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M&T Bank

NYSE: MTB

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Business Overview



M&T Bank, founded in 1856, is a major financial institution headquartered in Buffalo, New York, with over 1,000 branches across the Eastern US. They offer a wide range of services including personal and business banking, commercial banking, wealth management, and investment services, catering to individuals, businesses, and communities.

Geographical Overview



- M&T Bank operates across the Eastern US in **12 states** including New York, Pennsylvania and Massachusetts
- Headquartered in Buffalo, NY, with a significant presence in Bridgeport, CT
- M&T Bank has grown through a series of mergers and acquisitions, expanding its footprint down the East Coast

Business Profile

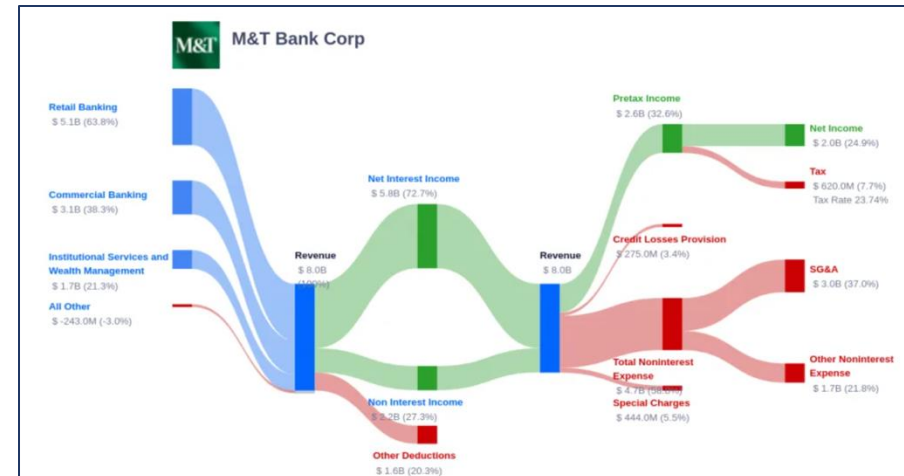


- M&T Bank core business includes retail and commercial banking, trust and wealth management, and investment services
- In NY state they are the dominant player in Buffalo and Rochester
- Maryland and PA are key markets, strengthened by M&T's acquisition of People's United Bank
- NC and VA are growing markets for M&T

Key Developments

Q3 profit jump on rising fees from wealth management business

M&T shares up 38% in 2024 vs 22.5% jump in the S&P 500





Financial Highlights



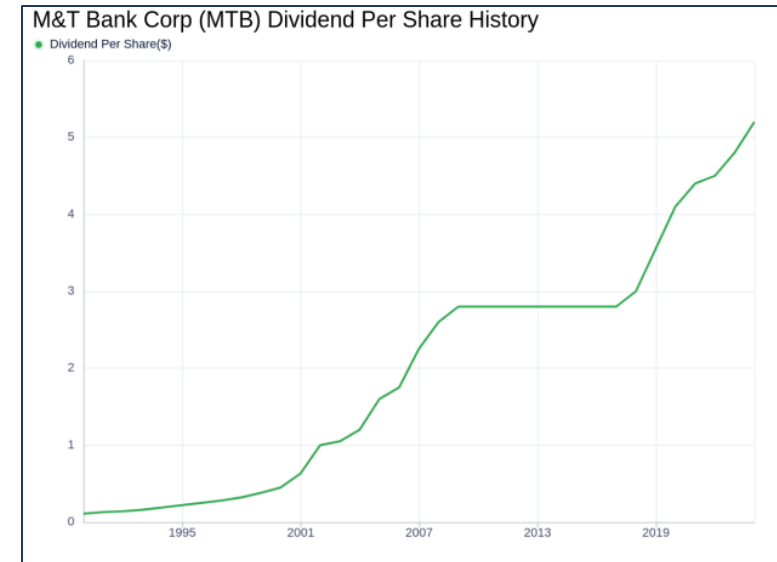
M&T Bank's financials demonstrate a strong underlying asset with growth potential

Profitability Metrics

1. **ROE:** 11.06% up from 8.67%
2. **Tangible ROE:** 17.60%.
 - provides a clearer picture of the returns generated from the physical and financial resources available to shareholders, excluding intangible items that may distort profitability.
 - profitability relative to shareholders' actual 'hard' equity, offering a more conservative & realistic view of returns on tangible resources
 - especially useful in industries where goodwill and other intangible assets constitute a large portion of equity (e.g., banks following acquisitions).
3. **Net Interest Margin (NIM)** improved to 3.38% (2023) from 3.39% (2022)
4. **Return on Asset (ROA):** 1.33% up from 1.05%
5. **Tangible ROA:** 1.42%.
 - a refined measure to adjust for their significant intangible assets due to acquisition like People's United Financial

