

M&T BANK CORP
Form 10-Q
November 04, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2016

or

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

Commission File Number 1-9861

M&T BANK CORPORATION

(Exact name of registrant as specified in its charter)

New York	16-0968385
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)

One M & T Plaza

Buffalo, New York	14203
(Address of principal executive offices)	(Zip Code)

(716) 635-4000

(Registrant's telephone number, including area code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

Yes No

Number of shares of the registrant's Common Stock, \$0.50 par value, outstanding as of the close of business on October 28, 2016: 155,048,618 shares.

M&T BANK CORPORATION

FORM 10-Q

For the Quarterly Period Ended September 30, 2016

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

M&T BANK CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET (Unaudited)

Dollars in thousands, except per share		September 30, 2016	December 31, 2015
Assets			
	Cash and due from banks	\$ 1,332,202	1,368,040
	Interest-bearing deposits at banks	10,777,636	7,594,350
	Trading account	488,588	273,783
	Investment securities (includes pledged securities that can be sold or replighted of		
	\$1,856,326 at September 30, 2016; \$2,136,712 at December 31, 2015)		
	Available for sale (cost: \$11,551,614 at September 30, 2016;		
	\$12,138,636 at December 31, 2015)	11,862,567	12,242,671
	Held to maturity (fair value: \$2,456,097 at September 30, 2016;		
	\$2,864,147 at December 31, 2015)	2,409,950	2,859,709
	Other (fair value: \$461,057 at September 30, 2016; \$554,059 at		
	December 31, 2015)	461,057	554,059
	Total investment securities	14,733,574	15,656,439
	Loans and leases	89,887,257	87,719,234
	Unearned discount	(240,765)	(229,735)
	Loans and leases, net of unearned discount	89,646,492	87,489,499
	Allowance for credit losses	(976,121)	(955,992)
	Loans and leases, net	88,670,371	86,533,507
	Premises and equipment	660,381	666,682
	Goodwill	4,593,112	4,593,112
	Core deposit and other intangible assets	106,744	140,268
	Accrued interest and other assets	5,478,420	5,961,703
	Total assets	\$ 126,841,028	122,787,884
Liabilities			
	Noninterest-bearing deposits	\$ 33,127,627	29,110,635
	Interest-checking deposits	2,554,507	2,939,274
	Savings deposits	50,510,523	46,627,370
	Time deposits	11,721,005	13,110,392
	Deposits at Cayman Islands office	223,183	170,170
	Total deposits	98,136,845	91,957,841
	Federal funds purchased and agreements to repurchase securities	213,846	150,546

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	Other short-term borrowings	—	1,981,636
	Accrued interest and other liabilities	1,938,201	1,870,714
	Long-term borrowings	10,211,160	10,653,858
	Total liabilities	110,500,052	106,614,595
Shareholders' equity	Preferred stock, \$1.00 par, 1,000,000 shares authorized;		
	Issued and outstanding: Liquidation preference of \$1,000 per		
	share: 731,500 shares at September 30, 2016 and December 31,		
	2015; Liquidation preference of \$10,000 per share: 50,000		
	shares at September 30, 2016 and December 31, 2015	1,231,500	1,231,500
	Common stock, \$.50 par, 250,000,000 shares authorized,		
	159,950,278 shares issued at September 30, 2016; 159,563,512		
	shares issued at December 31, 2015	79,975	79,782
	Common stock issuable, 33,748 shares at September 30, 2016;		
	36,644 shares at December 31, 2015	2,224	2,364
Additional paid-in capital	6,689,812	6,680,768	
Retained earnings	9,021,965	8,430,502	
Accumulated other comprehensive income (loss), net	(114,559)	(251,627)	
Treasury stock - common, at cost - 4,997,089 shares at September 30, 2016	(569,941)	—	
Total shareholders' equity	16,340,976	16,173,289	
Total liabilities and shareholders' equity	\$ 126,841,028	122,787,884	

M&T BANK CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME (Unaudited)

