

M&T Bank Corporation Announces 2018 Fourth Quarter And Full-Year Results

BUFFALO, N.Y., Jan. 17, 2019 -- M&T Bank Corporation ("M&T") (NYSE: MTB) today reported its results of operations for 2018.

GAAP Results of Operations. Diluted earnings per common share measured in accordance with generally accepted accounting principles ("GAAP") were \$3.76 in the fourth quarter of 2018, 87% higher than \$2.01 in the year-earlier quarter and 7% above \$3.53 in the third quarter of 2018. GAAP-basis net income in the recent quarter was \$546 million, up from \$322 million in the fourth quarter of 2017 and \$526 million in the third 2018 quarter. GAAP-basis net income for the fourth quarter of 2018 expressed as an annualized rate of return on average assets and average common shareholders' equity was 1.84% and 14.80%, respectively, improved from 1.06% and 8.03%, respectively, in the corresponding 2017 period and 1.80% and 14.08%, respectively, in the third quarter of 2018. In December 2018, M&T received approval from the Internal Revenue Service to change its tax return treatment for certain loan fees retroactive to 2017. Given the reduction of the Federal income tax rate in 2018, that change in treatment resulted in a \$15 million reduction of income tax expense in the recent quarter. The impact of that benefit on net income was offset by a \$20 million contribution to The M&T Charitable Foundation in the fourth quarter that, after applicable tax effect, reduced net income by \$15 million. As compared with 2017, income tax expense in all 2018 periods reflects the reduction of the corporate Federal income tax rate from 35% to 21%. M&T's results in 2017's final quarter were reduced by \$98 million, or \$.65 of diluted earnings per common share, predominantly reflecting the impact of that lower tax rate on the carrying values of M&T's net deferred tax assets and other items.

Commenting on M&T's financial performance, Darren J. King, Executive Vice President and Chief Financial Officer, noted, "We are extremely pleased with M&T's performance this past quarter and for 2018 as a whole. Our results reflect a continuation of many positive factors including growth in interest and noninterest revenues, subdued credit costs and well-controlled expenses. Average balances of loans to commercial customers rose in the recent quarter and year-end commercial balances grew \$2.2 billion from the end of the third quarter. We believe M&T is well positioned as we enter 2019."

Earnings Highlights

| (\$ in millions, except per share data) | 4Q18 | 4Q17 | 3Q18 | Change 4Q18 vs. | |
|--|---------|---------|---------|-----------------|------|
| | | | | 4Q17 | 3Q18 |
| Net income | \$ 546 | \$ 322 | \$ 526 | 69 % | 4 % |
| Net income available to common shareholders— diluted | \$ 525 | \$ 302 | \$ 505 | 74 % | 4 % |
| Diluted earnings per common share | \$ 3.76 | \$ 2.01 | \$ 3.53 | 87 % | 7 % |
| Annualized return on average assets | 1.84 % | 1.06 % | 1.80 % | | |
| Annualized return on average common equity | 14.80 % | 8.03 % | 14.08 % | | |

Diluted earnings per common share were \$12.74 for the year ended December 31, 2018, 46% higher than \$8.70 in 2017. GAAP-basis net income for 2018 aggregated \$1.92 billion, up 36% from \$1.41 billion in 2017. Expressed as a rate of return on average assets and average common shareholders' equity, GAAP-basis net income for 2018 was 1.64% and 12.82%, respectively, improved from 1.17% and 8.87%, respectively, in 2017.

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 items are considered by management to be "nonoperating" in nature. The amounts of such "nonoperating" expenses are presented in the tables that accompany this release. 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.

Diluted net operating earnings per common share were \$3.79 in the recent quarter, compared with \$2.04 in the fourth quarter of 2017 and \$3.56 in the third quarter of 2018. Net operating income for the fourth quarter of 2018 was \$550 million, compared with \$327 million in the year-earlier period and \$531 million in 2018's third quarter. Expressed as an annualized rate of return on average tangible assets and average tangible common shareholders' equity, net operating income in the recent quarter was 1.93% and 22.16%, respectively, compared with 1.12% and 11.77%, respectively, in the corresponding 2017 quarter and 1.89% and 21.00%, respectively, in the third quarter of 2018.

For the year ended December 31, 2018, diluted net operating earnings per common share were \$12.86, compared with \$8.82 in 2017. Net operating income in 2018 increased 36% to \$1.94 billion from \$1.43 billion in 2017. Net operating income expressed as a rate of return on average tangible assets and average tangible common shareholders' equity was 1.72% and 19.09%, respectively, in 2018, compared with 1.23% and 13.00%, respectively, in 2017.

Taxable-equivalent Net Interest Income. Net interest income expressed on a taxable-equivalent basis totaled \$1.06 billion in 2018's fourth quarter, improved 9% from \$980 million in the year-earlier quarter and 3% above \$1.03 billion in the third quarter of 2018. That growth predominantly resulted from a widening of the net interest margin to 3.92% in the recent quarter from 3.56% in the fourth quarter of 2017 and 3.88% in the third quarter of 2018 that reflects generally higher interest rates. Taxable-equivalent net interest income for the full year of 2018 increased 7% to \$4.09 billion from \$3.82 billion in 2017. The net interest margin was 3.83% in 2018 and 3.47% in 2017.

