compared with 2017 reflected a $2.0 billion,
high-rate time deposits, and lower balances of savings and interest-checking d
The decline in average core deposits in 2017 as compared with 2016 reflected
maturities of relatively high-rate deposits obtained in the acquisition of Huds
balances associated with trust customers. Funding provided by core deposits r
84% in 2017. Table 8 summarizes average core deposits in 2018 and percenta
deposits totaled $85.5 billion and $90.4 billion at December 31, 2018 and 201

Table 8

AVERAGE CORE DEPOSITS

	2018 (In millions)	Percent Increase (Decrease) from 2017 to 2018	2016 to 2017
Savings and interest-checking deposits	$ 50,131	(4)%	2 %
Time deposits	5,324	(27)	(33)
Noninterest-bearing deposits	31,893	(2)	8
Total	$ 87,348	(5)%	— %

The Company also receives funding from other deposit sources, including bra
Cayman Islands office, and brokered deposits. Time deposits over $250,000,
and $1.2 billion in 2016. The declines in such deposits in 2018 and 2017 from
Cayman Islands office deposits averaged $394 million in 2018, $185 million
2018 and $59 million in each of 2017 and 2016. The Company also had broke
2018, $1.2 billion in 2017 and $1.1 billion in 2016. Additional amounts of Ca
depending on market conditions, including demand by customers and other in
at the time.

The Company also uses borrowings from banks, securities dealers, various Fe
sources of funding. Short-term borrowings represent arrangements that at the
short-term borrowings were $331 million in 2018, $205 million in 2017 and $
short-term borrowings from the Federal Home Loan Bank (“FHLB”) of New
matured throughout 2016. However, in December 2018, the Company borrow
$3.0 billion of which matured on the first business day of 2019 and $1.2

66

billion matured on February 1, 2019. Also included in short-term borrowings
business day, that averaged $206 million, $132 million and $151 million in 2
million at December 31, 2018 and $125 million at December 31, 2017.

Long-term borrowings averaged $8.8 billion in 2018, $8.3 billion in 2017 and
at December 31, 2018 and 2017, respectively. Average balances of outstandin
billion in 2017 and 2016, respectively. During January 2018, M&T Bank issu
that pay interest quarterly and are indexed to the three-month LIBOR. Those
redeemed $750 million of fixed rate senior notes that were due to mature on J
notes that mature in July 2023, of which $500 million have a 3.55% fixed inte
indexed to the three-month LIBOR. Also included in average long-term borro
and Pittsburgh of $577 million in 2018, compared with $820 million and $1.2
billion in 2018 and 2016, compared with $1.7 billion in 2017. During 2017, M
in 2027. Junior subordinated debentures associated with trust preferred secur
$518 million in 2017 and $515 million in 2016. Also included in long-term b
2018, $490 million in 2017 and $1.8 billion during 2016. The repurchase agre
dates through 2020, however, the contractual maturities of the underlying sec
long-term borrowings, including information regarding contractual maturities

The Company has utilized interest rate swap agreements to modify the repric
December 31, 2018, interest rate swap agreements were used as fair value he
Additionally, interest rate swap agreements with a notional amount of $2.9 bi
rate commercial real estate loans. Further information on interest rate swap a

Changes in the composition of the Company's earning assets and interest-bea
can impact net interest income. Net interest spread, or the difference between
liabilities, was 3.55% in 2018, compared with 3.27% in 2017 and 2.93% in 2
(hundredths of one percent) to 4.33% in 2018 from 3.82% in 2017 and the ra
.55% in 2017. During 2016, the yield on earning assets was 3.49% and the ra
spread in each comparison predominantly reflects the effect of increases in sh
2018 that contributed most significantly to higher yields on loans and leases.

Net interest-free funds consist largely of noninterest-bearing demand deposits
non-earning assets, including goodwill and core deposit and other intangible
billion in 2017 and $36.8 billion in 2016. The decrease in average net interest

67

free funds in 2018 from 2017 and the increase in such funds in 2017 as compa
deposits averaged $31.9 billion in 2018, $32.5 billion in 2017 and $30.2 billio
of deposits of commercial and trust customers. The growth in average noninte
deposits of trust customers. Shareholders' equity averaged $15.6 billion, $16.
shareholders' equity from 2017 to 2018 was predominantly due to repurchase
averaged $4.7 billion in each of 2018, 2017 and 2016. The cash surrender val
compared with $1.7 billion in 2016. Increases in the cash surrender value of b
recorded in "other revenues from operations." The contribution of net interest
The increase in 2018 reflects the higher rates on interest-bearing liabilities us

Reflecting the changes to the net interest spread and the contribution of net in
in 2018, 3.47% in 2017 and 3.11% in 2016. Future changes in market interest
of earning assets and interest-bearing liabilities that result in reductions in spr
margin.

Management assesses the potential impact of future changes in interest rates a
managing interest rate risk, the Company has utilized interest rate swap agree
assets and interest-bearing liabilities. Periodic settlement amounts arising fror
paid on interest-bearing liabilities. The notional amount of interest rate swap a
(excluding $12.6 billion of forward-starting swap agreements) at December 3
December 31, 2017 and $900 million at December 31, 2016. Under the terms
the outstanding notional amount at fixed rates and made payments at variable
amounts of $2.85 billion were serving as cash flow hedges of interest paymen
rate swap agreements designated as cash flow hedges at December 31, 2016.
amounts of $4.45 billion, $4.55 billion and $900 million, respectively, were s

68

In a fair value hedge, the fair value of the derivative (the interest rate swap ag
Company's consolidated balance sheet with the corresponding gain or loss rec
interest rate swap agreements and the hedged items represents hedge ineffecti
guidance on January 1, 2018 is recorded as an adjustment to the interest incor
ineffectiveness was recorded in "other revenues from operations" in the Comp
the derivative's gain or loss is initially reported as a component of other comp
transaction affects earnings. The ineffective portion of the derivative's gain o
hedges. The amounts of hedge ineffectiveness recognized in 2018, 2017 and 2
Information regarding the fair value of interest rate swap agreements and hed
Statements. Information regarding the effective portion of cash flow hedges i
values of the interest rate swap agreements and the hedged items primarily re
amounts of interest rate swap agreements entered into for interest rate risk ma
weighted-average interest rates paid or received on those swap agreements ar

Table 9

INTEREST RATE SWAP AGREEMENTS

	Year Ended December 31			
.	2018		2017	
	Amount	Rate(a)	Amount	Rate(a)
	(Dollars in thousands)			
Increase (decrease) in:				
Interest income	$(13,339)	(.01)%	$3,916	—
Interest expense	11,418	.02	(20,966)	(.03
Net interest income/margin	$(24,757)	(.03)%	$24,882	.02
Average notional amount (c)	$7,795,479		$4,766,575	
Rate received (b)		2.09 %		2.30
Rate paid (b)		2.41 %		1.79

(a) Computed as a percentage of average earning assets or interest-bearing lia
(b) Weighted-average rate paid or received on interest rate swap agreements i
(c) Excludes forward-starting interest rate swap agreements not in effect durin

In addition to interest rate swap agreements, the Company has entered into in
nevertheless, provide the Company with protection against the possibility of f
December 31, 2017, outstanding notional amounts of such agreements totaled
December 31, 2016. The fair value of those interest rate floor agreements was
included in trading account assets in the

consolidated balance sheet. Changes in the fair value of those agreements are
statement of income.

Provision for Credit Losses

The Company maintains an allowance for credit losses that in management's
provision for credit losses is recorded to adjust the level of the allowance as d
in 2018, compared with $168 million in 2017 and $190 million in 2016. Net c
million in 2016. Net charge-offs as a percentage of average loans and leases c
summary of the Company's loan charge-offs, provision and allowance for cre

Table 10

LOAN CHARGE-OFFS, PROVISION AND ALLOWANCE FOR CREDIT

	2018 (Dollars in
Allowance for credit losses beginning balance	$1,017,19
Charge-offs during year	
Commercial, financial, leasing, etc.	60,414
Real estate — construction	262
Real estate — mortgage	27,369
Consumer	143,196
Total charge-offs	231,241
Recoveries during year	
Commercial, financial, leasing, etc.	27,903
Real estate — construction	19,379
Real estate — mortgage	8,322
Consumer	45,883
Total recoveries	101,487
Net charge-offs	129,754
Provision for credit losses	132,000
Allowance for credit losses ending balance	$1,019,44
Net charge-offs as a percent of:	
Provision for credit losses	98.30
Average loans and leases, net of	.15

unearned discount	
Allowance for credit losses as a percent of loans and leases, net of unearned discount, at year-end	1.15

Loans acquired in connection with acquisition transactions subsequent to 200
allowance for credit losses. Determining the fair value of the acquired loans r

70

and discounting those cash flows at then-current interest rates. For acquired lo
and the resulting discount was due, at least in part, to credit deterioration, the
interest income over the lives of loans. The difference between contractually r
nonaccretable balance and is not recorded on the consolidated balance sheet. T
contractually required payments that the Company does not expect to collect.
associated with such loans, including its estimates of lifetime principal losses
need for an additional allowance for credit losses and could lead to charge-off
additional interest income to be recognized over the then-remaining lives of th
and accounted for based on expected cash flows was $727 million and $1.0 bi
related to remaining principal losses associated with loans acquired at a disco

During each of the last three years, based largely on improving economic con
flows expected to be generated by loans acquired at a discount and accounted
yield. In 2018, estimated cash flows expected to be generated by acquired loa
higher estimated principal, interest and other recoveries, largely associated wi
generated by acquired loans increased by $66 million, or approximately 3%. T
largely associated with purchased-impaired residential real estate loans. In 20
$50 million, or approximately 2%. That improvement reflected a lowering of
million decrease in expected principal losses in the commercial real estate loa

Table 11

NONACCRETABLE BALANCE — PRINCIPAL

Commercial, financial, leas
Commercial real estate
Residential real estate
Consumer
Total

For acquired loans where the fair value exceeded the outstanding principal ba
lives of the loans. Immediately following the acquisition date and thereafter, a
portfolio, consistent with the accounting for originated loans and leases. The c
billion and $11.5 billion at December 31, 2018 and December 31, 2017, respe
associated with those loans to be bifurcated and accounted for as a nonaccreti
a discount. Rather, subsequent to the acquisition date, incurred losses associat
originated loans and such losses are considered by management in evaluating

Nonaccrual loans aggregated $894 million at December 31, 2018, compared w
As a percentage of total loans and leases outstanding, nonaccrual loans repres
The lower level of nonaccrual loans at December 31, 2017 as compared with
charge-offs.

Accruing loans past due 90 days or more (excluding loans acquired at a disco
compared with $244 million or .28% at December 31, 2017 and $301 million
government-related entities of $192 million, $235 million and $283 million at
one-to-four family residential mortgage loans serviced by the Company that w
advance principal and interest payments that had not been received from indiv
insurance or guarantee by the applicable government-related entity remains in
guaranteed by government-related entities totaled $165 million at December 3
2016. The remaining accruing loans past due 90 days or more not guaranteed
borrowers that were in the process of collection or renewal. A summary of no
credit quality ratios is presented in table 12.

72

Table 12

NONPERFORMING ASSET AND PAST DUE, RENEGOTIATED AND IM

December 31	2018 (Dollars in thousanc		2017
Nonaccrual loans	$893,608		882,59
Real estate and other foreclosed assets	78,375		111,9
Total nonperforming assets	$971,983		994,50
Accruing loans past due 90 days or more(a)	$222,527		244,40
Government guaranteed loans included in totals above:			
Nonaccrual loans	$34,667		35,67
Accruing loans past due 90 days or more	192,443		235,48
Renegotiated loans	$245,367		221,51
Acquired accruing loans past due 90 days or more(b)	$39,750		47,418
Purchased impaired loans(c):			
Outstanding customer balance	$529,520		688,09
Carrying amount	303,305		410,01
Nonaccrual loans to total loans and leases, net of unearned discount	1.01	%	1.00
Nonperforming assets to total net loans and leases and real estate and other foreclosed assets	1.10	%	1.13
Accruing loans past due 90 days or more(a) to total loans and leases, net of unearned discount	.25	%	.28

(a) Excludes loans acquired at a discount. Predominantly residential real estate

(b) Loans acquired at a discount that were recorded at fair value at acquisition separately.

(c) Accruing loans acquired at a discount that were impaired at acquisition dat

Purchased impaired loans are loans obtained in acquisition transactions subse displaying signs of credit deterioration and for which the Company did not ex loans were impaired at the date of acquisition, were recorded at estimated fair the Company continues to accrue interest income on such loans based on the such loans aggregated $303 million at December 31, 2018, or .3% of total loa City. Purchased impaired loans totaled $410 million at December 31, 2017, o

The Company modified the terms of select loans in an effort to assist borrowe granted, the Company considered such modifications as troubled debt restruct dates and the lowering of interest rates and monthly payments. The objective reduce net charge-offs. In accordance with GAAP, the modified loans are inc credit losses. Information about modifications of loans that are considered tro

Residential real estate loans modified under specified loss mitigation program
loans because the loan guarantee remains in full force and, accordingly, the C
original loan balance. Such loans totaled $179 million and $189 million at De

Charge-offs of commercial loans and leases, net of recoveries, aggregated $3
and leases in nonaccrual status were $234 million at December 31, 2018, $24

Net recoveries of previously charged-off commercial real estate loans were $
those amounts were a $13 million recovery during 2018 associated with a hot
million in 2016 of loans to residential real estate builders and developers. Co
December 31, 2018, compared with $202 million at December 31, 2017 and
included construction-related loans of $27 million, $17 million and $35 milli

Net charge-offs of residential real estate loans totaled $9 million in 2018, $12
status at December 31, 2018 were $318 million, compared with $332 million
documentation first mortgage loans were $85 million at December 31, 2018,
respectively. Limited documentation first mortgage loans represent loans secu
limited borrower documentation requirements as compared with more traditio
2008 and Hudson City discontinued its program in 2014. Residential real esta
a discount) totaled $190 million at December 31, 2018, $233 million at Decer
amounts related to guaranteed loans repurchased from government-related en
estate loans as of and for the year ended December 31, 2018 is presented in ta

74

Table 13

SELECTED RESIDENTIAL REAL ESTATE-RELATED LOAN DATA

	Dece
	Outs Bala (Dol
Residential mortgages:	
New York	$4,9
Pennsylvania	1,2
Maryland	1,0
New Jersey	3,6
Other Mid-Atlantic (a)	94
Other	2,7
Total	$14,
Residential construction loans:	
New York	$14,
Pennsylvania	4,0
Maryland	5,1
New Jersey	5,7
Other Mid-Atlantic (a)	8,9
Other	2,9
Total	$41,
Limited documentation first mortgages:	
New York	$1,1
Pennsylvania	52,
Maryland	30,
New Jersey	95
Other Mid-Atlantic (a)	12,
Other	36
Total	$2,5
First lien home equity loans and lines of credit:	
New York	$1,2
Pennsylvania	73
Maryland	59
New Jersey	64,
Other Mid-Atlantic (a)	20
Other	26,
Total	$2,8
Junior lien home equity loans and lines of credit:	
New York	$74

Pennsylvania	279
Maryland	602
New Jersey	98,
Other Mid-Atlantic (a)	254
Other	41,
Total	$2,0
Limited documentation junior lien:	
New York	$616
Pennsylvania	280
Maryland	1,2
New Jersey	382
Other Mid-Atlantic (a)	599
Other	3,3
Total	$6,5

(a) Includes Delaware, Virginia, West Virginia and the District of Columbia.

Net charge-offs of consumer loans during 2018 aggregated $97 million, comp
charge-offs of consumer loans were: automobile loans of $33 million in 2018
million, $16 million and $24 million during 2018, 2017 and 2016, respectivel
residential properties of $7 million in 2018, $11 million in 2017 and $17 milli
compared with $108 million and $112 million at December 31, 2017 and 201
year-ends were: automobile loans of $23 million, $24 million and $19 million
respectively; and outstanding balances of home equity loans and lines of cred
location of nonaccrual and charged-off home equity loans and lines of credit a
about past due and nonaccrual loans as of December 31, 2018 and 2017 is als

Real estate and other foreclosed assets totaled $78 million at December 31, 20
December 31, 2016. Net gains or losses associated with real estate and other f
the Company’s holding of residential real estate-related properties comprised

Management determined the allowance for credit losses by performing ongoin
economic risks associated with each loan category, the financial condition of
of delinquent loans, the value of any collateral and, where applicable, the exis
changes in interest rates and overall economic conditions on the ability of bor
credit losses and the allowance for such losses as of each reporting date. Facto
general economic conditions and the other factors described above, included,
portfolio of loans secured by commercial and residential real estate; (ii) the co
(iii) the amount of commercial and industrial loans to businesses in areas of N
Pennsylvania that have historically experienced less economic growth and vit
repayment performance associated with the Company’s first and second lien l
loans to individual consumers, which historically have experienced higher net
the allowance is adjusted based on the results of management’s analysis.

Management cautiously and conservatively evaluated the allowance for credit
level of delinquencies of loans secured by residential real estate; (ii) economic
sector employment in upstate New York and central Pennsylvania than in oth
involved in commercial real estate valuations; and (v) the amount of loan grow
economic conditions, concerns continue to exist about the strength and sustain
markets, including the impact international economic conditions could have o
stagnant population growth

in the upstate New York and central Pennsylvania regions (approximately 53
Pennsylvania).

As described in note 4 of Notes to Financial Statements, the Company utilize
commercial real estate loans. Loans with a lower expectation of default are as
factors when determining the allowance for credit losses. Loans with an eleva
factor when determining the allowance for credit losses. Criticized loans may
according to the contractual terms of the loan agreement or the loan is delinqu
totaled $2.7 billion at December 31, 2018, compared with $2.5 billion at Dec
different industries and geographic regions, that were added to criticized loan
collateral, and, in certain instances, the existence of loan guarantees, the Com
loans.

Loan officers in different geographic locations with the support of the Compa
based on their detailed knowledge of individual borrowers and their judgment
respective regions. At least annually, updated financial information is obtaine
analysis is performed. On a quarterly basis, the Company's centralized credit
greater than $1 million to determine the appropriateness of the assigned loan
For criticized nonaccrual loans, additional meetings are held with loan officer
the relationships. In analyzing criticized loans, borrower-specific information
the borrower's outlook, and other pertinent data. The timing and extent of pot
potential courses of action are contemplated. To the extent that these loans ar
collateral as estimated at or near the financial statement date. As the quality o
obtaining updated collateral valuation information is usually initiated, unless
characteristics of the collateral or the age of the last valuation. In those cases
adjustments, as deemed necessary, for estimates of subsequent declines in val
respective geographic regions. Those adjustments are reviewed and assessed
collateral securing larger commercial loans and commercial real estate loans,
For non-real estate loans, collateral is assigned a discounted estimated liquida
exams or other procedures. In assessing collateral, real estate and non-real est

With regard to residential real estate loans, the Company's loss identification
in specific areas of the country where collateral securing the Company's resid
home equity loans and lines of credit, the excess of the loan balance over the
loan

becomes 150 days delinquent. That charge-off is based on recent indications o
becomes nonaccrual. Loans to consumers that file for bankruptcy are generall
of such filings. At December 31, 2018, approximately 58% of the Company'
remaining junior lien loans in the portfolio, approximately 68% (or approxima
were behind a first lien mortgage loan that was not owned or serviced by the C
nonaccrual status because of payment delinquency, even if such senior lien lo
Company is placed on nonaccrual status. The balance of junior lien loans and
was $10 million at each of December 31, 2018 and December 31, 2017. In mo
the allowance for credit losses, the Company reviews delinquency and nonacc
individual home equity loans and lines of credit for charge off and for purpose
Company gives consideration to the required repayment of any first lien posit
lines are generally originated with an open draw period of ten years followed
approximately 82% of all outstanding balances of home equity lines of credit
draw periods were approximately five years, and approximately 27% were ma
principal.

