

M&T BANK CORP
Form 10-K
February 21, 2014
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

☐ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2013

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-9861

M&T BANK CORPORATION

(Exact name of registrant as specified in its charter)

New York
(State of incorporation)

16-0968385
(I.R.S. Employer Identification No.)

One M&T Plaza, Buffalo, New York
(Address of principal executive offices)

14203
(Zip Code)

Registrant's telephone number, including area code:

716-842-5445

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$.50 par value	New York Stock Exchange
5% Cumulative Perpetual Preferred Stock,	New York Stock Exchange
Series A, \$1,000 liquidation preference per share	
5% Cumulative Perpetual Preferred Stock,	New York Stock Exchange

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Series C, \$1,000 liquidation preference per share
Warrants to purchase shares of Common Stock

New York Stock Exchange

(expiring December 23, 2018)

Securities registered pursuant to Section 12(g) of the Act:

8.234% Capital Securities of M&T Capital Trust I

(and the Guarantee of M&T Bank Corporation with respect thereto)

(Title of class)

8.234% Junior Subordinated Debentures of

M&T Bank Corporation

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Aggregate market value of the Common Stock, \$0.50 par value, held by non-affiliates of the registrant, computed by reference to the closing price as of the close of business on June 30, 2013: \$12,619,414,344.

Number of shares of the Common Stock, \$0.50 par value, outstanding as of the close of business on February 14, 2014: 131,031,744 shares.

Documents Incorporated By Reference:

(1) Portions of the Proxy Statement for the 2014 Annual Meeting of Shareholders of M&T Bank Corporation in Parts II and III.

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Form 10-K for the year ended December 31, 2013

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M&T Bank Corporation (Registrant or M&T) is a New York business corporation which is registered as a financial holding company under the Bank Holding Company Act of 1956, as amended (BHCA) and as a bank holding company (BHC) under Article III-A of the New York Banking Law (Banking Law). The principal executive offices of the Registrant are located at One M&T Plaza, Buffalo, New York 14203. The Registrant was incorporated in November 1969. The Registrant and its direct and indirect subsidiaries are collectively referred to herein as the Company. As of December 31, 2013 the Company had consolidated total assets of \$85.2 billion, deposits of \$67.1 billion and shareholders' equity of \$11.3 billion. The Company had 14,629 full-time and 1,264 part-time employees as of December 31, 2013.

At December 31, 2013, the Registrant had two wholly owned bank subsidiaries: M&T Bank and Wilmington Trust, National Association (Wilmington Trust, N.A.). The banks collectively offer a wide range of retail and commercial banking, trust and wealth management, and investment services to their customers. At December 31, 2013, M&T Bank represented 99% of consolidated assets of the Company.

The Company from time to time considers acquiring banks, thrift institutions, branch offices of banks or thrift institutions, or other businesses within markets currently served by the Company or in other locations that would complement the Company's business or its geographic reach. The Company has pursued acquisition opportunities in the past, continues to review different opportunities, including the possibility of major acquisitions, and intends to continue this practice.

Subsidiaries

M&T Bank is a banking corporation that is incorporated under the laws of the State of New York. M&T Bank is a member of the Federal Reserve System and the Federal Home Loan Bank System, and its deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to applicable limits. M&T acquired all of the issued and outstanding shares of the capital stock of M&T Bank in December 1969. The stock of M&T Bank represents a major asset of M&T. M&T Bank operates under a charter granted by the State of New York in 1892, and the continuity of its banking business is traced to the organization of the Manufacturers and Traders Bank in 1856. The principal executive offices of M&T Bank are located at One M&T Plaza, Buffalo, New York 14203. As of December 31, 2013, M&T Bank had 720 domestic banking offices located in New York State, Pennsylvania, Maryland, Delaware, Virginia, West Virginia, and the District of Columbia, a full-service commercial banking office in Ontario, Canada, and an office in George Town, Cayman Islands. As of December 31, 2013, M&T Bank had consolidated total assets of \$84.4 billion, deposits of \$68.2 billion and shareholder's equity of \$11.0 billion. The deposit liabilities of M&T Bank are insured by the FDIC through its Deposit Insurance Fund (DIF). As a commercial bank, M&T Bank offers a broad range of financial services to a diverse base of consumers, businesses, professional clients, governmental entities and financial institutions located in its markets. Lending is largely focused on consumers residing in New York State, Pennsylvania, Maryland, Virginia, Delaware and Washington, D.C., and on small and medium-size businesses based in those areas, although loans are originated through lending offices in other states and in Ontario, Canada. In addition, the Company conducts lending activities in various states through other subsidiaries. Trust and other fiduciary services are offered by M&T Bank and through its wholly owned subsidiary, Wilmington Trust Company. M&T Bank and certain of its subsidiaries also offer commercial mortgage loans secured by income producing properties or properties used by borrowers in a trade or business. Additional financial services are provided through other operating subsidiaries of the Company.

Wilmington Trust, N.A., a national banking association and a member of the Federal Reserve System and the FDIC, commenced operations on October 2, 1995. The deposit liabilities of Wilmington Trust, N.A. are insured by the FDIC through the DIF. The main office of Wilmington Trust, N.A. is located at 1100 North Market Street, Wilmington, Delaware, 19890. A second office is located in Oakfield, New York. Wilmington Trust, N.A. offers various trust and wealth management services. Historically, Wilmington Trust, N.A. offered selected deposit and loan products on a nationwide basis, through direct mail, telephone marketing techniques and the Internet. As of December 31, 2013, Wilmington Trust, N.A. had total assets of \$1.7 billion, deposits of \$1.1 billion and shareholder's equity of \$422 million.

Wilmington Trust Company, a wholly owned subsidiary of M&T Bank, was incorporated as a Delaware bank and trust company in March 1901 and amended its charter in July 2011 to become a nondepository trust company. Wilmington Trust Company provides a variety of Delaware based trust, fiduciary and custodial services to its clients. As of December 31, 2013, Wilmington Trust Company had

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total assets of \$1.1 billion and shareholder s equity of \$544 million. Revenues of Wilmington Trust Company were \$119 million in 2013. The headquarters of Wilmington Trust Company are located at 1100 North Market Street, Wilmington, Delaware 19890.

M&T Life Insurance Company (M&T Life Insurance), a wholly owned subsidiary of M&T, was incorporated as an Arizona business corporation in January 1984. M&T Life Insurance is a credit reinsurer which reinsures credit life and accident and health insurance purchased by the Company s consumer loan customers. As of December 31, 2013, M&T Life Insurance had assets of \$17 million and shareholder s equity of \$16 million. M&T Life Insurance recorded revenues of \$456 thousand during 2013. Headquarters of M&T Life Insurance are located at 101 North First Avenue, Phoenix, Arizona 85003.

M&T Insurance Agency, Inc. (M&T Insurance Agency), a wholly owned insurance agency subsidiary of M&T Bank, was incorporated as a New York corporation in March 1955. M&T Insurance Agency provides insurance agency services principally to the commercial market. As of December 31, 2013, M&T Insurance Agency had assets of \$52 million and shareholder s equity of \$38 million. M&T Insurance Agency recorded revenues of \$25 million during 2013. The headquarters of M&T Insurance Agency are located at 285 Delaware Avenue, Buffalo, New York 14202.

M&T Mortgage Reinsurance Company, Inc. (M&T Reinsurance), a wholly owned subsidiary of M&T Bank, was incorporated as a Vermont business corporation in July 1999. M&T Reinsurance enters into reinsurance contracts with insurance companies who insure against the risk of a mortgage borrower s payment default in connection with M&T Bank-related mortgage loans. M&T Reinsurance receives a share of the premium for those policies in exchange for accepting a portion of the insurer s risk of borrower default. As of December 31, 2013, M&T Reinsurance had assets of \$20 million and shareholder s equity of \$14 million. M&T Reinsurance recorded approximately \$2 million of revenue during 2013. M&T Reinsurance s principal and registered office is at 148 College Street, Burlington, Vermont 05401.

M&T Real Estate Trust (M&T Real Estate) is a Maryland Real Estate Investment Trust that was formed through the merger of two separate subsidiaries, but traces its origin to the incorporation of M&T Real Estate, Inc. in July 1995. M&T Real Estate engages in commercial real estate lending and provides loan servicing to M&T Bank. As of December 31, 2013, M&T Real Estate had assets of \$17.8 billion, common shareholder s equity of \$15.9 billion, and preferred shareholders equity, consisting of 9% fixed-rate preferred stock (par value \$1,000), of \$1 million. All of the outstanding common stock and 89% of the preferred stock of M&T Real Estate is owned by M&T Bank. The remaining 11% of M&T Real Estate s outstanding preferred stock is owned by officers or former officers of the Company. M&T Real Estate recorded \$767 million of revenue in 2013. The headquarters of M&T Real Estate are located at M&T Center, One Fountain Plaza, Buffalo, New York 14203.

M&T Realty Capital Corporation (M&T Realty Capital), a wholly owned subsidiary of M&T Bank, was incorporated as a Maryland corporation in October 1973. M&T Realty Capital engages in multifamily commercial real estate lending and provides loan servicing to purchasers of the loans it originates. As of December 31, 2013, M&T Realty Capital serviced \$11.4 billion of commercial mortgage loans for non-affiliates and had assets of \$492 million and shareholder s equity of \$85 million. M&T Realty Capital recorded revenues of \$97 million in 2013. The headquarters of M&T Realty Capital are located at 25 South Charles Street, Baltimore, Maryland 21202.