Taxable-equivalent Net Interest Income

| (\$ in millions) | 4Q18 | 4Q17 | 3Q18 | Change 4Q18 vs. | |
|---|------------|------------|------------|-----------------|------|
| | | | | 4Q17 | 3Q18 |
| Average earning assets | \$ 107,785 | \$ 109,412 | \$ 105,835 | -1 % | 2 % |
| Net interest income— taxable-equivalent | \$ 1,065 | \$ 980 | \$ 1,035 | 9 % | 3 % |
| Net interest margin | 3.92 % | 3.56 % | 3.88 % | | |

Provision for Credit Losses/Asset Quality. The provision for credit losses was \$38 million in the fourth quarter of 2018, compared with \$31 million in the year-earlier quarter and \$16 million in 2018's third quarter. Net loan charge-offs were \$38 million during the recent quarter, compared with \$27 million in the fourth quarter of 2017 and \$16 million in the third quarter of 2018. The lower net charge-offs in 2018's third quarter reflected significantly higher recoveries of previously charged-off loans. Expressed as an annualized percentage of average loans outstanding, net charge-offs were .17% and .12% in the final quarters of 2018 and 2017, respectively, and .07% in the third quarter of 2018. The provision for credit losses was \$132 million for the year ended December 31, 2018, compared with \$168 million in 2017. Net loan charge-offs during 2018 and 2017 aggregated \$130 million and \$140 million, respectively, or .15% and .16%, respectively, of average loans outstanding.

Loans classified as nonaccrual totaled \$894 million or 1.01% of total loans outstanding at December 31, 2018, compared with \$883 million or 1.00% a year earlier and \$871 million or 1.00% at September 30, 2018. Assets taken in foreclosure of defaulted loans were \$78 million at December 31, 2018, improved from \$112 million at December 31, 2017 and \$87 million at September 30, 2018.

Allowance for Credit Losses. M&T regularly performs detailed analyses of individual borrowers and portfolios for purposes of assessing the adequacy of the allowance for credit losses. As a result of those analyses, the allowance for credit losses totaled \$1.02 billion at each of December 31, 2018, December 31, 2017 and September 30, 2018. As a

percentage of loans outstanding, the allowance was 1.15% and 1.16% at December 31, 2018 and 2017, respectively, and 1.18% at September 30, 2018.

Asset Quality Metrics

| | | | | Change 4Q18 vs. | |
|---|----------|----------|----------|-----------------|-------|
| (\$ in millions) | 4Q18 | 4Q17 | 3Q18 | 4Q17 | 3Q18 |
| <u>At end of quarter</u> | | | | | |
| Nonaccrual loans | \$ 894 | \$ 883 | \$ 871 | 1 % | 3 % |
| Real estate and other foreclosed assets | \$ 78 | \$ 112 | \$ 87 | -30 % | -10 % |
| Total nonperforming assets | \$ 972 | \$ 995 | \$ 958 | -2 % | 1 % |
| Accruing loans past due 90 days or more (1) | \$ 223 | \$ 244 | \$ 254 | -9 % | -13 % |
| Nonaccrual loans as % of loans outstanding | 1.01 % | 1.00 % | 1.00 % | | |
| Allowance for credit losses | \$ 1,019 | \$ 1,017 | \$ 1,019 | — | — |
| Allowance for credit losses as % of loans outstanding | 1.15 % | 1.16 % | 1.18 % | | |
| <u>For the period</u> | | | | | |
| Provision for credit losses | \$ 38 | \$ 31 | \$ 16 | 23 % | 138 % |
| Net charge-offs | \$ 38 | \$ 27 | \$ 16 | 40 % | 141 % |
| Net charge-offs as % of average loans (annualized) | .17 % | .12 % | .07 % | | |

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

Noninterest Income and Expense. Noninterest income totaled \$481 million in the recent quarter, little changed from \$484 million in the fourth quarter of 2017, but up from \$459 million in the third quarter of 2018. As compared with the fourth quarter of 2017, higher credit-related fees, trading account and foreign exchange gains, and trust income in the recent quarter were offset by a decline in residential mortgage banking revenues and lower gains on investment securities. Higher trading account and foreign exchange gains, valuation gains on equity securities and increased commercial mortgage banking revenues in the recent quarter contributed to the improvement from the third quarter of 2018.

Noninterest Income

| (\$ in millions) | 4Q18 | 4Q17 | 3Q18 | Change 4Q18 vs. | |
|--|--------|--------|--------|-----------------|-------|
| | | | | 4Q17 | 3Q18 |
| Mortgage banking revenues | \$ 92 | \$ 96 | \$ 88 | -4 % | 4 % |
| Service charges on deposit accounts | 109 | 108 | 109 | 1 % | — |
| Trust income | 135 | 130 | 133 | 4 % | 1 % |
| Brokerage services income | 13 | 13 | 12 | — | 4 % |
| Trading account and foreign exchange gains | 17 | 10 | 6 | 58 % | 173 % |
| Gain (loss) on bank investment securities | 4 | 21 | (3) | -80 % | — |
| Other revenues from operations | 111 | 106 | 114 | 5 % | -2 % |
| Total other income | \$ 481 | \$ 484 | \$ 459 | -1 % | 5 % |

Noninterest income aggregated \$1.86 billion in 2018 and \$1.85 billion in 2017. Higher trust income in 2018 was largely offset by the impact of investment securities gains in 2017.

Noninterest expense aggregated \$802 million in the fourth quarter of 2018, \$796 million in the year-earlier quarter, and \$776 million in the third quarter of 2018. Excluding expenses considered to be nonoperating in nature, such as amortization of core deposit and other intangible assets, noninterest operating expenses were \$797 million in the recent quarter, \$789 million in the fourth quarter of 2017 and \$770 million in the third quarter of 2018. Higher salaries and employee benefits expenses in the recent quarter were largely offset by lower charitable contributions and FDIC assessments as compared with the fourth quarter of 2017. The higher level of noninterest expense in the final 2018 quarter as compared with the third quarter of 2018 was attributable to increased charitable contributions and costs for professional services and salaries and employee benefits, that were partially offset by lower FDIC assessments.