In thousands, except per share		Three months ended		Nine months ended	
		September 30 2016	September 30 2015	September 30 2016	September 30 2015
Interest income	Loans and leases, including fees	\$871,345	672,092	\$2,602,208	1,981,904
	Investment securities				
	Fully taxable	84,893	93,062	274,092	272,163
	Exempt from federal taxes	623	950	2,081	3,330
	Deposits at banks	12,354	3,852	33,684	10,321
	Other	300	70	905	749
	Total interest income	969,515	770,026	2,912,970	2,268,467
Interest expense	Interest-checking deposits	378	360	1,192	1,020
	Savings deposits	23,689	10,937	59,714	31,517
	Time deposits	27,886	3,643	79,075	11,073
	Deposits at Cayman Islands office	204	151	578	448
	Short-term borrowings	169	32	3,474	102
	Long-term borrowings	58,849	62,076	174,814	188,764
	Total interest expense	111,175	77,199	318,847	232,924
	Net interest income	858,340	692,827	2,594,123	2,035,543
	Provision for credit losses	47,000	44,000	128,000	112,000
	Net interest income after provision for credit losses	811,340	648,827	2,466,123	1,923,543
Other income	Mortgage banking revenues	103,747	84,035	275,193	288,238
	Service charges on deposit accounts	107,935	107,259	314,212	314,860
	Trust income	118,654	113,744	350,181	356,076
	Brokerage services income	15,914	16,902	48,190	49,224
	Trading account and foreign exchange gains	12,754	8,362	33,434	20,639
	Gain (loss) on bank investment securities	28,480	—	28,748	(108)
	Other revenues from operations	103,866	109,397	310,579	348,000
	Total other income	491,350	439,699	1,360,537	1,376,929
Other expense	Salaries and employee benefits	399,786	363,567	1,230,246	1,115,117
	Equipment and net occupancy	75,263	68,470	225,165	201,792
	Printing, postage and supplies	8,972	8,691	30,865	27,586
	Amortization of core deposit and other intangible assets	9,787	4,090	33,524	16,848
	FDIC assessments	28,459	11,090	76,054	32,551
	Other costs of operations	230,125	197,908	682,528	642,925
	Total other expense	752,392	653,816	2,278,382	2,036,819
	Income before taxes	550,298	434,710	1,548,278	1,263,653
	Income taxes	200,314	154,309	563,735	454,951
	Net income	\$349,984	280,401	\$984,543	808,702
	Net income available to common shareholders				
	Basic	\$326,992	257,337	\$915,670	739,627
	Diluted	326,998	257,346	915,686	739,656
	Net income per common share				

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Basic	\$2.10	1.94	\$5.82	5.59
Diluted	2.10	1.93	5.80	5.56
Cash dividends per common share	\$.70	.70	\$2.10	2.10
Average common shares outstanding				
Basic	155,493	132,630	157,336	132,347
Diluted	156,026	133,376	157,843	133,089

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M&T BANK CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

In thousands	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Net income	\$349,984	280,401	\$984,543	808,702
Other comprehensive income (loss), net of tax and reclassification adjustments:				
Net unrealized gains (losses) on investment securities	(17,133)	48,332	127,331	1,053
Cash flow hedges adjustments	(23)	(24)	(70)	823
Foreign currency translation adjustment	(229)	(3)	(1,847)	(521)
Defined benefit plans liability adjustments	3,847	5,724	11,654	16,166
Total other comprehensive income (loss)	(13,538)	54,029	137,068	17,521
Total comprehensive income	\$336,446	334,430	\$1,121,611	826,223

