M&T Bank

M&T Bank Corporation Releases Year-End Earnings

M&T Bank Corporation today reported diluted cash earnings per share, excluding nonrecurring merger-related expenses, of $31.69 in 1998, an increase of 21% from $26.14 in 1997. On the same basis, cash net income for 1998 was $251.9 million, up 38% from $182.4 million in 1997. For the fourth quarter of 1998, diluted cash earnings per share rose 21% to $8.31 from $6.88 in the year-earlier quarter. Cash net income in the recently completed quarter was $67.3 million, an increase of 41% from $47.8 million earned in the final quarter of 1997.

Cash net income, excluding nonrecurring merger-related expenses, expressed as a rate of return on average tangible assets was 1.41% in 1998, compared with 1.37% in 1997. Cash return on average tangible common equity, also before one-time expenses, rose to 23.08% in 1998 from 19.56% in 1997.

M&T reports its earnings per share and net income on a "cash," or "tangible," basis, which excludes the after-tax effect of amortization of goodwill and core deposit intangible resulting from acquisition transactions accounted for using the purchase method of accounting, such as the merger with ONBANCorp, Inc. ("ONBANCorp") on April 1, 1998. In connection with the ONBANCorp merger, M&T also incurred nonrecurring expenses having an after- tax impact of $14.0 million or $1.76 per diluted share for 1998. Such expenses were related to systems conversions and other costs of integrating and conforming the acquired operations with and into M&T's operations.

Led by growth in average loans outstanding, taxable-equivalent net interest income increased 19% to $671.5 million in 1998 from $562.7 million in 1997. Reflecting the impact of approximately $3.0 billion of loans obtained in the ONBANCorp acquisition, average loans outstanding increased 30% to $14.3 billion in 1998 from $11.0 billion in 1997. Partially mitigating the favorable impact of loan growth was a decline in net interest margin, or taxable-equivalent net interest income expressed as a percentage of average earning assets, to 3.97% in 1998 from 4.40% in 1997. Lower yielding loans and investment securities obtained in the ONBANCorp transaction and the impact that declining interest rates during the year had on newly originated loans contributed to the decrease in net interest margin.

The provision for possible credit losses was $43.2 million in 1998, down from $46.0 million in 1997. Net charge-offs as a percentage of average loans outstanding declined to .28% in 1998 from .38% in 1997. Net charge-offs for 1998 were $39.4 million, compared with $41.8 million in the prior year. The allowance for loan losses increased during 1998 as a result of $27.9 million of allowance obtained in the ONBANCorp merger and the excess of provision for credit losses over net charge-offs during 1998. As a result, the allowance for possible credit losses was $306.3 million or 1.94% of loans outstanding at December 31, 1998, compared with $274.7 million or 2.39% at the prior year-end. Nonperforming loans totaled $117.0 million at December 31, 1998, or .74% of total loans, compared with $80.7 million or .70% at December 31, 1997. The ratio of the allowance to nonperforming loans was 262% and 341% at December 31, 1998 and 1997, respectively. Assets acquired in settlement of defaulted loans were $11.1 million and $8.4 million at the end of 1998 and 1997, respectively.

Excluding $15.3 million of tax-exempt income M&T recognized in 1998 in connection with a contribution of appreciated investment securities with a fair value of $24.6 million to an affiliated tax-exempt private charitable foundation, other income rose 32% to $255.3 million in 1998 from $193.1 million in 1997. The impact of the ONBANCorp acquisition as well as higher revenues from mortgage banking, trust activities, and a bank- owned life insurance program contributed to the increase. Excluding $21.3 million of nonrecurring merger-related expenses in 1998, amortization of goodwill and core deposit intangible of $34.5 million in 1998 and $7.3 million in 1997, and $24.6 million of expense related to the previously mentioned transfer of securities to an affiliated charitable foundation in 1998, other expense was $485.7 million in 1998, up 17% from $414.5 million in 1997. Expenses related to the acquired operations of ONBANCorp significantly contributed to the higher expense level.

Measured in accordance with generally accepted accounting principles, including the effect of the nonrecurring merger-related expenses and amortization of goodwill and core deposit intangible, diluted earnings per share for the year ended December 31, 1998 were $26.16, compared with $25.26 in 1997. On the same basis, net income for 1998 was $208.0 million, up from $176.2 million in the prior year. The rates of return on average total assets and average common stockholders' equity in 1998 were 1.14% and 13.86%, respectively, compared with 1.32% and 18.49% in 1997. During the year ended December 31, 1998, nonrecurring merger-related expenses lowered the rate of return on assets by .08% and the return on average common stockholders' equity by .93%.

At December 31, 1998, M&T had total assets of $20.6 billion, compared with $14.0 billion a year earlier. Loans and leases, net of unearned discount, were $15.8 billion at the end of 1998, up from $11.5 billion at December 31, 1997. Deposits were $14.7 billion and $11.2 billion at December 31, 1998 and 1997, respectively. Total common stockholders' equity was $1.6 billion or 7.78% of total assets at year-end 1998, compared with $1.0 billion or 7.36% a year earlier. Common stockholders' equity per share was $207.94 at the recent year-end and $155.86 at December 31, 1997. Tangible equity per common share was

$139.89 and $153.24 at December 31, 1998 and 1997, respectively.

As previously announced, in December 1998 M&T entered into a definitive agreement with FNB Rochester Corp., Rochester, New York, for a merger between the two companies. The merger is subject to the approval of stockholders of FNB Rochester Corp., as well as various regulatory agencies, and is expected to be completed in the second quarter of 1999.

During 1998 M&T acquired 479,532 shares of its common stock at an average cost per share of $483.34 pursuant to previously announced repurchase programs for reissuance upon the possible future exercise of outstanding stock options. The latest program to purchase up to 200,674 shares was announced in October 1998. Through December 31, 1998, M&T had repurchased 199,093 common shares pursuant to such plan.