Noninterest Expense

| (\$ in millions) | 4Q18 | 4Q17 | 3Q18 | Change 4Q18 vs. | |
|--------------------------------------|--------|--------|--------|-----------------|-------|
| | | | | 4Q17 | 3Q18 |
| Salaries and employee benefits | \$ 439 | \$ 402 | \$ 431 | 9 % | 2 % |
| Equipment and net occupancy | 74 | 71 | 77 | 3 % | -5 % |
| Outside data processing and software | 50 | 50 | 51 | — | -1 % |
| FDIC assessments | 10 | 24 | 19 | -59 % | -48 % |

| | | | | | | |
|---|--------------|---------|---------|--------------|-----------|-----|
| Average total assets | 1.84 % | 1.06 % | 1.64 % | 1.17 % | | |
| Average common shareholders' equity | 14.80 % | 8.03 % | 12.82 % | 8.87 % | | |
| Taxable-equivalent net interest income | \$ 1,064,918 | 980,457 | 9 % | \$ 4,094,199 | 3,815,614 | 7 % |
| Yield on average earning assets | 4.51 % | 3.93 % | 4.33 % | 3.82 % | | |
| Cost of interest-bearing liabilities | .94 % | .59 % | .78 % | .55 % | | |
| Net interest spread | 3.57 % | 3.34 % | 3.55 % | 3.27 % | | |
| Contribution of interest-free funds | .35 % | .22 % | .28 % | .20 % | | |
| Net interest margin | 3.92 % | 3.56 % | 3.83 % | 3.47 % | | |
| Net charge-offs to average total net loans (annualized) | .17 % | .12 % | .15 % | .16 % | | |

Net operating results (3)

| | | | | | | |
|---|------------|---------|------|--------------|-----------|------|
| Net operating income | \$ 550,169 | 326,664 | 68 % | \$ 1,936,155 | 1,427,331 | 36 % |
| Diluted net operating earnings per common share | 3.79 | 2.04 | 86 % | 12.86 | 8.82 | 46 % |

Return on (annualized):

| | | | | |
|--------------------------------|---------|---------|---------|---------|
| Average tangible assets | 1.93 % | 1.12 % | 1.72 % | 1.23 % |
| Average tangible common equity | 22.16 % | 11.77 % | 19.09 % | 13.00 % |
| Efficiency ratio | 51.70 % | 54.65 % | 54.79 % | 55.07 % |

At December 31

| Loan quality | 2018 | 2017 | Change |
|--|------------|---------|--------|
| Nonaccrual loans | \$ 893,608 | 882,598 | 1 % |
| Real estate and other foreclosed assets | 78,375 | 111,910 | -30 % |
| Total nonperforming assets | \$ 971,983 | 994,508 | -2 % |
| Accruing loans past due 90 days or more (4) | \$ 222,527 | 244,405 | -9 % |
| Government guaranteed loans included in totals above: | | | |
| Nonaccrual loans | \$ 34,667 | 35,677 | -3 % |
| Accruing loans past due 90 days or more | 192,443 | 235,489 | -18 % |
| Renegotiated loans | \$ 245,367 | 221,513 | 11 % |
| Accruing loans acquired at a discount past due 90 days or more (5) | \$ 39,750 | 47,418 | -16 % |
| Purchased impaired loans (6): | | | |
| Outstanding customer balance | \$ 529,520 | 688,091 | -23 % |
| Carrying amount | 303,305 | 410,015 | -26 % |
| Nonaccrual loans to total net loans | 1.01 % | 1.00 % | |
| Allowance for credit losses to total loans | 1.15 % | 1.16 % | |

(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. Reconciliations of net income with net operating income appear herein.

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

(5) Loans acquired at a discount that were recorded at fair value at acquisition date. This category does not include purchased impaired loans that are presented separately.

(6) Accruing loans acquired at a discount that were impaired at acquisition date and recorded at fair value.

Financial Highlights, Five Quarter Trend

| | Three months ended | | | | |
|---|--------------------|---------------|----------|-----------|--------------|
| | December 31, | September 30, | June 30, | March 31, | December 31, |
| Amounts in thousands, except per share | 2018 | 2018 | 2018 | 2018 | 2017 |
| Performance | | | | | |
| Net income | \$ 546,219 | 526,091 | 493,160 | 352,610 | 322,403 |
| Net income available to common shareholders | 525,328 | 505,365 | 472,600 | 332,749 | 302,486 |