M&T BANK CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

In thousands		Nine months ended	
		September 30	
		2016	2015
Cash flows from operating activities	Net income	\$984,543	808,702
	Adjustments to reconcile net income to net cash provided by operating activities		
	Provision for credit losses	128,000	112,000
	Depreciation and amortization of premises and equipment	79,911	73,916
	Amortization of capitalized servicing rights	37,979	36,730
	Amortization of core deposit and other intangible assets	33,524	16,848
	Provision for deferred income taxes	109,274	20,141
	Asset write-downs	14,276	5,775
	Net gain on sales of assets	(46,732)	(61,969)
	Net change in accrued interest receivable, payable	(13,833)	(5,484)
	Net change in other accrued income and expense	113,809	11,200
	Net change in loans originated for sale	(285,824)	232,974
	Net change in trading account assets and liabilities	(82,837)	(2,993)
	Net cash provided by operating activities	1,072,090	1,247,840
Cash flows from investing activities	Proceeds from sales of investment securities		
	Available for sale	61,947	2,579
	Other	94,516	377
	Proceeds from maturities of investment securities		
	Available for sale	1,690,665	1,343,869
	Held to maturity	459,399	519,359
	Purchases of investment securities		
	Available for sale	(1,150,523)	(3,320,931)
	Held to maturity	(15,806)	(22,592)
	Other	(1,514)	(8,179)
	Net increase in loans and leases	(2,021,004)	(2,208,660)
	Net (increase) decrease in interest-bearing deposits at banks	(3,183,286)	1,757,601
	Capital expenditures, net	(65,277)	(42,744)
	Net decrease in loan servicing advances	121,226	461,700
	Other, net	11,459	(75,449)
	Net cash used by investing activities	(3,998,198)	(1,593,070)
Cash flows from financing activities	Net increase (decrease) in deposits	6,195,511	(636,144)
	Net decrease in short-term borrowings	(1,886,701)	(18,893)
	Proceeds from long-term borrowings	—	1,500,000
	Payments on long-term borrowings	(427,035)	(324,308)
	Purchases of treasury stock	(604,000)	—

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	Dividends paid - common	(333,042)	(281,149)
	Dividends paid - preferred	(58,003)	(58,003)
	Other, net	3,540	40,074
	Net cash provided by financing activities	2,890,270	221,577
	Net decrease in cash and cash equivalents	(35,838)	(123,653)
	Cash and cash equivalents at beginning of period	1,368,040	1,373,357
	Cash and cash equivalents at end of period	\$ 1,332,202	1,249,704
Supplemental disclosure of cash flow information	Interest received during the period	\$ 2,923,278	2,234,476
	Interest paid during the period	387,695	234,989
	Income taxes paid during the period	138,375	373,016
Supplemental schedule of noncash investing and financing activities	Real estate acquired in settlement of loans	\$ 100,106	35,018
	Securitization of residential mortgage loans allocated to		
	Available-for-sale investment securities	18,685	51,481
	Capitalized servicing rights	193	528

M&T BANK CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

In thousands, except per share 2015	Preferred stock	Common stock	Common stock issuable	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss), net	Treasury stock	Total
Balance - January 1, 2015	\$1,231,500	66,157	2,608	3,409,506	7,807,119	(180,994)	—	12,335,896
Total comprehensive income	—	—	—	—	808,702	17,521	—	826,223
Preferred stock cash dividends	—	—	—	—	(60,953)	—	—	(60,953)
Exercise of 2,315 Series A stock warrants into 904 shares of common stock	—	1	—	(1)	—	—	—	—
Stock-based compensation plans:								
Compensation expense, net	—	143	—	31,416	—	—	—	31,559
Exercises of stock options, net	—	285	—	57,133	—	—	—	57,418
Stock purchase plan	—	45	—	10,301	—	—	—	10,346
Directors' stock plan	—	4	—	1,346	—	—	—	1,350
Deferred compensation plans, net, including dividend equivalents	—	2	(267)	290	(76)	—	—	(51)
Other	—	—	—	1,191	—	—	—	1,191
Common stock cash dividends - \$2.10 per share	—	—	—	—	(281,045)	—	—	(281,045)
Balance - September 30, 2015	\$1,231,500	66,637	2,341	3,511,182	8,273,747	(163,473)	—	12,921,934
Balance - January 1, 2016	\$1,231,500	79,782	2,364	6,680,768	8,430,502	(251,627)	—	16,173,289

