M&T Bank Corporation Announces Second Quarter Results

PRNewswire-FirstCall BUFFALO, N.Y.

M&T Bank Corporation ("M&T") today reported its results of operations for the quarter ended June 30, 2005.

GAAP Results of Operations. Diluted earnings per share measured in accordance with generally accepted accounting principles ("GAAP") for the second quarter of 2005 were \$1.69, up 10% from \$1.53 in the corresponding period of 2004. GAAP-basis net income in the recently completed quarter totaled \$197 million, 7% higher than \$184 million in the second quarter of 2004. GAAP-basis net income for 2005's second quarter expressed as an annualized rate of return on average assets and average common stockholders' equity was 1.46% and 13.73%, respectively, compared with 1.45% and 13.12%, respectively, in the year-earlier quarter.

For the first two quarters of 2005, GAAP-basis diluted earnings per share were \$3.31, up 17% from \$2.83 in the similar 2004 period. On the same basis, net income for the first half of 2005 totaled \$386 million, 12% higher than \$344 million a year earlier. GAAP-basis net income for the six-month period ended June 30, 2005 expressed as an annualized rate of return on average assets and average common stockholders' equity was 1.45% and 13.57%, respectively, compared with 1.37% and 12.15%, respectively, in the corresponding 2004 period.

Supplemental Reporting of Non-GAAP Results of Operations. Since 1998, M&T has consistently provided supplemental reporting of its results on a "net operating" or "tangible" basis, from which M&T excludes the after-tax effect of amortization of core deposit and other intangible assets (and the related goodwill, core deposit intangible and other intangible asset balances, net of applicable deferred tax amounts) and expenses associated with merging acquired operations into M&T, since such expenses are considered by management to be "nonoperating" in nature. Although "net operating income" as defined by M&T is not a GAAP measure, M&T's management believes that this information helps investors understand the effect of acquisition activity in reported results. Amortization of core deposit and other intangible assets, after tax effect, was \$9 million (\$.07 per diluted share) in the recent quarter, compared with \$12 million (\$.10 per diluted share) in the year-earlier quarter. Similar after tax effect amortization charges for the six-month periods ended June 30, 2005 and 2004 were \$18 million (\$.15 per diluted share), respectively. There were no merger-related expenses in either 2005 or 2004.

Diluted net operating earnings per share, which exclude the impact of amortization of core deposit and other intangible assets, were \$1.76 in the recent quarter, a rise of 8% from \$1.63 in the second quarter of 2004. Net operating income during 2005's second quarter grew 5% to \$205 million from \$196 million in the corresponding 2004 period. Expressed as an annualized rate of return on average tangible assets and average tangible stockholders' equity, net operating income was 1.62% and 29.88%, respectively, in 2005's second quarter, compared with 1.64% and 30.12% in the second quarter of 2004.

For the six-month period ended June 30, 2005, diluted net operating earnings per share were \$3.46, 14% higher than \$3.03 in the year-earlier period. Net operating income for the first two quarters of 2005 rose 10% to \$405 million from \$369 million in the similar 2004 period. For the first half of 2005, net operating income expressed as an annualized rate of return on average tangible assets and average tangible equity was 1.61% and 29.77%, respectively, compared with 1.56% and 27.95% in the first six months of 2004.

Reconciliation of GAAP and Non-GAAP Results of Operations. A reconciliation of diluted earnings per share and net income with diluted net operating earnings per share and net operating income follows:

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Three months ended Six months ended
                   June 30
                                June 30
                  2005 2004
                                2005 2004
                  ----
                            ----
                  (in thousands, except per share)
Diluted earnings per share $ 1.69 1.53
                                              2.83
                                        3.31
Amortization of core deposit
and other intangible assets(1) .07 .10
                                        .15
                                              .20
                ------
Diluted net operating earnings
per share
                   $ 1.76 1.63 3.46 3.03
Net income
                    $196,834 184,385 386,124 343,875
Amortization of core deposit
and other intangible assets(1) 8,581 11,773 18,426 24,706
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(1) After any related tax effect