| | | | | | | |
|--|----|--------------|---------------|-----------|-----------|--------------|
| Per common share: | | | | | | |
| Basic earnings | \$ | 3.76 | 3.54 | 3.26 | 2.24 | 2.01 |
| Diluted earnings | | 3.76 | 3.53 | 3.26 | 2.23 | 2.01 |
| Cash dividends | \$ | 1.00 | 1.00 | .80 | .75 | .75 |
| Common shares outstanding: | | | | | | |
| Average - diluted (1) | | 139,838 | 142,976 | 144,998 | 148,905 | 150,348 |
| Period end (2) | | 138,534 | 141,479 | 144,261 | 146,799 | 150,112 |
| Return on (annualized): | | | | | | |
| Average total assets | | 1.84 % | 1.80 % | 1.70 % | 1.22 % | 1.06 % |
| Average common shareholders' equity | | 14.80 % | 14.08 % | 13.32 % | 9.15 % | 8.03 % |
| Taxable-equivalent net interest income | \$ | 1,064,918 | 1,034,771 | 1,014,184 | 980,326 | 980,457 |
| Yield on average earning assets | | 4.51 % | 4.40 % | 4.28 % | 4.11 % | 3.93 % |
| Cost of interest-bearing liabilities | | .94 % | .82 % | .71 % | .64 % | .59 % |
| Net interest spread | | 3.57 % | 3.58 % | 3.57 % | 3.47 % | 3.34 % |
| Contribution of interest-free funds | | .35 % | .30 % | .26 % | .24 % | .22 % |
| Net interest margin | | 3.92 % | 3.88 % | 3.83 % | 3.71 % | 3.56 % |
| Net charge-offs to average total net loans (annualized) | | .17 % | .07 % | .16 % | .19 % | .12 % |
| Net operating results (3) | | | | | | |
| Net operating income | \$ | 550,169 | 530,619 | 497,869 | 357,498 | 326,664 |
| Diluted net operating earnings per common share | | 3.79 | 3.56 | 3.29 | 2.26 | 2.04 |
| Return on (annualized): | | | | | | |
| Average tangible assets | | 1.93 % | 1.89 % | 1.79 % | 1.28 % | 1.12 % |
| Average tangible common equity | | 22.16 % | 21.00 % | 19.91 % | 13.51 % | 11.77 % |
| Efficiency ratio | | 51.70 % | 51.41 % | 52.42 % | 63.98 % | 54.65 % |
| | | | | | | |
| | | December 31, | September 30, | June 30, | March 31, | December 31, |
| Loan quality | | 2018 | 2018 | 2018 | 2018 | 2017 |
| Nonaccrual loans | \$ | 893,608 | 870,832 | 819,984 | 864,671 | 882,598 |
| Real estate and other foreclosed assets | | 78,375 | 87,333 | 98,062 | 101,514 | 111,910 |
| Total nonperforming assets | \$ | 971,983 | 958,165 | 918,046 | 966,185 | 994,508 |
| Accruing loans past due 90 days or more (4) | \$ | 222,527 | 254,360 | 223,026 | 235,325 | 244,405 |
| Government guaranteed loans included in totals above: | | | | | | |
| Nonaccrual loans | \$ | 34,667 | 33,570 | 34,870 | 36,618 | 35,677 |
| Accruing loans past due 90 days or more | | 192,443 | 195,450 | 202,394 | 223,611 | 235,489 |
| Renegotiated loans | \$ | 245,367 | 242,892 | 242,528 | 226,829 | 221,513 |
| Accruing loans acquired at a discount past due 90 days or more (5) | | | | | | |
| | \$ | 39,750 | 44,223 | 47,405 | 49,349 | 47,418 |
| Purchased impaired loans (6): | | | | | | |
| Outstanding customer balance | \$ | 529,520 | 572,979 | 606,683 | 643,124 | 688,091 |
| Carrying amount | | 303,305 | 325,980 | 352,465 | 378,000 | 410,015 |
| Nonaccrual loans to total net loans | | 1.01 % | 1.00 % | .93 % | .99 % | 1.00 % |
| Allowance for credit losses to total loans | | 1.15 % | 1.18 % | 1.16 % | 1.16 % | 1.16 % |

(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. Reconciliations of net income with net operating income appear herein.

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

(5) Loans acquired at a discount that were recorded at fair value at acquisition date. This category does not include purchased impaired loans that are presented separately.

(6) Accruing loans acquired at a discount that were impaired at acquisition date and recorded at fair value.

Condensed Consolidated Statement of Income

| Dollars in thousands | Three months ended | | | Year ended | | |
|--|--------------------|-----------|--------|--------------|-----------|--------|
| | December 31 | | | December 31 | | |
| | 2018 | 2017 | Change | 2018 | 2017 | Change |
| Interest income | \$ 1,220,281 | 1,074,139 | 14 % | \$ 4,598,711 | 4,167,795 | 10 % |
| Interest expense | 161,321 | 102,689 | 57 | 526,409 | 386,751 | 36 |
| Net interest income | 1,058,960 | 971,450 | 9 | 4,072,302 | 3,781,044 | 8 |
| Provision for credit losses | 38,000 | 31,000 | 23 | 132,000 | 168,000 | -21 |
| Net interest income after provision for credit losses | 1,020,960 | 940,450 | 9 | 3,940,302 | 3,613,044 | 9 |
| Other income | | | | | | |
| Mortgage banking revenues | 92,229 | 96,235 | -4 | 360,442 | 363,827 | -1 |
| Service charges on deposit accounts | 108,791 | 107,783 | 1 | 429,337 | 427,372 | — |
| Trust income | 135,024 | 129,669 | 4 | 537,585 | 501,381 | 7 |
| Brokerage services income | 12,781 | 12,768 | — | 51,069 | 61,445 | -17 |
| Trading account and foreign exchange gains | 16,582 | 10,468 | 58 | 32,547 | 35,301 | -8 |
| Gain (loss) on bank investment securities | 4,219 | 21,296 | -80 | (6,301) | 21,279 | -130 |
| Other revenues from operations | 110,970 | 105,834 | 5 | 451,321 | 440,538 | 2 |
| Total other income | 480,596 | 484,053 | -1 | 1,856,000 | 1,851,143 | — |
| Other expense | | | | | | |
| Salaries and employee benefits | 438,928 | 402,394 | 9 | 1,752,264 | 1,648,794 | 6 |
| Equipment and net occupancy | 73,519 | 71,363 | 3 | 298,828 | 295,084 | 1 |
| Outside data processing and software | 50,206 | 50,033 | — | 199,025 | 184,670 | 8 |
| FDIC assessments | 9,837 | 23,722 | -59 | 68,526 | 101,871 | -33 |
| Advertising and marketing | 25,910 | 19,366 | 34 | 85,710 | 69,203 | 24 |
| Printing, postage and supplies | 8,777 | 8,563 | 2 | 35,658 | 35,960 | -1 |
| Amortization of core deposit and other intangible assets | 5,359 | 7,025 | -24 | 24,522 | 31,366 | -22 |
| Other costs of operations | 189,626 | 213,347 | -11 | 823,529 | 773,377 | 6 |
| Total other expense | 802,162 | 795,813 | 1 | 3,288,062 | 3,140,325 | 5 |
| Income before income taxes | 699,394 | 628,690 | 11 | 2,508,240 | 2,323,862 | 8 |
| Applicable income taxes | 153,175 | 306,287 | -50 | 590,160 | 915,556 | -36 |
| Net income | \$ 546,219 | 322,403 | 69 % | \$ 1,918,080 | 1,408,306 | 36 % |