M&T Securities, Inc. (M&T Securities) is a wholly owned subsidiary of M&T Bank that was incorporated as a New York business corporation in November 1985. M&T Securities is registered as a broker/dealer under the Securities Exchange Act of 1934, as amended, and as an investment advisor under the Investment Advisors Act of 1940, as amended (the Investment Advisors Act). M&T Securities is licensed as a life insurance agent in each state where M&T Bank operates branch offices and in a number of other states. It provides securities brokerage, investment advisory and insurance services. As of December 31, 2013, M&T Securities had assets of \$65 million and shareholder s equity of \$44 million. M&T Securities recorded \$103 million of revenue during 2013. The headquarters of M&T Securities are located at One M&T Plaza, Buffalo, New York 14203.

Wilmington Trust Investment Advisors, Inc. (WT Investment Advisors), a wholly owned subsidiary of M&T Bank and formerly known as MTB Investment Advisors prior to its name change on January 10, 2012, was incorporated as a Maryland corporation on June 30, 1995. WT Investment Advisors, a registered investment advisor under the Investment Advisors Act, serves as investment advisor to the Wilmington Funds, a family of proprietary mutual funds, and institutional clients. As of December 31, 2013, WT Investment Advisors had assets of \$34 million and shareholder s equity of \$27 million. WT Investment Advisors recorded revenues of \$45 million in 2013. The headquarters of WT Investment Advisors are located at 100 East Pratt Street, Baltimore, Maryland 21202.

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Wilmington Funds Management Corporation (Wilmington Funds Management), formerly known as Rodney Square Management Corporation, is a wholly owned subsidiary of M&T that was incorporated in September 1981 as a Delaware corporation. Wilmington Funds Management is registered as an investment advisor under the Investment Advisors Act and serves as the investment advisor to the Wilmington Funds. Wilmington Funds Management had assets of \$11 million and shareholder s equity of \$10 million as of December 31, 2013. Wilmington Funds Management recorded revenues of \$19 million in 2013. The headquarters of Wilmington Funds Management are located at 1100 North Market Street, Wilmington, Delaware 19890.

Wilmington Trust Investment Management, LLC (WTIM) is a wholly owned subsidiary of M&T and was incorporated in December 2001 as a Georgia limited liability company. WTIM is a registered investment advisor under the Investment Advisors Act and provides investment management services to clients, including certain private funds. As of December 31, 2013, WTIM has assets of \$23 million and shareholder s equity of \$23 million. WTIM recorded revenues of \$7 million in 2013. WTIM s headquarters is located at Terminus 27 Floor, 3280 Peachtree Road N.E., Atlanta, Georgia 30305.

The Registrant and its banking subsidiaries have a number of other special-purpose or inactive subsidiaries. These other subsidiaries did not represent, individually and collectively, a significant portion of the Company s consolidated assets, net income and shareholders equity at December 31, 2013.

Segment Information, Principal Products/Services and Foreign Operations

Information about the Registrant s business segments is included in note 22 of Notes to Financial Statements filed herewith in Part II, Item 8, Financial Statements and Supplementary Data and is further discussed in Part II, Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations. The Registrant s reportable segments have been determined based upon its internal profitability reporting system, which is organized by strategic business unit. Certain strategic business units have been combined for segment information reporting purposes where the nature of the products and services, the type of customer and the distribution of those products and services are similar. The reportable segments are Business Banking, Commercial Banking, Commercial Real Estate, Discretionary Portfolio, Residential Mortgage Banking and Retail Banking. The Company s international activities are discussed in note 17 of Notes to Financial Statements filed herewith in Part II, Item 8, Financial Statements and Supplementary Data.

The only activities that, as a class, contributed 10% or more of the sum of consolidated interest income and other income in any of the last three years were interest on loans, trust income and fees for providing deposit account services. The amount of income from such sources during those years is set forth on the Company s Consolidated Statement of Income filed herewith in Part II, Item 8, Financial Statements and Supplementary Data.

Supervision and Regulation of the Company

M&T and its subsidiaries are subject to the comprehensive regulatory framework applicable to bank and financial holding companies and their subsidiaries. Regulation of financial institutions such as M&T and its subsidiaries is intended primarily for the protection of depositors, the FDIC s Deposit Insurance Fund and the banking and financial system as a whole, and generally is not intended for the protection of shareholders, investors or creditors other than insured depositors. Described below are material elements of selected laws and regulations applicable to M&T and its subsidiaries. The descriptions are not intended to be complete and are qualified in their entirety by reference to the full text of the statutes and regulations described.

Overview

M&T is registered with the Board of Governors of the Federal Reserve Board System (the Federal Reserve Board) as a BHC under the BHCA. As such, M&T and its subsidiaries are subject to the supervision, examination and reporting requirements of the BHCA and the regulations of the Federal Reserve Board.

In general, the BHCA limits the business of a BHC to banking, managing or controlling banks and other activities that the Federal Reserve Board has determined to be so closely related to banking as to be a proper incident thereto. In addition, bank holding companies that qualify and elect to be financial holding companies may engage in any activity, or acquire and retain the shares of a company engaged in any activity, that is either (i) financial in nature or incidental to such financial activity (as determined by the Federal Reserve Board, by regulation or order, in consultation with the Secretary of the Treasury) or (ii) complementary to a

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financial activity and does not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally (as solely determined by the Federal Reserve Board). Activities that are financial in nature include securities underwriting and dealing, insurance underwriting and making merchant banking investments.

To maintain financial holding company status, a financial holding company and all of its depository institution subsidiaries must be well capitalized and well managed. M&T became a financial holding company on March 1, 2011. If a financial holding company fails to continue to meet any of the prerequisites for financial holding company status, the company must enter into an agreement with the Federal Reserve Board to comply with all applicable capital and management requirements. Under such agreement, the noncompliant financial holding company generally may not commence any additional activity or acquire shares of any company pursuant to the financial holding company provisions of the BHCA, without prior approval of the Federal Reserve Board. If the company does not return to compliance within 180 days, the Federal Reserve Board may order the company to divest its subsidiary banks or the company may discontinue or divest investments in companies engaged in activities permissible only for a BHC electing to be treated as a financial holding company. In order for a financial holding company to commence any new activity or to acquire a company engaged in any activity pursuant to the financial holding company provisions of the BHCA, each insured depository institution subsidiary of the financial holding company also must have at least a satisfactory rating under the Community Reinvestment Act of 1977 (the CRA). See the section captioned Community Reinvestment Act included elsewhere in this item.

Current federal law also establishes a system of functional regulation under which, in addition to the broad supervisory authority that the Federal Reserve Board has over both the banking and non-banking activities of bank holding companies, the federal banking agencies regulate the banking activities of bank holding companies, banks and savings associations and subsidiaries of the foregoing, the U.S. Securities and Exchange Commission (SEC) regulates their securities activities, and state insurance regulators regulate their insurance activities.

Recent Developments

The events of the past few years have led to numerous new laws in the United States and internationally for financial institutions. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act or Dodd-Frank), which was enacted in July 2010, significantly restructures the financial regulatory regime in the United States and provides for enhanced supervision and prudential standards for, among other things, bank holding companies, like M&T, that have total consolidated assets of \$50 billion or more. The implications of the Dodd-Frank Act for the Company's businesses will depend to a large extent on the manner in which rules adopted pursuant to the Dodd-Frank Act are implemented by the primary U.S. financial regulatory agencies as well as potential changes in market practices and structures in response to the requirements of the Dodd-Frank Act and financial reforms in other jurisdictions.

The Dodd-Frank Act broadened the base for FDIC insurance assessments. Beginning in the second quarter of 2011, assessments are based on average consolidated total assets less average Tier 1 capital and certain allowable deductions of a financial institution. The Dodd-Frank Act also permanently increased the maximum amount of deposit insurance for banks, savings institutions and credit unions to \$250,000 per depositor, retroactive to January 1, 2009.

The legislation also requires that publicly traded companies give shareholders a non-binding vote on executive compensation and golden parachute payments, and authorizes the Securities and Exchange Commission to promulgate rules that would allow shareholders to nominate their own candidates using a company's proxy materials. The Dodd-Frank Act also directs the Federal Reserve Board to promulgate rules prohibiting excessive compensation paid to bank holding company executives, regardless of whether the company is publicly traded.

The Dodd-Frank Act established a new Bureau of Consumer Financial Protection (CFPB) with broad powers to supervise and enforce consumer protection laws. The CFPB has broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions, including the authority to prohibit unfair, deceptive or abusive acts and practices. The CFPB has examination and enforcement authority over all banks and savings institutions with more than \$10 billion in assets.

In addition, the Dodd-Frank Act, among other things:

- weakened the federal preemption rules that have been applicable for national banks and gives state attorneys general the ability to enforce federal consumer protection laws;

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amended the Electronic Fund Transfer Act (EFTA) which resulted in, among other things, the Federal Reserve Board issuing rules aimed at limiting debit-card interchange fees;

applied the same leverage and risk-based capital requirements that apply to insured depository institutions to most bank holding companies;

provided for an increase in the FDIC assessment for depository institutions with assets of \$10 billion or more and increased the minimum reserve ratio for the deposit insurance fund from 1.15% to 1.35%;

imposed comprehensive regulation of the over-the-counter derivatives market, which would include certain provisions that would effectively prohibit insured depository institutions from conducting certain derivatives businesses in the institution itself;

repealed the federal prohibitions on the payment of interest on demand deposits, thereby permitting depository institutions to pay interest on business transaction and other accounts;

provided mortgage reform provisions regarding a customer s ability to repay, restricting variable-rate lending by requiring the ability to repay to be determined for variable-rate loans by using the maximum rate that will apply during the first five years of a variable-rate loan term, and making more loans subject to provisions for higher cost loans, new disclosures, and certain other revisions; and

created the Financial Stability Oversight Council, which will recommend to the Federal Reserve Board increasingly strict rules for capital, leverage, liquidity, risk management and other requirements as companies grow in size and complexity.