Factors that influence the Company's credit loss experience include overall ec
residential and commercial real estate valuations, in particular, given the size
be highly subjective, as they are based upon many assumptions. Such valuatio
business climate, economic conditions, interest rates and, in many cases, the r
Similarly, residential real estate valuations can be impacted by housing trends
conditions affecting consumers.

In determining the allowance for credit losses, the Company estimates losses
credit review processes and also estimates losses inherent in other loans and l
the techniques described herein and in note 4 of Notes to Financial Statement
Company segments its loan and lease portfolio by loan type. The amount of s
through a loan-by-loan analysis of commercial loans and commercial real esta
typically based on expected future cash flows, collateral values or other factor
real estate loans and consumer loans are generally determined by reference to
through consideration of other factors including near-term forecasted loss esti
consideration to overall borrower repayment performance and current geograp
indices or automated valuation methodologies. With regard to collateral value
first lien position prior to recovering amounts on a junior lien position. Appro

78

home equity portfolio consists of junior lien loans and lines of credit. Except
balance homogeneous loans and are evaluated collectively and loans obtained
impaired when, based on current information and events, it is probable that th
of the loan agreement or the loan is delinquent 90 days or more and has been
components. Modified loans, including smaller balance homogenous loans, th
giving consideration to the impact of the modified loan terms on the present v
deemed to have a minimal delay in payment and are generally not considered
credit losses represents the predominant difference between contractually requ
those expected cash flows require the Company to evaluate the need for an ad
balances. Additional information regarding the Company's process for determ
Statements.

The inherent base level loss components of the Company's allowance for cre
based on loan type and management's classification of commercial loans and
previously described, loan officers are responsible for continually assigning g
Internal loan grades are also extensively monitored by the Company's credit
Loan balances utilized in the inherent base level loss component computation
grades are assigned loss component factors that reflect the Company's loss es
grades and loss component factors include borrower-specific information rela
condition, payment status, and other information; levels of and trends in portf
impaired loans; changes in the risk profile of specific portfolios; trends in vol
trends and practices in the banking industry. In determining the allowance fo
industry and geographic concentrations, as well as national and local econom
unfavorable business climate in many market regions served by the Company
generally experiencing significantly lesser economic growth and vitality as co
loan type, collateral type and geographic location, in particular the large conc
City area and other areas of New York State; and (iii) risk associated with the
than other types of collateralized loans.

The inherent base level loss components related to residential real estate loan
balances after consideration of payment performance and recent loss experien
place as well as the amount of loan defaults. Loss rates for loans secured by r
by reference to recent charge-off history and are evaluated (and adjusted if de

79

In evaluating collateral, the Company relies on internally and externally prepa
comparable properties in the respective location. Commercial real estate valua
calculations that utilize many assumptions and, as a result, can be highly subj
relatively short periods of time by changes in business climate, economic con
and other occupants of the real property. Additionally, management is aware t
and, as a result, in changes to assigned loan grades due to time delays in the m
Accordingly, loss estimates derived from the inherent base level loss compon
trends. The Federal Reserve stated in December 2018 that the U.S. labor mark
rate. Job gains have been strong, on average, in recent months, and the unemp
strongly, while growth of business fixed investment has moderated from its p
served by the Company also showed improvement in 2018. For example, in 2
above year-ago levels, but still trailed the 1.9% U.S. average growth rate. Priv
Pennsylvania served by the Company, 1.8% in New Jersey, 1.2% in Marylanc
private sector employment increased by 1.9% in 2018.

The specific loss components and the inherent base level loss components tog
allocated portion of the allowance represents management's assessment of los
management and pools of other loans that are not individually analyzed. In ad
allowance that is intended to recognize probable losses that are not otherwise
determination of amounts necessary for such things as the possible use of imp
risks associated with the Company's loan portfolio which may not be specific

A comparative allocation of the allowance for credit losses for each of the pas
categories based on information available to management at the time of each
allocation of the allowance by loan category as a percentage of those loans re
base level loss components, including the impact of delinquencies and nonacc
.09% of gross loans outstanding at each of December 31, 2018 and December
determination of the allocated portion of the allowance, management delibera
credit losses. Given the Company's high concentration of real estate loans and
allocated and unallocated portions of the allowance for credit losses to be pru
is available to absorb losses from any loan or lease category. Additional infor
Financial Statements.

Table 14

ALLOCATION OF THE ALLOWANCE FOR CREDIT LOSSES TO LOAN

December 31	2018
	(Dollars in t
Commercial, financial, leasing, etc.	$330,055
Real estate	410,780
Consumer	200,564
Unallocated	78,045
Total	$1,019,444
As a Percentage of Gross Loans and Leases Outstanding	
Commercial, financial, leasing, etc.	1.43
Real estate	.80
Consumer	1.44

Management believes that the allowance for credit losses at December 31, 20
allowance for credit losses totaled $1.02 billion at each of December 31, 2018
of loans outstanding, the allowance was 1.15% and 1.16% at December 31, 2
allowance reflects management's evaluation of the loan and lease portfolio us
various credit factors considered by management in establishing the allowanc
the loan portfolio also change, the level of the allowance as a percentage of lo
credit losses to nonaccrual loans at the end of 2018, 2017 and 2016 was 114%
lender and its practice of charging-off loan balances when collection is deeme
measure of the adequacy of the Company's allowance for credit losses, nor d
allowance for credit losses. The level of the allowance reflects management's

In establishing the allowance for credit losses, management follows the meth
abilities to repay loans. The establishment of the allowance is subjective and
and national economic health and performance. In order to present examples
factors, the Company assumed the following scenarios for possible deteriorat

- For consumer loans and leases considered smaller balance homogenous loan
- For residential real estate loans and home equity loans and lines of credit, als increase in estimated inherent losses; and
- For commercial loans and commercial real estate loans, a migration of loans credits in each risk grade.

81

For possible improvement in credit quality factors, the scenarios assumed wer

- For consumer loans and leases, a 20 basis point decrease in loss factors;
- For residential real estate loans and home equity loans and lines of credit, a 1
- For commercial loans and commercial real estate loans, a migration of loans credits in each risk grade.

The scenario analyses resulted in an additional $93 million that could be iden assumptions for credit improvement a $32 million reduction could occur. The utilized in assessing the sensitivity of the allowance for credit losses based on

The Company had no concentrations of credit extended to any specific indust estate loans comprised approximately 19% of the loan portfolio. Outstanding of total loans and leases.

Other Income

Other income totaled $1.86 billion in 2018, compared with $1.85 billion and to 2018 was largely attributable to higher levels of trust income and income fr bank owned life insurance. In addition, valuation losses on equity securities w in 2017. As compared with 2016, the rise in other income in 2017 was largely charges on deposit accounts, and lower losses associated with M&T's share o decline in mortgage banking revenues and lower gains on investment securiti

Mortgage banking revenues aggregated $360 million in 2018, $364 million in residential and commercial mortgage banking activities. The Company's invo and servicing of loans under the multifamily loan programs of Fannie Mae, F

Residential mortgage banking revenues, consisting of realized gains from sale losses on residential real estate loans held for sale and related commitments, r loan-related fees and income, were $239 million in 2018, compared with $24 revenues in each of the last two years as compared with the preceding year re origination volumes and a narrowing of the associated margins.

New commitments to originate residential real estate loans to be sold declined commitments totaled $3.1 billion in 2016. Realized gains from sales of reside or losses attributable to residential real estate loans held for sale, commitment $44 million in 2018, $60 million in 2017 and $71 million in 2016.

Loans held for sale that were secured by residential real estate aggregated $20 Commitments to sell residential real

82

estate loans and commitments to originate residential real estate loans for sale
December 31, 2018, $595 million and $347 million, respectively, at Decembe
Net recognized unrealized gains on residential real estate loans held for sale, c
million at December 31, 2018, $10 million at December 31, 2017 and $15 mi
mortgage banking revenues and resulted in net decreases in revenue of $3 mil
unrealized gains was less than $1 million in 2016.

Revenues from servicing residential real estate loans for others were $195 mi
loans serviced for others aggregated $79.1 billion at December 31, 2018, $79.
residential real estate loans serviced for others were loans sub-serviced for oth
and 2016, respectively. Revenues earned for sub-servicing loans totaled $114
Company added $9 billion of residential real estate loans sub-serviced for oth
estate loans aggregating $35.6 billion of outstanding principal balances. On Ja
loans that had outstanding principal balances at that date of approximately $1
million, subject to certain final adjustments. Transfer of the loans to the Comp
contractual servicing rights associated with loans sub-serviced by the Compan
relationship with BLG and its affiliates is included in note 24 of Notes to Fina

Capitalized servicing rights consist largely of servicing associated with loans
million at December 31, 2018, compared with $115 million and $117 million
Company's capitalized residential mortgage servicing assets, including inforn
Financial Statements.

Commercial mortgage banking revenues totaled $121 million in 2018, compa
revenues from loan origination and sales activities of $64 million in 2018, $6
compared with 2017 were due to narrower margins on loans originated for sal
volumes. Commercial real estate loans originated for sale to other investors t
$2.9 billion in 2016. Loan servicing revenues aggregated $57 million in 2018
servicing assets were $115 million at December 31, 2018, $114 million at De
loans serviced for other investors totaled $18.2 billion at December 31, 2018,
included $3.4 billion at December 31, 2018, $3.3 billion at December 31, 201
recourse to the Company if such balances are ultimately uncollectible. Includ
others of $2.7 billion at December 31, 2018 and $2.6 billion at December 31,
originate commercial real estate loans for sale aggregated $577 million and $
respectively, at December 31, 2017 and $713

million and $70 million, respectively, at December 31, 2016. Commercial rea
December 31, 2018, 2017 and 2016, respectively. The higher balances at Dec
had not yet been delivered to investors.

Service charges on deposit accounts totaled $429 million in 2018, compared v
compared with 2017 reflects higher consumer service charges while the incre
service charges of $5 million and $3 million, respectively.

Trust income includes fees related to two significant businesses. The Institutio
management and administrative services for corporations and institutions, inv
clients who: (i) use capital markets financing structures; (ii) use independent t
management services. The Wealth Advisory Services ("WAS") business help
comprehensive array of wealth management services are offered, including as
aggregated $538 million in 2018, compared with $501 million in 2017 and $4
in 2018, $254 million in 2017 and $230 million in 2016. The increase in ICS
activities and increased retirement services income resulting in growth in coll
2017 compared with 2016 reflect increased fees earned from money-market f
result of higher revenues resulting from growth in collective funds balances. I
in 2018, 2017 and 2016, respectively. The increased revenues in each of the l
and improved equity market performance. Trust assets under management we
respectively. Trust assets under management include the Company's propriet
December 31, 2017. Additional trust income from investment management ac
respectively, and includes fees earned from retail customer investment accour
as compared with 2016 reflects, in part, lower balances managed. Assets man
2018 and December 31, 2017, respectively. The Company's trust income fror

84

Brokerage services income, which includes revenues from the sale of mutual
from $61 million in 2017 and $63 million in 2016. The decline in brokerage
sales of annuities and mutual funds. Trading account and foreign exchange ac
in 2016. Valuation losses on interest rate floor agreements in 2018 were large
agreements executed on behalf of commercial customers. The lower level of
related to interest rate swap transactions executed on behalf of commercial cu
customers who need such services and concomitantly enters into offsetting tra
transactions. Information about the notional amount of interest rate, foreign ex
purposes is included in note 18 of Notes to Financial Statements and herein u

Net losses on investment securities totaled $6 million in 2018 and represented
gains from sales of investment securities of $21 million in 2017 and $30 milli
were associated with the sale of a portion of the Company's Fannie Mae and
cost basis (after previous other-than-temporary impairment write-downs) of a
debt obligations that had been held in the available-for-sale investment securi
total, securities with an amortized cost of $28 million were sold. Divestiture o
provisions of the Volcker Rule.

Other revenues from operations aggregated $451 million in 2018, compared w
from operations in 2018 as compared with 2017 reflects income of $24 millio
insurance. The increase from 2016 to 2017 reflects lower losses from BLG an

Included in other revenues from operations were the following significant con
million and $120 million in 2018, 2017 and 2016, respectively. Revenues fro
2017 and $111 million in 2016. As discussed in note 10 of Notes to Financia
interchange revenue net of rewards granted to consumers who use the Compa
taken place, revenues from merchant discount and credit card fees would have
usage of the Company's credit card products. The higher revenues in 2017 as
to merchant activity and usage of the Company's credit card products. Tax-ex
the cash surrender value of life insurance policies and benefits received, aggre
2016. The decrease from 2017 to 2018 was due to lower death benefit procee
2018, compared with $43 million in each of 2017 and 2016. Automated teller

and 2016, compared with $15 million in 2017. Gains from sales of equipment
2017 and $8 million in 2016.

M&T's investment in BLG resulted in income of $24 million in 2018 and less
second quarter of 2017, the operating losses of BLG resulted in M&T reducin
2018, M&T received cash distributions from BLG that resulted in the recogni
but the timing and amount of those distributions cannot be estimated. BLG is
other services that are available for distribution to BLG's owners, including M
with securitized loans and other loans held by BLG and loan servicing and oth
and its affiliates is included in note 24 of Notes to Financial Statements.

Other Expense

Other expense aggregated $3.29 billion in 2018, compared to $3.14 billion in
to be "nonoperating" in nature consisting of amortization of core deposit and
2016, respectively, and merger-related expenses of $36 million in 2016. Ther
nonoperating expenses, noninterest operating expenses aggregated $3.26 billi
factors contributing to the increase in such expenses from 2017 to 2018 were
(compared with a $64 million increase to that reserve in 2017) and higher sala
partially offset by lower FDIC assessments and charitable contributions. The
attributable to higher legal-related and professional services expenses, increas

Salaries and employee benefits expense aggregated $1.75 billion in 2018, con
higher level of expenses in 2018 reflects increased head count, the impact of r
compensation. The higher level of expenses in 2017 as compared to 2016 refl
costs. Stock-based compensation totaled $66 million in 2018, compared with
employees were 16,938 and 16,456 at December 31, 2018 and 2017, respectiv

The Company provides pension and other postretirement benefits (including a
totaled $85 million in 2018, $92 million in 2017 and $94 million in 2016. The
operations, respectively, from the preceding sentence were as follows: $92 m
$6 million in 2016. The Company sponsors both defined benefit and defined
million in 2018, $51 million in 2017 and $52 million in 2016. Included in tho
for a defined contribution pension plan that the Company began on January 1
defined benefit pension plan in 2017. No contributions were required or mad
significant assumptions utilized in completing actuarial calculations for the pl

86

The Company also provides a retirement savings plan ("RSP") that is a define
of qualified compensation via contributions to the plan. The Company makes
contribution, up to 4.5% of the employee's qualified compensation. RSP expe

Excluding the nonoperating expense items already noted, nonpersonnel opera
2016. The rise in such expenses in 2018 as compared with 2017 was predomi
offset by lower FDIC assessments and charitable contributions. The decline i
large bank surcharge, effective October 1, 2018. The Deposit Insurance Fund
on September 30, 2018, resulting in the elimination of the surcharge. The inc
result of higher legal-related and professional services costs and charitable co
agreements related to alleged conduct of that subsidiary prior to its acquisition
reserve for legal matters during 2018 and 2017, respectively. The Company r
and $30 million in 2018, 2017 and 2016, respectively.

Income Taxes

The provision for income taxes was $590 million in 2018, $916 million in 20
2017 and 36.1% in 2016. The decrease in the effective rate in 2018 from the p
signed into law on December 22, 2017, reducing the corporate Federal incom
U.S. corporate income tax laws. If not for those changes, the Company estim
M&T received approval from the Internal Revenue Service to change its tax r
reduction of income tax expense in the final quarter of 2018. The Company a
quarter of 2017. That guidance requires that excess tax benefits and tax defic
component of income tax expense in the income statement. Previously, tax ex
recorded through shareholders' equity at the time of vesting or exercise. As a
and $22 million during 2018 and 2017, respectively. Furthermore, GAAP req
of enactment. Accordingly, the estimated incremental income tax expense rec
million. That additional expense was largely attributable to the reduction in c
from the lower corporate tax rate. Lastly, the 2017 settlement between WT C
million payment by WT Corp. that was not deductible for income tax purpose
Act, the change in accounting for excess tax benefits from share-based compe
Company's effective tax rate in 2017 would have been 36.0%.

The effective tax rate is affected by the level of income earned that is exempt
allocated to the various state and local jurisdictions where the Company opera
discrete or infrequently occurring items. The Company's effective tax rate in
and interpretations of income tax regulations that differ from the Company's
M&T or any of its subsidiaries. Information about amounts accrued for uncer
computed by applying the statutory federal income tax rate to pre-tax income

International Activities

Assets and revenues associated with international activities represent less thar
included $172 million and $159 million of loans to foreign borrowers at Dece
Cayman Islands aggregated $812 million at December 31, 2018 and $178 mil
demand which increased in 2018 largely due to the higher interest rate enviro
included in international assets as of December 31, 2018 and 2017 totaled $12
December 31, 2018 and $45 million at December 31, 2017. The Company als
during 2018, 2017 and 2016 were approximately $29 million, $24 million and

Liquidity, Market Risk, and Interest Rate Sensitivity

As a financial intermediary, the Company is exposed to various risks, includi
sufficient cash flow and liquid assets are available to satisfy current and futur
operating costs, and other corporate purposes. Liquidity risk arises whenever

The most significant source of funding for the Company is core deposits, whi
customers. That customer base has, over the past several years, become more
businesses. Nevertheless, the Company faces competition in offering product
thrifts, mutual funds, securities dealers and others. Core deposits financed 78
December 31, 2017 and 83% at December 31, 2016.

The Company supplements funding provided through core deposits with vari
funds purchased, short-term advances from the FHLB of New York, brokered
December 31, 2018, M&T Bank had short-term and long-term credit facilities
credit facilities totaled $4.8 billion and $577 million at December 31, 2018 ar
securities. As previously noted, in December 2018 the Company borrowed $4
Bank had an available line of credit with the Federal Reserve Bank of New Y
that line is dependent upon the balances of loans and securities pledged as col

88

such line of credit at December 31, 2018 or December 31, 2017. Senior notes
December 31, 2017. During 2018 M&T Bank issued $1.0 billion of senior no
2023. On December 31, 2018 M&T Bank redeemed $750 million of senior n

The Company has, from time to time, issued subordinated capital notes and ju
liquidity and enhance regulatory capital ratios. Pursuant to the Dodd-Frank A
securities have been phased-out of the definition of Tier 1 capital but, similar
in total regulatory capital. Information about the Company's borrowings is in

Short-term federal funds borrowings totaled $137 million and $125 million at
unsecured and matured on the next business day. In addition to satisfying cust
alternative to short-term borrowings. Cayman Islands office deposits totaled $
Company has also benefited from the placement of brokered deposits. The Co
aggregated $3.0 billion and $1.3 billion at December 31, 2018 and 2017, resp
dates.