Growth

- **Non-interest income** grew 7% supported by increased mortgage banking revenues (servicing growth) and commercial service charge growth
- **Average loans** grew 11% primarily from commercial & industrial loans





US Banking Industry Overview



The US banking industry in 2024 demonstrated resilience and adaptability, which is expected to continue into the 2025

Industry Landscape

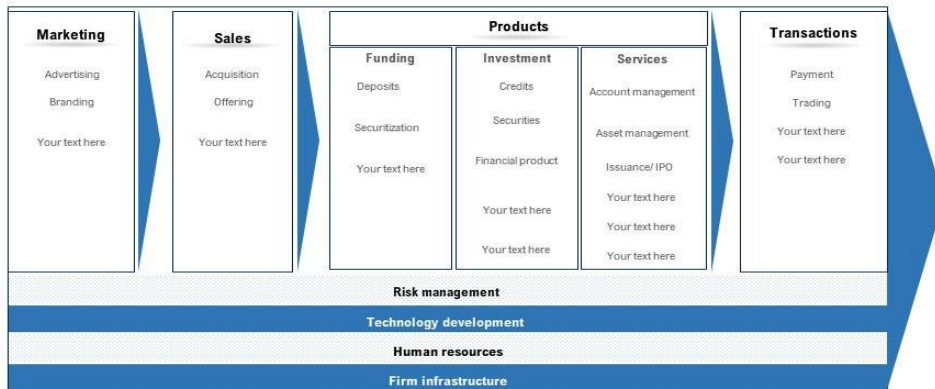
- Q3 2024 showed a **1.4% in asset growth** across the industry; top 50 banks (including M&T) reported a collective \$377.22 billion rise in assets
- Although **deposit optimism is increasing**, the same cannot be said about loan growth expectations. There are a few **uncertainties about consumer and corporate borrowing patterns** going into 2025
- A common pattern in the industry is **balance sheet strengthening**. Many banks have **increased tangible common equity** and **reduced** reliance on **wholesale funding**, strengthening their financial position
- In 2025, continued interest rates fall will **decrease net interest income** in the banking industry, however this may **increase mortgage demand**. As for auto and credit card loans, they are expected to face slower growth, while **corporate borrowing** is projected to remain **stable** as debt and M&A activity is heavily reliant on the macroeconomic certainty

Who are the players?

- **Small banks** (\$10 billion in total assets), **regional banks** (assets of \$10 billion to \$100 billion), and **large banks** (assets above \$100 billion)
- Customers vary from **retail** individuals to **small businesses, companies** of larger size, and **institutional investors**

What are the products?

- Products, or more correctly services, are relatively **homogeneous**
- Most common offerings: **commercial** segment (focused on middle-market and large commercial customers), **retail** segment (B2C and small businesses), **institutional services** and/or **wealth management** (trustee/agency/investment management/administrative services for corps, institutions, IB, and others)





Investment Risks



Headwinds from slower economic growth, rising credit risks, and funding pressures are key disruptors

Industry Risks

- Commercial Real Estate (CRE), especially the office sector, remains under pressure due to declining property values and changing work dynamics. This is likely to worsen asset quality.
- Net Interest Income (NII) compression means falling asset yields, combined with stable or higher funding costs, may lead to modest declines in NII. Loan growth is expected to remain subdued.
- Potential for lower rates could stress funding and liquidity, particularly for smaller banks.
- Tighter capital requirements for larger banks under Basel III Endgame proposals, constraining lending and profitability.
- Stricter compliance mandates due to focus on cyber risk, adding to costs.
- Tech Disruption: Non-bank competitors, including fintech and Big Tech firms, continue to erode market share in payments, lending, and other financial services.
- Investments in digi-infrastructure are critical but expensive, potentially straining smaller banks with fewer resources.

M&T Risks

- Net Interest Margin (NIM) Sensitivity: M&T's earnings are susceptible to interest rate fluctuations. A narrowing of the NIM on loans and deposits has been observed, indicating potential pressure on profitability if rates decline.
- High concentration of CRE loans, particularly in the office sector.
- Deterioration in office loans has stressed CRE portfolios, with rising non-performing loans noted in regional banks, including M&T.
- Market Penetration by Larger Banks: M&T operates in mid-tier cities with slower population growth, making it vulnerable to larger banks expanding into these markets, potentially eroding its customer base.
- Capital Requirements: M&T's capital cushions are thinner compared to peers, which could lead to increased regulatory scrutiny and capital augmentation.
- The bank's performance is closely tied to the Northeast and Mid-Atlantic regions.

