M&T Bank Corporation Announces First Quarter Results

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M&T Bank Corporation ("M&T") today reported its results of operations for the quarter ended March 31, 2008.

GAAP Results of Operations. Diluted earnings per share measured in accordance with generally accepted accounting principles ("GAAP") for the first quarter of 2008 were \$1.82, up 16% from \$1.57 in the corresponding 2007 quarter. GAAP-basis net income in the recent quarter increased 15% to \$202 million from \$176 million in the year-earlier period. GAAP-basis net income for the initial quarter of 2008 expressed as an annualized rate of return on average assets and average common stockholders' equity was 1.25% and 12.49%, respectively, compared with 1.25% and 11.38%, respectively, in the similar quarter of 2007.

M&T's financial results for the first three months of 2008 reflect \$29 million, or \$.26 of diluted earnings per share, resulting from M&T Bank's status as a member bank of Visa, including \$20 million (\$33 million pre-tax) or \$.18 per share of gains realized from the mandatory partial redemption of Visa stock owned by M&T Bank and \$9 million (\$15 million pre-tax) or \$.08 per share related to Visa's funding of an escrow account to provide for possible costs associated with pending litigation against Visa ("Covered Litigation"). That funding allowed member banks of Visa to reverse litigation-related accruals made in 2007 up to each bank's proportionate membership interest of the \$3 billion used to fund the escrow account.

Reflecting on M&T's first quarter results, Rene F. Jones, Executive Vice President and Chief Financial Officer, commented, "M&T's financial results for the first three months of this year demonstrate a certain resilience to the ongoing disarray in the financial markets. Positive factors during the quarter included continued strong growth in our commercial and commercial real estate loan portfolios, while core deposit balances increased at a healthy rate. We also saw an improvement in our fee income, even after excluding the benefit from our share of the Visa IPO. These positive factors served to offset a continued upward trend in credit costs."

Supplemental Reporting of Non-GAAP Results of Operations. M&T consistently provides 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 \$11 million (\$.10 per diluted share) in each of the first quarters of 2008 and 2007. Merger-related acquisition and integration expenses during the three-month period ended March 31, 2008 related to the acquisition of Partners Trust Financial Group, Inc. on November 30, 2007 and the acquisition of the Mid-Atlantic retail banking franchise of First Horizon Bank on December 7, 2007 totaled \$2 million, after tax effect, or \$.02 of diluted earnings per share. There were no similar expenses in the first quarter 2007.

Diluted net operating earnings per share, which exclude the impact of amortization of core deposit and other intangible assets and merger-related expenses, were \$1.94 for the first quarter of 2008, 16% higher than \$1.67 in the year-earlier quarter. Net operating income for the quarter ended March 31, 2008 rose 15% to \$216 million from \$187 million in the similar 2007 quarter. Expressed as an annualized rate of return on average tangible assets and average tangible stockholders' equity, net operating income was 1.41% and 27.86%, respectively, in the first quarter of 2008, compared with 1.40% and 24.11% in the initial quarter of 2007.

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:

		arch 3	ths ended 1 2007	
	,	housa pt per	nds, share)	
Diluted earnings per share Amortization of core depos		\$	1.82	1.57
and other intangible asset Merger-related expenses (` '		.10 .02	.10
biluted net operating earnings per share \$ 1.94		1.67		
	==			_

Net income	\$202,196	175,973
Amortization of core deposit		
and other intangible assets(1)	11,241	11,189
Merger-related expenses (1)	2,160) -
Net operating income	\$215,597	187,162
===	====	====
(1) After any related toy offert		

(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 end March 31 2008 2000 (in millions)	
Average assets Goodwill Core deposit and other	\$65,015 (3,196) (
intangible assets Deferred taxes	(239) 34	, ,
Average tangible assets		4 54,085 =====
Average equity Goodwill	\$ 6,513 (3,196) (
Core deposit and other intangible assets Deferred taxes	(239) 34	(241) 28
Average tangible equity		3,148

Taxable-equivalent Net Interest Income. Taxable-equivalent net interest income totaled \$485 million in the first quarter of 2008, up 6% from \$456 million in the year-earlier quarter. Higher average loan balances outstanding, which rose 13% to \$48.6 billion in the initial quarter of 2008 from \$43.1 billion in the corresponding 2007 period, were the most significant contributor to the increase. Partially offsetting the favorable impact of loan growth was a lower net interest margin, or taxable-equivalent net interest income expressed as an annualized percentage of average earning assets, which declined to 3.38% in the recent quarter from 3.64% in the first three months of 2007. The recent quarter's net interest margin declined from 3.45% in the fourth quarter of 2007. That narrowing of the margin was attributable to several factors, including higher loan balances which were funded in part by wholesale borrowings, the full quarter impact of the late-fourth quarter acquisition transactions, the full quarter impact of the fourth quarter subordinated note issuance and the recent quarter's issuance of Enhanced Trust Preferred Securities.