Condensed Consolidated Statement of Income, Five Quarter Trend

| Dollars in thousands | Three months ended | | | | |
|---|--------------------|---------------|-----------|-----------|--------------|
| | December 31, | September 30, | June 30, | March 31, | December 31, |
| | 2018 | 2018 | 2018 | 2018 | 2017 |
| Interest income | \$ 1,220,281 | 1,167,375 | 1,128,905 | 1,082,150 | 1,074,139 |
| Interest expense | 161,321 | 138,337 | 120,118 | 106,633 | 102,689 |
| Net interest income | 1,058,960 | 1,029,038 | 1,008,787 | 975,517 | 971,450 |
| Provision for credit losses | 38,000 | 16,000 | 35,000 | 43,000 | 31,000 |
| Net interest income after provision for credit losses | 1,020,960 | 1,013,038 | 973,787 | 932,517 | 940,450 |
| Other income | | | | | |
| Mortgage banking revenues | 92,229 | 88,408 | 92,499 | 87,306 | 96,235 |
| Service charges on deposit accounts | 108,791 | 108,647 | 106,784 | 105,115 | 107,783 |
| Trust income | 135,024 | 133,545 | 137,641 | 131,375 | 129,669 |

| | | | | | |
|--|------------|---------|---------|---------|---------|
| Brokerage services income | 12,781 | 12,267 | 12,629 | 13,392 | 12,768 |
| Trading account and foreign exchange gains | 16,582 | 6,073 | 5,255 | 4,637 | 10,468 |
| Gain (loss) on bank investment securities | 4,219 | (3,415) | 2,326 | (9,431) | 21,296 |
| Other revenues from operations | 110,970 | 113,769 | 100,280 | 126,302 | 105,834 |
| Total other income | 480,596 | 459,294 | 457,414 | 458,696 | 484,053 |
| Other expense | | | | | |
| Salaries and employee benefits | 438,928 | 431,371 | 418,537 | 463,428 | 402,394 |
| Equipment and net occupancy | 73,519 | 77,481 | 73,031 | 74,797 | 71,363 |
| Outside data processing and software | 50,206 | 50,678 | 49,712 | 48,429 | 50,033 |
| FDIC assessments | 9,837 | 18,849 | 19,560 | 20,280 | 23,722 |
| Advertising and marketing | 25,910 | 21,784 | 21,768 | 16,248 | 19,366 |
| Printing, postage and supplies | 8,777 | 8,843 | 8,719 | 9,319 | 8,563 |
| Amortization of core deposit and other intangible assets | 5,359 | 6,143 | 6,388 | 6,632 | 7,025 |
| Other costs of operations | 189,626 | 160,830 | 178,862 | 294,211 | 213,347 |
| Total other expense | 802,162 | 775,979 | 776,577 | 933,344 | 795,813 |
| Income before income taxes | 699,394 | 696,353 | 654,624 | 457,869 | 628,690 |
| Applicable income taxes | 153,175 | 170,262 | 161,464 | 105,259 | 306,287 |
| Net income | \$ 546,219 | 526,091 | 493,160 | 352,610 | 322,403 |

Condensed Consolidated Balance Sheet

| | December 31 | | |
|--|----------------|-------------|--------|
| | 2018 | 2017 | Change |
| Dollars in thousands | | | |
| ASSETS | | | |
| Cash and due from banks | \$ 1,605,439 | 1,420,888 | 13 % |
| Interest-bearing deposits at banks | 8,105,197 | 5,078,903 | 60 |
| Trading account | 185,584 | 132,909 | 40 |
| Investment securities | 12,692,813 | 14,664,525 | -13 |
| Loans and leases: | | | |
| Commercial, financial, etc. | 22,977,976 | 21,742,651 | 6 |
| Real estate - commercial | 34,363,556 | 33,366,373 | 3 |
| Real estate - consumer | 17,154,446 | 19,613,344 | -13 |
| Consumer | 13,970,499 | 13,266,615 | 5 |
| Total loans and leases, net of unearned discount | 88,466,477 | 87,988,983 | 1 |
| Less: allowance for credit losses | 1,019,444 | 1,017,198 | — |
| Net loans and leases | 87,447,033 | 86,971,785 | 1 |
| Goodwill | 4,593,112 | 4,593,112 | — |
| Core deposit and other intangible assets | 47,067 | 71,589 | -34 |
| Other assets | 5,421,158 | 5,659,776 | -4 |
| Total assets | \$ 120,097,403 | 118,593,487 | 1 % |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Noninterest-bearing deposits | \$ 32,256,668 | 33,975,180 | -5 % |
| Interest-bearing deposits | 57,087,998 | 58,278,970 | -2 |
| Deposits at Cayman Islands office | 811,906 | 177,996 | 356 |
| Total deposits | 90,156,572 | 92,432,146 | -2 |
| Short-term borrowings | 4,398,378 | 175,099 | — |
| Accrued interest and other liabilities | 1,637,348 | 1,593,993 | 3 |

| | | | |
|--|----------------|-------------|-----|
| Long-term borrowings | 8,444,914 | 8,141,430 | 4 |
| Total liabilities | 104,637,212 | 102,342,668 | 2 |
| Shareholders' equity: | | | |
| Preferred | 1,231,500 | 1,231,500 | — |
| Common | 14,228,691 | 15,019,319 | -5 |
| Total shareholders' equity | 15,460,191 | 16,250,819 | -5 |
| Total liabilities and shareholders' equity | \$ 120,097,403 | 118,593,487 | 1 % |