External Risks

- The U.S. economy is expected to grow below potential, 1.8% in 2025. The slowdown reflects tighter monetary conditions and elevated uncertainty.
- Inflation and interest rates are forecasted to decline further.. However rate hikes or unexpected shifts in Fed's policy could challenge banks' net interest margins & loan demand.
- If economic growth slows, defaults on loans (especially in consumer and commercial real estate) could rise, straining profitability.
- Geopolitical Tension could affect cross-border financing, trade credit, and supply chains.
- Global economic shifts could lead to unpredictable forex risks, particularly for banks with international operations.



Valuation – Comparable Trading Multiples



Company	Ticker	P/E		EV/EBIT		EV/Revenue	
		2024e	2025e	2024e	2025e	2024e	2025e
Fifth Third Bancorp	FITB	14.8	13	7.19	3.46	2.95	2.80
First Citizens Bancshares	FCNCA	12.3	13.6	3.21	3.84	1.38	1.47
Zions Bancorporation	ZION	12.1	12.1	24.30	22.91	8.18	7.91
Huntington BancShares	HBAN	14.9	13.2	4.48	4.10	1.68	1.60
State Street Corporation	STT	12.1	10.5	16.76	15.72	4.45	4.32
Northern Trust	NTRS	11.5	14.3	19.10	24.44	6.61	6.41
Median	MDN	12.3x	13.0x	7.19x	4.1x	2.95x	2.8x
M&T Bank	MTB	14.5x	13.1x	7.23x	5.91x	2.96x	3.24x



ESG Overview



M&T Bank performs exceptionally in all three ESG branches, highlighting a key strength

Environmental Risk

- M&T Bank has committed to advancing renewable energy with a pledge to invest \$1 billion in renewable projects from 2022 to 2027. As of 2022, \$231.6 million has been allocated to this initiative. This substantial investment aligns with their goal of promoting sustainability and reducing carbon emissions through increased funding for renewable energy projects. Additionally, M&T’s focus on financing affordable housing demonstrates a dual commitment to environmental sustainability and social responsibility.
- Relatively low Environmental Risk.

Governance Risk

- M&T Bank maintains strong governance practices, integrating ESG principles throughout its operations. 40% of the board comes from “diverse backgrounds” although no specifics reported. The scaling of ESG programs in 2022 signifies a strategic focus on resilience and sustainability. However, The continuous integration of ESG metrics and goals highlights the institution’s proactive stance in governance and risk management. No separation of the chairman & CEO positions and relatively low AUM within the ESG themed investments, yet the commitments are high.
- Overall, relatively low Governance Risk.

Social Risk

- M&T Bank shows strong dedication to community development and inclusivity, with \$2.26 billion directed toward projects involving affordable housing in 2022. The M&T Charitable Foundation contributed \$47.7 million in grants to 3,461 nonprofits, reinforcing the bank’s role in societal support. Efforts in workforce development are evident with an average of 33 hours of training per employee. New DEI training programs and initiatives like the Safe & Accepting Spaces and M&T Disability Advocacy Network emphasize the organization’s efforts to create an inclusive environment. Around 60% of employees are women and over 40% of the board comes from diverse backgrounds. In addition to that there are no transparent disclosures over the gender pay gap and recent cybersecurity data breach.
- Overall, relatively low Social Risk.

Environmental
Rating: 4.5/5

Social
Rating: 4.42/5

Governance
Rating: 4.40/5



Macroeconomic & FIG ESG Trends I



Regulation Changes



CSRD (EU):

- Extend existing ESG disclosures => EU standards.
- Mandatory external audits for ESG reports can solidify M&T's credibility.



Climate-Risk Disclosures (USA):

- Existing carbon risk management framework
- Prepare for increased SEC disclosure requirements

Business Implementation

Investments in Renewable Energy:

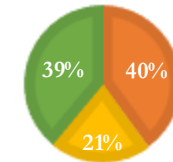
- \$1 bn pledged for renewable projects
- \$231.6m invested in 2022

Community Impact:

- \$2.26 bn for affordable housing in 2022
- High involvement in DEI initiatives and employee development
- e.g., 60% women employees

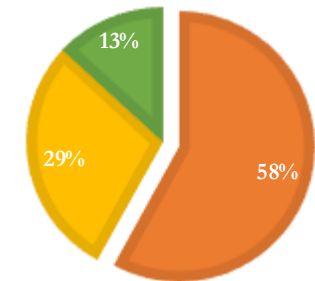
GOVERNANCE DIVERSITY

- Diverse Background (Board)
- Women in Leadership
- other



WORKFORCE DEMOGRAPHICS

- Women
- Ethnic Minorities
- Other



Sources: M&T Bank 2023 Sustainability Report, M&T Sustainability Reports 2020–2022