Reconciliation of Total Assets and Equity to Tangible Assets and Equity. A reconciliation of average assets and equity with average tangible assets and average tangible equity follows:

Three months ended Six months ended June 30 June 30 2005 2004 2005 2004 ---- ----(in millions) \$53.935 51.251 53.622 50.583 Average assets Goodwill (2,904) (2,904) (2,904) (2,904) Core deposit and other intangible assets (142) (210) (150) (220) 42 - 24 Deferred taxes Average tangible assets \$50,931 48,137 50,592 47,459 \$ 5,749 5,654 5,736 5,693 Average equity (2,904) (2,904) (2,904) (2,904) Goodwill Core deposit and other intangible assets (142) (210) (150) (220) Deferred taxes 55 79 58 83 Average tangible equity \$ 2,758 2,619 2,740 2,652 _____

Taxable-equivalent Net Interest Income. Taxable-equivalent net interest income increased 3% to \$452 million in the second quarter of 2005 from \$438 million in the corresponding 2004 quarter. Average loans outstanding totaled \$39.2 billion in the recent quarter, 6% higher than \$36.9 billion in the second quarter of 2004. Such growth was attributable to 11% increases in average outstanding balances of commercial and commercial real estate loans. Average consumer loans declined 4% from the year-earlier period, as higher outstanding balances of home equity lines of credit were more than offset by lower automobile loans and leases and planned runoff of other second-mortgage loans. Partially offsetting the favorable impact of higher outstanding loan balances was a narrowing of M&T's net interest margin, or taxable-equivalent net interest income expressed as an annualized percentage of average earning assets. Net interest margin declined to 3.78% in the recent quarter from 3.92% in the second quarter of 2004. Such decline reflects the impact of rising short-term interest rates over the past twelve months, which resulted in the rates paid on interest-bearing liabilities rising more rapidly than the yields on many earning assets

Provision for Credit Losses/Asset Quality. As a percentage of average loans outstanding, net charge-offs in the recent quarter were at their lowest level since 2000. Expressed as an annualized percentage of average loans outstanding, net charge-offs were .14% in 2005's second quarter, significantly improved from .23% in the year-earlier quarter. In dollar total, net charge- offs were \$14 million in the recent quarter, down 35% from \$21 million in the second quarter of 2004. Reflecting the reduced level of net charge-offs, as well as improvements in other credit quality indicators, the provision for credit losses in the second quarter of 2005 was \$19 million, down from \$30 million in the corresponding 2004 quarter. Loans classified as nonperforming totaled \$184 million, or .46% of total loans at June 30, 2005, compared with \$190 million or .51% a year earlier. Loans past due 90 days or more and accruing interest were \$123 million at the recent quarter-end, compared with \$135 million a year earlier. Included in those past due loans at June 30, 2005 and 2004 were \$99 million and \$112 million, respectively, of loans guaranteed by government-related entities. Assets taken in foreclosure of defaulted loans were \$8 million at June 30, 2005, compared with \$19 million at June 30, 2004.

Allowance for Credit Losses. The allowance for credit losses totaled \$637 million, or 1.60% of total loans, at June 30, 2005, compared with \$625 million, or 1.66%, a year earlier. The decline in the allowance as a percentage of loans reflects improvement in various credit factors, including the previously noted decreases in the rate of net loan charge-offs and the level of nonperforming loans. At December 31, 2004, the allowance for credit losses totaled \$627 million, or 1.63% of total loans. The ratio of M&T's allowance for credit losses to nonperforming loans was 346%, 328% and 364% at June 30, 2005, June 30, 2004 and December 31, 2004, respectively.