Provision for Credit Losses/Asset Quality. The provision for credit losses was increased to \$60 million in the first quarter of 2008 from \$27 million in the year-earlier quarter. Net charge-offs of loans during the recent quarter were \$46 million, compared with \$17 million in the initial 2007 quarter. That rise reflects the downturn in the residential real estate market that has resulted in higher levels of charge-offs and delinquencies as compared with the first quarter of 2007. Also contributing to the higher charge-off level was an increase in consumer loan charge-offs. Expressed as an annualized percentage of average loans outstanding, net charge-offs were .38% and .16% in the first quarter of 2008 and 2007, respectively.

Loans classified as nonperforming totaled \$495 million, or 1.00% of total loans at March 31, 2008, up from \$273 million or .63% a year earlier and \$447 million or .93% at December 31, 2007. Major factors contributing to the rise in nonperforming loans from March 31, 2007 to the recent quarter-end were a \$146 million increase in residential real estate loans and a \$91 million increase in loans to builders and developers of residential real estate. The year-over-year growth in nonperforming residential real estate loans reflects a December 2007 change in accounting procedure whereby residential real estate loans previously classified as nonaccrual when payments were 180 days past due now stop accruing interest when principal or interest is delinquent 90 days. The impact of the acceleration of the classification of such loans as nonaccrual resulted in an increase in nonperforming loans at March 31, 2008 and December 31, 2007 of \$79 million and \$84 million, respectively. The increase in nonperforming loans at March 31, 2008 as compared with December 31, 2007 was also the result of higher residential real estate loans and loans to

residential builders and developers classified as nonaccrual.

Loans past due 90 days or more and accruing interest were \$81 million at the end of the recently completed quarter, compared with \$118 million at March 31, 2007. Included in these past due but accruing amounts were loans guaranteed by government-related entities of \$77 million and \$71 million at March 31, 2008 and 2007, respectively. Assets taken in foreclosure of defaulted loans totaled \$53 million at March 31, 2008, compared with \$15 million a year earlier. The increase from the end of the first quarter of 2007 to the end of the first quarter of 2008 resulted from higher residential real estate loan defaults.

Allowance for Credit Losses. The allowance for credit losses totaled \$774 million, or 1.57% of total loans, at March 31, 2008, compared with \$660 million, or 1.52%, a year earlier and \$759 million, or 1.58%, at December 31, 2007. The increase in the allowance as a percentage of loans from March 31, 2007 to the two most recent quarter-ends reflects the impact of lower residential real estate values and higher levels of borrower delinquencies. The ratio of M&T's allowance for credit losses to nonperforming loans was 156%, 241% and 170% at March 31, 2008, March 31, 2007 and December 31, 2007, respectively.

Noninterest Income and Expense. Noninterest income in the first quarter of 2008 totaled \$313 million, compared with \$236 million in the year-earlier quarter. That increase was due to a \$26 million rise in mortgage banking revenues, higher deposit account service charges of \$9 million and the \$33 million gain realized in the recent quarter from the mandatory liquidation of a portion of M&T Bank's common stock holdings of Visa. The lower level of mortgage banking revenues in 2007's first quarter was predominantly the result of market conditions that affected the valuation of Alt-A residential mortgage loans that had been held for sale by M&T. Unfavorable market conditions and lack of market liquidity resulted in M&T deciding to transfer \$883 million of Alt-A loans previously held for sale (\$808 million of first mortgage loans and \$75 million of second mortgage loans) to its held-for-investment residential mortgage loan portfolio during 2007's first quarter. As a result, the carrying value of those loans and M&T's mortgage banking revenues were reduced by \$12 million at that time, resulting in an after-tax reduction of net income of \$7 million, or \$.07 per diluted share. M&T also accrued \$6 million in 2007's first quarter to provide for declines in market value of previously sold loans that M&T may be required to repurchase. That accrual reduced M&T's net income in the first quarter of 2007 by \$4 million, or \$.03 per diluted share. Additionally, mortgage banking revenues in 2008 include a \$7 million increase resulting from required changes from accounting pronouncements that were effective January 1, 2008 and that accelerated the recognition of certain mortgage banking revenues.