The Company's ability to obtain funding from these other sources could be ne
financial condition or its debt ratings, or should the availability of short-term
Company attempts to quantify such credit-event risk by modeling scenarios th
various grading levels. Such impact is estimated by attempting to measure the
borrowing sources and securitizable assets. Information about the credit rating
regarding the terms and maturities of all of the Company's short-term and lon
addition to deposits and borrowings, other sources of liquidity include maturi
investment securities, and cash generated from operations, such as fees collec

Table 15

DEBT RATINGS

M&T Bank Corporatio
Senior debt
Subordinated debt
M&T Bank
Short-term deposits
Long-term deposits
Senior debt
Subordinated debt

89

Certain customers of the Company obtain financing through the issuance of v
of credit provided by M&T Bank. M&T Bank oftentimes acts as remarketing
VRDBs while such instruments are remarketed. When this occurs, the VRDB
sheet. Nevertheless, M&T Bank is not contractually obligated to purchase the
December 31, 2018 or December 31, 2017. The total amount of VRDBs outst
December 31, 2018 and 2017, respectively. M&T Bank also serves as remark

Table 16

MATURITY DISTRIBUTION OF SELECTED LOANS(a)

December 31, 2018	Dem (In t
Commercial, financial, etc.	$7,4
Real estate — construction	45
Total	$7,4
Floating or adjustable interest rates	
Fixed or predetermined interest rates	
Total	

(a) The data do not include nonaccrual loans.

The Company enters into contractual obligations in the normal course of busi
payments as of December 31, 2018 are summarized in table 17. Off-balance s
extend credit, standby letters of credit, commercial letters of credit, financial g
Because many of these commitments or contracts expire without being funded
cash flows. Further discussion of these commitments is provided in note 21 of
commitments as of December 31, 2018 and the timing of the expiration of suc

90

Table 17

CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

December 31, 2018	Less Than One Year (In thousands)	On Ye
Payments due for contractual obligations		
Time deposits	$3,667,839	$ 2
Deposits at Cayman Islands office	811,906	–
Short-term borrowings	4,398,378	–
Long-term borrowings	1,525,057	3
Operating leases	89,547	1
Other	149,292	1
Total	$10,642,019	$ 6
Other commitments		
Commitments to extend credit (a)	$10,828,529	$ 6
Standby letters of credit	1,394,255	5
Commercial letters of credit	6,892	4
Financial guarantees and indemnification contracts	167,823	2
Commitments to sell real estate loans	929,424	1
Total	$13,326,923	$ 7

(a) Amounts exclude discretionary funding commitments to commercial custo
funding.

M&T’s primary source of funds to pay for operating expenses, shareholder di
from its banking subsidiaries, which are subject to various regulatory limitatio
earnings of the banking subsidiary in the current year and the two preceding y
was available for payment of dividends to M&T from banking subsidiaries. In

Notes to Financial Statements.

Table 18

MATURITY AND TAXABLE-EQUIVALENT YIELD OF INVESTMENT

December 31, 2018	One Year or Less (Dollars i
Investment securities available for sale(a)	
U.S. Treasury and federal agencies	
Carrying value	$1,332,6
Yield	1.11
Obligations of states and political subdivisions	
Carrying value	533
Yield	6.37
Mortgage-backed securities(b)	
Government issued or guaranteed	
Carrying value	476,668
Yield	2.46
Privately issued	
Carrying value	6
Yield	3.49
Other debt securities	
Carrying value	1,506
Yield	3.18
Total investment securities available for sale	
Carrying value	1,811,3
Yield	1.47
Investment securities held to maturity	
U.S. Treasury and federal agencies	
Carrying value	446,542
Yield	2.51
Obligations of states and political subdivisions	
Carrying value	2,926
Yield	4.26
Mortgage-backed securities(b)	
Government issued or guaranteed	
Carrying value	123,243
Yield	2.77
Privately issued	
Carrying value	4,875
Yield	2.77
Other debt securities	
Carrying value	—
Yield	—
Total investment securities held to maturity	

Carrying value	577,586
Yield	2.57
Equity and other securities	
Equity securities	
Carrying Value	
Yield	
Other investment securities	
Carrying Value	
Yield	
Total investment securities	
Carrying value	$2,388,9
Yield	1.73

(a) Investment securities available for sale are presented at estimated fair valu

(b) Maturities are reflected based upon contractual payments due. Actual matu underlying mortgage pools.

92

Table 19

MATURITY OF DOMESTIC CERTIFICATES OF DEPOSIT AND TIME D

WITH BALANCES OF $100,000 OR MORE

Under 3 mon
3 to 6 month
6 to 12 mont
Over 12 mon
Total

Management closely monitors the Company's liquidity position on an ongoin
liquidity are adequate to meet funding needs anticipated in the normal course
currently or in the long-term, for which adequate funding would not be availa
its subsidiary banks. Banking regulators have enacted the LCR rules requiring
standardized supervisory liquidity stress scenario. The Company is in complia

Market risk is the risk of loss from adverse changes in the market prices and/c
Company is exposed to is interest rate risk. Interest rate risk arises from the C
liabilities reprice at different times and by different amounts as interest rates c
effects of changing interest rates. The Company measures interest rate risk by
interest rate scenarios using projected balances for earning assets, interest-bea
philosophy toward interest rate risk management is to limit the variability of n
based on expected growth from forecasted business opportunities, anticipated
investment securities, loans and deposits. Management uses a "value of equity
analyses are based on discounted cash flows associated with on- and off-balan
interest rates and provide management with a long-term interest rate risk metr
exposure to interest rate risk. At December 31, 2018, the aggregate notional a
management purposes that were currently in effect was $7.3 billion. In additio
agreements that will become effective as pre-existing swap agreements matur
management purposes is included herein under the heading "Net Interest Inco

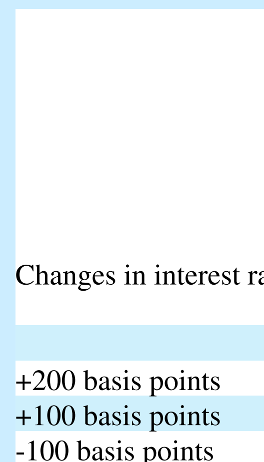
The Company's Asset-Liability Committee, which includes members of senio
changes in interest rates with the aid of a computer model that forecasts net in

modeling changing interest rates, the Company considers different yield curv
each point on the yield curve) and non-parallel (that is, allowing interest rates
In utilizing the model, market-implied forward interest rates over the subsequ
the net interest income simulation. That calculated base net interest income is
scenarios. The model considers the impact of ongoing lending and deposit-ga
repricing of financial instruments, including the effect of changing interest rat
has taken actions to mitigate exposure to interest rate risk through the use of o
Possible actions include, but are not limited to, changes in the pricing of loan
interest-bearing liabilities, and adding to, modifying or terminating existing in
management purposes.

Table 20 displays as of December 31, 2018 and 2017 the estimated impact on
changes in interest rates across repricing categories during the first modeling

Table 20

SENSITIVITY OF NET INTEREST INCOME TO CHANGES IN INTERES



Changes in interest ra
+200 basis points
+100 basis points
-100 basis points

The Company utilized many assumptions to calculate the impact that changes
assumptions included the rate of prepayments of mortgage-related assets, cash
purposes, loan and deposit volumes and pricing, and deposit maturities. In the
during a twelve-month period as compared with the base scenario. In the decl
interest rates remain positive on all points of the yield curve. The assumption
the Company cannot precisely predict the impact of changes in interest rates o
due to the timing, magnitude and frequency of changes in interest rates and ch
maturity/repricing categories, as well as any actions, such as those previously
the Company has used interest rate swap agreements designated as hedging in
Company has also entered into interest rate floor agreements that are included
protection against the possibility of future declines in interest rates on its earn

94

assets. In light of the uncertainties and assumptions associated with the proces
Company's past or projected net interest income.

Table 21 presents cumulative totals of net assets (liabilities) repricing on a co
interest rate swap agreements entered into for interest rate risk management p
interest rate risk since changes in interest rates do not necessarily affect all ca
the table, on the contractual maturity or repricing date. Furthermore, this stati
deposit gathering activities, projected changes in balance sheet composition o
implement.

Table 21

CONTRACTUAL REPRICING DATA

December 31, 2018	Three Months or Less	Four to Month
	(Dollars in thousands)	
Loans and leases, net	$52,645,822	$ 5,56
Investment securities	531,289	1,74
Other earning assets	8,160,767	778
Total earning assets	61,337,878	7,31
Savings and interest-checking deposits	50,963,744	—
Time deposits	1,290,803	2,37
Deposits at Cayman Islands office	811,906	—
Total interest-bearing deposits	53,066,453	2,37
Short-term borrowings	4,398,378	—
Long-term borrowings	2,230,859	1,52
Total interest-bearing liabilities	59,695,690	3,90
Interest rate swap agreements	(9,300,000)	650,
Periodic gap	$(7,657,812)	$ 4,06
Cumulative gap	(7,657,812)	(3,59
Cumulative gap as a % of total earning assets	(7.0)%	(3.3

95

Changes in fair value of the Company's financial instruments can also result f
impact is most notable on the values assigned to some of the Company's inve
presented herein under the heading "Capital" and in notes 2 and 20 of Notes t

The Company engages in limited trading account activities to meet the financ
compensation plans. Financial instruments utilized for trading account activit
agreements, and forward and futures contracts related to foreign currencies. T
associated with trading account activities by entering into offsetting trading p
account positions associated with interest rate contracts and foreign currency
Statements. The amounts of gross and net trading account positions, as well a
well-defined series of potential loss exposure limits established by manageme
non-government guaranteed financial instrument, the Company is exposed to
activities.

The notional amounts of interest rate contracts entered into for trading accour
December 31, 2017. The increase in such notional amounts at December 31, 2
$9.3 billion of interest rate floor agreements as previously noted. The notiona
trading account purposes were $763 million and $530 million at December 31
not recorded in the consolidated balance sheet, the unsettled fair values of all
consolidated balance sheet. The fair values of all trading account assets and li
and $133 million and $137 million, respectively, at December 31, 2017. The
contractual settlements of $171 million and $50 million, respectively, and at I
respectively. Included in trading account assets at December 31, 2018 and 20
compensation plans. Changes in the fair values of such assets are recorded as
income. Included in "other liabilities" in the consolidated balance sheet at De
liabilities related to deferred compensation plans. Changes in the balances of
liabilities are indexed are recorded in "other costs of operations" in the consol
in mutual funds and other assets that the Company was required to hold unde
were assumed by the Company in various acquisitions. Those assets totaled $
respectively.

Given the Company's policies, limits and positions, management believes tha
with trading account activities was not material, however, as previously noted
transactions related to the Company's trading account activities. Additional in
account activities is included in note 18 of Notes to Financial Statements.

Capital

Shareholders' equity was $15.5 billion at December 31, 2018 and represented
2017 and $16.5 billion or 13.35% at December 31, 2016.

Included in shareholders' equity was preferred stock with financial statement
information concerning M&T's preferred stock can be found in note 9 of Not

Reflecting the impact of repurchases of M&T's common stock, common shar
compared with $15.0 billion, or $100.03 per share, at December 31, 2017 and
common share, which excludes goodwill and core deposit and other intangibl
compared with $69.08 and $67.85 at December 31, 2017 and 2016, respective
December 31, 2018, compared with 9.10% and 8.92% at December 31, 2017
tangible common equity and total assets and tangible assets as of December 3
ratio of average total shareholders' equity to average total assets was 13.36%,
equity to average total assets was 12.31%, 12.46% and 12.16% in 2018, 2017

Shareholders' equity reflects accumulated other comprehensive income or los
securities classified as available for sale, unrealized losses on held-to-maturity
recognized, gains or losses associated with interest rate swap agreements desi
adjustments to reflect the funded status of defined benefit pension and other p
shareholders' equity, net of applicable tax effect, were $148 million, or $1.06
at December 31, 2017 and $16 million, or $.10 per common share, at Decemb
predominantly reflective of the impact of changes in interest rates on the valu
December 31, 2018 and 2017 is included in note 2 of Notes to Financial State

Reflected in the carrying amount of available-for-sale investment securities at
securities with an amortized cost of $1.2 billion and pre-tax effect unrealized
billion. Information concerning the Company's fair valuations of investment

Each reporting period the Company reviews its investment securities for othe
creditworthiness of the issuer or reviews the credit performance of the underly
such as privately issued mortgage-backed securities, the Company estimates t
for default rates, loss severities and prepayment speeds. Estimated collateral c
ultimate collectibility of the bond. If the present value of the cash flows indica
of a bond or if the Company intends to sell the bond or it more likely than not
other-than-temporary impairment loss is recognized. If an other-than-tempora
is adjusted, as appropriate for the circumstances.

As of December 31, 2018, based on a review of each of the securities in the in
values of any securities containing an unrealized loss were temporary and tha
December 31, 2018, the Company did not intend to sell nor is it anticipated th
is less than the cost basis of the security. The Company intends to continue to
underlying credit performance or other events could cause the cost basis of th
unrealized losses on available-for-sale investment securities have generally al
shareholders' equity, any recognition of an other-than-temporary decline in va
consolidated financial condition. Any other-than-temporary impairment charg
statement values for investment securities and shareholders' equity. Addition
the classification of such measurements is included in note 20 of Notes to Fin

The Company assessed impairment losses on privately issued mortgage-back
estimate bond-specific cash flows considering recent performance of the mort
severity. These bond-specific cash flows also reflect the placement of the bon
total, at December 31, 2018 and 2017, the Company had in its held-to-maturit
of $113 million and $136 million, respectively, and a fair value of $103 millio
mortgage-backed securities were in the most senior tranche of the securitizati
mortgage-backed securities are generally collateralized by residential and sma
a weighted-average credit enhancement of 18% at December 31, 2018, calcul
bonds owned by the Company plus any overcollateralization remaining in the
the securitization structure. The weighted-average default percentage and loss
69%, respectively. Given the terms of the securitization structure, some of the
but after considering the repayment structure and estimated future collateral c
concluded that as of December 31, 2018 those privately issued mortgage-back
that adverse changes in the future performance of mortgage loan collateral un

Adjustments to reflect the funded status of defined benefit pension and other p
comprehensive income by $261 million, or $1.89 per common share, at Dece
and $273 million, or $1.75 per common share, at December 31, 2016. Inform
benefit plans is included in note 12 of Notes to Financial Statements.

As described herein under the heading "Overview," M&T announced on June
which included the repurchase of up to $1.8 billion of common shares during
common stock dividend in the third quarter of 2018 of up to $.20 per share

98

to $1.00 per share. In addition, on February 5, 2018, M&T received notice of
shares of its common stock by June 30, 2018. That amount was in addition to
the Federal Reserve in the 2017 Capital Plan. In the aggregate, during 2018 M
amount of authorized common share repurchases pursuant to the revised 2018
those repurchases will be made during the first two quarters of 2019. During
repurchased 5,607,595 common shares for $641 million.

During 2018, in accordance with the 2018 and 2017 Capital Plans, M&T's Bo
$.80 per common share in the second quarter from the previous rate of $.75 p
dividends declared on M&T's common stock totaled $511 million in 2018, co
Dividends per common share totaled $3.55 in 2018, compared with $3.00 and
and 2017 and $81 million in 2016 were declared on preferred stock in accorda
from the immediately preceding year resulted from the lower dividend rate fo
with the like-amount of Series D preferred stock that had been redeemed in D

M&T and its subsidiary banks are required to comply with applicable capital
regulations, the minimum capital ratios are as follows:

- 4.5% Common Equity Tier 1 ("CET1") to risk-weighted assets (ea
regulations);
- 6.0% Tier 1 capital (that is, CET1 plus Additional Tier 1 capital) to risk-wei
- 8.0% Total capital (that is, Tier 1 capital plus Tier 2 capital) to risk-weighted
- 4.0% Tier 1 capital to average consolidated assets as reported on consolidate
regulations.

In addition, capital regulations provide for the phase-in of a "capital conserva
ratios. When fully phased-in on January 1, 2019 the capital conservation buff
The regulatory capital amounts and ratios of M&T and its bank subsidiaries a
A detailed discussion of the regulatory capital rules is included in Part I, Item

The Company is subject to the comprehensive regulatory framework applicab
regular examinations by a number of federal regulators. Regulation of financi
protection of depositors, the Deposit Insurance Fund of the FDIC and the ban
protection of shareholders, investors or creditors other than insured depositors
operations can increase or decrease the cost of doing business, limit or expand
operates, all of which could have a material effect on the business, financial c

Company and in M&T's ability to pay dividends. For additional information
Form 10-K.

Fourth Quarter Results

Net income in the fourth quarter of 2018 was $546 million, compared with $3
were each $3.76 in the final three months of 2018, compared with diluted and
annualized rates of return on average assets and average common shareholder
compared with 1.06% and 8.03%, respectively, in the year-earlier quarter.

Net operating income during 2018's final quarter was $550 million, compared
common share were $3.79 and $2.04 in the fourth quarters of 2018 and 2017,
average tangible common equity in the final three months of 2018 were 1.93%
corresponding 2017 period. Reconciliations of GAAP results with non-GAAP

Taxable-equivalent net interest income totaled $1.06 billion in the final three
growth was predominantly attributable to a 36 basis point widening of the net
year-earlier quarter. Partially offsetting the favorable impact of the higher ma
$107.8 billion in 2018. That decline was predominantly reflective of paymen
such securities by $1.8 billion to $13.0 billion in the recent quarter from $14.8
were $22.4 billion in the recent quarter, up $814 million or 4% from $21.6 bil
floor plan loans. Average commercial real estate loan balances totaled $33.6
year-earlier quarter. Included in those totals were average balances of loans h
the year-earlier period. Average residential real estate loan balances declined
year-earlier quarter, reflecting ongoing repayments of loans obtained in the ac
loans held for sale that averaged $229 million and $372 million in the fourth
the final three months of 2018, $754 million or 6% higher than in the similar
and recreational finance loans. Total loans and leases at December 31, 2018 r
commercial loans, commercial real estate loans and consumer loans were part
loans obtained in the Hudson City acquisition. The net interest spread widene
similar quarter of 2017. The yield on earning assets in the final three months
reflects the impact of increases in short-term interest rates initiated by the Fed
leases. The rate paid on interest-bearing liabilities in the 2018's final quarter
increase was also largely due to the higher interest rate environment. The cor
and .22% in the fourth quarters of 2018 and 2017, respectively. As a result,

the Company’s net interest margin expanded to 3.92% in the fourth quarter of

The provision for credit losses was $38 million for the three months ended De
loan charge-offs were $38 million in the final quarter of 2018, representing an
million or .12% during the fourth quarter of 2017. Net charge-offs in the four
loans of $2 million in each quarter; net recoveries of previously charged-off c
net recoveries of $4 million in 2017; net charge-offs of commercial loans of $
of $27 million and $25 million in 2018 and 2017, respectively. The net recov
recoveries on a previously charged-off loan to a residential builder and develo

Other income aggregated $481 million in the fourth quarter of 2018, compare
resulted from lower gains on bank investment securities, largely offset by hig
final quarter, an $18 million gain was realized on the sale of a portion of the C
trading accounts and foreign exchange gains resulted predominantly from inc
commercial customers. The higher trust income was largely due to increased

Other expense totaled $802 million during the recent quarter, compared with
considered to be “nonoperating” in nature consisting of amortization of core d
ended December 31, 2018 and 2017, respectively. Exclusive of those nonoper
quarter of 2018 and $789 million in the corresponding 2017 quarter. Higher s
lower contributions to The M&T Charitable Foundation and lower FDIC asse
ratio during the fourth quarters of 2018 and 2017 was 51.7% and 54.7%, resp
expense and the calculation of the efficiency ratio for each of the quarters of 2

The Company’s lower effective tax rate in 2018 reflects the impact of the Tax
in 2017. Additional items impacting the effective tax rates in the fourth quart

Segment Information

In accordance with GAAP, the Company’s reportable segments have been de
strategic business unit. Certain strategic business units have been combined fo
services, the type of customer, and the distribution of those products and serv
Banking, Commercial Real Estate, Discretionary Portfolio, Residential Mortg

The financial information of the Company’s segments was compiled utilizing
management accounting policies and processes utilized in compiling segment
based on authoritative guidance similar to GAAP. As a result, reported

101

segments and the financial information of the reported segments are not neces
institutions. Furthermore, changes in management structure or allocation met
data. Financial information about the Company's segments is presented in no
lower corporate Federal income tax rate in 2018 due to the enactment of the T

The Business Banking segment provides a wide range of services to small bus
Company's branch network, business banking centers and other delivery chan
Services and products offered by this segment include various business loans
business credit cards, deposit products, and financial services such as cash ma
Business Banking segment recorded net income of $168 million in 2018, com
million increase in net interest income, a $5 million decrease in the provision
2018. The growth in net interest income reflected a widening of the net intere
narrowing of the net interest margin on loans. Those favorable factors were p
with data processing, risk management and other support services provided to
income of $104 million in 2016. The 12% rise in net income from 2016 to 20
of the net interest margin, and higher merchant discount and credit card fees.