Noninterest Income and Expense. Noninterest income in the recent quarter totaled \$245 million, up 6% from \$232 million in the second quarter of 2004. Contributing to the improvement were higher deposit account service charges, trading account and foreign exchange gains, letter of credit and other credit-related fees, and gains on sales of commercial lease equipment and

other property.

Noninterest expense in the second quarter of 2005 totaled \$380 million, 7% above \$357 million in 2004's second quarter. Included in such amounts are expenses considered to be nonoperating in nature consisting of amortization of core deposit and other intangible assets of \$14 million in 2005 and \$19 million in 2004. Exclusive of these nonoperating expenses, noninterest operating expenses were \$366 million in the recently completed quarter, up from \$338 million in the second quarter of 2004. The most significant contributor to that rise in operating expenses was a \$27 million increase in the provision for impairment of capitalized mortgage servicing rights. Reflecting a decrease in the value of such servicing rights that resulted from lower residential mortgage loan interest rates at the end of the recent quarter as compared with three months earlier, a \$5 million impairment provision was recorded during the second quarter of 2005. In contrast, a partial reversal of the valuation allowance for capitalized mortgage servicing rights was recorded in last year's second quarter that lowered operating expenses by \$22 million.

The efficiency ratio, or noninterest operating expenses divided by the sum of taxable-equivalent net interest income and noninterest income (exclusive of gains and losses from sales of bank investment securities), measures the relationship of operating expenses to revenues. M&T's efficiency ratio was 52.6% in the second quarter of 2005, compared with 50.4% in the year-earlier period.

Reflecting on M&T's second quarter results, Rene F. Jones, Senior Vice President and Chief Financial Officer, stated, "M&T's financial performance during the recent quarter was strong and day-to-day operating results remained consistent with our previous expectations for 2005. Favorable trends have continued regarding the quality of our loan portfolios, including historically low levels of net charge-offs and nonperforming loans as a percentage of loans outstanding. In addition, our focus on controlling operating expenses is paying off, as reflected in our results. In fact, excluding the mortgage servicing rights adjustments, operating expenses in the first half of 2005 were lower than in 2004."

Balance Sheet. M&T had total assets of \$54.5 billion at June 30, 2005, up from \$52.1 billion at June 30, 2004. Loans and leases, net of unearned discount, rose 6% to \$39.9 billion at the recent quarter-end, compared with \$37.5 billion a year earlier. Deposits totaled \$37.3 billion at June 30, 2005, up 7% from \$35.0 billion at June 30, 2004. Total stockholders' equity was \$5.8 billion at June 30, 2005, representing 10.71% of total assets, compared with \$5.7 billion or 10.86% a year earlier. Common stockholders' equity per share was \$51.20 and \$48.21 at June 30, 2005 and 2004, respectively. Tangible equity per common share was \$25.00 at June 30, 2005, compared with \$22.40 at June 30, 2004. In the calculation of tangible equity per common share, stockholders' equity is reduced by the carrying values of goodwill and core deposit and other intangible assets, net of applicable deferred tax balances, which aggregated \$3.0 billion at each of June 30, 2005 and 2004.

In December 2004, M&T announced that it had been authorized by its Board of Directors to purchase up to 5,000,000 shares of its common stock. During the recent quarter, 624,000 shares of common stock were repurchased by M&T pursuant to such plan at an average cost per share of \$102.21. Through June 30, 2005, M&T had repurchased 2,643,300 shares of its common stock pursuant to such plan at an average cost of \$101.73 per share.

Conference Call. Investors will have an opportunity to listen to M&T's conference call to discuss second quarter financial results today at 9:00 a.m. Eastern Daylight Saving Time. Those wishing to participate in the call may dial 877-780-2276. International participants, using any applicable international calling codes, may dial 973-582-2700. The conference call will be webcast live on M&T's website at http://ir.mandtbank.com/conference.cfm. A replay of the call will be available until Wednesday, July 13, 2005 by calling 877-519-4471, code 6201040 and 973-341-3080 for international participants. The event will also be archived and available by 3:00 p.m. today on M&T's website at http://ir.mandtbank.com/conference.cfm.