Condensed Consolidated Balance Sheet, Five Quarter Trend

| | December 31, | September 30, | June 30, | March 31, | December 31, |
|--|----------------|---------------|-------------|-------------|--------------|
| Dollars in thousands | 2018 | 2018 | 2018 | 2018 | 2017 |
| ASSETS | | | | | |
| Cash and due from banks | \$ 1,605,439 | 1,311,611 | 1,367,594 | 1,291,664 | 1,420,888 |
| Interest-bearing deposits at banks | 8,105,197 | 6,523,746 | 6,669,985 | 6,135,434 | 5,078,903 |
| Federal funds sold | — | — | 1,500 | 1,000 | — |
| Trading account | 185,584 | 125,038 | 148,303 | 141,134 | 132,909 |
| Investment securities | 12,692,813 | 13,073,881 | 13,283,002 | 14,066,564 | 14,664,525 |
| Loans and leases: | | | | | |
| Commercial, financial, etc. | 22,977,976 | 21,635,394 | 21,894,857 | 21,697,522 | 21,742,651 |
| Real estate - commercial | 34,363,556 | 33,518,375 | 34,137,937 | 33,753,506 | 33,366,373 |
| Real estate - consumer | 17,154,446 | 17,721,399 | 18,310,712 | 18,960,946 | 19,613,344 |
| Consumer | 13,970,499 | 13,805,317 | 13,453,944 | 13,298,775 | 13,266,615 |
| Total loans and leases, net of unearned discount | 88,466,477 | 86,680,485 | 87,797,450 | 87,710,749 | 87,988,983 |
| Less: allowance for credit losses | 1,019,444 | 1,019,488 | 1,019,248 | 1,019,671 | 1,017,198 |
| Net loans and leases | 87,447,033 | 85,660,997 | 86,778,202 | 86,691,078 | 86,971,785 |
| Goodwill | 4,593,112 | 4,593,112 | 4,593,112 | 4,593,112 | 4,593,112 |
| Core deposit and other intangible assets | 47,067 | 52,426 | 58,569 | 64,957 | 71,589 |
| Other assets | 5,421,158 | 5,486,826 | 5,525,786 | 5,637,881 | 5,659,776 |
| Total assets | \$ 120,097,403 | 116,827,637 | 118,426,053 | 118,622,824 | 118,593,487 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| Noninterest-bearing deposits | \$ 32,256,668 | 31,773,560 | 32,086,191 | 31,817,516 | 33,975,180 |
| Interest-bearing deposits | 57,087,998 | 56,919,549 | 56,924,970 | 58,851,050 | 58,278,970 |
| Deposits at Cayman Islands office | 811,906 | 447,287 | 261,427 | 278,064 | 177,996 |
| Total deposits | 90,156,572 | 89,140,396 | 89,272,588 | 90,946,630 | 92,432,146 |
| Short-term borrowings | 4,398,378 | 1,310,110 | 3,239,416 | 1,626,129 | 175,099 |
| Accrued interest and other liabilities | 1,637,348 | 1,800,778 | 1,953,848 | 1,749,320 | 1,593,993 |
| Long-term borrowings | 8,444,914 | 9,140,268 | 8,382,316 | 8,591,051 | 8,141,430 |
| Total liabilities | 104,637,212 | 101,391,552 | 102,848,168 | 102,913,130 | 102,342,668 |
| Shareholders' equity: | | | | | |
| Preferred | 1,231,500 | 1,231,500 | 1,231,500 | 1,231,500 | 1,231,500 |
| Common | 14,228,691 | 14,204,585 | 14,346,385 | 14,478,194 | 15,019,319 |
| Total shareholders' equity | 15,460,191 | 15,436,085 | 15,577,885 | 15,709,694 | 16,250,819 |
| Total liabilities and shareholders' equity | \$ 120,097,403 | 116,827,637 | 118,426,053 | 118,622,824 | 118,593,487 |