The Commercial Banking segment provides a wide range of credit products a
within the markets served by the Company. Services provided by this segmen
cash management services. The Commercial Banking segment contributed n
improvement in net income from 2017 was predominantly driven by the lowe
assessments of $8 million, and a $5 million increase in merchant discount and
expansion of the net interest margin on deposits, partially offset by a seven ba
balances of $2.2 billion. Offsetting the favorable factors noted above were a $
processing, risk management and other support services provided to the Com
income for the Commercial Banking segment totaled $411 million in 2016. T
net interest income and a lower provision for credit losses of $23 million. Tho
associated with data processing, risk management and other support services
resulted from a widening of the net interest margin on deposits of 32 basis po
a narrowing of the net interest margin on loans of 15 basis points.

The Commercial Real Estate segment provides credit and deposit services to
York State, Maryland, New Jersey, Pennsylvania, Delaware, Connecticut, Vi
States. Commercial real estate loans may be secured by apartment/multifami

102

Activities of this segment also include the origination, sales, and servicing of
programs. Commercial real estate loans held for sale are included in this segm
in 2018, up 24% from $364 million in 2017. That improvement resulted from
lower FDIC assessments of $11 million; higher mortgage banking revenues o
and foreign exchange gains of $5 million, largely due to increased activity rel
customers. Those favorable factors were partially offset by an $11 million ris
charged-off loans in 2017, and $10 million increases in each of salaries and e
risk management and other support services provided to the Commercial Rea
basis point widening of the net interest margin on deposits, offset, in part, by
segment was $350 million in 2016. The 4% increase in net income from 201
provision for credit losses of $4 million, offset in part, by lower trading accou
interest rate swap transactions executed on behalf of commercial customers, a
to a $1.5 billion increase in average loan balances and a 38 basis point wideni
narrowing of the net interest margin on loans.

The Discretionary Portfolio segment includes investment and trading account
borrowed funds, brokered deposits and Cayman Islands office deposits. This
Portfolio segment recorded net income of $116 million in 2018 and $135 mill
interest income; lower gains on investment securities of $24 million, reflectin
compared with realized gains of $18 million in 2017 on the sale of investmen
The lower net interest income reflected a narrowing of the net interest margin
reflecting ongoing repayments of loans obtained in the acquisition of Hudson
rate in 2018; a $24 million decline in the provision for credit losses, primarily
provision for credit losses associated with acquired loans that reflect lower lo
decrease in other real estate-related servicing costs. Net income of the Discret
income from 2016 was due to a $69 million decrease in net interest income, r
narrowing of the net interest margin on loans, and lower gains realized on inv
repayments of loans obtained in the Hudson City acquisition. Those unfavora
costs.

The Residential Mortgage Banking segment originates and services residentia
investors or to the Discretionary Portfolio segment. In addition to the geogra
Company maintains mortgage loan origination offices in several states throug
service loans and also sub-services residential real estate loans for others. Res

103

loans held for sale are included in this segment. The Residential Mortgage Ba
in 2017. That slight decline resulted from an $18 million decrease in revenues
revenues) and lower net interest income of $16 million, reflecting a narrowing
balances. Offsetting those unfavorable factors were lower servicing-related co
2018. The Residential Mortgage Banking segment's net income was $55 mill
revenues from mortgage origination and sales activities of $14 million and fro
revenues). Partially offsetting those unfavorable factors were lower expenses

The Retail Banking segment offers a variety of services to consumers through
telephone banking and Internet banking. The Company has branch offices in
Virginia, West Virginia and the District of Columbia. Credit services offered
finance loans (originated both directly and indirectly through dealers), home e
customers deposit products, including demand, savings and time accounts; inv
income for the Retail Banking segment was $541 million in 2018, up 44% fro
attributable to a $141 million rise in net interest income that reflected a 49 bas
average deposit balances of $2.8 billion, and the lower income tax rate in 201
centrally-allocated costs associated with data processing, risk management an
income increased 28% in 2017 from $294 million in 2016. That improvemen
million decrease in the provision for credit losses and lower personnel-related
widening of the net interest margin on deposits of 34 basis points offset, in pa
maturities of time deposits obtained in the Hudson City acquisition.

The "All Other" category reflects other activities of the Company that are not
amortization of core deposit and other intangible assets resulting from the acq
merger-related expenses resulting from acquisitions, and the net impact of the
credits associated with the earning assets and interest-bearing liabilities of the
category also includes trust income of the Company that reflects the ICS and
resulted in net income of $55 million in 2018, compared with net losses of $6
improvement in 2018 as compared with 2017 was driven by the favorable imp
transfers for funding charges and credits associated with earning assets and in
of $36 million; $24 million of income from BLG in 2018; and lower charitabl
partially offset by a higher expenses related to the settlements of WT Corp pr

professional and other outside services expenses; and a $10 million decline in
2016 reflected the incremental income tax expense of $85 million recorded as
services costs of $95 million, including additions to the reserve for legal matt
unfavorable factors were: lower merger-related expenses of $36 million (there
benefits of $22 million recognized in 2017 associated with the adoption of ne
share-based compensation be recognized in income tax expense in the income

Recent Accounting Developments

A discussion of recent accounting developments is included in note 26 of Not

Forward-Looking Statements

Management's Discussion and Analysis of Financial Condition and Results o
statements that are based on current expectations, estimates and projections al
management. Forward-looking statements are typically identified by words su
"prospects" or "potential," by future conditional verbs such as "will," "would
statements are not guarantees of future performance and involve certain risks,
Therefore, actual outcomes and results may differ materially from what is exp
statements speak only as of the date they are made and the Company assumes

Future Factors include changes in interest rates, spreads on earning assets and
originations, credit losses and market values of loans, collateral securing loan
price volatility; fair value of and number of stock-based compensation awards
trust-related revenues; legislation and/or regulation affecting the financial ser
including tax legislation or regulation; regulatory supervision and oversight, i
or procedures as may be required by the FASB or regulatory agencies; increas
rapid technological developments and changes; the ability to continue to intro
mix of products/services; containing costs and expenses; governmental and pu
on large customers; technological, implementation and cost/financial risks in
governmental proceedings, including tax-related examinations and other matt
times and on the terms required to support M&T and its subsidiaries' future b
acquisition and investment activities compared with M&T's initial expectatio
enhancements.

105

These are representative of the Future Factors that could affect the outcome o
general industry and market conditions and growth rates, general economic ar
subsidiaries do business, including interest rate and currency exchange rate fl

106

Table 22

QUARTERLY TRENDS

	2018 Quarters			
	Fourth		Third	
Earnings and dividends				
Amounts in thousands, except per share				
Interest income (taxable-equivalent basis)	$1,226,239		1,173,108	
Interest expense	161,321		138,337	
Net interest income	1,064,918		1,034,771	
Less: provision for credit losses	38,000		16,000	
Other income	480,596		459,294	
Less: other expense	802,162		775,979	
Income before income taxes	705,352		702,086	
Applicable income taxes	153,175		170,262	
Taxable-equivalent adjustment	5,958		5,733	
Net income	$546,219		526,091	
Net income available to common shareholders-diluted	$525,328		505,365	
Per common share data				
Basic earnings	$3.76		3.54	
Diluted earnings	3.76		3.53	
Cash dividends	$1.00		1.00	
Average common shares outstanding				
Basic	139,744		142,822	
Diluted	139,838		142,976	
Performance ratios, annualized				
Return on				
Average assets	1.84	%	1.80	%
Average common shareholders’ equity	14.80	%	14.08	%
Net interest margin on average earning assets (taxable- equivalent basis)	3.92	%	3.88	%
Nonaccrual loans to total loans and leases, net of unearned discount	1.01	%	1.00	%
Net operating (tangible) results (a)				
Net operating income (in thousands)	$550,169		530,619	
Diluted net operating income per common share	$3.79		3.56	
Annualized return on				
Average tangible assets	1.93	%	1.89	%
Average tangible common shareholders’ equity	22.16	%	21.00	%
Efficiency ratio (b)	51.70	%	51.41	%
Balance sheet data				

In millions, except per share		
Average balances		
Total assets (c)	$117,799	115,997
Total tangible assets (c)	113,169	111,363
Earning assets	107,785	105,835
Investment securities	13,034	13,431
Loans and leases, net of unearned discount	87,301	87,132
Deposits	91,104	89,252
Common shareholders' equity (c)	14,157	14,317
Tangible common shareholders' equity (c)	9,527	9,683
At end of quarter		
Total assets (c)	$120,097	116,828
Total tangible assets (c)	115,470	112,197
Earning assets	109,321	106,331
Investment securities	12,693	13,074
Loans and leases, net of unearned discount	88,466	86,680
Deposits	90,157	89,140
Common shareholders' equity, net of undeclared		
cumulative preferred dividends (c)	14,225	14,201
Tangible common shareholders' equity (c)	9,598	9,570
Equity per common share	102.69	100.38
Tangible equity per common share	69.28	67.64
Market price per common share		
High	$171.01	180.77
Low	133.78	164.28
Closing	143.13	164.54

(a) Excludes amortization and balances related to goodwill and core deposit ar
calculation of the efficiency ratio, are net of applicable income tax effects.

(b) Excludes impact of merger-related expenses and net securities transactions

(c) The difference between total assets and total tangible assets, and common
core deposit and other intangible assets, net of applicable deferred tax bala

107

Table 23

RECONCILIATION OF QUARTERLY GAAP TO NON-GAAP MEASURE

	2018 Quarters			
	Fourth		Third	
Income statement data (in thousands, except per share)				
Net income				
Net income	$546,219		526,091	
Amortization of core deposit and other intangible assets (a)	3,950		4,528	
Net operating income	$550,169		530,619	
Earnings per common share				
Diluted earnings per common share	$3.76		3.53	
Amortization of core deposit and other intangible assets (a)	.03		.03	
Diluted net operating earnings per common share	$3.79		3.56	
Other expense				
Other expense	$802,162		775,979	
Amortization of core deposit and other intangible assets	(5,359	)	(6,143	)
Noninterest operating expense	$796,803		769,836	
Efficiency ratio				
Noninterest operating expense (numerator)	$796,803		769,836	
Taxable-equivalent net interest income	1,064,918		1,034,771	
Other income	480,596		459,294	
Less: Gain (loss) on bank investment securities	4,219		(3,415	)
Denominator	$1,541,295		1,497,480	
Efficiency ratio	51.70	%	51.41	%
Balance sheet data (in millions)				
Average assets				
Average assets	$117,799		115,997	
Goodwill	(4,593	)	(4,593	)
Core deposit and other intangible assets	(50	)	(55	)
Deferred taxes	13		14	
Average tangible assets	$113,169		111,363	
Average common equity				
Average total equity	$15,389		15,549	
Preferred stock	(1,232	)	(1,232	)

Average common equity	14,157	14,317
Goodwill	(4,593)	(4,593)
Core deposit and other intangible assets	(50)	(55)
Deferred taxes	13	14
Average tangible common equity	$9,527	9,683
At end of quarter		
Total assets		
Total assets	$120,097	116,828
Goodwill	(4,593)	(4,593)
Core deposit and other intangible assets	(47)	(52)
Deferred taxes	13	14
Total tangible assets	$115,470	112,197
Total common equity		
Total equity	$15,460	15,436
Preferred stock	(1,232)	(1,232)
Undeclared dividends - cumulative preferred stock	(3)	(3)
Common equity, net of undeclared cumulative preferred dividends	14,225	14,201
Goodwill	(4,593)	(4,593)
Core deposit and other intangible assets	(47)	(52)
Deferred taxes	13	14
Total tangible common equity	$9,598	9,570

(a) After any related tax effect.

108

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.
Incorporated by reference to the discussion contained in Part II, Item 7, "Man
under the captions "Liquidity, Market Risk, and Interest Rate Sensitivity" (inc

Item 8. Financial Statements and Supplementary Data.
Financial Statements and Supplementary Data consist of the financial stateme
Part II, Item 7, "Management's Discussion and Analysis of Financial Conditi

Index to Financial Statements and Financial Statement

Report on Internal Control Over Financial Reporting
Report of Independent Registered Public Accounting F
Consolidated Balance Sheet — December 31, 2018 and
Consolidated Statement of Income — Years ended Dec
Consolidated Statement of Comprehensive Income — Y
Consolidated Statement of Cash Flows — Years ended
Consolidated Statement of Changes in Shareholders' Ec
Notes to Financial Statements

Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate interna
Company"). Management has assessed the effectiveness of the Company's in
described in "Internal Control — Integrated Framework (2013)" issued by the
assessment, management concluded that the Company maintained effective in

The consolidated financial statements of the Company have been audited by I
that was engaged to express an opinion as to the fairness of presentation of su
the effectiveness of the Company's internal control over financial reporting. T

M&T BANK CORPOR

René F. Jones
Chairman of the Board

Darren J. King
Executive Vice Presider

110

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of

M&T Bank Corporation

Opinions on the Financial Statements and Internal Control over Financial Rep

We have audited the accompanying consolidated balance sheets of M&T Ban
2017, and the related consolidated statements of income, comprehensive inco
period ended December 31, 2018, including the related notes (collectively ref
Company's internal control over financial reporting as of December 31,2018,
issued by the Committee of Sponsoring Organizations of the Treadway Comm

In our opinion, the consolidated financial statements referred to above presen
December 31, 2018 and 2017, and the results of its operations and its cash flo
with accounting principles generally accepted in the United States of America
internal control over financial reporting as of December 31, 2018, based on cr
COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial st
its assessment of the effectiveness of internal control over financial reporting,
Reporting. Our responsibility is to express opinions on the Company's consol
reporting based on our audits. We are a public accounting firm registered wit
are required to be independent with respect to the Company in accordance wi
Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Th
assurance about whether the consolidated financial statements are free of mat
control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing proce
statements, whether due to error or fraud, and performing procedures that resp

regarding the amounts and disclosures in the consolidated financial statement
estimates made by management, as well as evaluating the overall presentatior
financial reporting included obtaining an understanding of internal control ov
and

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evaluating the design and operating effectiveness of internal control based on
considered necessary in the circumstances. We believe that our audits provide

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to
preparation of financial statements for external purposes in accordance with g
reporting includes those policies and procedures that (i) pertain to the mainten
transactions and dispositions of the assets of the company; (ii) provide reason
financial statements in accordance with generally accepted accounting princip
accordance with authorizations of management and directors of the company;
unauthorized acquisition, use, or disposition of the company's assets that coul

Because of its inherent limitations, internal control over financial reporting m
effectiveness to future periods are subject to the risk that controls may becom
with the policies or procedures may deteriorate.

Buffalo, New York

February 20, 2019

We have served as the Company's auditor since 1984.

112

M&T BANK CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheet

(Dollars in thousands, except per share)
Assets
Cash and due from banks
Interest-bearing deposits at banks
Trading account
Investment securities (includes pledged securities that c $487,365 at December 31, 2018; $487,151 at Decem
Available for sale (cost: $8,869,423 at December 31, 2 $10,938,796 at December 31, 2017)
Held to maturity (fair value: $3,255,483 at December 3 $3,341,762 at December 31, 2017)
Equity and other securities (cost: $677,187 at Decembe $415,028 at December 31, 2017)
Total investment securities
Loans and leases
Unearned discount
Loans and leases, net of unearned discount
Allowance for credit losses
Loans and leases, net
Premises and equipment
Goodwill
Core deposit and other intangible assets
Accrued interest and other assets
Total assets
Liabilities
Noninterest-bearing deposits
Savings and interest-checking deposits
Time deposits
Deposits at Cayman Islands office
Total deposits
Short-term borrowings
Accrued interest and other liabilities
Long-term borrowings
Total liabilities
Shareholders' equity
Preferred stock, $1.00 par, 1,000,000 shares authorized Issued and outstanding: Liquidation preference of $1 share: 731,500 shares at December 31, 2018 and Dec

Liquidation preference of $10,000 per share: 50,000 shares at December 31, 2018 and December 31, 2017
Common stock, $.50 par, 250,000,000 shares authorize 159,765,044 shares issued at December 31, 2018; 159,817,518 shares issued at December 31, 2017
Common stock issuable, 24,563 shares at December 31 27,138 shares at December 31, 2017
Additional paid-in capital
Retained earnings
Accumulated other comprehensive income (loss), net
Treasury stock — common, at cost — 21,255,275 shar 9,733,115 shares at December 31, 2017
Total shareholders' equity
Total liabilities and shareholders' equity

See accompanying notes to financial statements.

113

M&T BANK CORPORATION AND SUBSIDIARIES

Consolidated Statement of Income

(In thousands, except per share)
Interest income
Loans and leases, including fees
Investment securities
Fully taxable
Exempt from federal taxes
Deposits at banks
Other
Total interest income
Interest expense
Savings and interest-checking deposits
Time deposits
Deposits at Cayman Islands office
Short-term borrowings
Long-term borrowings
Total interest expense
Net interest income
Provision for credit losses
Net interest income after provision for credit l
Other income
Mortgage banking revenues
Service charges on deposit accounts
Trust income
Brokerage services income
Trading account and foreign exchange gains
Gain (loss) on bank investment securities
Other revenues from operations
Total other income
Other expense
Salaries and employee benefits
Equipment and net occupancy
Outside data processing and software
FDIC assessments
Advertising and marketing
Printing, postage and supplies
Amortization of core deposit and other intang
Other costs of operations
Total other expense
Income before taxes
Income taxes
Net income
Net income available to common shareholder

Basic
Diluted
Net income per common share
Basic
Diluted

See accompanying notes to financial statements.

114

M&T BANK CORPORATION AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income

(In thousands)
Net income
Other comprehensive income (loss), net of
reclassification adjustments:
Net unrealized losses on investment securi
Cash flow hedges adjustments
Foreign currency translation adjustment
Defined benefit plans liability adjustments
Total other comprehensive loss
Total comprehensive income

See accompanying notes to financial statements.