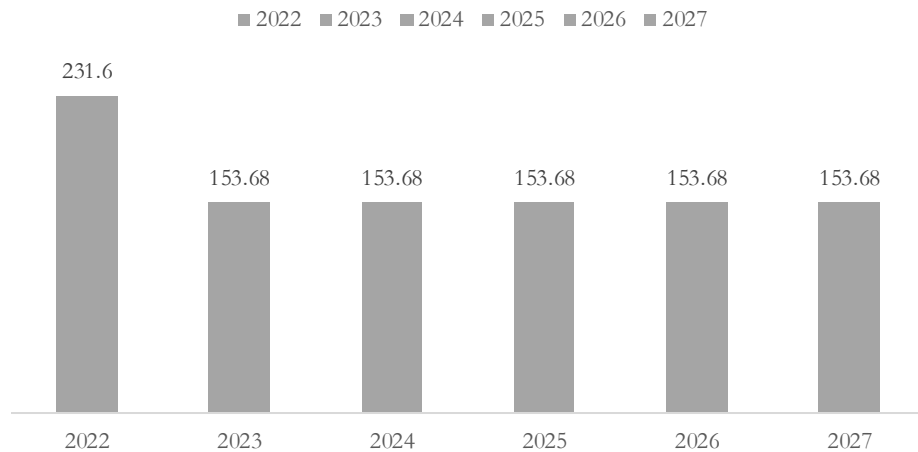
Macroeconomic & FIG ESG Trends II



ESG Investment Trends

- ESG funds outperform in risk-adjusted returns
- Emphasize profitability trends within the ESG sector

Renewable Energy Investment (\$ Million)

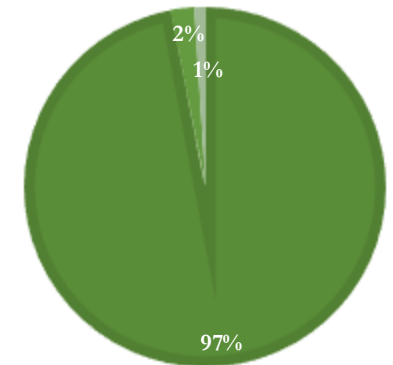


M&T's Strengths and Weaknesses

- 40% of board members from diverse backgrounds
 - \$670.9 m allocated to environmental sustainability products in 2023
 - DEI programs & customer engagement tools
- Challenges:**
- Cybersecurity data breach
 - Limited global diversification (focused on the US)

COMMUNITY IMPACT BREAKDOWN

■ Affordable Housing ■ Charitable Grants
■ DEI Programs



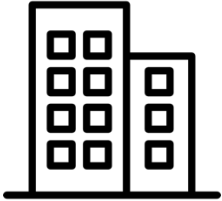
Sources: M&T Bank 2023 Sustainability Report, M&T Sustainability Reports 2020–2022



ESG – Qualitative Analysis

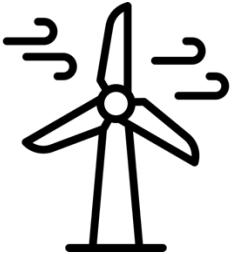


Focus Areas



Community Development

- \$2.26B in affordable housing (2022).
- \$47.7M in grants to 3,461 nonprofits.



Renewable Energy Financing

- \$1B pledged (2022–2027); \$231.6M invested (2022).
- Driving green infrastructure projects.



Workforce Development & DEI Programs

- Safe & Accepting Spaces, Disability Advocacy.

ESG Strategy Alignment

Long-Term Focus

- Net-zero by 2035; Scope 1–3 emissions disclosure.
- Shift from short-term gains to sustainable impact.

Portfolio Excellence

- Prioritizing thematic investments in housing & renewables.
- Adaptive frameworks (TCFD-aligned risk assessments).

Risk Management

- Strengthening cybersecurity post-recent breaches.
- Carbon risk management enhanced.

Governance Oversight

- ESG Council driving accountability.



Sources: M&T Bank 2023 Sustainability Report, M&T Sustainability Reports 2020–2022



ESG – Quantitative Analysis



Weighted Average Scoring



↑ 25.3
M&T Bank

- M&T's focus on **green financing** and **community development** has led to accelerated growth in ESG products (e.g., \$1 billion renewable energy commitment).
- Strong governance aligns with transparent disclosures and board diversity (40% diverse backgrounds).

Morningstar's ESG Calculation



Exposure – This refers to the extent to which a company is exposed to different material ESG issues. This takes into consideration subindustry and company-specific factors such as its business model



Management – This refers to how well a company is managing its relevant ESG issues. This score assesses the robustness of a company's ESG programs, practices and policies

Sources: Blackelm Equity, CFI, Company Reports

ESG vs Growth Rates

2023 Figures & Estimates.