Enhanced Supervision and Prudential Standards

Section 165 of the Dodd-Frank Act directed the Federal Reserve Board to enact enhanced prudential standards applicable to foreign banking organizations and bank holding companies with total consolidated assets of \$50 billion or more, such as M&T. On February 18, 2014, the Federal Reserve Board adopted amendments to Regulation YY to implement certain of the required enhanced prudential standards. These enhanced prudential standards, which are intended to help increase the resiliency of the operations of these organizations, include liquidity requirements, requirements for overall risk management (including establishing a risk committee), and a 15-to-1 debt-to-equity limit for companies that the Financial Stability Oversight Council has determined pose a grave threat to financial stability. M&T will have to comply with the liquidity requirements and risk management requirements by January 1, 2015. The Federal Reserve Board has not yet adopted final single counterparty credit limits or early remediation requirements.

The rule addresses a diverse array of regulatory areas, each of which is highly complex. In some instances they implement new financial regulatory requirements and in other instances they overlap with regulatory reforms currently in existence (such as the Basel III capital and liquidity reforms discussed later in this section). M&T is analyzing the impact of the final rule on its businesses; however, the full impact will not be known until the rule and other regulatory initiatives that overlap with the final rule can be analyzed.

Volcker Rule

The Dodd-Frank Act requires the federal financial regulatory agencies to adopt rules that prohibit banks and their affiliates from engaging in proprietary trading and investing in and sponsoring certain unregistered investment companies (defined as hedge funds and private equity funds). The statutory provision is commonly called the Volcker Rule. On December 10, 2013, the federal banking regulators and the SEC adopted final rules to implement the Volcker Rule. The Company believes that it does not engage in any significant amount of proprietary trading as defined in the Volcker Rule and that, although it may be required by the covered funds provisions to divest certain investments by the end of the compliance period, the Volcker Rule is not expected to have a significant effect on M&T s financial condition or its results of operations. Although the Volcker Rule became effective on July 21, 2012 and the final rules are effective April 1, 2014, in connection with the adoption of the final rules on December 10, 2013 by the responsible agencies, the Federal Reserve issued an order extending the period during which institutions have to conform their activities and investments to the requirements of the Volcker Rule to July 21, 2015.

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Dividends

M&T is a legal entity separate and distinct from its banking and other subsidiaries. Historically, the majority of M&T's revenue has been from dividends paid to M&T by its subsidiary banks. M&T Bank and Wilmington Trust, N.A. are subject, under one or more of the banking laws, to restrictions on the amount of dividends they may declare and pay. Future dividend payments to M&T by its subsidiary banks will be dependent on a number of factors, including the earnings and financial condition of each such bank, and are subject to the limitations referred to in note 23 of Notes to Financial Statements filed herewith in Part II, Item 8, Financial Statements and Supplementary Data, and to other statutory powers of bank regulatory agencies.

An insured depository institution is prohibited from making any capital distribution to its owner, including any dividend, if, after making such distribution, the depository institution fails to meet the required minimum level for any relevant capital measure, including the risk-based capital adequacy and leverage standards discussed herein.

Dividend payments by M&T to its shareholders and stock repurchases by M&T are subject to the oversight of the Federal Reserve Board. As described below in this section under Federal Reserve Board's Capital Plan Review, dividends and stock repurchases generally may only be paid or made under a capital plan as to which the Federal Reserve Board has not objected.

Supervision and Regulation of M&T Bank's Subsidiaries

M&T Bank has a number of subsidiaries. These subsidiaries are subject to the laws and regulations of both the federal government and the various states in which they conduct business. For example, M&T Securities is regulated by the SEC, the Financial Industry Regulatory Authority and state securities regulators.

Capital Requirements

M&T and its subsidiary banks are required to comply with applicable capital adequacy standards established by the federal banking agencies. The current risk-based capital standards applicable to M&T and its subsidiary banks are based on the 1988 Capital Accord, known as Basel I, of the Basel Committee on Banking Supervision (the Basel Committee). However, the federal banking agencies have recently adopted rules implementing the Basel III framework that will replace these rules for M&T and its subsidiary banks effective January 1, 2015.

Basel I Risk-based Capital Standards. The Basel I risk-based capital standards are designed to make regulatory capital requirements more sensitive to differences in credit and market risk profiles among bank and financial holding companies, to account for off-balance sheet exposure, and to minimize disincentives for holding liquid assets. Assets and off-balance sheet items are assigned to broad risk categories, each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance sheet items.

The minimum guideline for the ratio of total capital (Total Capital) to risk-weighted assets (including certain off-balance sheet items, such as standby letters of credit) is 8.0%. At least half of the Total Capital must be Tier 1 Capital, which currently consists of qualifying common equity, qualifying perpetual preferred stock (including related surplus), minority interests relating to qualifying common or non-cumulative perpetual preferred stock issued by a consolidated U.S. depository institution or foreign bank subsidiary, and certain restricted core capital elements, as discussed below, less goodwill and certain other intangible assets. Currently, Tier 2 Capital may consist of, among other things, qualifying subordinated debt, mandatorily convertible debt securities, preferred stock and trust preferred securities not included in the definition of Tier 1 Capital, and a limited amount of the allowance for loan losses. Non-cumulative perpetual preferred stock, trust preferred securities and other so-called restricted core capital elements are currently limited to 25% of Tier 1 Capital. Pursuant to the Dodd-Frank Act, trust preferred securities will be phased-out of the definition of Tier 1 Capital of bank holding companies having consolidated assets exceeding \$500 million, such that in 2015 25% of trust preferred securities will be includable in Tier 1 Capital and none will be includable beginning in 2016.

The minimum guideline to be considered well-capitalized for Tier 1 Capital and Total Capital is 6.0% and 10.0%, respectively. At December 31, 2013, M&T's consolidated Tier 1 Capital ratio was 12.00%, and its Total Capital ratio was 15.07%. The elements currently comprising Tier 1 Capital and Tier 2 Capital and the minimum Tier 1 Capital and Total Capital ratios may in the future be subject to change, as discussed in greater detail below.

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Bank holding companies and banks are also currently required to comply with minimum leverage ratio requirements. The leverage ratio is the ratio of a banking organization's Tier 1 capital to its total adjusted quarterly average assets (as defined for regulatory purposes). The requirements necessitate a minimum leverage ratio of 3.0% for bank holding companies and member banks that either have the highest supervisory rating or have implemented the appropriate federal regulatory authority's risk adjusted measure for market risk. All other bank holding companies and member banks are required to maintain a minimum leverage ratio of 4.0%, unless a different minimum is specified by an appropriate regulatory authority. In addition, for a depository institution to be considered well capitalized under the regulatory framework for prompt corrective action, its leverage ratio must be at least 5.0%. The Federal Reserve Board has not advised M&T or its subsidiary banks of any specific minimum leverage ratio applicable to them.

Basel II Standards. In 2004, the Basel Committee published a new set of risk-based capital standards (Basel II) in order to update Basel I. Basel II provides two approaches for setting capital standards for credit risk—an internal ratings-based approach tailored to individual institutions' circumstances and a standardized approach that bases risk-weighting on external credit assessments to a much greater extent than permitted in the existing risk-based capital guidelines. Basel II also would set capital requirements for operational risk and refine the existing capital requirements for market risk exposures. A definitive final rule for implementing the advanced approaches of Basel II in the United States, which applies only to internationally active banking organizations, or core banks (defined as those with consolidated total assets of \$250 billion or more or consolidated on-balance sheet foreign exposures of \$10 billion or more) became effective on April 1, 2008. Other U.S. banking organizations may elect to adopt the requirements of this rule (if they meet applicable qualification requirements), but are not required to comply. The rule also allows a banking organization's primary federal supervisor to determine that application of the rule would not be appropriate in light of the bank's asset size, level of complexity, risk profile or scope of operations. Neither M&T Bank nor Wilmington Trust, N.A. is currently required to comply with Basel II.

Basel III and the New Capital Rules. In July 2013, the federal banking agencies approved final rules (the New Capital Rules) establishing a new comprehensive capital framework for U.S. banking organizations. The New Capital Rules generally implement the Basel Committee's December 2010 final capital framework referred to as Basel III for strengthening international capital standards. The New Capital Rules substantially revise the risk-based capital requirements applicable to bank holding companies and their depository institution subsidiaries, including M&T, M&T Bank and Wilmington Trust, N.A., as compared to the current U.S. general risk-based capital rules. The New Capital Rules revise the definitions and the components of regulatory capital, as well as address other issues affecting the numerator in banking institutions' regulatory capital ratios. The New Capital Rules also address asset risk weights and other matters affecting the denominator in banking institutions' regulatory capital ratios and replace the existing general risk-weighting approach, which was derived from the Basel I capital accords, with a more risk-sensitive approach based, in part, on the standardized approach in the Basel II capital accords. In addition, the New Capital Rules implement certain provisions of the Dodd-Frank Act, including the requirements of Section 939A to remove references to credit ratings from the federal agencies rules. The New Capital Rules are effective for M&T on January 1, 2015, subject to phase-in periods for certain of their components and other provisions.