| Dollars in millions | Three months ended | | | | | | Change in balance | | |
|---|--------------------|--------|--------------|--------|---------------|--------|------------------------|---------------|--------|
| | December 31, | | December 31, | | September 30, | | December 31, 2018 from | | |
| | 2018 | | 2017 | | 2018 | | December 31, | September 30, | |
| | Balance | Rate | Balance | Rate | Balance | Rate | 2017 | 2018 | Ba |
| ASSETS | | | | | | | | | |
| Interest-bearing deposits at banks | \$ 7,394 | 2.23 % | 6,680 | 1.31 % | 5,207 | 1.98 % | 11 % | 42 % | \$ |
| Federal funds sold | — | — | — | — | — | — | — | — | |
| Trading account | 56 | 2.65 | 87 | 1.31 | 65 | 1.78 | -35 | -14 | |
| Investment securities | 13,034 | 2.41 | 14,808 | 2.30 | 13,431 | 2.37 | -12 | -3 | 11 |
| Loans and leases, net of unearned discount | | | | | | | | | |
| Commercial, financial, etc. | 22,376 | 4.92 | 21,562 | 4.06 | 21,689 | 4.68 | 4 | 3 | 21 |
| Real estate - commercial | 33,586 | 5.27 | 33,138 | 4.61 | 33,800 | 5.10 | 1 | -1 | 31 |
| Real estate - consumer | 17,421 | 4.31 | 19,974 | 4.03 | 18,006 | 4.21 | -13 | -3 | 18 |
| Consumer | 13,918 | 5.35 | 13,163 | 4.91 | 13,637 | 5.26 | 6 | 2 | 11 |
| Total loans and leases, net | 87,301 | 5.02 | 87,837 | 4.40 | 87,132 | 4.86 | -1 | — | 87 |
| Total earning assets | 107,785 | 4.51 | 109,412 | 3.93 | 105,835 | 4.40 | -1 | 2 | 106 |
| Goodwill | 4,593 | | 4,593 | | 4,593 | | — | — | 4 |
| Core deposit and other intangible assets | 50 | | 75 | | 55 | | -34 | -11 | |
| Other assets | 5,371 | | 6,146 | | 5,514 | | -13 | -3 | 5 |
| Total assets | \$ 117,799 | | 120,226 | | 115,997 | | -2 % | 2 % | \$ 116 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | | | | | |
| Interest-bearing deposits | | | | | | | | | |
| Savings and interest-checking deposits | \$ 51,820 | .54 | 53,436 | .29 | 51,552 | .43 | -3 % | 1 % | \$ 51 |
| Time deposits | 5,960 | 1.07 | 6,888 | .70 | 5,826 | .88 | -13 | 2 | 6 |
| Deposits at Cayman Islands office | 693 | 1.81 | 215 | .61 | 407 | 1.52 | 223 | 70 | |
| Total interest-bearing deposits | 58,473 | .61 | 60,539 | .34 | 57,785 | .49 | -3 | 1 | 58 |
| Short-term borrowings | 315 | 1.91 | 178 | .81 | 374 | 1.70 | 77 | -16 | |
| Long-term borrowings | 9,239 | 3.03 | 8,464 | 2.37 | 9,047 | 2.90 | 9 | 2 | 9 |
| Total interest-bearing liabilities | 68,027 | .94 | 69,181 | .59 | 67,206 | .82 | -2 | 1 | 67 |
| Noninterest-bearing deposits | 32,631 | | 32,930 | | 31,467 | | -1 | 4 | 31 |
| Other liabilities | 1,752 | | 1,844 | | 1,775 | | -5 | -1 | 1 |
| Total liabilities | 102,410 | | 103,955 | | 100,448 | | -1 | 2 | 101 |
| Shareholders' equity | 15,389 | | 16,271 | | 15,549 | | -5 | -1 | 15 |
| Total liabilities and shareholders' equity | \$ 117,799 | | 120,226 | | 115,997 | | -2 % | 2 % | \$ 116 |
| Net interest spread | | 3.57 | | 3.34 | | 3.58 | | | |
| Contribution of interest-free funds | | .35 | | .22 | | .30 | | | |
| Net interest margin | | 3.92 % | | 3.56 % | | 3.88 % | | | |

Reconciliation of GAAP to Non-GAAP Measures

| | Three months ended | | Year ended | |
|--|--------------------|-----------|-------------|-----------|
| | December 31 | | December 31 | |
| | 2018 | 2017 | 2018 | 2017 |
| Income statement data | | | | |
| In thousands, except per share | | | | |
| Net income | | | | |
| Net income | \$ 546,219 | 322,403 | 1,918,080 | 1,408,306 |
| Amortization of core deposit and other intangible assets (1) | 3,950 | 4,261 | 18,075 | 19,025 |
| Net operating income | \$ 550,169 | 326,664 | 1,936,155 | 1,427,331 |
| Earnings per common share | | | | |
| Diluted earnings per common share | \$ 3.76 | 2.01 | 12.74 | 8.70 |
| Amortization of core deposit and other intangible assets (1) | .03 | .03 | .12 | .12 |
| Diluted net operating earnings per common share | \$ 3.79 | 2.04 | 12.86 | 8.82 |
| Other expense | | | | |
| Other expense | \$ 802,162 | 795,813 | 3,288,062 | 3,140,325 |
| Amortization of core deposit and other intangible assets | (5,359) | (7,025) | (24,522) | (31,366) |
| Noninterest operating expense | \$ 796,803 | 788,788 | 3,263,540 | 3,108,959 |
| Efficiency ratio | | | | |
| Noninterest operating expense (numerator) | \$ 796,803 | 788,788 | 3,263,540 | 3,108,959 |
| Taxable-equivalent net interest income | 1,064,918 | 980,457 | 4,094,199 | 3,815,614 |
| Other income | 480,596 | 484,053 | 1,856,000 | 1,851,143 |
| Less: Gain (loss) on bank investment securities | 4,219 | 21,296 | (6,301) | 21,279 |
| Denominator | \$ 1,541,295 | 1,443,214 | 5,956,500 | 5,645,478 |
| Efficiency ratio | 51.70 % | 54.65 % | 54.79 % | 55.07 % |
| Balance sheet data | | | | |
| In millions | | | | |
| Average assets | | | | |
| Average assets | \$ 117,799 | 120,226 | 116,959 | 120,860 |
| Goodwill | (4,593) | (4,593) | (4,593) | (4,593) |
| Core deposit and other intangible assets | (50) | (75) | (59) | (86) |
| Deferred taxes | 13 | 26 | 16 | 33 |
| Average tangible assets | \$ 113,169 | 115,584 | 112,323 | 116,214 |
| Average common equity | | | | |
| Average total equity | \$ 15,389 | 16,271 | 15,630 | 16,295 |
| Preferred stock | (1,232) | (1,232) | (1,232) | (1,232) |
| Average common equity | 14,157 | 15,039 | 14,398 | 15,063 |
| Goodwill | (4,593) | (4,593) | (4,593) | (4,593) |
| Core deposit and other intangible assets | (50) | (75) | (59) | (86) |
| Deferred taxes | 13 | 26 | 16 | 33 |
| Average tangible common equity | \$ 9,527 | 10,397 | 9,762 | 10,417 |
| At end of quarter | | | | |
| Total assets | | | | |
| Total assets | \$ 120,097 | 118,593 | | |
| Goodwill | (4,593) | (4,593) | | |
| Core deposit and other intangible assets | (47) | (72) | | |

| | | |
|---|------------|---------|
| Deferred taxes | 13 | 19 |
| Total tangible assets | \$ 115,470 | 113,947 |
| Total common equity | | |
| Total equity | \$ 15,460 | 16,251 |
| Preferred stock | (1,232) | (1,232) |
| Undeclared dividends - cumulative preferred stock | (3) | (3) |
| Common equity, net of undeclared cumulative preferred dividends | 14,225 | 15,016 |
| Goodwill | (4,593) | (4,593) |
| Core deposit and other intangible assets | (47) | (72) |
| Deferred taxes | 13 | 19 |
| Total tangible common equity | \$ 9,598 | 10,370 |

(1) After any related tax effect.