Forward-Looking Statements. This news release contains forward-looking statements that are based on current expectations, estimates and projections about M&T's business, management's beliefs and assumptions made by management. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions ("Future Factors") which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements.

Future Factors include changes in interest rates, spreads on earning assets and interest-bearing liabilities, and interest rate sensitivity; prepayment speeds, loan originations and credit losses; sources of liquidity; common shares outstanding; common stock price volatility; fair value of and number of stock-based compensation awards to be issued in future periods; legislation affecting the financial services industry as a whole, and M&T and its subsidiaries individually or collectively; regulatory supervision and oversight, including required capital levels; increasing price and product/service competition by competitors, including new entrants; rapid technological developments and changes; the ability to continue to introduce competitive new products and services on a timely, cost-effective basis; the mix of products/services; containing costs and expenses; governmental and public policy changes; protection and validity of intellectual property rights; reliance on large customers; technological, implementation and cost/financial risks in large, multi-year contracts; the outcome of pending and future litigation and governmental proceedings; continued availability of financing; financial resources in the amounts, at the times and on the terms required to support M&T and its subsidiaries' future businesses; and material differences in the actual financial results of

merger and acquisition activities compared with M&T's initial expectations, including the full realization of anticipated cost savings and revenue enhancements.

These are representative of the Future Factors that could affect the outcome of the forward-looking statements. In addition, such statements could be affected by general industry and market conditions and growth rates, general economic and political conditions, either nationally or in the states in which we do business, including interest rate and currency exchange rate fluctuations, changes and trends in the securities markets, and other Future Factors.

M&T BANK CORPORATION

Financial Highlights

Amounts in thousands, except per share

Return on (annualized): Average tangible assets 1.62%

1.62% 1.64%

1.61% 1.56%

Three months ended Six months ended June 30 June 30
2005 2004 Change 2005 2004 Change
Performance Net income \$196,834 184,385 7% \$386,124 343,875 12% Per common share: Basic earnings \$ 1.73 1.56 11% \$ 3.38 2.89 17% Diluted earnings 1.69 1.53 10 3.31 2.83 17 Cash dividends \$.45 .40 13 \$.85 .80 6
Common shares outstanding: Average - diluted(1) 116,422 120,655 -4% 116,801 121,486 -4% Period end(2) 114,011 117,324 -3 114,011 117,324 -3
Return on (annualized): Average total assets 1.46% 1.45% 1.45% 1.37% Average common stockholders' equity 13.73% 13.12% 13.57% 12.15%
Taxable-equivalent net interest income \$451,765 438,285 3% \$897,940 861,818 4%
Yield on average earning assets 5.70% 5.06% 5.61% 5.08% Cost of interest-bearing liabilities 2.34% 1.39% 2.20% 1.41%
Net interest spread 3.36% 3.67% 3.41% 3.67% Contribution of interest-free funds .42% .25% .40% .25% Net interest margin 3.78% 3.92% 3.81% 3.92%
Net charge-offs to average total net loans (annualized) .14% .23% .17% .22%
Net operating results(3)
Net operating income \$205,415 196,158 5% \$404,550 368,581 10% Diluted net operating earnings per
common share 1.76 1.63 8 3.46 3.03 14

Average tangible

common equity 29.88% 30.12% 29.77% 27.95% Efficiency ratio 52.56% 50.39% 52.10% 53.55%

At June 30

Loan quality

2005 2004 Change

Nonaccrual loans Renegotiated loans 10,649 8,163 30

\$173,403 181,974 -5%

Total nonperforming

\$184,052 190,137 loans

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Accruing loans past

due 90 days or more \$123,301 134,757

Nonperforming loans to

total net loans .46% .51%

Allowance for credit

losses to total net loans 1.60% 1.66%

- (1) Includes common stock equivalents.
- (2) Includes common stock issuable under deferred compensation plans.
- (3) Excludes amortization and balances related to goodwill and core deposit and other intangible assets and merger-related expenses which, except in the calculation of the efficiency ratio, are net of applicable income tax effects. A reconciliation of net income and net operating income is included herein.