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Total comprehensive income	—	—	—	—	984,543	137,068	—	1,121,611
Preferred stock cash dividends	—	—	—	—	(60,953)	—	—	(60,953)
Exercise of 5,320 Series A stock warrants into 1,983 shares of common stock	—	—	—	(223)	—	—	223	—
Purchases of treasury stock	—	—	—	—	—	—	(604,000)	(604,000)
Stock-based compensation plans:								
Compensation expense, net	—	171	—	7,315	—	—	10,890	18,376
Exercises of stock options, net	—	18	—	(183)	—	—	11,576	11,411
Stock purchase plan	—	—	—	275	—	—	10,319	10,594
Directors' stock plan	—	2	—	526	—	—	1,047	1,575
Deferred compensation plans, net, including dividend equivalents	—	2	(140)	232	(70)	—	4	28
Other	—	—	—	1,102	—	—	—	1,102
Common stock cash dividends - \$2.10 per share	—	—	—	—	(332,057)	—	—	(332,057)
Balance - September 30, 2016	\$1,231,500	79,975	2,224	6,689,812	9,021,965	(114,559)	(569,941)	16,340,976

NOTES TO FINANCIAL STATEMENTS

1. Significant accounting policies

The consolidated financial statements of M&T Bank Corporation (“M&T”) and subsidiaries (“the Company”) were compiled in accordance with generally accepted accounting principles (“GAAP”) using the accounting policies set forth in note 1 of Notes to Financial Statements included in Form 10-K for the year ended December 31, 2015 (“2015 Annual Report”). In the opinion of management, all adjustments necessary for a fair presentation have been made and were all of a normal recurring nature.

2. Acquisitions

On November 1, 2015, M&T completed the acquisition of Hudson City Bancorp, Inc. (“Hudson City”), headquartered in Paramus, New Jersey. On that date, Hudson City Savings Bank, the banking subsidiary of Hudson City, was merged into M&T Bank, a wholly owned banking subsidiary of M&T. Hudson City Savings Bank operated 135 banking offices in New Jersey, Connecticut and New York at the date of acquisition. The results of operations acquired in the Hudson City transaction have been included in the Company’s financial results since November 1, 2015. After application of the election, allocation and proration procedures contained in the merger agreement with Hudson City, M&T paid \$2.1 billion in cash and issued 25,953,950 shares of M&T common stock in exchange for Hudson City shares outstanding at the time of the acquisition. The purchase price was approximately \$5.2 billion based on the cash paid to Hudson City shareholders, the fair value of M&T stock exchanged and the estimated fair value of Hudson City stock awards converted into M&T stock awards. The acquisition of Hudson City expanded the Company’s presence in New Jersey, Connecticut and New York, and management expects that the Company will benefit from greater geographic diversity and the advantages of scale associated with a larger company.

The Hudson City transaction has been accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed and consideration exchanged were recorded at estimated fair value on the acquisition date. The consideration paid for Hudson City’s common equity and the amounts of identifiable assets acquired and liabilities assumed as of the acquisition date were as follows:

	(in thousands)
Identifiable assets:	
Cash and due from banks	\$ 131,688
Interest-bearing deposits at banks	7,568,934
Investment securities	7,929,014
Loans	19,015,013
Goodwill	1,079,787
Core deposit intangible	131,665
Other assets	843,219
Total identifiable assets	36,699,320
Liabilities:	
Deposits	17,879,589

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Borrowings	13,211,598
Other liabilities	405,025
Total liabilities	31,496,212
Total consideration	\$5,203,108
Cash paid	\$2,064,284
Common stock issued (25,953,950 shares)	3,110,581
Common stock awards converted	28,243
Total consideration	\$5,203,108

In early November 2015, the Company sold \$5.8 billion of investment securities obtained in the acquisition and repaid \$10.6 billion of borrowings assumed in the transaction. In connection with the acquisition, the Company recorded approximately \$1.1 billion of goodwill and \$132 million of core deposit intangible. The core deposit intangible asset is being amortized over a period of 7 years using an accelerated method.