Among other matters, the New Capital Rules: (i) introduce a new capital measure called Common Equity Tier 1 (CET1) and related regulatory capital ratio of CET1 to risk-weighted assets; (ii) specify that Tier 1 capital consists of CET1 and Additional Tier 1 capital instruments meeting certain revised requirements; (iii) mandate that most deductions/adjustments to regulatory capital measures be made to CET1 and not to the other components of capital; and (iv) expand the scope of the deductions from and adjustments to capital as compared to existing regulations. Under the New Capital Rules, for most banking organizations, including M&T, the most common form of Additional Tier 1 capital is non-cumulative perpetual preferred stock and the most common forms of Tier 2 capital are subordinated notes and a portion of the allowance for loan and lease losses, in each case, subject to the New Capital Rules' specific requirements.

Pursuant to the New Capital Rules, the minimum capital ratios as of January 1, 2015 will be as follows:

- 4.5% CET1 to risk-weighted assets;
- 6.0% Tier 1 capital (that is, CET1 plus Additional Tier 1 capital) to risk-weighted assets;
- 8.0% Total capital (that is, Tier 1 capital plus Tier 2 capital) to risk-weighted assets; and
- 4.0% Tier 1 capital to average consolidated assets as reported on consolidated financial statements (known as the leverage ratio).

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The New Capital Rules also introduce a new capital conservation buffer, composed entirely of CET1, on top of these minimum risk-weighted asset ratios. The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the capital conservation buffer will face constraints on dividends, equity and other capital instrument repurchases and compensation based on the amount of the shortfall. Thus, when fully phased-in on January 1, 2019, the capital standards applicable to M&T will include an additional capital conservation buffer of 2.5% of CET1, effectively resulting in minimum ratios inclusive of the capital conservation buffer of (i) CET1 to risk-weighted assets of at least 7%, (ii) Tier 1 capital to risk-weighted assets of at least 8.5%; (iii) Total capital to risk-weighted assets of at least 10.5% and (iv) a minimum leverage ratio of 4%, calculated as the ratio of Tier 1 capital to average assets (as compared to a current minimum leverage ratio of 3% for banking organizations that either have the highest supervisory rating or have implemented the appropriate federal regulatory authority's risk-adjusted measure for market risk). In addition, M&T is also subject to the Federal Reserve Board's capital plan rule and supervisory Capital Analysis and Review (CCAR) process, pursuant to which its ability to make capital distributions and repurchase or redeem capital securities may be limited unless M&T is able to demonstrate its ability to meet applicable minimum capital ratios and currently a 5% minimum Tier 1 common equity ratio, as well as other requirements, over a nine quarter planning horizon under a severely adverse macroeconomic scenario generated yearly by the federal bank regulators. See Stress Testing and Capital Plan Review, below.

The New Capital Rules provide for a number of deductions from and adjustments to CET1. These include, for example, the requirement that mortgage servicing rights, deferred tax assets arising from temporary differences that could not be realized through net operating loss carrybacks and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such items, in the aggregate, exceed 15% of CET1.

In addition, under the current general risk-based capital rules, the effects of accumulated other comprehensive income or loss (AOCI) items included in shareholders' equity (for example, marks-to-market of securities held in the available-for-sale portfolio) under U.S. GAAP are reversed for the purposes of determining regulatory capital ratios. Pursuant to the New Capital Rules, the effects of certain AOCI items are not excluded; however, non-advanced approaches banking organizations, including M&T, may make a one-time permanent election to continue to exclude these items. The New Capital Rules also preclude certain hybrid securities, such as trust preferred securities, from inclusion in bank holding companies' Tier 1 capital, subject to phase-out in the case of bank holding companies, such as M&T, that had \$15 billion or more in total consolidated assets as of December 31, 2009. As a result, beginning in 2015 25% of M&T's trust preferred securities will be includable in Tier 1 capital, and in 2016, none of M&T's trust preferred securities will be includable in Tier 1 capital. Trust preferred securities no longer included in M&T's Tier 1 capital may nonetheless be included as a component of Tier 2 capital on a permanent basis without phase-out and irrespective of whether such securities otherwise meet the revised definition of Tier 2 capital set forth in the New Capital Rules. In February 2014, M&T will redeem all of the 8.50% junior subordinated debentures associated with the trust preferred capital securities of M&T Capital Trust IV. Additionally, M&T issued \$350 million of preferred stock during the first quarter of 2014 that qualifies as regulatory capital.

Management believes that M&T will be able to comply with the targeted capital ratios upon implementation of the revised requirements, as finalized. More specifically, management estimates that M&T's ratio of CET1 to risk-weighted assets under the New Capital Rules on a fully phased-in basis was approximately 8.98% as of December 31, 2013, reflecting a good faith estimate of the computation of CET1 and M&T's risk-weighted assets under the methodologies set forth in the New Capital Rules.

M&T's regulatory capital ratios under risk-based capital rules currently in effect are presented in note 23 of Notes to Financial Statements filed herewith in Part II, Item 8, Financial Statements and Supplementary Data.

Liquidity Ratios under Basel III. Historically, regulation and monitoring of bank and BHC liquidity has been addressed as a supervisory matter, both in the U.S. and internationally, without required formulaic measures. The Basel III final framework requires banks and bank holding companies to measure their liquidity against specific liquidity tests. One test, referred to as the liquidity coverage ratio (LCR), is designed to ensure that the banking entity maintains an adequate level of unencumbered high-quality liquid assets equal to the entity's expected net cash outflow for a 30-day time horizon (or, if greater, 25% of its expected total cash outflow) under an acute liquidity stress scenario. The other, referred to as the net stable

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funding ratio (NSFR), is designed to promote more medium- and long-term funding of the assets and activities of banking entities over a one-year time horizon. These requirements will incent banking entities to increase their holdings of U.S. Treasury securities and other sovereign debt as a component of assets and increase the use of long-term debt as a funding source.

In October 2013, the federal banking agencies proposed rules implementing the LCR for advanced approaches institutions and a modified version of the LCR for bank holding companies with at least \$50 billion in total consolidated assets that are not advanced approaches institutions. M&T is not an advanced approaches institution and would only be required to comply with the modified LCR, which as currently written, among other differences from the LCR, only uses a 21-day time horizon for calculating the level of required high-quality liquid assets under a stress scenario. The proposed rule would be phased in over a two-year period beginning January 1, 2015, with 80% compliance required on January 1, 2015, 90% compliance on January 1, 2016 and 100% compliance on January 1, 2017. Additionally, while the proposed rules do not implement the NSFR, the Federal Reserve Board has stated its intent to adopt a version of the NSFR as well.

The Federal Reserve Board's proposed heightened prudential requirements for bank holding companies with \$50 billion or more of consolidated total assets also include enhanced liquidity standards, as noted above under the caption Enhanced Supervision and Prudential Standards.

Capital Requirements of Subsidiary Depository Institutions. M&T Bank and Wilmington Trust, N.A. are subject to substantially similar capital requirements as those applicable to M&T. As of December 31, 2013, both M&T Bank and Wilmington Trust, N.A. were in compliance with applicable minimum capital requirements. None of M&T, M&T Bank or Wilmington Trust, N.A. has been advised by any federal banking agency of a failure to meet any specific minimum capital ratio requirement applicable to it as of December 31, 2013. Failure to meet capital guidelines could subject a bank to a variety of enforcement remedies, including the termination of deposit insurance by the FDIC, and to certain restrictions on its business. See Regulatory Remedies under the FDIA, below.

Stress Testing and Capital Plan Review

As part of the enhanced prudential requirements applicable to systemically important financial institutions, the Federal Reserve Board conducts annual analyses of bank holding companies with at least \$50 billion in assets, such as M&T, to determine whether the companies have sufficient capital on a consolidated basis necessary to absorb losses in three economic and financial scenarios generated by the Federal Reserve Board: baseline, adverse and severely adverse scenarios. The Federal Reserve Board makes its methodologies and data for upcoming analyses available no later than November 15 of each year. M&T is also required to conduct its own semi-annual stress analysis (together with the Federal Reserve Board's stress analysis, the stress tests) to assess the potential impact on M&T of the economic and financial conditions used as part of the Federal Reserve Board's annual stress analysis. The Federal Reserve Board may also use, and require companies to use, additional components in the adverse and severely adverse scenarios or additional or more complex scenarios designed to capture salient risks to specific business groups. M&T Bank is also required to conduct annual stress testing using the same economic and financial scenarios as M&T and report the results to the Federal Reserve Board. A summary of results of the Federal Reserve Board's analysis under the adverse and severely adverse stress scenarios will be publicly disclosed, and the bank holding companies subject to the rules, including M&T, must disclose a summary of the company-run severely adverse stress test results. M&T is required to include in its disclosure a summary of the severely adverse scenario stress test conducted by M&T Bank.