M&T BANK CORPORATION

Condensed Consolidated Statement of Income Dollars in thousands

> Three months ended Six months ended

June 30 June 30

2005 2004 Change 2005 2004 Change ---- ---- -----

Interest income \$676.518 560.601 21% \$1.314.839 1,106.733 19% Interest expense 229,016 126,805 81 425,282 253,634 68

Net interest income 447,502 433,796 3 889,557 853,099 4

Provision for credit

19,000 30,000 -37 43,000 50,000 -14 losses

Net interest income

after provision

for credit losses 428,502 403,796 6 846,557 803,099 5

Other income

Mortgage banking

revenues 31,274 30,134 4 64,700 58,392 11

Service charges on

deposit accounts 92,969 91,104 2 181,322 179,429 1

Trust income 32,745 34,576 -5 66,268 68,162 -3

Brokerage services

14,179 13,245 7 income 28,360 27,098 5

Trading account and

foreign exchange

5,957 3,844 55 10,826 8,967 21 gains

Gain on sales of bank

investment securities 30 - -2,512 -246

Other revenues from

68,208 59,431 15 127,898 115,925 10 ----------

Total other income 245,362 232,334 6 479,620 460,485 4

Salaries and employee benefits 204,607 202,647 1 411,217 403,397 2 Equipment and net occupancy 42,608 44,811 -5 86,614 92,183 -6 Printing, postage and supplies 8,411 8,494 -1 17,242 18,386 -6 Amortization of core deposit and other intangible assets 14,055 19,250 -27 30,176 40,398 -25 Other costs of operations 110,760 82,005 35 202,529 192,810 5
Total other expense 380,441 357,207 7 747,778 747,174 -
Income before income taxes 293,423 278,923 5 578,399 516,410 12 Applicable income taxes 96,589 94,538 2 192,275 172,535 11
Net income \$196,834 184,385 7% \$386,124 343,875 12% ===================================
M&T BANK CORPORATION Condensed Consolidated Balance Sheet
June 30
Dollars in thousands 2005 2004 Change
ASSETS
Cash and due from banks \$1,473,675 1,697,173 -13%
Money-market assets 209,081 167,817 25
Investment securities 8,319,967 8,161,040 2
Loans and leases, net of unearned discount 39,910,964 37,522,401 6 Less: allowance for credit losses 637,345 624,516 2
Net loans and leases 39,273,619 36,897,885 6
Goodwill 2,904,081 2,904,081 -
Core deposit and other intangible assets 135,331 200,433 -32
Other assets 2,166,192 2,066,029 5
Total assets \$54,481,946 52,094,458 5%
LIABILITIES AND STOCKHOLDERS' EQUITY
Noninterest-bearing deposits at U.S. offices \$8,681,655 8,204,704 6%
Other deposits at U.S. offices 24,442,455 23,030,317 6
Deposits at foreign office 4,181,722 3,718,490 12
Total deposits 37,305,832 34,953,511 7
Short-term borrowings 4,284,930 4,862,362 -12
Accrued interest and other liabilities 735,500 794,719 -7

Long-term borrowings 6,317,961 5,827,180 8

Total liabilities	48,644,223 46,	437,772	5
Stockholders' equity(1)	5.837.723	5.656.68	36

Total liabilities and stockholders'

equity \$54,481,946 52,094,458 5%

3

 Reflects accumulated other comprehensive loss, net of applicable income tax effect, of \$37.8 million at June 30, 2005 and \$15.7 million at June 30, 2004.