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

2. Acquisitions, continued

The following table presents certain pro forma information as if Hudson City had been included in the Company's results of operations in the three-month and nine-month periods ended September 30, 2015. These results combine the historical results of Hudson City into the Company's consolidated statement of income and, while certain adjustments were made for the estimated impact of certain fair valuation adjustments and other acquisition-related activity, they are not indicative of what would have occurred had the acquisition taken place as indicated. In particular, no adjustments have been made to eliminate the impact of gains on securities transactions of \$23 million during the three months ended September 30, 2015 and \$97 million during the nine months ended September 30, 2015 that may not have been recognized had the investment securities been recorded at fair value. Additionally, the Company expects to achieve operating cost savings and other business synergies as a result of the acquisition which are not reflected in the pro forma amounts that follow.

	Pro forma Three months ended September 30, 2015 (in thousands)	Pro forma Nine months ended September 30, 2015
Total revenues (a)	\$ 1,255,165	3,879,204
Net income	296,335	939,226

(a) Represents net interest income plus other income.

In connection with the Hudson City acquisition, the Company incurred merger-related expenses related to systems conversions and other costs of integrating and conforming acquired operations with and into the Company. Those expenses consisted largely of professional services and other temporary help fees associated with preparing for systems conversions and/or integration of operations; costs related to termination of existing contractual arrangements for various services; initial marketing and promotion expenses designed to introduce M&T Bank to its new customers; severance (for former Hudson City employees); travel costs; and other costs of completing the transaction and commencing operations in new markets and offices. The Company does not expect additional merger-related expenses in 2016.

A summary of merger-related expenses included in the consolidated statement of income follows:

	Nine months ended September 30, 2016 (in thousands)
Salaries and employee benefits	\$ 5,334
Equipment and net occupancy	1,278

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Printing, postage and supplies	1,482
Other cost of operations	27,661
Total	\$ 35,755

There were no merger-related expenses during the three-month period ended September 30, 2016 or during the three-month and nine-month periods ended September 30, 2015.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

3. Investment securities

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

	Amortized cost (in thousands)	Gross unrealized gains	Gross unrealized losses	Estimated fair value
September 30, 2016				
Investment securities available for sale:				
U.S. Treasury and federal agencies	\$724,540	1,864	3	\$726,401
Obligations of states and political subdivisions	4,912	108	5	5,015
Mortgage-backed securities:				
Government issued or guaranteed	10,617,605	314,088	1,031	10,930,662
Privately issued	52	—	1	51
Other debt securities	134,393	1,802	17,969	118,226
Equity securities	70,112	12,363	263	82,212
	11,551,614	330,225	19,272	11,862,567
Investment securities held to maturity:				
Obligations of states and political subdivisions	72,258	458	220	72,496
Mortgage-backed securities:				
Government issued or guaranteed	2,168,460	83,630	215	2,251,875
Privately issued	163,489	1,616	39,122	125,983
Other debt securities	5,743	—	—	5,743
	2,409,950	85,704	39,557	2,456,097
Other securities	461,057	—	—	461,057
Total	\$14,422,621	415,929	58,829	\$14,779,721
December 31, 2015				
Investment securities available for sale:				
U.S. Treasury and federal agencies	\$299,890	294	187	\$299,997
Obligations of states and political subdivisions	5,924	146	42	6,028
Mortgage-backed securities:				
Government issued or guaranteed	11,592,959	142,370	48,701	11,686,628
Privately issued	74	2	2	74
Collateralized debt obligations	28,438	20,143	1,188	47,393
Other debt securities	137,556	1,514	20,190	118,880
Equity securities	73,795	10,230	354	83,671
	12,138,636	174,699	70,664	12,242,671
Investment securities held to maturity:				
Obligations of states and political subdivisions	118,431	1,003	421	119,013
Mortgage-backed securities:				