In addition, bank holding companies with total consolidated assets of \$50 billion or more, such as M&T, must submit annual capital plans for approval as part of the Federal Reserve Board's CCAR process. Covered bank holding companies may execute capital actions, such as paying dividends and repurchasing stock, only in accordance with a capital plan that has been reviewed and approved by the Federal Reserve Board (or any approved amendments to such plan). The comprehensive capital plans, which are currently prepared using Basel I capital guidelines, include a view of capital adequacy under four scenarios—a BHC-defined baseline scenario, a baseline scenario provided by the Federal Reserve Board, at least one BHC-defined stress scenario, and a stress scenario provided by the Federal Reserve Board. The CCAR process is intended to help ensure that these bank holding companies have robust, forward-looking capital planning processes that account for each company's unique risks and that permit continued operations during times of economic and financial stress. Each of the bank holding companies participating in the CCAR process is also required to collect and report certain related data to the Federal Reserve Board on a quarterly basis to allow the Federal Reserve Board to monitor progress against the approved capital plans. Each capital plan

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must include a view of capital adequacy under the stress test scenarios described above. The Federal Reserve Board may object to a capital plan if the plan does not show that the covered bank holding company will maintain a Tier 1 common equity ratio (as defined under the Basel I framework) of at least 5% on a pro forma basis under expected and stressful conditions throughout the nine-quarter planning horizon covered by the capital plan. Even if such quantitative thresholds are met, the Federal Reserve Board could object to a capital plan for qualitative reasons, including inadequate assumptions in the plan, other unresolved supervisory issues or an insufficiently robust capital adequacy process, or if the capital plan would otherwise constitute an unsafe or unsound practice or violate law. The rules also provide that a covered BHC may not make a capital distribution unless after giving effect to the distribution it will meet all minimum regulatory capital ratios and have a ratio of Tier 1 common equity to risk-weighted assets of at least 5%. The CCAR rules, consistent with prior Federal Reserve Board guidance, also provide that capital plans contemplating dividend payout ratios exceeding 30% of after-tax net income will receive particularly close scrutiny.

In September 2013, the Federal Reserve Board issued an interim final rule amending its stress test and capital plan rules to clarify how bank holding companies with over \$50 billion in total consolidated assets should incorporate the recently adopted New Capital Rules for the 2014 CCAR process and the supervisory and company run stress tests. Under the Federal Reserve Board's interim final rule, such bank holding companies must both (i) project their regulatory capital ratios and meet the required minimums under the New Capital Rules for each quarter of the nine-quarter planning horizon in accordance with the minimum capital requirements that are in effect during that quarter and subject to appropriate phase-ins/phase-outs under the new rules and (ii) continue to meet the minimum 5% Tier 1 common equity ratio as calculated under the previously generally applicable risk-based capital rules. M&T's most recent CCAR capital plan was filed with the Federal Reserve Board on January 6, 2014.

Safety and Soundness Standards

Guidelines adopted by the federal bank regulatory agencies pursuant to the Federal Deposit Insurance Act, as amended (the "FDIA"), establish general standards relating to internal controls and information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth and compensation, fees and benefits. In general, these guidelines require, among other things, appropriate systems and practices to identify and manage the risk and exposures specified in the guidelines. Additionally, the agencies adopted regulations that authorize, but do not require, an agency to order an institution that has been given notice by an agency that it is not satisfying any of such safety and soundness standards to submit a compliance plan. If, after being so notified, an institution fails to submit an acceptable compliance plan or fails in any material respect to implement an acceptable compliance plan, the agency must issue an order directing action to correct the deficiency and may issue an order directing other actions of the types to which an undercapitalized institution is subject under the "prompt corrective action" provisions of the FDIA. See "Regulatory Remedies under the FDIA" below. If an institution fails to comply with such an order, the agency may seek to enforce such order in judicial proceedings and to impose civil money penalties.

Regulatory Remedies under the FDIA

The FDIA establishes a system of regulatory remedies to resolve the problems of undercapitalized institutions, referred to as the "prompt corrective action." The federal banking regulators have established five capital categories ("well-capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" and "critically undercapitalized") and must take certain mandatory supervisory actions, and are authorized to take other discretionary actions, with respect to institutions which are undercapitalized, significantly undercapitalized or critically undercapitalized. The severity of these mandatory and discretionary supervisory actions depends upon the capital category in which the institution is placed. Generally, subject to a narrow exception, the FDIA requires the banking regulator to appoint a receiver or conservator for an institution that is critically undercapitalized. The federal bank regulatory agencies have specified by regulation the relevant capital levels for each category:

Well-Capitalized

Leverage Ratio of 5%,

Tier 1 Capital ratio of 6%,

Total Capital ratio of 10%, and

Not subject to a written agreement, order, capital directive or regulatory remedy directive requiring a specific capital level.

Adequately Capitalized

Leverage Ratio of 4%,

Tier 1 Capital ratio of 4%, and

Total Capital ratio of 8%.

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Undercapitalized

Leverage Ratio less than 4%,

Tier 1 Capital ratio less than 4%, or

Total Capital ratio less than 8%.

Significantly Undercapitalized

Leverage Ratio less than 3%,

Tier 1 Capital ratio less than 3%, or

Total Capital ratio less than 6%.

Critically undercapitalized

Tangible equity to total assets less than 2%.

For purposes of these regulations, the term tangible equity includes core capital elements counted as Tier 1 Capital for purposes of the risk-based capital standards plus the amount of outstanding cumulative perpetual preferred stock (including related surplus), minus all intangible assets with certain exceptions.

An institution that is classified as well-capitalized based on its capital levels may be classified as adequately capitalized, and an institution that is adequately capitalized or undercapitalized based upon its capital levels may be treated as though it were undercapitalized or significantly undercapitalized, respectively, if the appropriate federal banking agency, after notice and opportunity for hearing, determines that an unsafe or unsound condition or an unsafe or unsound practice warrants such treatment.

An institution that is categorized as undercapitalized, significantly undercapitalized or critically undercapitalized is required to submit an acceptable capital restoration plan to its appropriate federal banking regulator. Under the FDIA, in order for the capital restoration plan to be accepted by the appropriate federal banking agency, a BHC must guarantee that a subsidiary depository institution will comply with its capital restoration plan, subject to certain limitations. The BHC must also provide appropriate assurances of performance. The obligation of a controlling BHC under the FDIA to fund a capital restoration plan is limited to the lesser of 5.0% of an undercapitalized subsidiary's assets or the amount required to meet regulatory capital requirements. An undercapitalized institution is also generally prohibited from increasing its average total assets, making acquisitions, establishing any branches or engaging in any new line of business, except in accordance with an accepted capital restoration plan or with the approval of the FDIC. Institutions that are significantly undercapitalized or undercapitalized and either fail to submit an acceptable capital restoration plan or fail to implement an approved capital restoration plan may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets and cessation of receipt of deposits from correspondent banks. Critically undercapitalized depository institutions failing to submit or implement an acceptable capital restoration plan are subject to appointment of a receiver or conservator.

The New Capital Rules revise the current prompt corrective action requirements effective January 1, 2015 by (i) introducing a CET1 ratio requirement at each level (other than critically undercapitalized), with the required CET1 ratio being 6.5% for well-capitalized status; (ii) increasing the minimum Tier 1 capital ratio requirement for each category (other than critically undercapitalized), with the minimum Tier 1 capital ratio for well-capitalized status being 8% (as compared to the current 6%); and (iii) eliminating the current provision that provides that a bank with a composite supervisory rating of 1 may have a 3% leverage ratio and still be adequately capitalized. The New Capital Rules do not change the total risk-based capital requirement for any prompt corrective action category.

Support of Subsidiary Banks

Under longstanding Federal Reserve Board policy which has been codified by the Dodd-Frank Act, M&T is expected to act as a source of financial strength to, and to commit resources to support, its subsidiary banks. This support may be required at times when M&T may not be inclined or able to provide it. In addition, any capital loans by a BHC to a subsidiary bank are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary bank. In the event of a bank holding company's bankruptcy, any commitment by the BHC to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to a priority of payment.

Cross-Guarantee Provisions

Each insured depository institution controlled (as defined in the BHCA) by the same BHC can be held liable to the FDIC for any loss incurred, or reasonably expected to be incurred, by the FDIC due to the default of any other insured depository institution controlled by that holding company and for any assistance provided by the FDIC to any of those banks that is in danger of default. The FDIC's claim under the cross-guarantee provisions is superior to claims of shareholders of the insured depository institution or

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its holding company and to most claims arising out of obligations or liabilities owed to affiliates of the institution, but is subordinate to claims of depositors, secured creditors and holders of subordinated debt (other than affiliates) of the commonly controlled insured depository institution. The FDIC may decline to enforce the cross-guarantee provisions if it determines that a waiver is in the best interest of the DIF.

Transactions with Affiliates

There are various legal restrictions on the extent to which M&T and its non-bank subsidiaries may borrow or otherwise obtain funding from M&T Bank and Wilmington Trust, N.A. In general, Sections 23A and 23B of the Federal Reserve Board Act and Federal Reserve Board Regulation W require that any covered transaction by M&T Bank and Wilmington Trust, N.A. (or any of their respective subsidiaries) with an affiliate must in certain cases be secured by designated amounts of specified collateral and must be limited as follows: (a) in the case of any single such affiliate, the aggregate amount of covered transactions of the insured depository institution and its subsidiaries may not exceed 10% of the capital stock and surplus of such insured depository institution, and (b) in the case of all affiliates, the aggregate amount of covered transactions of an insured depository institution and its subsidiaries may not exceed 20% of the capital stock and surplus of such insured depository institution. The Dodd-Frank Act significantly expanded the coverage and scope of the limitations on affiliate transactions within a banking organization, including for example, the requirement that the 10% of capital limit on covered transactions begin to apply to financial subsidiaries. Covered transactions are defined by statute to include, among other things, a loan or extension of credit, as well as a purchase of securities issued by an affiliate, a purchase of assets (unless otherwise exempted by the Federal Reserve Board) from the affiliate, certain derivative transactions that create a credit exposure to an affiliate, the acceptance of securities issued by the affiliate as collateral for a loan, and the issuance of a guarantee, acceptance or letter of credit on behalf of an affiliate. All covered transactions, including certain additional transactions (such as transactions with a third party in which an affiliate has a financial interest), must be conducted on market terms.