115

M&T BANK CORPORATION AND SUBSIDIARIES

Consolidated Statement of Cash Flows

(In thousands)
Cash flows from operating activities
Net income
Adjustments to reconcile net income to net cash provided by
Provision for credit losses
Depreciation and amortization of premises and equipment
Amortization of capitalized servicing rights
Amortization of core deposit and other intangible assets
Provision for deferred income taxes
Asset write-downs
Net gain on sales of assets
Net change in accrued interest receivable, payable
Net change in other accrued income and expense
Net change in loans originated for sale
Net change in trading account assets and liabilities
Net cash provided by operating activities
Cash flows from investing activities
Proceeds from sales of investment securities
Available for sale
Equity and other securities
Proceeds from maturities of investment securities
Available for sale
Held to maturity
Purchases of investment securities
Available for sale
Held to maturity
Equity and other securities
Net (increase) decrease in loans and leases
Net (increase) decrease in interest-bearing deposits at banks
Capital expenditures, net
Net decrease in loan servicing advances
Other, net
Net cash provided (used) by investing activities
Cash flows from financing activities
Net increase (decrease) in deposits
Net increase (decrease) in short-term borrowings
Proceeds from long-term borrowings
Payments on long-term borrowings
Purchases of treasury stock
Dividends paid — common
Dividends paid — preferred

Redemption of Series D preferred stock
Proceeds from issuance of Series F preferred stock
Other, net
Net cash used by financing activities
Net increase (decrease) in cash, cash equivalents and restric
Cash, cash equivalents and restricted cash at beginning of p
Cash, cash equivalents and restricted cash at end of period
Supplemental disclosure of cash flow information
Interest received during the period
Interest paid during the period
Income taxes paid during the period
Supplemental schedule of noncash investing and financing a
Real estate acquired in settlement of loans
Securitization of residential mortgage loans allocated to
Available-for-sale investment securities
Capitalized servicing rights

See accompanying notes to financial statements.

116

M&T BANK CORPORATION AND SUBSIDIARIES

Consolidated Statement of Changes in Shareholders' Equity

Dollars in thousands, except per share	Preferred Stock	Common Stock	Com Stoc Issua
2016			
Balance — January 1, 2016	$1,231,500	79,782	2,36
Total comprehensive income	—	—	—
Preferred stock cash dividends	—	—	—
Redemption of Series D Preferred Stock	(500,000)	—	—
Issuance of Series F Preferred Stock	500,000	—	—
Exercise of 87,381 Series A stock warrants into 41,439 shares of common stock	—	—	—
Purchases of treasury stock	—	—	—
Stock-based compensation plans:			
Compensation expense, net	—	169	—
Exercises of stock options, net	—	18	—
Stock purchase plan	—	—	—
Directors' stock plan	—	2	—
Deferred compensation plans, net, including dividend equivalents	—	2	(21
Other	—	—	—
Common stock cash dividends — $2.80 per share	—	—	—
Balance — December 31, 2016	$1,231,500	79,973	2,14
2017			
Total comprehensive income	—	—	—
Reclassification of income tax effects to retained earnings	—	—	—
Preferred stock cash dividends	—	—	—
Exercise of 374,786 Series A stock warrants into 204,133 shares of common stock	—	—	—
Purchases of treasury stock	—	—	—
Stock-based compensation plans:			
Compensation expense, net	—	(64)	—
Exercises of stock options, net	—	—	—

Stock purchase plan	—	—	—
Directors’ stock plan	—	—	—
Deferred compensation plans, net, including dividend equivalents	—	—	(29
Common stock cash dividends — $3.00 per share	—	—	—
Balance — December 31, 2017	$1,231,500	79,909	1,84
2018			
Cumulative effect of change in accounting principle — equity securities	—	—	—
Total comprehensive income	—	—	—
Preferred stock cash dividends	—	—	—
Exercise of 257,630 Series A stock warrants into 136,676 shares of common stock	—	—	—
Purchases of treasury stock	—	—	—
Stock-based compensation plans:			
Compensation expense, net	—	(26)	—
Exercises of stock options, net	—	—	—
Stock purchase plan	—	—	—
Directors’ stock plan	—	—	—
Deferred compensation plans, net, including dividend equivalents	—	—	(12
Common stock cash dividends — $3.55 per share	—	—	—
Balance — December 31, 2018	$1,231,500	79,883	1,72

See accompanying notes to financial statements.

M&T BANK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

1. Significant accounting policies

M&T Bank Corporation ("M&T") is a bank holding company headquartered
and other businesses, and institutions with commercial and retail banking serv
insurance and other financial services. Banking activities are largely focused
Delaware, Connecticut, Virginia, West Virginia and the District of Columbia
also conduct activities in other areas.

The accounting and reporting policies of M&T and subsidiaries ("the Compar
States of America ("GAAP") and general practices within the banking industr
management to make estimates and assumptions that affect the reported amou
date of the financial statements and the reported amounts of revenues and exp
The significant accounting policies are as follows:

Consolidation

The consolidated financial statements include M&T and all of its subsidiaries
subsidiaries have been eliminated in consolidation. The financial statements
method. Information about some limited purpose entities that are affiliates of
in note 19.

Consolidated Statement of Cash Flows

For purposes of this statement, cash and due from banks and federal funds sol

Securities purchased under agreements to resell and securities sold under agre

Securities purchased under agreements to resell and securities sold under agre
recorded at amounts equal to the cash or other consideration exchanged. It is
agreements to resell.

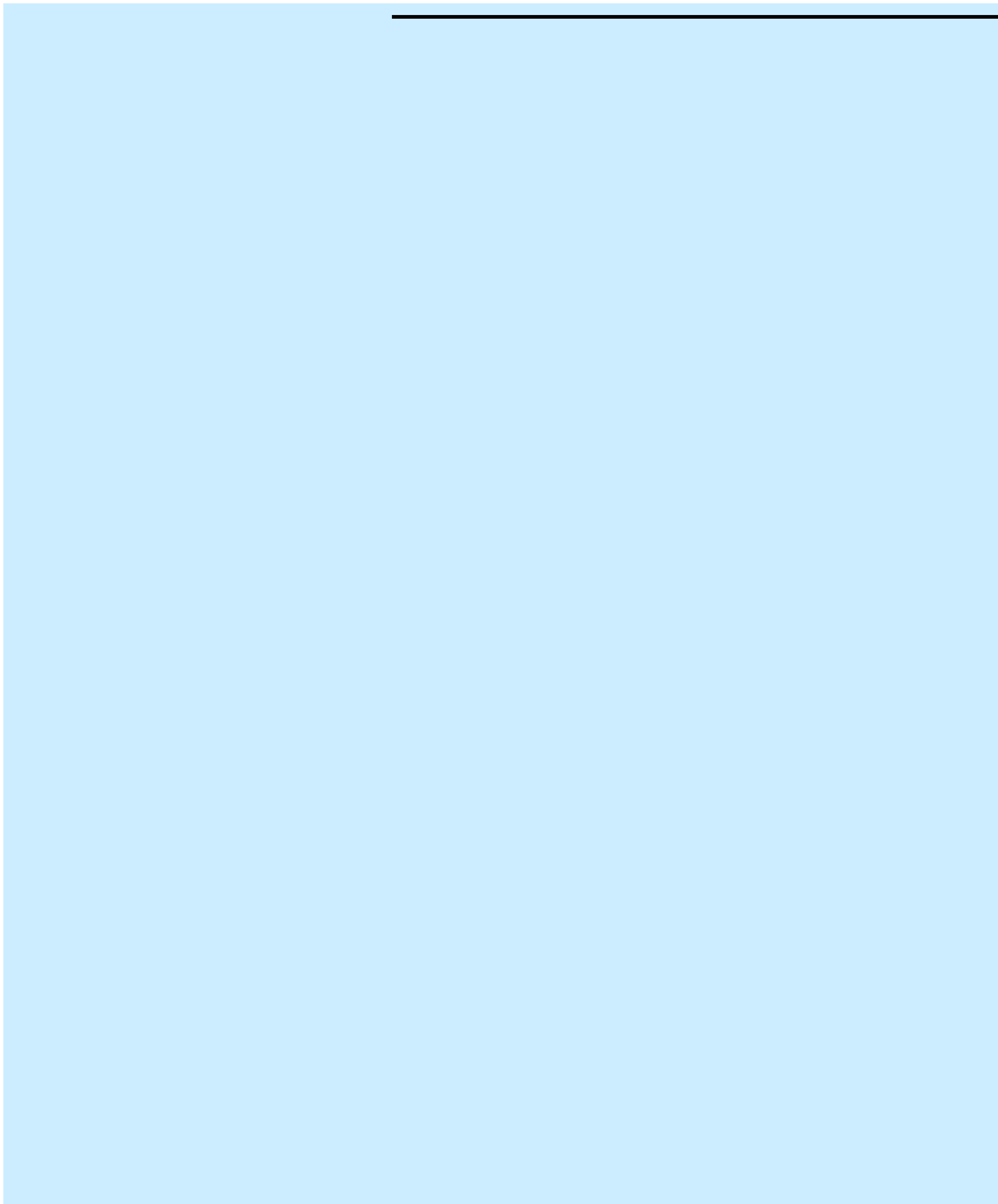
Trading account

Financial instruments used for trading purposes are stated at fair value. Realiz
utilized in trading activities are included in "trading account and foreign exch

Investment securities

Investments in debt securities are classified as held to maturity and stated at a
securities to maturity. Investments in other debt securities are classified as ava
value included in "accumulated other comprehensive income (loss), net."

118



Investments in equity securities having readily determinable fair values are st
included in earnings. Investments in equity securities that do not have readily
changes resulting from observable price changes in orderly transactions for th
securities with readily determinable fair values were classified as available fo
securities available for sale and held to maturity are included in interest incon

Other securities are stated at cost and include stock of the Federal Reserve Ba

Individual debt securities are written down through a charge to earnings wher
temporary. In cases where fair value is less than amortized cost and the Comp
debt security before recovery of its amortized cost basis, or the Company doe
other-than-temporary impairment is considered to have occurred. If the Comp
the security before recovery of its amortized cost basis, the other-than-tempor
debt security's amortized cost basis and its fair value. If the Company does no
not intend to sell the security and it is not more likely than not that the Compa
the other-than-temporary impairment is separated into (a) the amount represe
the other-than-temporary impairment related to the credit loss is recognized i
comprehensive income, net of applicable taxes. Subsequently, the Company a
been purchased on the measurement date of the other-than-temporary impair
other-than-temporary impairment recognized in earnings. Realized gains and
identification method.

Loans and leases

The Company's accounting methods for loans depends on whether the loans

Originated loans and leases

Interest income on loans is accrued on a level yield method. Loans are placed
income when principal or interest is delinquent 90 days, unless management
commercial loans and commercial real estate loans are returned to accrual sta
no delinquent principal and interest payments. Consumer loans not secured by
interest payments have been paid by the borrower. Loans secured by residenti
insignificant delay in payments of 90 days or less. Loan balances are charged
commercial loans and commercial real estate loans, charge-offs are recognize
borrower to repay, the estimated value of any collateral, and any other potenti

119

sources of repayment. A charge-off is recognized when, after such assessmen
by residential real estate, the excess of the loan balances over the net realizabl
becomes 150 days delinquent. Consumer loans are generally charged-off whe
collateralized and the status of repossession activities with respect to such col
recognized as an interest yield adjustment over the life of the loan. Net deferr
Commitments to sell real estate loans are utilized by the Company to hedge th
value of hedged real estate loans held for sale recorded in the consolidated ba
typically from the date of close through the sale date. Valuation adjustments r

Except for consumer and residential mortgage loans that are considered small
considers a loan to be impaired for purposes of applying GAAP when, based
collect all amounts according to the contractual terms of the loan agreement o
loan to be impaired if it qualifies as a troubled debt restructuring. Impaired lo
which continue to accrue interest, provided that a credit assessment of the bor
modified contractual terms. Certain loans greater than 90 days delinquent are
Loans less than 90 days delinquent are deemed to have an insignificant delay
measured based on the present value of expected future cash flows discounted
value of collateral if the loan is collateral-dependent. Interest received on imp
value of the loan or, if principal is considered fully collectible, recognized as

Residual value estimates for commercial leases are generally determined thro
commercial lease residual values at least annually and recognizes residual val

Loans and leases acquired in a business combination

Loans acquired in a business combination subsequent to December 31, 2008 a
previously established allowance for credit losses. Purchased impaired loans r
it was probable at acquisition that the Company would be unable to collect all
other loans acquired at a discount that was, in part, attributable to credit qualit
acquired loans is recognized as interest income over the remaining lives of the
Company to evaluate the need for additions to the Company's allowance for c
recovery of any related allowance for credit losses and then in recognition of

120

For all other acquired loans, the difference between the fair value and outstan
over the lives of those loans. Those loans are then accounted for in a manner t

Allowance for credit losses

The allowance for credit losses represents, in management's judgment, the an
The allowance is determined by management's evaluation of the loan and lea
each loan category, the current financial condition of specific borrowers, the e
value of any collateral and, where applicable, the existence of any guarantees
flows on loans acquired at a discount are also considered in the establishment

Assets taken in foreclosure of defaulted loans

Assets taken in foreclosure of defaulted loans are primarily comprised of com
consolidated balance sheet. An in-substance repossession or foreclosure occu
real estate property collateralizing a consumer mortgage loan upon either (1)
completion of a foreclosure or (2) the borrower conveying all interest in the r
of a deed in lieu of foreclosure or through a similar legal agreement. Upon ac
remaining loan balance over the asset's estimated fair value less costs to sell i
the assets are recognized as "other costs of operations" in the consolidated sta

Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation. Dep
estimated useful lives of the assets.

Capitalized servicing rights

Capitalized servicing assets are included in "other assets" in the consolidated
value. The Company uses the amortization method to subsequently measure s
expense in proportion to and over the period of estimated net servicing incom

To estimate the fair value of servicing rights, the Company considers market
associated with the servicing rights calculated using assumptions that market
assumptions include estimates of the cost of servicing loans, loan default rate
and measuring impairment of capitalized servicing rights, the Company strati
financial instruments that are expected to have the most impact on projected p
associated with the servicing rights. Such factors may include financial asset
amount by which the carrying value of the capitalized servicing rights for a st
allowance.

Sales and securitizations of financial assets

Transfers of financial assets for which the Company has surrendered control o
that continue to be held by the Company, including servicing rights, are meas
determined through reference to independent pricing information. The fair va
based on the present value of expected future cash flows associated with thos

Securitization structures typically require the use of special-purpose trusts tha
consolidated financial statements if the Company has the power to direct the a
performance and has the obligation to absorb losses or the right to receive ben

Goodwill and core deposit and other intangible assets

Goodwill represents the excess of the cost of an acquired entity over the fair v
tested for impairment at least annually at the reporting unit level, which is eith
intangible assets with finite lives, such as core deposit intangibles, are initially
deposit and other intangible assets are generally amortized using accelerated m
assesses whether events or changes in circumstances indicate that the carrying

Derivative financial instruments

The Company accounts for derivative financial instruments at fair value. If ce
of the exposure to changes in the fair value of a recognized asset or liability o
flows of a forecasted transaction or (c) a hedge of the foreign currency exposu
available-for-sale security, or a foreign currency denominated forecasted tran

The Company utilizes interest rate swap agreements as part of the manageme
portfolios of earning assets and interest-bearing liabilities. For such agreemen
agreement and the net differential is recorded as an adjustment to interest inco
designated as either fair value hedges or cash flow hedges. In a fair value hed
of the hedged items are recorded in the Company's consolidated balance shee
between changes in the fair values of interest rate swap agreements and the he
the same income statement line item that is used to present the earnings effect
the derivative's unrealized gain or loss is initially recorded as a component of
forecasted transaction affects earnings. Prior to 2018, hedge ineffectiveness fo
in the consolidated statement of income. In addition, for cash flow hedges, the
a component of other comprehensive income and subsequently reclassified in

122

The Company utilizes commitments to sell real estate loans to hedge the expo
originate real estate loans to be held for sale and commitments to sell real esta
value.

Derivative instruments not related to mortgage banking activities, including f
the hedge accounting requirements are recorded at fair value and are generally
value being recognized in "trading account and foreign exchange gains" in th

Stock-based compensation

Stock-based compensation expense is recognized over the vesting period of th
compensation, except that the recognition of compensation costs is accelerate
who will become retirement-eligible prior to full vesting of the award becaus
employee retires. Effective January 2017, the Company adopted amended acc
stock-based compensation be recognized in income tax expense. Previously,
shareholders' equity.

Income taxes

Deferred tax assets and liabilities are recognized for the future tax effects attr
liabilities and their respective tax bases and carryforwards. Deferred tax asset

The Company evaluates uncertain tax positions using the two-step process re
than not that a tax position will be sustained upon examination, including res
the position. Under the second step, a tax position that meets the more-likely-
greater than fifty percent likely of being realized upon ultimate settlement.

The Company accounts for its investments in qualified affordable housing pr
amortizes the initial cost of the investment in proportion to the tax credits and
income statement as a component of income tax expense.

Earnings per common share

Basic earnings per common share exclude dilution and are computed by divid
common shares outstanding (exclusive of shares represented by the unvested
issuable under deferred compensation arrangements during the period. Dilute
restricted stock and restricted stock unit grants and the potential dilution that
converted into common stock or resulted in the issuance of common stock tha
or conversion are assumed to be used to purchase shares of M&T common st
method" of accounting.

GAAP requires that unvested share-based payment awards that contain nonfo
be considered participating

securities and shall be included in the computation of earnings per common sh
compensation awards in the form of restricted stock and restricted stock units
share are calculated using the two-class method.

Treasury stock

Repurchases of shares of M&T common stock are recorded at cost as a reduct
average cost.

2. Investment securities

On January 1, 2018, the Company adopted amended guidance requiring equit
with changes in fair value recognized in the consolidated statement of income
consolidated subsidiaries, exchange membership ownership interests, and Fed
stock. Upon adoption the Company reclassified $17 million, after-tax effect, f
the difference between fair value and the cost basis of equity investments with
as gain (loss) on bank investment securities in the consolidated statement of in
cost and estimated fair value of investment securities were as follows:

December 31, 2018
Investment securities available for sale:
U.S. Treasury and federal agencies
Obligations of states and political subdivisions
Mortgage-backed securities:
Government issued or guaranteed
Privately issued
Other debt securities
Investment securities held to maturity:
U.S. Treasury and federal agencies
Obligations of states and political subdivisions
Mortgage-backed securities:
Government issued or guaranteed
Privately issued
Other debt securities
Total debt securities
Equity and other securities:
Readily marketable equity — at fair value

Other — at cost

Total equity and other securities

124

	Amortized Cost	Gross Unrealized Gains	G U L
	(In thousands)		
December 31, 2017			
Investment securities available for sale:			
U.S. Treasury and federal agencies	$1,965,665	$—	$
Obligations of states and political subdivisions	2,555	36	
Mortgage-backed securities:			
Government issued or guaranteed	8,755,482	59,497	
Privately issued	28	—	
Other debt securities	136,905	2,402	
Equity securities	78,161	23,219	
	10,938,796	85,154	
Investment securities held to maturity:			
Obligations of states and political subdivisions	24,562	109	
Mortgage-backed securities:			
Government issued or guaranteed	3,187,953	27,236	
Privately issued	135,688	2,574	
Other debt securities	5,010	—	
	3,353,213	29,919	
Other securities — at cost	415,028	—	
Total	$14,707,037	$115,073	$

No investment in securities of a single non-U.S. Government, government ag
at December 31, 2018.