Noninterest expense in the first quarter of 2008 totaled \$426 million, compared with \$399 million in the corresponding quarter of 2007. Included in such amounts are expenses considered to be nonoperating in nature consisting of amortization of core deposit and other intangible assets of \$18 million in each of 2008 and 2007, and merger-related expenses of \$4 million in 2008's initial quarter. There were no similar expenses in the first quarter of 2007. Exclusive of these nonoperating expenses, noninterest operating expenses were \$404 million in the recently completed quarter and \$381 million in the first quarter of 2007. Contributing to the rise in operating expenses in 2008 were higher expenses for salaries, reflecting the impact of 2007 acquisitions, annual merit increases, and stock-based and other incentive compensation costs. Also contributing to the increased level of operating expenses was a \$5 million addition to the valuation allowance for impairment of capitalized residential mortgage servicing rights in the recent quarter, compared with a \$1 million partial reversal of the valuation allowance in the year-earlier quarter. Partially offsetting the higher operating expense level in the recently completed quarter was the reversal of \$15 million of the Visa litigation accrual established in the fourth quarter of 2007.

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 bank investment securities), measures the relationship of operating expenses to revenues. M&T's efficiency ratio was 52.8% in the first quarter of 2008, compared with 55.1% in the year-earlier period.

Balance Sheet. M&T had total assets of \$66.1 billion at March 31, 2008, up from \$57.8 billion a year earlier. Loans and leases, net of unearned discount, rose 13% to \$49.3 billion at the recent quarter-end from \$43.5 billion at March 31, 2007. Deposits were up 7% to \$41.5 billion at March 31, 2008 from \$38.9 billion a year earlier. Total stockholders' equity was \$6.5 billion and \$6.3 billion at March 31, 2008 and 2007, respectively, representing 9.82% of total assets at the recent quarter-end and 10.81% a year earlier. Common stockholders' equity per share was \$58.92 and \$57.32 at March 31, 2008 and 2007, respectively. Tangible equity per common share was \$28.14 at March 31, 2008, compared with \$28.77 a year earlier. 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 \$3.4 billion and \$3.1 billion at March 31, 2008 and 2007, respectively.

Conference Call. Investors will have an opportunity to listen to M&T's conference call to discuss first quarter financial results today at 3:00 p.m. Eastern 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. Callers should reference M&T Bank Corporation or conference ID #40638805. 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, April 16, 2008 by calling 800-642-1687, or 706-645-9291 for international participants, and by making reference to ID #40638805. The event will also be

archived and available by 7:00 p.m. today on M&T's website at http://ir.mandtbank.com/conference.cfm.

M&T is a bank holding company whose banking subsidiaries, M&T Bank and M&T Bank, National Association, operate branch offices in New York, Pennsylvania, Maryland, Virginia, West Virginia, Delaware, New Jersey and the District of Columbia.

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, credit losses and market values on loans and other assets; 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, including tax legislation; regulatory supervision and oversight, including monetary policy and required capital levels; changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board or other regulatory agencies; 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, acquisition and investment 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 M&T and its subsidiaries do business, including interest rate and currency exchange rate fluctuations, changes and trends in the securities markets, and other Future Factors.

INVESTOR CONTACT: Donald J. MacLeod (716) 842-5138

MEDIA CONTACT: C. Michael Zabel (716) 842-5385

M&T BANK CORPORATION

Financial	High	liahte

Amounts in thousands, except per share	Three months ended March 31			
Performance	2008	2007	Cha	nge
Net income	\$ 2	02,196	175,97	3 15%
Per common share: Basic earnings Diluted earnings Cash dividends	\$	1.84 1.82 .70	1.60 1.57 .60	-
Common shares outstand Average - diluted (1) Period end (2)	Ü	110,967 10,108	-	87 -1%) 1
Return on (annualized): Average total assets Average common stock	holders'	1.25% equity	1.25 12.49%	

Taxable-equivalent net interest

income \$ 484,633 455,550 6%

Yield on average earning assets
Cost of interest-bearing liabilities
Net interest spread

6.20%
3.93%
3.90%
2.94%
3.03%

Contribution of interest-free funds .44% .61% Net interest margin 3.38% 3.64%

Net charge-offs to average total

net loans (annualized) .38% .16%

Net operating results (3)

Net operating income \$ 215,597 187,162 15%

Diluted net operating earnings per

common share 1.94 1.67 16

Return on (annualized):

Average tangible assets 1.41% 1.40% Average tangible common equity 27.86% 24.11%

Efficiency ratio 52.85% 55.09%

At March 31

Loan quality	2008	2007 C	hange
Nonaccrual loans Renegotiated loans	\$ 477,436 17,084	,	
Total nonperforming loans	\$ 494,	520 273	,225 81%
Accruing loans past due 90 days or more	\$ 81,316	118,094	-31%
Nonperforming loans to total net loans Allowance for credit losses to	1.00%	.63%	
total net loans	1.57%	1.52%	

- (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

Three months ended March 31

	M	larch 31			
Dollars in thousands		2008	2007	Chan	ge
Interest income Interest expense	\$	884,162 405,312			, o
Net interest income		478,850	450,427	' 6	
Provision for credit losses		60,000	27,000	122	2
Net interest income after provision for credit losses		418,850	423,42	7 -1	I
Other income Mortgage banking reve Service charges on dep accounts Trust income	oosit 10	40,0 03,454 9 40,304	94,587		189
Brokerage services inco	ome	•	*		2
Trading account and fo exchange gains Gain on bank investme Equity in earnings of Ba	nt sec ayviev	curities 33 v	3,447 1	,063	-
Lending Group, LLC Other revenues from or		,			8