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Government issued or guaranteed	2,553,612	50,936	7,817	2,596,731
Privately issued	181,091	2,104	41,367	141,828
Other debt securities	6,575	—	—	6,575
	2,859,709	54,043	49,605	2,864,147
Other securities	554,059	—	—	554,059
Total	\$15,552,404	228,742	120,269	\$15,660,877

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

3. Investment securities, continued

During the three months ended September 30, 2016, the Company sold substantially all of its collateralized debt obligations held in the available-for-sale investment securities portfolio for a gain of \$28 million. There were no other significant gross realized gains or losses from sales of investment securities for the three-month and nine-month periods ended September 30, 2016 and 2015.

At September 30, 2016, the amortized cost and estimated fair value of debt securities by contractual maturity were as follows:

	Amortized cost (in thousands)	Estimated fair value
Debt securities available for sale:		
Due in one year or less	\$105,225	105,679
Due after one year through five years	625,911	627,585
Due after five years through ten years	3,968	4,538
Due after ten years	128,741	111,840
	863,845	849,642
Mortgage-backed securities available for sale	10,617,657	10,930,713
	\$11,481,502	11,780,355
Debt securities held to maturity:		
Due in one year or less	\$25,141	25,301
Due after one year through five years	43,474	43,474
Due after five years through ten years	3,643	3,721
Due after ten years	5,743	5,743
	78,001	78,239
Mortgage-backed securities held to maturity	2,331,949	2,377,858
	\$2,409,950	2,456,097

NOTES TO FINANCIAL STATEMENTS, CONTINUED

3. Investment securities, continued

A summary of investment securities that as of September 30, 2016 and December 31, 2015 had been in a continuous unrealized loss position for less than twelve months and those that had been in a continuous unrealized loss position for twelve months or longer follows:

	Less than 12 months		12 months or more	
	Fair	Unrealized	Fair	Unrealized
	value	losses	value	losses
	(in thousands)			
September 30, 2016				
Investment securities available for sale:				
U.S. Treasury and federal agencies	\$3,355	(3)	—	—
Obligations of states and political subdivisions	—	—	472	(5)
Mortgage-backed securities:				
Government issued or guaranteed	224,128	(904)	7,294	(127)
Privately issued	—	—	34	(1)
Other debt securities	—	—	106,876	(17,969)
Equity securities	767	(101)	138	(162)
	228,250	(1,008)	114,814	(18,264)
Investment securities held to maturity:				
Obligations of states and political subdivisions	19,557	(113)	11,050	(107)
Mortgage-backed securities:				
Government issued or guaranteed	74,629	(46)	19,256	(169)
Privately issued	17,542	(2,371)	91,127	(36,751)
	111,728	(2,530)	121,433	(37,027)
Total	\$339,978	(3,538)	236,247	(55,291)
December 31, 2015				
Investment securities available for sale:				
U.S. Treasury and federal agencies	\$147,508	(187)	—	—
Obligations of states and political subdivisions	865	(2)	1,335	(40)
Mortgage-backed securities:				
Government issued or guaranteed	4,061,899	(48,534)	7,216	(167)
Privately issued	—	—	43	(2)
Collateralized debt obligations	5,711	(335)	2,063	(853)
Other debt securities	12,935	(462)	93,344	(19,728)
Equity securities	18,073	(207)	153	(147)
	4,246,991	(49,727)	104,154	(20,937)
Investment securities held to maturity:				
Obligations of states and political subdivisions	42,913	(335)	5,853	(86)
Mortgage-backed securities:				

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Government issued or guaranteed	459,983	(1,801)	228,867	(6,016)
Privately issued	—	—	112,155	(41,367)
	502,896	(2,136)	346,875	(47,469)
Total	\$4,749,887	(51,863)	451,029	(68,406)

The Company owned 504 individual investment securities with aggregate gross unrealized losses of \$59 million at September 30, 2016. Based on a review of each of the securities in the investment securities portfolio at September 30, 2016, the Company concluded that it expected to recover the amortized cost basis of its investment. As of September 30, 2016, the Company does not intend to sell nor is it anticipated that it would be required to sell any of its impaired investment securities at a loss. At September 30, 2016, the Company has not identified events or changes in circumstances which may have a significant adverse effect on the fair value of the \$461 million of cost method investment securities.