As of December 31, 2018, the latest available investment ratings of all obliga
securities and other debt securities were:

	Amortized Cost	Esti Fair Valu
	(In thousands)	
Obligations of states and political subdivisions	$9,154	$9,1
Privately issued mortgage-backed securities	113,184	10
Other debt securities	141,285	13

Total	$263,623	$24

The amortized cost and estimated fair value of collateralized mortgage obliga

Collateralized mortgage ob
Amortized cost
Estimated fair value

125

Gross realized gains on investment securities were $23,251,000 in 2017 and $
and Freddie Mac preferred stock holdings held in the available-for-sale invest
its collateralized debt obligations held in the available-for-sale portfolio for a
sales of investment securities in 2018. There were no significant gross realize

At December 31, 2018, the amortized cost and estimated fair value of debt se

Debt securities available for sale
Due in one year or less
Due after one year through five y
Due after five years through ten y
Due after ten years
Mortgage-backed securities avail
Debt securities held to maturity:
Due in one year or less
Due after one year through five y
Due after ten years
Mortgage-backed securities held

126

A summary of investment securities that as of December 31, 2018 and 2017 h
those that had been in a continuous unrealized loss position for twelve month

December 31, 2018
Investment securities available for sale:
U.S. Treasury and federal agencies
Obligations of states and political subdivisions
Mortgage-backed securities:
Government issued or guaranteed
Privately issued
Other debt securities
Investment securities held to maturity:
U.S. Treasury and federal agencies
Obligations of states and political subdivisions
Mortgage-backed securities:
Government issued or guaranteed
Privately issued
Total
December 31, 2017
Investment securities available for sale:
U.S. Treasury and federal agencies
Obligations of states and political subdivisions
Mortgage-backed securities:
Government issued or guaranteed
Other debt securities
Equity securities (a)
Investment securities held to maturity:
Obligations of states and political subdivisions
Mortgage-backed securities:
Government issued or guaranteed
Privately issued
Total

(a) Beginning January 1, 2018, equity securities with readily determinable fai
recognized in the consolidated statement of income. As a result, subsequer
had been in a continuous unrealized loss position is no longer relevant.

The Company owned 1,402 individual investment securities with aggregate g
each of the securities in the investment securities portfolio at December 31, 2
its investment. As of December 31, 2018, the Company does not intend to sel
securities at a loss. At December 31, 2018, the Company has not identified ev
fair value of the $600 million of cost method investment securities.

At December 31, 2018, investment securities with a carrying value of $2,605,
pledged to secure borrowings from various FHLBs, repurchase agreements, g
described in note 8.

Investment securities pledged by the Company to secure obligations whereby
collateral totaled $487,365,000 at December 31, 2018. The pledged securities
securities.

3. Loans and leases

Total loans and leases outstanding were comprised of the following:

Loans
Commercial, financial, etc.
Real estate:
Residential
Commercial
Construction
Consumer
Total loans
Leases
Commercial
Total loans and leases
Less: unearned discount
Total loans and leases, net of unearn

One-to-four family residential mortgage loans held for sale were $205 millio
estate loans held for sale were $347 million at December 31, 2018 and $22 m

As of December 31, 2018, approximately $3.4 billion of commercial real esta
the Company's participation in the Fannie Mae Delegated Underwriting and S
recourse obligations described above were not material to the Company's con
of those credit recourse arrangements.

In addition to recourse obligations, as described in note 21, the Company is co
do not ultimately meet investor sale criteria related to underwriting procedure
purchasers for losses incurred or may repurchase certain loans. Charges incur

A summary of current, past due and nonaccrual loans as of December 31, 201

	Current	30-89 Days Past Due	Accruing Loans Past Due 90 Days or More (a)
	(In thousands)		
December 31, 2018			
Commercial, financial, leasing, etc.	$22,701,020	39,798	2,567
Real estate:			
Commercial	25,250,983	134,474	11,457
Residential builder and developer	1,665,178	20,333	—
Other commercial construction	6,982,077	43,615	14,344
Residential	13,591,790	404,808	189,682
Residential — limited documentation	2,278,040	72,544	—
Consumer:			
Home equity lines and loans	4,758,513	25,416	—
Recreational finance	4,085,781	29,947	—
Automobile	3,555,757	79,804	—
Other	1,271,811	15,598	4,477
Total	$86,140,950	866,337	222,527
December 31, 2017			
Commercial, financial, leasing, etc.	$21,332,234	167,756	1,322
Real estate:			
Commercial	24,910,381	166,305	4,444
Residential builder and developer	1,618,973	5,159	—
Other commercial construction	6,407,451	23,467	—
Residential	15,376,759	474,372	233,437
Residential — limited	2,718,019	83,898	—

documentation			
Consumer:			
Home equity lines and loans	5,171,345	38,546	—
Recreational finance	3,229,570	23,802	—
Automobile	3,441,371	78,511	—
Other	1,119,501	17,127	5,202
Total	$85,325,604	1,078,943	244,405

(a) Excludes loans acquired at a discount.
(b) Loans acquired at a discount that were recorded at fair value at acquisition
separately.
(c) Accruing loans acquired at a discount that were impaired at acquisition dat
129

If nonaccrual and renegotiated loans had been accruing interest at their origin
$68,745,000 in 2018, $63,872,000 in 2017 and $68,371,000 in 2016. The actu
were $32,983,000, $31,425,000 and $33,941,000, respectively.

The outstanding principal balance and the carrying amount of loans acquired
the consolidated balance sheet were as follows:

Outstanding principal balanc
Carrying amount:
Commercial, financial, leasi
Commercial real estate
Residential real estate
Consumer

Purchased impaired loans included in the table above totaled $303 million at
1% of the Company's assets as of each date. A summary of changes in the acc
2018, 2017 and 2016 follows:

For the Year Ended December 31,	2018	
	Purchased	O
	Impaired	A
	(In thousands	
Balance at beginning of period	$ 157,918	$
Interest income	(37,819)	(
Reclassifications from nonaccretable balance	27,111	
Other (a)	—	
Balance at end of period	$ 147,210	$

(a) Other changes in expected cash flows including changes in interest rates an

During the normal course of business, the Company modifies loans to maxim
concession is granted, the Company considers such modifications as troubled
renegotiated loans. The types of concessions that the Company grants typicall

other types of concessions.

The tables that follow summarize the Company’s loan modification activities
2018, 2017 and 2016:

Year Ended December 31, 2018	Number	Pre-modification Recorded Investment
	(Dollars in thousa	
Commercial, financial, leasing, etc.	203	$ 102,445
Real estate:		
Commercial	83	30,217
Other commercial construction	1	752
Residential	134	34,798
Residential — limited documentation	9	1,887
Consumer:		
Home equity lines and loans	47	3,952
Recreational finance	7	202
Automobile	73	1,330
Total	557	$ 175,583
Year Ended December 31, 2017		
Commercial, financial, leasing, etc.	217	$ 111,036
Real estate:		
Commercial	83	44,924
Residential builder and developer	3	12,291
Other commercial construction	2	168
Residential	141	31,827
Residential — limited documentation	20	4,230
Consumer:		
Home equity lines and loans	110	10,049
Recreational finance	9	160
Automobile	69	1,378
Total	654	$ 216,063

Year Ended December 31, 2016	Number	Pre-modificatio Recorded Investment
	(Dollars in thousa	
Commercial, financial, leasing, etc.	164	$ 154,093
Real estate:		
Commercial	81	44,870
Residential builder and developer	6	39,660
Other commercial construction	3	3,113
Residential	119	20,057
Residential — limited documentation	21	3,560
Consumer:		
Home equity lines and loans	103	11,870
Recreational finance	10	318
Automobile	163	1,264
Other	69	891
Total	739	$ 279,696

(a) Financial effects impacting the recorded investment included principal pay
value of interest rate concessions, discounted at the effective rate of the ori

Troubled debt restructurings are considered to be impaired loans and for purp
giving consideration to the impact of the modified loan terms on the present v
that have subsequently defaulted may also be measured based on the loan's ol
collateral-dependent. Charge-offs may also be recognized on troubled debt re
debt restructurings during the twelve months ended December 31, 2018, 2017
respective year were not material.

Borrowings by directors and certain officers of M&T and its banking subsidia
$60,000, amounted to $77,414,000 and $93,103,000 at December 31, 2018 an
$1,900,000 (including any borrowings of new directors or officers that were c
(including reductions resulting from individuals ceasing to be directors or off

At December 31, 2018, approximately $11.6 billion of commercial loans and
family residential real estate loans, $2.4 billion of home equity loans and lines
outstanding borrowings from the FHLB of New York and available lines of c

132

The Company’s loan and lease portfolio includes commercial lease financing
equipment, railroad equipment, commercial trucks and trailers, and aircraft. A

Commercial leases:
Direct financings:
Lease payments receivable
Estimated residual value of leased ass
Unearned income
Investment in direct financings
Leveraged leases:
Lease payments receivable
Estimated residual value of leased ass
Unearned income
Investment in leveraged leases
Total investment in leases
Deferred taxes payable arising from l

Included within the estimated residual value of leased assets at December 31,
associated with direct financing leases that are guaranteed by the lessees or ot

At December 31, 2018, the minimum future lease payments to be received fro

Year ending Dec
2019
2020
2021
2022
2023
Later years

The amount of foreclosed residential real estate property held by the Compan
There were $391 million and $497 million at December 31, 2018 and 2017, r
foreclosure. Of all loans in the process of foreclosure at December 31, 2018, a
government guaranteed.

133

4. Allowance for credit losses

Changes in the allowance for credit losses for the years ended December 31, 2

	Commercial, Financial, Leasing, etc.	Real Es Comme
	(In thousands)	
2018		
Beginning balance	$328,599	374,08
Provision for credit losses	33,967	(41,18
Net charge-offs		
Charge-offs	(60,414)	(12,28
Recoveries	27,903	21,037
Net (charge-offs) recoveries	(32,511)	8,751
Ending balance	$330,055	341,65
2017		
Beginning balance	$330,833	362,71
Provision for credit losses	41,511	6,715
Net charge-offs		
Charge-offs	(64,941)	(7,931
Recoveries	21,196	12,582
Net (charge-offs) recoveries	(43,745)	4,651
Ending balance	$328,599	374,08
2016		
Beginning balance	$300,404	326,83
Provision for credit losses	59,506	33,627
Net charge-offs		
Charge-offs	(59,244)	(4,805
Recoveries	30,167	7,066
Net (charge-offs) recoveries	(29,077)	2,261
Ending balance	$330,833	362,71

Despite the allocations in the preceding tables, the allowance for credit losses

In establishing the allowance for credit losses, the Company estimates losses
credit review processes and also estimates losses inherent in other loans and l
for credit losses, the Company evaluates its loan and lease portfolio by loan ty
determined through a loan-by-loan analysis of larger balance commercial loan
loss factors to groups of loan balances based on loan type and management's
of the specific loss components is typically based on expected future cash flo
In determining the allowance for credit losses, the Company utilizes a loan gr

individual loan basis. Loan grades are assigned loss component factors that re
considered in assigning loan grades and loss component factors include borro

134

specific information related to expected future cash flows and operating resul
payment status, and other information; levels of and trends in portfolio charge
loans; changes in the risk profile of specific portfolios; trends in volume and t
practices in the banking industry.

The following tables provide information with respect to loans and leases that
ended December 31, 2018, 2017 and 2016.

	December 3
	Recorded
	Investment
	(In thousand
With an allowance recorded:	
Commercial, financial, leasing, etc.	$153,478
Real estate:	
Commercial	110,253
Residential builder and developer	5,981
Other commercial construction	10,563
Residential	124,974
Residential — limited documentation	74,156
Consumer:	
Home equity lines and loans	47,982
Recreational finance	6,138
Automobile	3,527
Other	5,203
	542,255
With no related allowance recorded:	
Commercial, financial, leasing, etc.	105,507
Real estate:	
Commercial	113,376
Residential builder and developer	2,593
Other commercial construction	11,710
Residential	15,379
Residential — limited documentation	5,631
	254,196
Total:	
Commercial, financial, leasing, etc.	258,985
Real estate:	
Commercial	223,629
Residential builder and developer	8,574
Other commercial construction	22,273
Residential	140,353
Residential — limited documentation	79,787
Consumer:	

Home equity lines and loans	47,982
Recreational finance	6,138
Automobile	3,527
Other	5,203
Total	$796,451

135

	Year En 2018 Average Recorde Investm (In thou
Commercial, financial, leasing, etc.	$263,01
Real estate:	
Commercial	194,45
Residential builder and developer	8,699
Other commercial construction	11,467
Residential	129,59
Residential — limited documentation	82,854
Consumer:	
Home equity lines and loans	48,591
Recreational finance	1,849
Automobile	9,262
Other	4,413
Total	$754,19

	Ye 20 Av Re Inv (In
Commercial, financial, leasing, etc.	$2
Real estate:	
Commercial	1
	2

Residential builder and developer	
Other commercial construction	1
Residential	9
Residential — limited documentation	1
Consumer:	
Home equity lines and loans	3
Recreational finance	2
Automobile	1
Other	6
Total	$7

Commercial loans and commercial real estate loans with a lower expectation
ascribed lower loss factors when determining the allowance for credit losses.
ascribed a higher loss factor when determining the allowance for credit losses
to collect all amounts according to the contractual terms of the loan agreemen
commercial loans and commercial real estate loans are considered impaired a
allowance for credit losses to the extent appropriate in each individual instanc

136

The following table summarizes the loan grades applied to the various classes

	Commercial, Financial, Leasing, etc. (In thousands
December 31, 2018	
Pass	$21,693,705
Criticized accrual	1,049,848
Criticized nonaccrual	234,423
Total	$22,977,976
December 31, 2017	
Pass	$20,490,486
Criticized accrual	1,011,174
Criticized nonaccrual	240,991
Total	$21,742,651

In determining the allowance for credit losses, residential real estate loans and
as payment performance and recent loss experience and trends, which are mai
loan defaults. Loss rates on such loans are determined by reference to recent c
consideration of other factors including near-term forecasted loss estimates de
Company considers the current estimated fair value of its collateral based on g
borrower repayment performance. With regard to collateral values, the realiza
position prior to recovering amounts on a second lien position. However, resi
credit that are more than 150 days past due are generally evaluated for collect
The carrying value of residential real estate loans and home equity loans and l
and $23 million, respectively, at December 31, 2018 and $34 million and $25
equity loans and lines of credit that were more than 150 days past due but did
exceeded the outstanding customer balance were $21 million and $31 million
at December 31, 2017.

The Company also measures additional losses for purchased impaired loans w
expected at acquisition plus additional cash flows expected to be collected ari
portion of the allowance for credit losses is very subjective. Given that inhere
portion of the allowance for credit losses, the Company also provides an inhe
is intended to recognize probable losses that are not otherwise identifiable and
for the possible use of imprecise estimates in determining the allocated portio
is primarily reflective of the inherent

imprecision in the various calculations used in determining the allocated porti
in the unallocated portion include the effects of expansion into new markets f
regarding portfolio performance in changing market conditions, the introducti
Company's loan portfolio that may not be specifically identifiable.

The allocation of the allowance for credit losses summarized on the basis of t

	Comm Financ Leasin etc. (In tho
December 31, 2018	
Individually evaluated for impairment	$46,03
Collectively evaluated for impairment	284,0
Purchased impaired	—
Allocated	$330,0
Unallocated	
Total	
December 31, 2017	
Individually evaluated for impairment	$45,48
Collectively evaluated for impairment	283,1
Purchased impaired	—
Allocated	$328,5
Unallocated	
Total	

The recorded investment in loans and leases summarized on the basis of the C

	Commercia Financial, Leasing, etc (In thousan
December 31, 2018	
Individually evaluated for impairment	$258,985
Collectively evaluated for impairment	22,718,99
Purchased impaired	—
Total	$22,977,97
December 31, 2017	
Individually evaluated for impairment	$266,376
Collectively evaluated for impairment	21,476,25
Purchased impaired	21

Total	$21,742,65

5. Premises and equipment

The detail of premises and equipment was as follows:

Land
Buildings
Leasehold improvements
Furniture and equipment — owned
Furniture and equipment — capital
Less: accumulated depreciation and
Owned assets
Capital leases
Premises and equipment, net

Net lease expense for all operating leases totaled $110,703,000 in 2018, $114
noncancelable operating leases are presented in note 21. Minimum lease paym

6. Capitalized servicing assets

Changes in capitalized servicing assets were as follows:

	Residential M	
For the Year Ended December 31,	2018	2
	(In thousands	
Beginning balance	$114,978	$
Originations	28,985	
Purchases	454	
Amortization	(23,908)	
	120,509	
Valuation allowance	—	
Ending balance, net	$120,509	$

Residential mortgage loans serviced for others were $22.2 billion at Decembe
2016. Excluded from residential mortgage loans serviced for others were loan

December 31, 2018, 2017, and 2016, respectively. On January 31, 2019, the C
outstanding principal balances at that date of approximately $13.3 billion. The
certain final adjustments. Transfer of the loans to the Company’s loan servicir
loans serviced for others were $15.5 billion at December 31, 2018, $13.6 billi
commercial mortgage loans serviced for others were loans sub-serviced for ot

139

The estimated fair value of capitalized residential mortgage loan servicing ass
December 31, 2017. The fair value of capitalized residential mortgage loan se
12.2% at December 31, 2018 and 2017, respectively, and contemporaneous p
discount rate represented a weighted-average option-adjusted spread ("OAS"
over market implied forward London Interbank Offered Rates ("LIBOR"). Th
vary significantly in subsequent periods due to changing interest rates and the
commercial mortgage loan servicing assets was approximately $135 million a
rate was used to estimate the fair value of capitalized commercial mortgage lo
assumptions because, in general, the servicing agreements allow the Company
carrying value of the capitalized servicing rights associated with such loan. Th
mortgage servicing rights is more dependent on the borrowers' abilities to rep

The key economic assumptions used to determine the fair value of significant
of such value to changes in those assumptions are summarized in the table tha
fair value of capitalized servicing rights may differ significantly from the amo
fair value of the servicing rights is calculated without changing any other assu
may magnify or counteract the sensitivities. The changes in assumptions are p

Weighted-average prepayment sp
Impact on fair value of 10% adve
Impact on fair value of 20% adve
Weighted-average OAS
Impact on fair value of 10% adve
Impact on fair value of 20% adve
Weighted-average discount rate
Impact on fair value of 10% adve
Impact on fair value of 20% adve

7. Goodwill and other intangible assets

The Company does not amortize goodwill, however, core deposit and other in
amortizing intangible assets were comprised of the following:

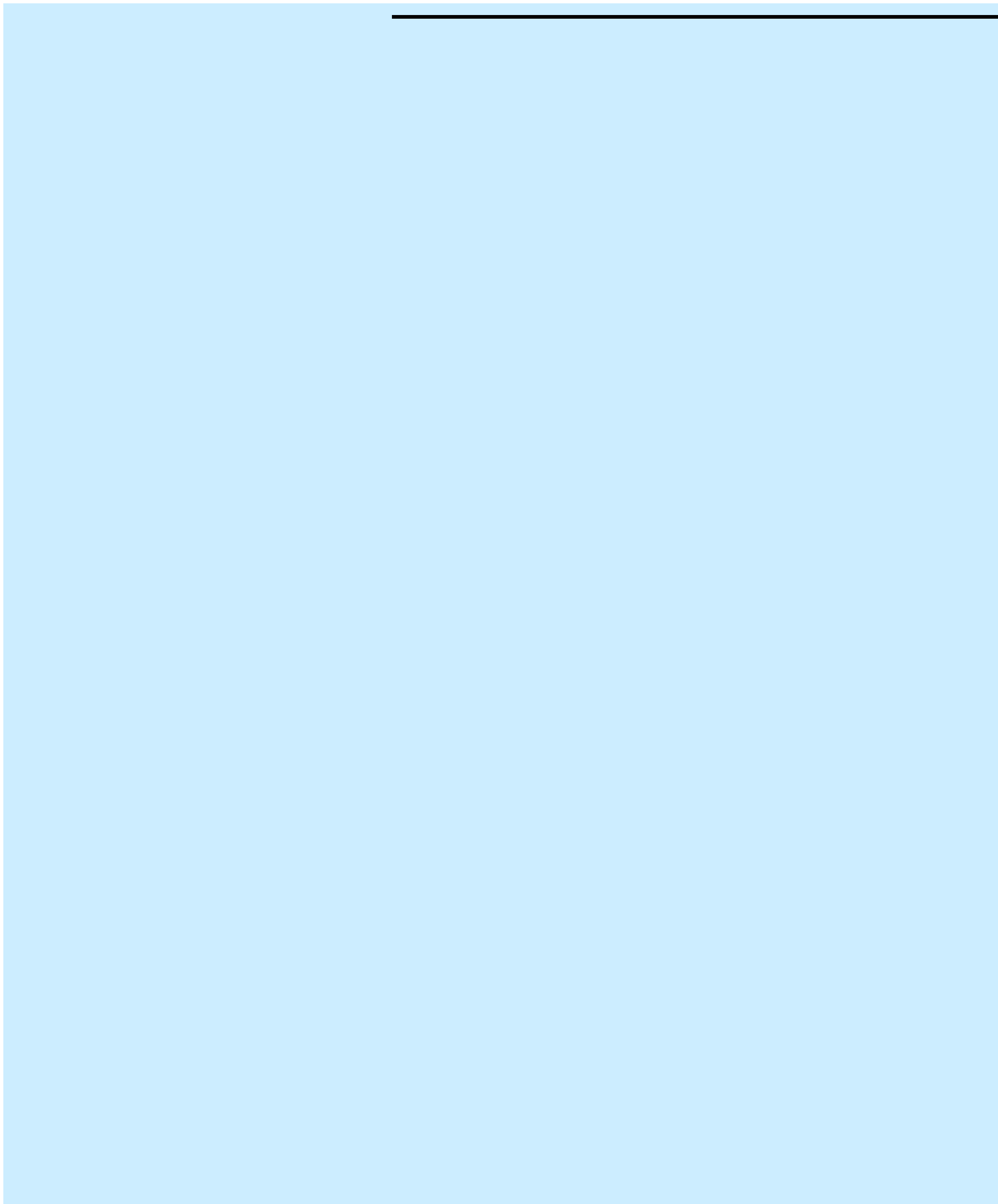
	Gross Carry Amou (In th
December 31, 2018	
Core deposit	$887,
Other	182,
Total	$1,07
December 31, 2017	
Core deposit	$887,
Other	182,
Total	$1,07

Amortization of core deposit and other intangible assets was generally compu
years. The weighted-average original amortization period was approximately
$24,522,000, $31,366,000 and $42,613,000 for the years ended December 31
for such intangible assets is as follows:

Year ending Dec
2019
2020
2021
2022

The Company completed annual goodwill impairment tests as of October 1, 2
all recorded goodwill to the reporting units originally intended to benefit from
relationship business reporting units. Goodwill was generally assigned based
reporting units at the time of each respective acquisition. The implied fair val
incremental overall fair value of the reporting unit and the estimated fair valu
date. To test for goodwill impairment at each evaluation date, the Company c
carrying amounts and certain other assets and liabilities assigned to the report
methodologies used to estimate fair values of reporting units as of the acquisi
customer relationship business reporting units, fair value was estimated as the
results of the goodwill impairment tests, the Company concluded that the amo

141



A summary of goodwill assigned to each of the Company’s reportable segme
follows:

Business Banking
Commercial Banki
Commercial Real E
Discretionary Portf
Residential Mortga
Retail Banking
All Other
Total

8. Borrowings

The amounts and interest rates of short-term borrowings were as follows:

At December 31, 2018
Amount outstanding
Weighted-average interest rate
For the year ended December 31, 2018
Highest amount at a month-end
Daily-average amount outstanding
Weighted-average interest rate
At December 31, 2017
Amount outstanding
Weighted-average interest rate
For the year ended December 31, 2017
Highest amount at a month-end

Daily-average amount outstanding
Weighted-average interest rate
At December 31, 2016
Amount outstanding
Weighted-average interest rate
For the year ended December 31, 2016
Highest amount at a month-end
Daily-average amount outstanding
Weighted-average interest rate

Short-term borrowings have a stated maturity of one year or less at the date th
short-term repurchase agreements outstanding at December 31, 2018 matured
borrowings with the FHLB of New York at December 31, 2018, $3.0 billion r

At December 31, 2018, M&T Bank had lines of credit under formal agreemen

Outstanding bor
Unused

At December 31, 2018, M&T Bank had borrowing facilities available with th
Additionally, M&T Bank had an available line of credit with the Federal Rese
M&T Bank is required to pledge loans and investment securities as collateral

143

Long-term borrowings were as follows:

Senior notes of M&T Bank Corporation:
Variable rate due 2023
3.55% due 2023
Senior notes of M&T Bank:
Variable rate due 2021
Variable rate due 2022
1.45% due 2018
2.25% due 2019
2.30% due 2019
2.05% due 2020
2.10% due 2020
2.625% due 2021
2.50% due 2022
2.90% due 2025
Advances from FHLB:
Fixed rates
Agreements to repurchase securities
Subordinated notes of Wilmington Trust Co owned subsidiary of M&T):
8.50% due 2018
Subordinated notes of M&T Bank:
Variable rate due 2020
Variable rate due 2021
3.40% due 2027
Junior subordinated debentures of M&T ass capital securities:
Fixed rates:
BSB Capital Trust I — 8.125%, due 2028
Provident Trust I — 8.29%, due 2028
Southern Financial Statutory Trust I — 10.6
Variable rates:
First Maryland Capital I — due 2027
First Maryland Capital II — due 2027
Allfirst Asset Trust — due 2029
BSB Capital Trust III — due 2033
Provident Statutory Trust III — due 2033
Southern Financial Capital Trust III — due
Other

144

The senior notes of M&T were issued in July 2018. The variable rate notes pa
contractual interest rate for those notes was 2.51% at December 31, 2018.

The variable rate senior notes of M&T Bank pay interest quarterly at rates tha
notes ranged from 2.76% to 3.25% at December 31, 2018 and were 2.05% at
December 31, 2018.

Long-term fixed rate advances from the FHLB had contractual interest rates r
2.06%. Advances from the FHLB mature at various dates through 2035 and a
investment securities.

Long-term agreements to repurchase securities had contractual interest rates t
weighted-average contractual interest rates payable were 4.31% at December
through 2020, however, the contractual maturities of the underlying investme
legally enforceable master netting arrangements, however, the Company has r
statements. The Company posted collateral consisting primarily of governmen
December 31, 2018 and 2017, respectively.

The subordinated notes of M&T Bank are unsecured and are subordinate to th
a rate that is indexed to the one-month LIBOR. The contractual interest rate w
mature in 2021 pay interest quarterly at a rate that is indexed to the three-mon
2.12% at December 31, 2017. The subordinated notes of Wilmington Trust C

The fixed and variable rate junior subordinated deferrable interest debentures
issued in connection with the issuance by those trusts of preferred capital secu
proceeds from the issuances of the Capital Securities and the Common Securi
Common Securities of each of those trusts are wholly owned by M&T and ar
Capital Securities represent preferred undivided interests in the assets of the c
the Capital Securities qualify for inclusion in Tier 2 regulatory capital. The va
indexed to the three-month LIBOR. Those rates ranged from 3.39% to 5.69%
weighted-average variable rates payable on those Junior Subordinated Debent

Holders of the Capital Securities receive preferential cumulative cash distribu
Subordinated Debentures as allowed by the terms of each such debenture, in v
deferred for comparable periods. During an extended interest period, M&T m
shares of its capital stock. In general, the agreements governing the Capital Se
by M&T of the payment of distributions on, the redemption of, and any liquic
guarantee and the Capital Securities are subordinate and junior in right of pay

The Capital Securities will remain outstanding until the Junior Subordinated D
in liquidation to the trusts. The Capital Securities

are mandatorily redeemable in whole, but not in part, upon repayment at the s
Debentures or the earlier redemption of the Junior Subordinated Debentures i
relating to the Capital Securities, and in whole or in part at any time after an o
optional redemption of the related Junior Subordinated Debentures in whole o

Long-term borrowings at December 31, 2018 mature as follows:

Year ending Dec
2019
2020
2021
2022
2023
Later years

9. Shareholders' equity

M&T is authorized to issue 1,000,000 shares of preferred stock with a $1.00 p
as to dividends and liquidation preference, but have no general voting rights.

Issued and outstanding preferred stock of M&T as of December 31, 2018 and

Series A (a)
Fixed Rate Cumulative Perpetual Preferre
$1,000 liquidation preference per share
Series C (a)
Fixed Rate Cumulative Perpetual Preferre
$1,000 liquidation preference per share
Series E (b)
Fixed-to-Floating Rate Non-cumulative P

$1,000 liquidation preference per share
Series F (c)
Fixed-to-Floating Rate Non-cumulative P

$10,000 liquidation preference per shar

(a) Dividends, if declared, are paid at 6.375%. Warrants to purchase M&T co
December 23, 2018. During 2018 and 2017, 257,630 and 374,786, respect
issuance of 136,676 and 204,133 common shares.
(b) Dividends, if declared, are paid semi-annually at a rate of 6.45% through F
LIBOR plus 361 basis points. The shares are redeemable in whole or in pa
shares, if an event occurs such that the shares no longer qualify as Tier 1 c
(c) Dividends, if declared, are paid semi-annually at a rate of 5.125% through
LIBOR plus 352 basis points. The shares are redeemable in whole or in pa
shares, if an event occurs such that the shares no longer qualify as Tier 1 c

146

10. Revenue from contracts with customers

Effective January 1, 2018 the Company adopted amended accounting and dis
retrospective approach. A significant amount of the Company's revenues are
banking revenues, trading account and foreign exchange gains, investment se
bank-owned life insurance, and certain other revenues that are generally exclu
Company began reporting credit card interchange revenue net of $14 million
2018. Credit card rewards expense of $13 million and $6 million for the year
operations. The adjustment to beginning retained earnings as well as the imp
within the scope of the guidance was not material to the Company's consolid
for the year ended December 31, 2018.

For noninterest income revenue streams within the scope of the amended gui
when the performance obligations related to the services under the terms of a
necessitate significant judgment to determine the amount of revenue to recog

The Company generally charges customer accounts or otherwise bills custom
customers have a duration of one year or less and payment for services is rece
December 31, 2018, the Company had $56 million of uncollected amounts re
follows. Such amount is classified in accrued interest and other assets in the
advance of providing services and defers the recognition of revenue until its s
revenue of $43 million related to the sources in the table that follows and rec
balance sheet. The following table summarizes sources of the Company's no

147

	Year Ended December 31, 2018		
	Business Banking	Commercial Banking	Comm Real Es
	(In thousands)		
Classification in consolidated statement of income			
Service charges on deposit accounts	$62,323	96,407	9,870
Trust income	9	917	—
Brokerage services income	—	—	—
Other revenues from operations:			
Merchant discount and credit card fees	34,557	52,051	2,213
Other	—	8,796	7,259
	$96,889	158,171	19,34

Service charges on deposit accounts include fees deducted directly from custo
transactional service charges, and also include debit card interchange revenue
generally recognized as revenue on a monthly basis, whereas other fees are re

Trust income includes fees related to the Institutional Client Services ("ICS")
business are largely derived from a variety of trustee, agency, investment, cas
business are mainly derived from asset management, fiduciary services, and f
recognized as revenues as the Company's performance obligations are satisfie
and are recognized as the service is performed and constraints regarding the u

Brokerage services income includes revenues from the sale of mutual funds a
at the time of transaction execution. Mutual fund and other distribution fees a
as such customers continue to hold amounts in those mutual funds.

Other revenues from operations include merchant discount and credit card fee
when the cardholder's transaction is approved and settled. Beginning in 2018
interchange revenue. Also included in other revenues from operations are ins
commissions are recognized at the time the insurance policy is executed with

renewal of the policy. ATM surcharge fees are included in revenue at the tim
conclusion of the advisory engagement when the Company has satisfied its se

11. Stock-based compensation plans

Stock-based compensation expense was $66 million in 2018, $61 million in 2
to stock-based compensation of $24 million in 2018, $35 million in 2017 and

The Company's equity incentive compensation plan allows for the issuance o
stock, restricted stock units and performance-based awards. At December 31,
for future grant under the Company's equity incentive compensation plan.

Restricted stock awards

Restricted stock awards are comprised of restricted stock and restricted stock
stock awards granted prior to 2014 vested over four years. A portion of restric
before such awards vest. Unrecognized compensation expense associated wit
recognized over a weighted-average period of approximately one year. The C
issue new shares. The number of restricted shares issued was 181,939 in 201
$29,557,000 in 2017 and $24,085,000 in 2016. There were no restricted share
stock units was $18 million as of December 31, 2018 and is expected to be re
restricted stock units issued was 348,512 in 2018, 235,983 in 2017 and 348,2
$38,364,000 and $38,795,000, respectively.

A summary of restricted stock and restricted stock unit activity follows:

	Restri Stock Outsta
Unvested at January 1, 2018	482,3
Granted	348,5
Vested	(265
Cancelled	(9,16
Unvested at December 31, 2018	556,8

Stock option awards

Stock options issued generally vest over three years and are exercisable over t
generally vested over four years. The Company used an option pricing model
granted 116,852 stock options in 2018. Stock options granted in 2017 and 201

149

A summary of stock option activity follows:

	Stoc Optio Outs
Outstanding at January 1, 2018	665
Granted	116
Exercised	(53
Expired	(25
Outstanding at December 31, 2018	220
Exercisable at December 31, 2018	103

For 2018, 2017 and 2016, M&T received $60 million, $72 million and $172 r
options of $3 million, $10 million and $15 million, respectively. The intrinsic
and $42 million, respectively. As of December 31, 2018, the amount of unrec
The total grant date fair value of stock options vested during 2018, 2017 and 2
shares from treasury stock to the extent available or issue new shares.

Stock purchase plan

The stock purchase plan provides eligible employees of the Company with the
payroll deductions. In connection with the employee stock purchase plan, 2,50
adopted in 2013. There were 58,167 shares issued in 2018, 66,504 shares issu
received $9,987,000, $9,730,000 and $9,528,000, respectively, in cash for sha
recognized for the stock purchase plan was not significant in 2018, 2017 or 20

Deferred bonus plan

The Company provided a deferred bonus plan pursuant to which eligible emp
awards and allocate such awards to several investment options, including M&
Such distributions are payable in cash with the exception of balances allocated
stock. Shares of M&T common stock distributable pursuant to the terms of th
respectively. The obligation to issue shares is included in “common stock issu

Directors’ stock plan

The Company maintains a compensation plan for non-employee members of t
members to receive all or a portion of their compensation in shares of M&T c
connection with the directors’ stock plan.

Through acquisitions, the Company assumed obligations to issue shares of M
common stock issuable under such plans were 6,271 and 7,505 at December 3
"common stock issuable" in the consolidated balance sheet.

12. Pension plans and other postretirement benefits

The Company provides defined benefit pension and other postretirement bene
employees. The Company uses a December 31 measurement date for all of its

Net periodic pension expense for defined benefit plans consisted of the follow

Service cost
Interest cost on benefit obligation
Expected return on plan assets
Amortization of prior service cost (cr
Recognized net actuarial loss
Net periodic pension expense

Net other postretirement benefits expense for defined benefit plans consisted

Service cost
Interest cost on benefit obligation
Amortization of prior service cre
Recognized net actuarial (gain) l
Net other postretirement benefits

Service cost is reflected in salaries and employee benefits expense. The other
operations.