Total other income	312,	663 2	236,483	32	
Other expense Salaries and employee I Equipment and net occu Printing, postage and su Amortization of core dep and other intangible ass Other costs of operation	pancy pplies oosit sets 1	46,76 9,896	8,906 18,356	11 1	
Total other expense	425	 ,704	399,037	7	
Income before income taxe	s	305,809	9 260,87	73 17	
Applicable income taxes	10	3,613	84,900	22	
Net income ==	\$ 202,19	 96 17 =====	'5,973 ===	15%	

M&T BANK CORPORATION Condensed Consolidated Balance Sheet

March	31

	March 31			
Dollars in thousands ASSETS	2008	2007	Change	
Cash and due from bank Interest-bearing deposits	at			239
banks Federal funds sold and	7,027 7			
agreements to resell sec Trading account assets Investment securities	372,067 8,676,357	7 153	,511 142	2
Loans and leases, net of unearned discount Less: allowance for cred	49,278,881	43,507	7,176 1	3
losses	773,624 6:	59,757	17	
Net loans and leases	48,505,257	7 42,84	7,419 1	13
Goodwill Core deposit and other intangible assets Other assets	3,192,128 2 230,093 3,326,518	231,87	7 -1	
Total assets ==	\$ 66,085,573 ====================================			5
LIABILITIES AND STOC Noninterest-bearing depo			I 10/	
Other deposits at U.S. of Deposits at foreign office	fices 27,936,2 5,706,424	260 26,5 4,761	561,707 ,575 20	5
Total deposits	41,533,010	38,937,9	06 7	
Short-term borrowings Accrued interest and other	er	•		3
liabilities Long-term borrowings	1,196,756 93 10,672,41			39
Total liabilities		1,589,287	7 16	
Stockholders' equity (1)	6,487,962	6,253	,184 4	
Total liabilities and stockholders' equity	\$ 66,085,573	57,842	2,471 1	4%

M&T BANK CORPORATION

Condensed Consolidated Average Balance Sheet and Annualized Taxable-equivalent Rates

Three months ended
March 31

Dollars in millions

2008 2007

----- Change in Balance Rate Balance

ASSETS

Interest-bearing deposits

at banks \$ 10 1.65% 8 3.56% 41%

Federal funds sold and agreements to resell

securities 129 2.99 304 6.40 -58

Trading account assets 75 1.39 53 .83 40

Investment securities 8,924 5.24 7,214 5.04 24

Loans and leases, net of unearned discount

Commercial, financial,

 etc
 13,308
 6.06
 11,753
 7.28
 13

 Real estate - commercial
 17,994
 6.35
 15,474
 7.30
 16

 Real estate - consumer
 5,977
 6.17
 5,939
 6.48
 1

 Consumer
 11,296
 6.91
 9,948
 7.43
 14

Total loans and ------ 48,575 6.40 43,114 7.26 13

Total earning assets 57,713 6.20 50,693 6.93 14

Goodwill 3,196 2,909 10

Core deposit and other

intangible assets 239 241 -1

Other assets 3,867 3,364 15

Total assets \$65,015 57,207 14%

LIABILITIES AND STOCKHOLDERS' EQUITY

Interest-bearing deposits

 NOW accounts
 \$ 484
 .85
 437
 1.08
 11%

 Savings deposits
 16,843
 1.59
 14,733
 1.67
 14

 Time deposits
 10,416
 4.12
 11,657
 4.76
 -11

Deposits at foreign

office 4,821 3.20 3,717 5.20 30

Total interest-bearing -----

deposits 32,564 2.63 30,544 3.27 7

 Short-term borrowings
 7,153
 3.46
 4,852
 5.31
 47

 Long-term borrowings
 10,270
 5.13
 7,308
 5.59
 41

Total interest-bearing

liabilities 49,987 3.26 42,704 3.90 17

Noninterest-bearing

 deposits
 7,435
 7,422

 Other liabilities
 1,080
 811
 33

Total liabilities 58,502 50,937 15

Stockholders' equity 6,513 6,270 4 Total liabilities and 14% stockholders' equity \$65,015 57,207 3.03 Net interest spread 2.94 Contribution of interest-free funds .44 3.64% 3.38% Net interest margin

Media Contact:

C. Michael Zabel

(716) 842-5385

Investor Contact:

Donald J. MacLeod

(716) 842-5138

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https://newsroom.mtb.com/2008-04-15-M-T-Bank-Corporation-Announces-First-Quarter-Results