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

4. Loans and leases and the allowance for credit losses

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

	September 30, 2016	December 31, 2015
	(in thousands)	
Outstanding principal balance	\$2,556,085	3,122,935
Carrying amount:		
Commercial, financial, leasing, etc.	62,244	78,847
Commercial real estate	504,406	644,284
Residential real estate	845,976	1,016,129
Consumer	609,400	725,807
	\$2,022,026	2,465,067

Purchased impaired loans included in the table above totaled \$617 million at September 30, 2016 and \$768 million at December 31, 2015, representing less than 1% of the Company's assets as of each date. A summary of changes in the accretable yield for loans acquired at a discount for the three months and nine months ended September 30, 2016 and 2015 follows:

	Three months ended September 30			
	2016		2015	
	Purchased impaired	Other acquired	Purchased impaired	Other acquired
	(in thousands)			
Balance at beginning of period	\$162,023	245,195	\$77,624	344,989
Interest income	(12,784)	(26,540)	(5,865)	(37,396)
Reclassifications from nonaccretable balance	2,256	12,050	47	769
Other (a)	—	(818)	—	4,697
Balance at end of period	\$151,495	229,887	\$71,806	313,059

	Nine months ended September 30			
	2016		2015	
	Purchased impaired	Other acquired	Purchased impaired	Other acquired
	(in thousands)			
Balance at beginning of period	\$184,618	296,434	\$76,518	397,379
Interest income	(40,906)	(97,300)	(16,843)	(118,697)
Reclassifications from nonaccretable balance	7,783	20,647	12,131	27,792
Other (a)	—	10,106	—	6,585

Balance at end of period	\$ 151,495	229,887	\$ 71,806	313,059
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(a) Other changes in expected cash flows including changes in interest rates and prepayment assumptions.

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

A summary of current, past due and nonaccrual loans as of September 30, 2016 and December 31, 2015 follows:

	Current (in thousands)	30-89 days past due	30-89 days more (a)	30-89 days or more (b)	30-89 days or more (b)	30-89 days or more (b)	30-89 days or more (b)	30-89 days or more (b)
				Acquiring loans past due 90 days or more (a)	Acquired at a discount past due 90 days or more (b)	Impaired (c)	Nonaccrual	Total
September 30, 2016								
Commercial, financial, leasing, etc.	\$21,601,646	70,597	10,831	1,893	795	231,401	\$21,917,163	
Real estate:								
Commercial	24,283,146	116,651	15,926	13,292	32,775	157,527	24,619,317	
Residential builder and developer	1,814,299	16,993	4,476	3,262	18,096	20,118	1,877,244	
Other commercial construction	5,525,684	20,238	—	198	15,412	20,669	5,582,201	
Residential	18,438,396	494,767	281,023	12,510	401,551	213,896	19,842,143	
Residential-limited documentation	3,400,578	105,621	—	—	146,722	89,356	3,742,277	
Consumer:								
Home equity lines and loans	5,586,704	40,406	—	13,014	1,640	79,623	5,721,387	
Automobile	2,805,779	46,347	—	4	—	14,453	2,866,583	
Other	3,410,790	31,033	5,026	21,009	—	10,319	3,478,177	
Total	\$86,867,022	942,653	317,282	65,182	616,991	837,362	\$89,646,492	
December 31, 2015								
Commercial, financial, leasing, etc.	\$20,122,648	52,868	2,310	693	1,902	241,917	\$20,422,338	
Real estate:								
Commercial (d)	23,111,673	172,439	12,963	8,790	46,790	179,606	23,532,261	
Residential builder and developer	1,507,856	7,969	5,760	6,925	28,734	28,429	1,585,673	
Other commercial construction (d)								