M&T BANK CORPORATION

Condensed Consolidated Average Balance Sheet and Annualized Taxable-equivalent Rates

Dollars in millions

Three months ended June 30

2005 2004

----- Change in Balance Rate Balance Rate balance

ASSETS

Money-market assets \$ 109 1.99% 76 .74% 43%

Investment securities 8,593 4.41 7,943 4.16 8

Loans and leases, net of unearned discount

Commercial, financial,

etc 10,484 5.44 9,464 4.30 11

Real estate -

commercial 14,399 6.37 12,962 5.60 11

Real estate -

consumer 3,493 6.00 3,218 5.89 9

Consumer 10,853 5.99 11,260 5.46 -4

_ ... -----

Total loans and

leases, net 39,229 5.99 36,904 5.26 6

Total earning assets 47,931 5.70 44,923 5.06 7

Goodwill 2,904 2,904

Core deposit and other

intangible assets 142 210 -32

Other assets 2,958 3,214 -8

Total assets \$53,935 51,251 5%

LIABILITIES AND STOCKHOLDERS' EQUITY

Interest-bearing deposits

 NOW accounts
 \$ 401
 .54
 368
 .30
 9%

 Savings deposits
 15,163
 .88
 15,667
 .57
 -3

 Time deposits
 8,609
 2.99
 6,842
 2.13
 26

Deposits at foreign

office 3,850 2.93 2,829 .99 36

Total interest-bearing

deposits 28,023 1.80 25,706 1.03 9

Short-term borrowings 4,969 2.96 5,141 1.02 -3 Long-term borrowings 6,263 4.25 5,869 3.30 7	
Total interest-bearing liabilities 39,255 2.34 36,716 1.39 7	
Noninterest-bearing deposits 8,222 7,996 3	
Other liabilities 709 885 -20	
Total liabilities 48,186 45,597 6 Stockholders' equity 5,749 5,654 2	
Total liabilities and stockholders' equity \$53,935 51,251 5% ======	
Net interest spread 3.36 3.67	
Contribution of interest-free funds .42 .25 Net interest margin 3.78% 3.92%	
Six months ended June 30	
2005 2004	
Change in Balance Rate Balance Rate balance	
ASSETS Money-market assets \$ 98 1.72% 81 .87% 22 Investment securities 8,583 4.36 7,729 4.13 11	:%
Loans and leases, net of unearned discount Commercial, financial, etc 10,290 5.28 9,282 4.19 11 Real estate - commercial 14,296 6.23 12,742 5.65 12 Real estate - consumer 3,370 5.99 3,151 5.92 7 Consumer 10,950 5.91 11,199 5.56 -2	
Total loans and	
leases, net 38,906 5.89 36,374 5.29 7	
leases, net 38,906 5.89 36,374 5.29 7 Total earning assets 47,587 5.61 44,184 5.08 8 Goodwill 2,904 2,904 -	
Total earning assets 47,587 5.61 44,184 5.08 8	
Total earning assets 47,587 5.61 44,184 5.08 8 Goodwill 2,904 2,904 - Core deposit and other intangible assets 150 220 -32 Other assets 2,981 3,275 -9	
Total earning assets 47,587 5.61 44,184 5.08 8 Goodwill 2,904 2,904 - Core deposit and other intangible assets 150 220 -32	
Total earning assets 47,587 5.61 44,184 5.08 8 Goodwill 2,904 2,904 - Core deposit and other intangible assets 150 220 -32 Other assets 2,981 3,275 -9 Total assets \$53,622 50,583 6%	

Total interest-bearing 36,173 1.41 liabilities 38,968 2.20 Noninterest-bearing 8,212 deposits 7,780 6 Other liabilities -25 706 937 Total liabilities 47,886 44,890 Stockholders' equity 5,693 5,736 Total liabilities and stockholders' equity \$53,622 50,583 6% Net interest spread 3.41 3.67 Contribution of .40 .25 interest-free funds 3.92% Net interest margin 3.81%

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