FDIC Insurance Assessments

Deposit Insurance Assessments. M&T Bank and Wilmington Trust, N.A. pay deposit insurance premiums to the FDIC based on an assessment rate established by the FDIC. Deposit insurance assessments are based on average total assets minus average tangible equity. For larger institutions, such as M&T Bank, the FDIC uses a performance score and a loss-severity score that are used to calculate an initial assessment rate. In calculating these scores, the FDIC uses a bank's capital level and supervisory ratings (its CAMELS ratings) and certain financial measures to assess an institution's ability to withstand asset-related stress and funding-related stress. The FDIC has the ability to make discretionary adjustments to the total score based upon significant risk factors that are not adequately captured in the calculations.

The initial base assessment rate ranges from 5 to 35 basis points on an annualized basis. After the effect of potential base-rate adjustments, the total base assessment rate could range from 2.5 to 45 basis points on an annualized basis. As the DIF reserve ratio grows, the rate schedule will be adjusted downward. Additionally, an institution must pay an additional premium equal to 50 basis points on every dollar (above 3% of an institution's Tier 1 capital) of long-term, unsecured debt held that was issued by another insured depository institution (excluding debt guaranteed under the Temporary Liquidity Guarantee Program).

In October 2010, the FDIC adopted a new DIF restoration plan to ensure the designated reserve ratio reaches 1.35% by September 2020. The FDIC will, at least semi-annually, update its income and loss projections for the DIF and, if necessary, propose rules to further increase assessment rates.

Under the FDIA, insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC.

FICO Assessments. In addition, the Deposit Insurance Funds Act of 1996 authorized the Financing Corporation (FICO) to impose assessments on DIF applicable deposits in order to service the interest on FICO's bond obligations from deposit insurance fund assessments. The amount assessed on individual institutions by FICO is in addition to the amount, if any, paid for deposit insurance according to the FDIC's risk-related assessment rate schedules. FICO assessment rates may be adjusted quarterly to reflect a change in assessment base. M&T Bank recognized \$5 million of expense related to its FICO assessments and Wilmington Trust, N.A. recognized \$58 thousand of such expense in 2013.

Table of Contents**Acquisitions**

The BHCA requires every BHC to obtain the prior approval of the Federal Reserve Board before: (1) it may acquire direct or indirect ownership or control of any voting shares of any bank or savings and loan association, if after such acquisition, the BHC will directly or indirectly own or control 5% or more of the voting shares of the institution; (2) it or any of its subsidiaries, other than a bank, may acquire all or substantially all of the assets of any bank or savings and loan association; or (3) it may merge or consolidate with any other BHC. Since July 2011, financial holding companies and bank holding companies with consolidated assets exceeding \$50 billion, such as M&T, have been required to (i) obtain prior approval from the Federal Reserve Board before acquiring certain nonbank financial companies with assets exceeding \$10 billion and (ii) provide prior written notice to the Federal Reserve Board before acquiring direct or indirect ownership or control of any voting shares of any company having consolidated assets of \$10 billion or more. Since July 2011, bank holding companies seeking approval to complete an acquisition have been required to be well-capitalized and well-managed.

The BHCA further provides that the Federal Reserve Board may not approve any transaction that would result in a monopoly or would be in furtherance of any combination or conspiracy to monopolize or attempt to monopolize the business of banking in any section of the United States, or the effect of which may be substantially to lessen competition or to tend to create a monopoly in any section of the country, or that in any other manner would be in restraint of trade, unless the anticompetitive effects of the proposed transaction are clearly outweighed by the public interest in meeting the convenience and needs of the community to be served. The Federal Reserve Board is also required to consider the financial and managerial resources and future prospects of the bank holding companies and banks concerned and the convenience and needs of the community to be served. Consideration of financial resources generally focuses on capital adequacy, and consideration of convenience and needs issues includes the parties' performance under the CRA and compliance with consumer protection laws. The Federal Reserve Board must take into account the institutions' effectiveness in combating money laundering. In addition, pursuant to the Dodd-Frank Act, the BHCA was amended to require the Federal Reserve Board, when evaluating a proposed transaction, to consider the extent to which the transaction would result in greater or more concentrated risks to the stability of the United States banking or financial system.

Executive and Incentive Compensation

Guidelines adopted by the federal banking agencies pursuant to the FDIA prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal stockholder. In June 2010, the Federal Reserve Board issued comprehensive guidance on incentive compensation policies (the Incentive Compensation Guidance) intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of such organizations by encouraging excessive risk-taking. The Incentive Compensation Guidance, which covers all employees that have the ability to materially affect the risk profile of an organization, either individually or as part of a group, is based upon the key principles that a banking organization's incentive compensation arrangements should (i) provide incentives that do not encourage risk-taking beyond the organization's ability to effectively identify and manage risks, (ii) be compatible with effective internal controls and risk management, and (iii) be supported by strong corporate governance, including active and effective oversight by the organization's board of directors. These three principles are incorporated into the proposed joint compensation regulations under the Dodd-Frank Act, discussed below. Any deficiencies in compensation practices that are identified may be incorporated into the organization's supervisory ratings, which can affect its ability to make acquisitions or perform other actions. The Incentive Compensation Guidance provides that enforcement actions may be taken against a banking organization if its incentive compensation arrangements or related risk-management control or governance processes pose a risk to the organization's safety and soundness and the organization is not taking prompt and effective measures to correct the deficiencies.

The Dodd-Frank Act requires the federal bank regulatory agencies and the SEC to establish joint regulations or guidelines prohibiting incentive-based payment arrangements at specified regulated entities, such as M&T and M&T Bank, having at least \$1 billion in total assets that encourage inappropriate risks by providing an executive officer, employee, director or principal shareholder with excessive compensation, fees, or benefits or that could lead to material financial loss to the entity. In addition, these regulators must establish regulations or guidelines requiring enhanced disclosure to regulators of incentive-based

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compensation arrangements. The agencies proposed such regulations in April 2011, and if the final regulations are adopted in the form initially proposed, they will impose limitations on the manner in which M&T may structure compensation for its executives.

The scope and content of the U.S. banking regulators' policies on incentive compensation are continuing to develop and are likely to continue evolving in the future. It cannot be determined at this time whether compliance with such policies will adversely affect the ability of M&T and its subsidiaries to hire, retain and motivate their key employees.

Resolution Planning

Bank holding companies with consolidated assets of \$50 billion or more, such as M&T, are required to report periodically to regulators a resolution plan for their rapid and orderly resolution in the event of material financial distress or failure. M&T's resolution plan must, among other things, ensure that its depository institution subsidiaries are adequately protected from risks arising from its other subsidiaries. The regulation adopted by the Federal Reserve and FDIC sets specific standards for the resolution plans, including requiring a strategic analysis of the plan's components, a description of the range of specific actions the company proposes to take in resolution, and a description of the company's organizational structure, material entities, interconnections and interdependencies, and management information systems, among other elements. In addition, insured depository institutions with \$50 billion or more in total assets, such as M&T Bank, are required to submit to the FDIC periodic plans for resolution in the event of the institution's failure. M&T and M&T Bank submitted their resolution plans on December 13, 2013.

Insolvency of an Insured Depository Institution or a Bank Holding Company

If the FDIC is appointed as conservator or receiver for an insured depository institution such as M&T Bank or Wilmington Trust, N.A., upon its insolvency or in certain other events, the FDIC has the power:

- to transfer any of the depository institution's assets and liabilities to a new obligor, including a newly formed bridge bank without the approval of the depository institution's creditors;
- to enforce the terms of the depository institution's contracts pursuant to their terms without regard to any provisions triggered by the appointment of the FDIC in that capacity; or
- to repudiate or disaffirm any contract or lease to which the depository institution is a party, the performance of which is determined by the FDIC to be burdensome and the disaffirmance or repudiation of which is determined by the FDIC to promote the orderly administration of the depository institution.

In addition, under federal law, the claims of holders of domestic deposit liabilities and certain claims for administrative expenses against an insured depository institution would be afforded a priority over other general unsecured claims against such an institution, including claims of debt holders of the institution, in the liquidation or other resolution of such an institution by any receiver. As a result, whether or not the FDIC ever sought to repudiate any debt obligations of M&T Bank or Wilmington Trust, N.A., the debt holders would be treated differently from, and could receive, if anything, substantially less than, the depositors of the bank. The Dodd-Frank Act created a new resolution regime (known as orderly liquidation authority) for systemically important non-bank financial companies, including bank holding companies and their affiliates. Under the orderly liquidation authority, the FDIC may be appointed as receiver for the systemically important institution, and its failed non-bank subsidiaries, for purposes of liquidating the entity if, among other conditions, it is determined at the time of the institution's failure that it is in default or in danger of default and the failure poses a risk to the stability of the U.S. financial system.

If the FDIC is appointed as receiver under the orderly liquidation authority, then the powers of the receiver, and the rights and obligations of creditors and other parties who have dealt with the institution, would be determined under the Dodd-Frank Act provisions, and not under the insolvency law that would otherwise apply. The powers of the receiver under the orderly liquidation authority were based on the powers of the FDIC as receiver for depository institutions under the FDIA. However, the provisions governing the rights of creditors under the orderly liquidation authority were modified in certain respects to reduce disparities with the treatment of creditors' claims under the U.S. Bankruptcy Code as compared to the treatment of those claims under the new authority. Nonetheless, substantial differences in the rights of creditors exist as between these two regimes, including the right of the FDIC to disregard the strict priority of creditor claims in some circumstances, the use of an administrative claims procedure to determine creditors' claims (as opposed to the judicial procedure utilized in bankruptcy proceedings), and the right of the FDIC to transfer claims to a bridge entity.