151

Data relating to the funding position of the defined benefit plans were as follo

Change in benefit obligation:
Benefit obligation at beginning of year
Service cost
Interest cost
Plan participants' contributions
Amendments and curtailments
Actuarial (gain) loss
Medicare Part D reimbursement
Benefits paid
Benefit obligation at end of year
Change in plan assets:
Fair value of plan assets at beginning of year
Actual return on plan assets
Employer contributions
Plan participants' contributions
Medicare Part D reimbursement
Benefits paid
Fair value of plan assets at end of year
Funded status
Accrued liabilities recognized in the consolidat balance sheet
Amounts recognized in accumulated other comprehensive income ("AOCI") were:
Net loss (gain)
Net prior service cost (credit)
Pre-tax adjustment to AOCI
Taxes
Net adjustment to AOCI

The Company has an unfunded supplemental pension plan for certain key exe
obligation included in the preceding data related to such plan were $143,406,(

The accumulated benefit obligation for all defined benefit pension plans was

GAAP requires an employer to recognize in its balance sheet as an asset or li
plan, measured as the difference between the fair value of plan assets and the
obligation; for any other postretirement benefit plan, such as a retiree health c
Gains or losses and prior service costs or credits that arise during the period, b
as a component of other comprehensive income. Amortization of net gains an
the year, the net gain or loss exceeds 10% of the greater of the benefit obligat
December 31, 2018 the Company recorded a minimum liability adjustment of
other postretirement benefits) with a corresponding reduction of shareholders
plans realized a net gain during 2018 that resulted in a decrease to the minimu
$58,666,000. The net gain was mainly the result of raising the discount rate u
from 3.50% used at the prior year-end and the amortization of actuarial losses
reflects the changes in plan assets and benefit obligations recognized in other

2018
Net loss (gain)
Amortization of prior service (cost) credit
Amortization of actuarial (loss) gain
Total recognized in other comprehensive pre-tax
2017
Net loss (gain)
Amendments and curtailments
Amortization of prior service (cost) credit
Amortization of actuarial (loss) gain
Total recognized in other comprehensive pre-tax

The following table reflects the amortization of amounts in accumulated other
benefit expense during 2019:

Amortization of net prior service
Amortization of net loss (gain)

153

The Company also provides a qualified defined contribution pension plan to e
of December 31, 2005 and to other employees who have elected to participate
contribution plan each year in an amount that is based on an individual partici
commissions and bonuses) and years of service. Participants do not contribute
and 2016 associated with the defined contribution pension plan was approxim

Assumptions

The assumed weighted-average rates used to determine benefit obligations at

Discount rate
Rate of increase in future compensatio

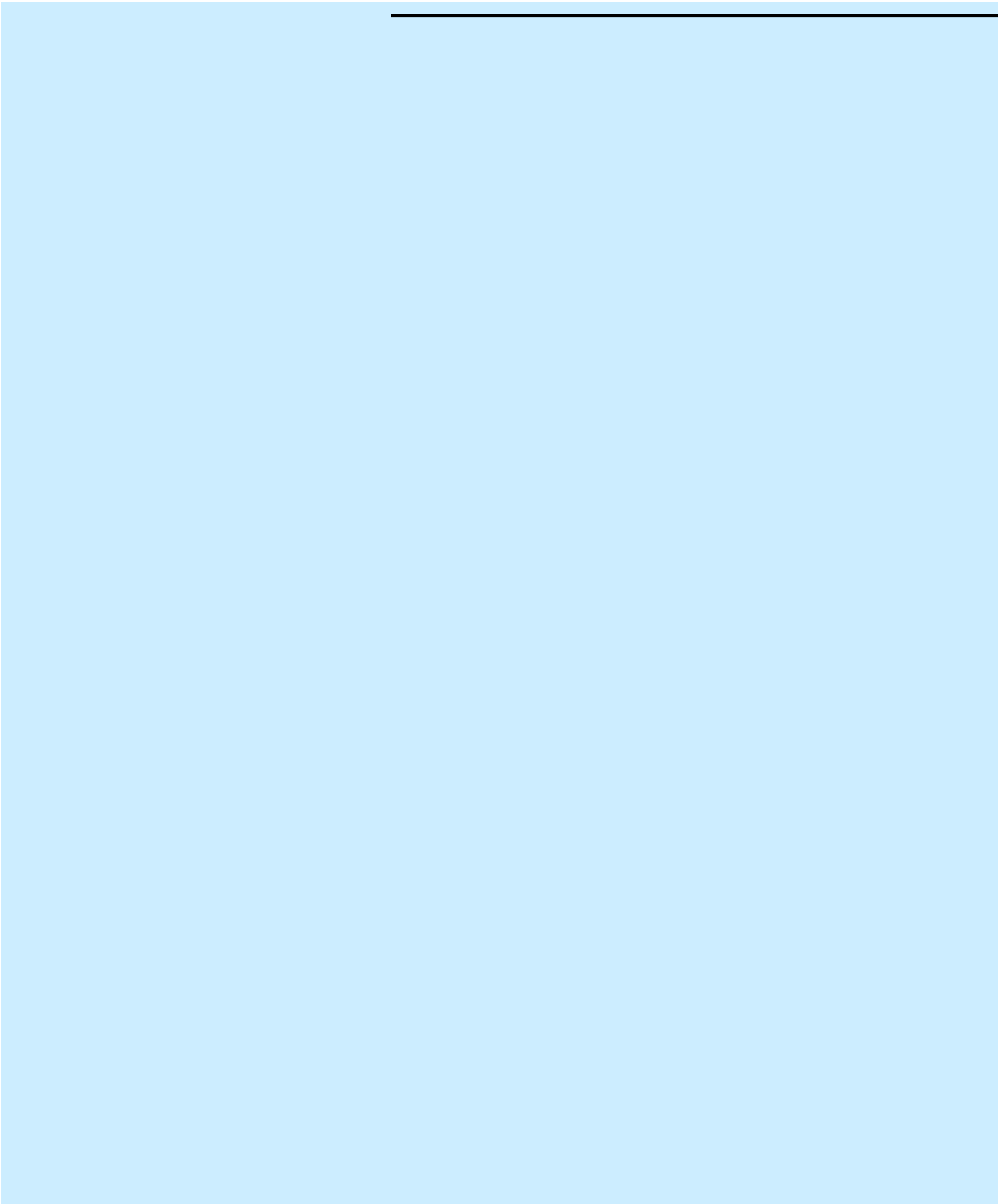
The assumed weighted-average rates used to determine net benefit expense fo

	F 2
Discount rate	
Long-term rate of return on plan assets	
Rate of increase in future compensation levels	

The discount rate used by the Company to determine the present value of the
hypothetical portfolio of highly rated corporate bonds that would produce cas
interest rates in general as of the year-end.

The expected long-term rate of return assumption as of each measurement dat
conditions, anticipated future asset allocations, the funds' past experience, an
assumption represents a long-term average view of the performance of the pla

154



The Company's defined benefit pension plan is sensitive to the long-term rate
pension expense to changes in these assumptions, with all other assumptions
have resulted in a decrease in pension expense of approximately $5 million; a
approximately $7 million. Decreases of 25 basis points in those assumptions
from the changes presented in the preceding sentence. Additionally, an incre
obligation by

$62 million and a decrease of 25 basis points in the discount rate would have

For measurement of other postretirement benefits, a 6.25% annual rate of inc
The rate was assumed to decrease to 5.00% over ten years. A one-percentage
effects:

Increase (decrease) in:
Service and interest cost
Accumulated postretirement b

Plan assets

The Company's policy is to invest the pension plan assets in a prudent manne
reasonable expenses of administration. The Company's investment strategy is
the preservation of capital. The strategy attempts to maximize investment ret
complying with applicable regulations and laws. The investment strategy util
risk profile while emphasizing total return realized from capital appreciation,
25 to 60 percent equity securities, 10 to 65 percent debt securities, and 10 to
although holdings could be more or less than these general guidelines based
investment managers providing advice to the Company. Assets are managed
may include investments in domestic and international equities, through indiv
include investments in corporate bonds of companies from diversified indust
Treasury securities, through individual securities and mutual funds. Addition
assets) of real estate funds, private investments, hedge funds and other invest
with target market indices for each asset type to aid management in evaluatin
and may, if deemed appropriate, make changes to the target allocations noted

155

The fair values of the Company's pension plan assets at December 31, 2018 a

	Fair Value Me 2018
	Total
	(In thousands
Asset category:	
Money-market investments	$23,049
Equity securities:	
M&T	125,299
Domestic(a)	191,640
International(b)	7,752
Mutual funds:	
Domestic(a)	216,523
International(b)	316,923
	858,137
Debt securities:	
Corporate(c)	103,672
Government	182,034
International	2,140
Mutual funds:	
Domestic(d)	280,902
International	20,661
	589,409
Other:	
Diversified mutual fund	74,446
Real estate partnerships	11,807
Private equity	63,699
Hedge funds	200,811
Guaranteed deposit fund	10,415
	361,178
Total(e)	$1,831,773

	Fair Value M 2017
	Total (In thousands
Asset category:	
Money-market investments	$117,648
Equity securities:	
M&T	154,818
Domestic(a)	240,763
International(b)	13,349
Mutual funds:	
Domestic(a)	205,509
International(b)	405,200
	1,019,639
Debt securities:	
Corporate(c)	89,751
Government	235,984
International	2,176
Mutual funds:	
Domestic(d)	243,456
	571,367
Other:	
Diversified mutual fund	80,227
Real estate partnerships	3,747
Private equity	31,484
Hedge funds	178,080
Guaranteed deposit fund	10,925
	304,463
Total(e)	$2,013,117

(a) This category is mainly comprised of equities of companies primarily with industries.

(b) This category is comprised of equities in companies primarily within the m in Europe and the Pacific Rim.

(c) This category represents investment grade bonds of U.S. issuers from dive

(d) Approximately 77% of the mutual funds were invested in investment grad 2017. The holdings within the funds were spread across diverse industries.

(e) Excludes dividends and interest receivable totaling $2,060,000 and $1,774

Pension plan assets included common stock of M&T with a fair value of $125
total plan assets) at December 31, 2017. No investment in securities of a non-
at December 31, 2018.

157

The changes in Level 3 pension plan assets measured at estimated fair value c

	Balanc – Januar 1, 2018 (In tho
Other	
Real estate partnerships	$2,905
Private equity	31,48
Hedge funds	52,11
Guaranteed deposit fund	10,92
Total	$97,42

The Company makes contributions to its funded qualified defined benefit pen
management after considering factors such as the fair value of plan assets, exp
plan. The Company made voluntary contributions of $200 million to the quali
contributions to the plan in 2018 or 2016. The Company is not required to ma
the impact of actual events and circumstances that may occur in 2019, the Co
been determined. The Company regularly funds the payment of benefit obliga
because such plans do not hold assets for investment. Payments made by the C
2018 and 2017, respectively. Payments made by the Company for postretirem
Payments for supplemental pension and other postretirement benefits for 2019
material to the Company's consolidated financial position.

Estimated benefits expected to be paid in future years related to the Company

Year ending December 3
2019
2020
2021
2022
2023

2024 through 2028

The Company has a retirement savings plan ("RSP") that is a defined contribu
qualified compensation via contributions to the plan. The Company makes an
contribution, up to 4.5% of the employee's qualified compensation.

158

Employees' accounts, including employee contributions, employer matching
nonforfeitable. Employee benefits expense resulting from the Company's con
2017 and 2016, respectively.

13. Income taxes

The components of income tax expense were as follows:

Current
Federal
State and local
Total current
Deferred
Federal
State and local
Total deferred
Amortization of investments in qualified affordab
Total income taxes applicable to pre-tax income

The Company files a consolidated federal income tax return reflecting taxable
law allowed certain financial institutions the option of deducting as bad debt
GAAP, such financial institutions were not required to provide deferred incor
under the previously allowed method will result in taxable income if M&T Ba
are made to the reserve for other than bad debt losses. At December 31, 2018,
provided was $137,121,000. No actions are planned that would cause this res

Income taxes attributable to gains or losses on bank investment securities wer
$11,925,000 in 2016. No alternative minimum tax expense was recognized in

The Tax Cuts and Jobs Act ("Tax Act") was signed into law on December 22
January 1, 2018 and making other changes to U.S. corporate income tax laws
requires that the impact of the provisions of the Tax Act be accounted for in th
by the Company in the fourth quarter of 2017 related to the Tax Act was $85
carrying value of net deferred tax assets reflecting lower future tax benefits re
received approval from the Internal Revenue Service to change the timing of
federal income tax rate, the change resulted in a $15 million reduction of inco
share-based transactions during the first quarter of 2017. That guidance requi
compensation be recognized as a

159

component of income tax expense in the income statement. Previously, tax ef
recorded through shareholders' equity at the time of vesting or exercise. The
million reduction of income tax expense in 2018 and 2017, respectively.

Total income taxes differed from the amount computed by applying the statut

Income taxes at statutory federal income tax r
Increase (decrease) in taxes:
Tax-exempt income
State and local income taxes, net of federal in
Qualified affordable housing project federal ta
Initial impact of enactment of Tax Act
Other

Deferred tax assets (liabilities) were comprised of the following at December

Losses on loans and other assets
Retirement benefits
Postretirement and other employee be
Incentive and other compensation plan
Interest on loans
Stock-based compensation
Unrealized losses
Other
Gross deferred tax assets
Leasing transactions
Unrealized gains
Capitalized servicing rights
Depreciation and amortization
Interest on loans
Other
Gross deferred tax liabilities
Net deferred tax asset

The Company believes that it is more likely than not that the deferred tax asse

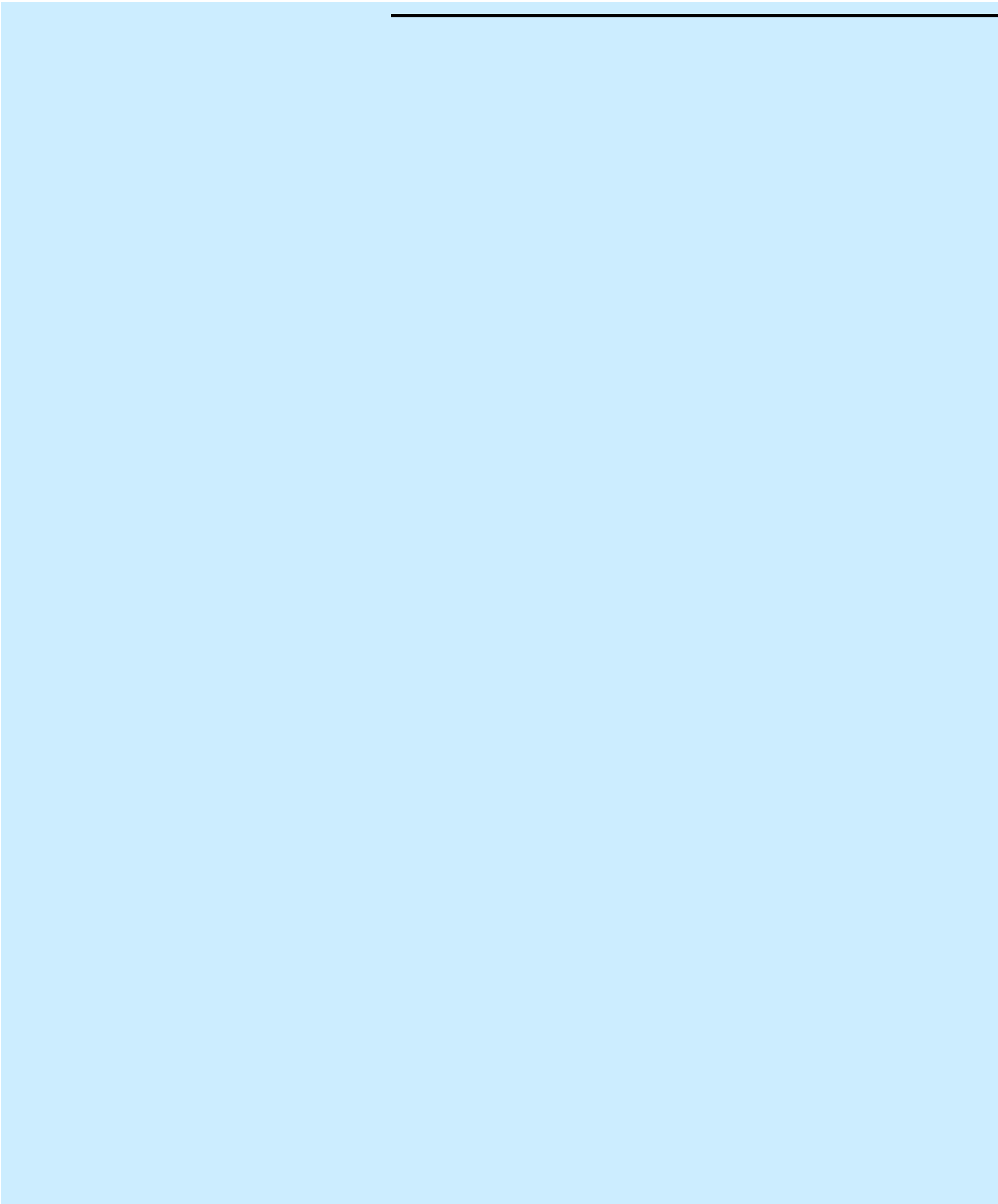
The income tax credits shown in the statement of income of M&T in note 25

160

A reconciliation of the beginning and ending amount of unrecognized tax ben

Gross unrecognized tax benefits at January 1, 2
Increases as a result of tax positions taken du
Increases as a result of tax positions taken in
Decreases as a result of tax positions taken in
Gross unrecognized tax benefits at December 3
Increases as a result of tax positions taken du
Increases as a result of tax positions taken in
Decreases as a result of settlements with taxi
Decreases as a result of tax positions taken in
Gross unrecognized tax benefits at December 3
Increases as a result of tax positions taken du
Increases as a result of tax positions taken in
Decreases as a result of settlements with taxi
Decreases as a result of tax positions taken in
Gross unrecognized tax benefits at December 3
Less: Federal, state and local income tax benef
Net unrecognized tax benefits at December 31
if recognized, would impact the effective inc

The Company's policy is to recognize interest and penalties, if any, related to
The balance of accrued interest at December 31, 2018 is included in the table
subject to examinations from various governmental taxing authorities. Such e
Company to specific transactions. Management believes that the assumptions
Should determinations rendered by tax authorities ultimately indicate that ma
could have a material effect on the Company's results of operations. Examina
have been largely concluded through 2017, although under statute the income
income tax returns in over forty states and numerous local jurisdictions. Subst
2013. It is not reasonably possible to estimate when examinations for any sub



14. Earnings per common share

The computations of basic earnings per common share follow:

Income available to common shareholders:
Net income
Less: Preferred stock dividends(a)
Net income available to common equity
Less: Income attributable to unvested stock-bas compensation awards
Net income available to common shareholders
Weighted-average shares outstanding:
Common shares outstanding (including commo issuable) and unvested stock-based compensa
Less: Unvested stock-based compensation awar
Weighted-average shares outstanding
Basic earnings per common share

(a) Including impact of not as yet declared cumulative dividends.

The computations of diluted earnings per common share follow:

Net income available to common equity
Less: Income attributable to unvested stock-ba compensation awards
Net income available to common shareholders
Adjusted weighted-average shares outstanding
Common and unvested stock-based compensat
Less: Unvested stock-based compensation awa
Plus: Incremental shares from assumed conver stock-based compensation awards and warra purchase common stock
Adjusted weighted-average shares outstanding
Diluted earnings per common share

GAAP defines unvested share-based awards that contain nonforfeitable rights
securities that shall be included in the computation of earnings per common s
compensation awards in the form of restricted stock and restricted stock units

Stock-based compensation awards and warrants to purchase common stock of
2,171,000 in 2016 were not included in the computations of diluted earnings p

15. Comprehensive income

In February 2018, the Financial Accounting Standards Board issued accounti
following enactment of the Tax Act the tax effects of items within AOCI refle
retained earnings for the effect of remeasuring deferred tax assets and liabiliti
the Tax Act. The impact of that reclassification was an increase in retained ea
date as follows:

Net unrealized losses on in
Defined benefit plans liabi
Cash flow hedges and othe
Increase to retained earnin

The following tables display the components of other comprehensive income
(loss) to net income:

	Investment Securities (a)	Defined Benefit Plans	Other	Total Amount Before Tax	Income Tax
	(In thousands)				
Balance — January 1, 2018	$(59,957)	(413,168)	(20,165)	$(493,290)	129,47
Cumulative effect of change in accounting principle — equity securities	(22,795)	—	—	(22,795)	5,942
Other comprehensive income before reclassifications:					
Unrealized holding losses, net	(121,589)	—	—	(121,589)	31,946
Foreign currency translation adjustment	—	—	(2,817)	(2,817)	592
Unrealized losses on cash flow hedges	—	—	(4,965)	(4,965)	1,306

Current year benefit plans gains	—	19,871	—	19,871		(5,224
Total other comprehensive income (loss) before reclassifications	(121,589)	19,871	(7,782)	(109,500)		28,620
Amounts reclassified from accumulated other comprehensive income that (increase) decrease net income:						
Amortization of unrealized holding losses on held-to-maturity ("HTM") securities	4,252	—	—	4,252	(c)	(1,118
Gains realized in net income	(18)	—	—	(18)	(d)	4
Accretion of net gain on terminated cash flow hedges	—	—	(111)	(111)	(e)	29
Net yield adjustment from cash flow hedges currently in effect	—	—	13,339	13,339	(c)	(3,507
Amortization of prior service credit	—	(4,172)	—	(4,172)	(f)	1,097
Amortization of actuarial losses	—	42,967	—	42,967	(f)	(11,29
Total other comprehensive	(117,355)	58,666	5,446	(53,243)		13,829

income (loss)					
Balance — December 31, 2018	$(200,107)	(354,502)	(14,719)	$(569,328)	149,24

163

	Investment Securities With OTTI (b)	All Other
	(In thousands)	
Balance — January 1, 2017	$46,725	(73,785)
Other comprehensive income before reclassifications:		
Unrealized holding gains (losses), net	(8,746)	(6,259)
Foreign currency translation adjustment	—	—
Unrealized losses on cash flow hedges	—	—