Reconciliation of Quarterly GAAP to Non-GAAP Measures, Five Quarter Trend

| | Three months ended | | | | |
|--|--------------------|---------------|-----------|-----------|--------------|
| | December 31, | September 30, | June 30, | March 31, | December 31, |
| | 2018 | 2018 | 2018 | 2018 | 2017 |
| <u>Income statement data</u> | | | | | |
| In thousands, except per share | | | | | |
| Net income | | | | | |
| Net income | \$ 546,219 | 526,091 | 493,160 | 352,610 | 322,403 |
| Amortization of core deposit and other intangible assets (1) | 3,950 | 4,528 | 4,709 | 4,888 | 4,261 |
| Net operating income | \$ 550,169 | 530,619 | 497,869 | 357,498 | 326,664 |
| Earnings per common share | | | | | |
| Diluted earnings per common share | \$ 3.76 | 3.53 | 3.26 | 2.23 | 2.01 |
| Amortization of core deposit and other intangible assets (1) | .03 | .03 | .03 | .03 | .03 |
| Diluted net operating earnings per common share | \$ 3.79 | 3.56 | 3.29 | 2.26 | 2.04 |
| Other expense | | | | | |
| Other expense | \$ 802,162 | 775,979 | 776,577 | 933,344 | 795,813 |
| Amortization of core deposit and other intangible assets | (5,359) | (6,143) | (6,388) | (6,632) | (7,025) |
| Noninterest operating expense | \$ 796,803 | 769,836 | 770,189 | 926,712 | 788,788 |
| Efficiency ratio | | | | | |
| Noninterest operating expense (numerator) | \$ 796,803 | 769,836 | 770,189 | 926,712 | 788,788 |
| Taxable-equivalent net interest income | 1,064,918 | 1,034,771 | 1,014,184 | 980,326 | 980,457 |
| Other income | 480,596 | 459,294 | 457,414 | 458,696 | 484,053 |
| Less: Gain (loss) on bank investment securities | 4,219 | (3,415) | 2,326 | (9,431) | 21,296 |
| Denominator | \$ 1,541,295 | 1,497,480 | 1,469,272 | 1,448,453 | 1,443,214 |
| Efficiency ratio | 51.70 % | 51.41 % | 52.42 % | 63.98 % | 54.65 % |
| <u>Balance sheet data</u> | | | | | |
| In millions | | | | | |

| | | | | | | |
|---|----|---------|---------|---------|---------|---------|
| Average assets | | | | | | |
| Average assets | \$ | 117,799 | 115,997 | 116,413 | 117,684 | 120,226 |
| Goodwill | | (4,593) | (4,593) | (4,593) | (4,593) | (4,593) |
| Core deposit and other intangible assets | | (50) | (55) | (62) | (68) | (75) |
| Deferred taxes | | 13 | 14 | 17 | 18 | 26 |
| Average tangible assets | \$ | 113,169 | 111,363 | 111,775 | 113,041 | 115,584 |
| Average common equity | | | | | | |
| Average total equity | \$ | 15,389 | 15,549 | 15,533 | 16,059 | 16,271 |
| Preferred stock | | (1,232) | (1,232) | (1,232) | (1,232) | (1,232) |
| Average common equity | | 14,157 | 14,317 | 14,301 | 14,827 | 15,039 |
| Goodwill | | (4,593) | (4,593) | (4,593) | (4,593) | (4,593) |
| Core deposit and other intangible assets | | (50) | (55) | (62) | (68) | (75) |
| Deferred taxes | | 13 | 14 | 17 | 18 | 26 |
| Average tangible common equity | \$ | 9,527 | 9,683 | 9,663 | 10,184 | 10,397 |
| At end of quarter | | | | | | |
| Total assets | | | | | | |
| Total assets | \$ | 120,097 | 116,828 | 118,426 | 118,623 | 118,593 |
| Goodwill | | (4,593) | (4,593) | (4,593) | (4,593) | (4,593) |
| Core deposit and other intangible assets | | (47) | (52) | (59) | (65) | (72) |
| Deferred taxes | | 13 | 14 | 16 | 17 | 19 |
| Total tangible assets | \$ | 115,470 | 112,197 | 113,790 | 113,982 | 113,947 |
| Total common equity | | | | | | |
| Total equity | \$ | 15,460 | 15,436 | 15,578 | 15,710 | 16,251 |
| Preferred stock | | (1,232) | (1,232) | (1,232) | (1,232) | (1,232) |
| Undeclared dividends - cumulative preferred stock | | (3) | (3) | (3) | (3) | (3) |
| Common equity, net of undeclared cumulative preferred dividends | | 14,225 | 14,201 | 14,343 | 14,475 | 15,016 |
| Goodwill | | (4,593) | (4,593) | (4,593) | (4,593) | (4,593) |
| Core deposit and other intangible assets | | (47) | (52) | (59) | (65) | (72) |
| Deferred taxes | | 13 | 14 | 16 | 17 | 19 |
| Total tangible common equity | \$ | 9,598 | 9,570 | 9,707 | 9,834 | 10,370 |

(1) After any related tax effect.

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