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An orderly liquidation fund will fund such liquidation proceedings through borrowings from the Treasury Department and risk-based assessments made, first, on entities that received more in the resolution than they would have received in liquidation to the extent of such excess, and second, if necessary, on bank holding companies with total consolidated assets of \$50 billion or more, such as M&T. If an orderly liquidation is triggered, M&T could face assessments for the orderly liquidation fund.

The FDIC has developed a strategy under the orderly liquidation authority referred to as the single point of entry strategy, under which the FDIC would resolve a failed financial holding company by transferring its assets (including shares of its operating subsidiaries) and, potentially, very limited liabilities to a bridge holding company; utilize the resources of the failed financial holding company to recapitalize the operating subsidiaries; and satisfy the claims of unsecured creditors of the failed financial holding company and other claimants in the receivership by delivering securities of one or more new financial companies that would emerge from the bridge holding company. Under this strategy, management of the failed financial holding company would be replaced and shareholders and creditors of the failed financial holding company would bear the losses resulting from the failure. The FDIC issued a notice in December 2013 describing some elements of this single point of entry strategy and seeking public comment to further develop the strategy. The orderly liquidation authority provisions of the Dodd-Frank Act became effective upon enactment. However, a number of rulemakings are required under the terms of Dodd-Frank, and a number of provisions of the new authority require clarification.

Depositor Preference

Under federal law, depositors and certain claims for administrative expenses and employee compensation against an insured depository institution would be afforded a priority over other general unsecured claims against such an institution in the liquidation or other resolution of such an institution by any receiver. If an insured depository institution fails, insured and uninsured depositors, along with the FDIC, will have priority in payment ahead of unsecured, non-deposit creditors, including depositors whose deposits are payable only outside of the United States and the parent BHC, with respect to any extensions of credit they have made to such insured depository institution.

Financial Privacy

The federal banking regulators have adopted rules that limit the ability of banks and other financial institutions to disclose non-public information about consumers to non-affiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a non-affiliated third party. These regulations affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors. In addition, consumers may also prevent disclosure of certain information among affiliated companies that is assembled or used to determine eligibility for a product or service, such as that shown on consumer credit reports and asset and income information from applications. Consumers also have the option to direct banks and other financial institutions not to share information about transactions and experiences with affiliated companies for the purpose of marketing products or services.

Consumer Protection Laws

In connection with their respective lending and leasing activities, M&T Bank, Wilmington Trust, N.A. and certain of their subsidiaries, are each subject to a number of federal and state laws designed to protect borrowers and promote lending to various sectors of the economy. These laws include the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Fair and Accurate Credit Transactions Act, the Truth in Lending Act, the Home Mortgage Disclosure Act, and the Real Estate Settlement Procedures Act, and various state law counterparts.

In addition, federal law currently contains extensive customer privacy protection provisions. Under these provisions, a financial institution must provide to its customers, at the inception of the customer relationship and annually thereafter, the institution's policies and procedures regarding the handling of customers' nonpublic personal financial information. These provisions also provide that, except for certain limited exceptions, a financial institution may not provide such personal information to unaffiliated third parties unless the institution discloses to the customer that such information may be so provided and the customer is given the opportunity to opt out of such disclosure. Federal law makes it a criminal offense, except in limited circumstances, to obtain or attempt to obtain customer information of a financial nature by fraudulent or deceptive means.

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Since July 1, 2010, a federal banking rule under the Electronic Fund Transfer Act prohibits financial institutions from charging consumers fees for paying overdrafts on automated teller machines (ATM) and one-time debit card transactions, unless a consumer consents, or opts in, to the overdraft service for those type of transactions. If a consumer does not opt in, any ATM transaction or debit that overdraws the consumer s account will be denied. Overdrafts on the payment of checks and regular electronic bill payments are not covered by this new rule. Before opting in, the consumer must be provided a notice that explains the financial institution s overdraft services, including the fees associated with the service, and the consumer s choices. Financial institutions must provide consumers who do not opt in with the same account terms, conditions and features (including pricing) that they provide to consumers who do opt in.

Consumer Financial Protection Bureau Supervision

M&T Bank and Wilmington Trust, N.A. are supervised by the CFPB for certain consumer protection purposes. The CFPB has focused on:

- risks to consumers and compliance with the federal consumer financial laws, when it evaluates the policies and practices of a financial institution;
- the markets in which firms operate and risks to consumers posed by activities in those markets;
- depository institutions that offer a wide variety of consumer financial products and services;
- depository institutions with a more specialized focus; and
- non-depository companies that offer one or more consumer financial products or services.

Community Reinvestment Act

M&T Bank and Wilmington Trust, N.A. are subject to the provisions of the CRA. Under the terms of the CRA, each appropriate federal bank regulatory agency is required, in connection with its examination of a bank, to assess such bank s record in assessing and meeting the credit needs of the communities served by that bank, including low- and moderate-income neighborhoods. During these examinations, the regulatory agency rates such bank s compliance with the CRA as Outstanding, Satisfactory, Needs to Improve or Substantial Noncompliance. The regulatory agency s assessment of the institution s record is part of the regulatory agency s consideration of applications to acquire, merge or consolidate with another banking institution or its holding company, or to open or relocate a branch office. Currently, M&T Bank has a CRA rating of Outstanding and Wilmington Trust, N.A. has a CRA rating of Satisfactory. In the case of a BHC applying for approval to acquire a bank or BHC, the Federal Reserve Board will assess the record of each subsidiary bank of the applicant BHC in considering the application, and such records may be the basis for denying the application. The Banking Law contains provisions similar to the CRA which are applicable to New York-chartered banks. Currently, M&T Bank has a CRA rating of Outstanding as determined by the New York State Department of Financial Services.

USA Patriot Act

The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the USA Patriot Act) imposes obligations on U.S. financial institutions, including banks and broker/dealer subsidiaries, to implement and maintain appropriate policies, procedures and controls which are reasonably designed to prevent, detect and report instances of money laundering and the financing of terrorism and to verify the identity of their customers. In addition, provisions of the USA Patriot Act require the federal financial institution regulatory agencies to consider the effectiveness of a financial institution s anti-money laundering activities when reviewing bank mergers and BHC acquisitions. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing could have serious legal and reputational consequences for the institution. As a result of an inspection by the Federal Reserve Bank of New York (Federal Reserve Bank), M&T and M&T Bank entered into a written agreement with the Federal Reserve Bank related to M&T Bank s Bank Secrecy Act/Anti-Money Laundering Program. Additional information is included in Part II, Item 7 under the caption Corporate Profile and Significant Developments.

Office of Foreign Assets Control Regulation

The United States has imposed economic sanctions that affect transactions with designated foreign countries, nationals and others. These are typically known as the OFAC rules based on their administration by the U.S. Treasury Department Office of Foreign Assets Control (OFAC). The OFAC-administered sanctions targeting countries take many different forms. Generally, however, they contain one or more of the following elements: (i) restrictions on trade with or investment in a sanctioned

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country, including prohibitions against direct or indirect imports from and exports to a sanctioned country and prohibitions on U.S. persons engaging in financial transactions relating to making investments in, or providing investment-related advice or assistance to, a sanctioned country; and (ii) a blocking of assets in which the government or specially designated nationals of the sanctioned country have an interest, by prohibiting transfers of property subject to U.S. jurisdiction (including property in the possession or control of U.S. persons). Blocked assets (e.g. property and bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC. Failure to comply with these sanctions could have serious legal and reputational consequences.

Regulation of Insurers and Insurance Brokers

The Company's operations in the areas of insurance brokerage and reinsurance of credit life insurance are subject to regulation and supervision by various state insurance regulatory authorities. Although the scope of regulation and form of supervision may vary from state to state, insurance laws generally grant broad discretion to regulatory authorities in adopting regulations and supervising regulated activities. This supervision generally includes the licensing of insurance brokers and agents and the regulation of the handling of customer funds held in a fiduciary capacity. Certain of M&T's insurance company subsidiaries are subject to extensive regulatory supervision and to insurance laws and regulations requiring, among other things, maintenance of capital, record keeping, reporting and examinations.

Governmental Policies

The earnings of the Company are significantly affected by the monetary and fiscal policies of governmental authorities, including the Federal Reserve Board. Among the instruments of monetary policy used by the Federal Reserve Board to implement these objectives are open-market operations in U.S. Government securities and federal funds, changes in the discount rate on member bank borrowings and changes in reserve requirements against member bank deposits. These instruments of monetary policy are used in varying combinations to influence the overall level of bank loans, investments and deposits, and the interest rates charged on loans and paid for deposits. The Federal Reserve Board frequently uses these instruments of monetary policy, especially its open-market operations and the discount rate, to influence the level of interest rates and to affect the strength of the economy, the level of inflation or the price of the dollar in foreign exchange markets. The monetary policies of the Federal Reserve Board have had a significant effect on the operating results of banking institutions in the past and are expected to continue to do so in the future. It is not possible to predict the nature of future changes in monetary and fiscal policies, or the effect which they may have on the Company's business and earnings.

Competition

The Company competes in offering commercial and personal financial services with other banking institutions and with firms in a number of other industries, such as thrift institutions, credit unions, personal loan companies, sales finance companies, leasing companies, securities firms and insurance companies. Furthermore, diversified financial services companies are able to offer a combination of these services to their customers on a nationwide basis. The Company's operations are significantly impacted by state and federal regulations applicable to the banking industry. Moreover, the provisions of the Gramm-Leach-Bliley Act of 1999, the Interstate Banking Act and the Banking Law have allowed for increased competition among diversified financial services providers.

Other Legislative and Regulatory Initiatives

Proposals may be introduced in the United States Congress and state legislatures, as well as by regulatory agencies. Such initiatives may include proposals to expand or contract the powers of bank holding companies and depository institutions or proposals to substantially change the financial institution regulatory system. Such legislation could change banking statutes and the operating environment of the Company in substantial and unpredictable ways. If enacted, such legislation could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. A change in statutes, regulations or regulatory policies applicable to M&T or any of its subsidiaries could have a material effect on the business, financial condition or results of operations of the Company.

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Other Information

Through a link on the Investor Relations section of M&T's website at www.mtb.com, copies of M&T's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, are made available, free of charge, as soon as reasonably practicable after electronically filing such material with, or furnishing it to, the SEC. Copies of such reports and other information are also available at no charge to any person who requests them or at www.sec.gov. Such requests may be directed to M&T Bank Corporation, Shareholder Relations Department, One M&T Plaza, 8th Floor, Buffalo, NY 14203-2399 (Telephone: (716) 842-5138).

Corporate Governance

M&T's Corporate Governance Standards and the following corporate governance documents are also available on M&T's website at the Investor Relations link: Disclosure and Regulation FD Policy; Executive Committee Charter; Nomination, Compensation and Governance Committee Charter; Audit Committee Charter; Risk Committee Charter; Financial Reporting and Disclosure Controls and Procedures Policy; Code of Ethics for CEO and Senior Financial Officers; Code of Business Conduct and Ethics; and Employee Complaint Procedures for Accounting and Auditing Matters. Copies of such governance documents are also available, free of charge, to any person who requests them. Such requests may be directed to M&T Bank Corporation, Shareholder Relations Department, One M&T Plaza, 8th Floor, Buffalo, NY 14203-2399 (Telephone: (716) 842-5138).

Statistical Disclosure Pursuant to Guide 3

See cross-reference sheet for disclosures incorporated elsewhere in this Annual Report on Form 10-K. Additional information is included in the following tables.

Table of Contents**Table 1****SELECTED CONSOLIDATED YEAR-END BALANCES**

	2013	2012	2011 (In thousands)	2010	2009
Interest-bearing deposits at banks	\$ 1,651,138	\$ 129,945	\$ 154,960	\$ 101,222	\$ 133,335
Federal funds sold	99,573	3,000	2,850	25,000	20,119
Trading account	376,131	488,966	561,834	523,834	386,984
Investment securities					
U.S. Treasury and federal agencies	7,770,767	4,007,725	5,200,489	4,177,783	4,006,968
Obligations of states and political subdivisions	180,495	203,004	228,949	251,544	266,748
Other	845,235	1,863,632	2,243,716	2,721,213	3,506,893
Total investment securities	8,796,497	6,074,361	7,673,154	7,150,540	7,780,609
Loans and leases					
Commercial, financial, leasing, etc.	18,876,166	17,973,140	15,952,105	13,645,600	13,790,737
Real estate construction	4,457,650	3,772,413	4,203,324	4,332,618	4,726,570
Real estate mortgage	30,711,440	33,494,359	28,202,217	22,854,160	21,747,533
Consumer	10,280,527	11,550,274	12,020,229	11,483,564	12,041,617
Total loans and leases	64,325,783	66,790,186	60,377,875	52,315,942	52,306,457
Unearned discount	(252,624)	(219,229)	(281,870)	(325,560)	(369,771)
Loans and leases, net of unearned discount	64,073,159	66,570,957	60,096,005	51,990,382	51,936,686
Allowance for credit losses	(916,676)	(925,860)	(908,290)	(902,941)	(878,022)
Loans and leases, net	63,156,483	65,645,097	59,187,715	51,087,441	51,058,664
Goodwill	3,524,625	3,524,625	3,524,625	3,524,625	3,524,625
Core deposit and other intangible assets	68,851	115,763	176,394	125,917	182,418
Real estate and other assets owned	66,875	104,279	156,592	220,049	94,604
Total assets	85,162,391	83,008,803	77,924,287	68,021,263	68,880,399
Noninterest-bearing deposits	24,661,007	24,240,802	20,017,883	14,557,568	13,794,636
NOW accounts	1,989,441	1,979,619	1,912,226	1,393,349	1,396,471
Savings deposits	36,621,580	33,783,947	31,001,083	26,431,281	23,676,798
Time deposits	3,523,838	4,562,366	6,107,530	5,817,170	7,531,495
Deposits at Cayman Islands office	322,746	1,044,519	355,927	1,605,916	1,050,438
Total deposits	67,118,612	65,611,253	59,394,649	49,805,284	47,449,838
Short-term borrowings	260,455	1,074,482	782,082	947,432	2,442,582
Long-term borrowings	5,108,870	4,607,758	6,686,226	7,840,151	10,240,016
Total liabilities	73,856,859	72,806,210	68,653,078	59,663,568	61,127,492
Shareholders equity	11,305,532	10,202,593	9,271,209	8,357,695	7,752,907

Table 2**SHAREHOLDERS, EMPLOYEES AND OFFICES**

Number at Year-End	2013	2012	2011	2010	2009
Shareholders	15,015	15,623	15,959	12,773	13,207
Employees	15,893	14,943	15,666	13,365	14,226

Offices	796	799	849	778	832
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Table of Contents**Table 3****CONSOLIDATED EARNINGS**

	2013	2012	2011	2010	2009
	(In thousands)				
Interest income					
Loans and leases, including fees	\$ 2,734,708	\$ 2,704,156	\$ 2,522,567	\$ 2,394,082	\$ 2,326,748
Deposits at banks	5,201	1,221	2,934	88	34
Federal funds sold	104	21	57	42	63
Resell agreements	10		132	404	66
Trading account	1,265	1,126	1,198	615	534
Investment securities					
Fully taxable	209,244	227,116	256,057	324,695	389,268
Exempt from federal taxes	6,802	8,045	9,142	9,869	8,484
Total interest income	2,957,334	2,941,685	2,792,087	2,729,795	2,725,197
Interest expense					
NOW accounts	1,287	1,343	1,145	850	1,122
Savings deposits	54,948	68,011	84,314	85,226	112,550
Time deposits	26,439	46,102	71,014	100,241	206,220
Deposits at Cayman Islands office	1,018	1,130	962	1,368	2,391
Short-term borrowings	430	1,286	1,030	3,006	7,129
Long-term borrowings	199,983	225,297	243,866	271,578	340,037
Total interest expense	284,105	343,169	402,331	462,269	669,449
Net interest income	2,673,229	2,598,516	2,389,756	2,267,526	2,055,748
Provision for credit losses	185,000	204,000	270,000	368,000	604,000
Net interest income after provision for credit losses	2,488,229	2,394,516	2,119,756	1,899,526	1,451,748
Other income					
Mortgage banking revenues	331,265	349,064	166,021	184,625	207,561
Service charges on deposit accounts	446,941	446,698	455,095	478,133	469,195
Trust income	496,008	471,852	332,385	122,613	128,568
Brokerage services income	65,647	59,059	56,470	49,669	57,611
Trading account and foreign exchange gains	40,828	35,634	27,224	27,286	23,125
Gain on bank investment securities	56,457	9	150,187	2,770	1,165
Total other-than-temporary impairment (OTTI) losses	(1,884)	(32,067)	(72,915)	(115,947)	(264,363)
Portion of OTTI losses recognized in other comprehensive income (before taxes)	(7,916)	(15,755)	(4,120)	29,666	126,066
Net OTTI losses recognized in earnings	(9,800)	(47,822)	(77,035)	(86,281)	(138,297)
Equity in earnings of Bayview Lending Group LLC	(16,126)	(21,511)	(24,231)	(25,768)	(25,898)
Other revenues from operations	453,985	374,287	496,796	355,053	325,076
Total other income	1,865,205	1,667,270	1,582,912	1,108,100	1,048,106
Other expense					
Salaries and employee benefits	1,355,178	1,314,540	1,203,993	999,709	1,001,873
Equipment and net occupancy	264,327	257,551	249,514	216,064	211,391
Printing, postage and supplies	39,557	41,929	40,917	33,847	38,216

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Amortization of core deposit and other intangible assets	46,912	60,631	61,617	58,103	64,255
FDIC assessments	69,584	101,110	100,230	79,324	96,519
Other costs of operations	860,327	733,499	821,797	527,790	568,309
Total other expense	2,635,885	2,509,260	2,478,068	1,914,837	1,980,563
Income before income taxes	1,717,549	1,552,526	1,224,600	1,092,789	519,291
Income taxes	579,069	523,028	365,121	356,628	139,400
Net income	\$ 1,138,480	\$ 1,029,498	\$ 859,479	\$ 736,161	\$ 379,891
Dividends declared					
Common	\$ 365,171	\$ 357,862	\$ 350,196	\$ 335,502	\$ 326,617
Preferred	53,450	53,450	48,203	40,225	31,946

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	2013	2012	2011	2010	2009
Per share					
Net income					
Basic	\$ 8.26	\$ 7.57	\$ 6.37	\$ 5.72	\$ 2.90
Diluted	8.20	7.54	6.35	5.69	2.89
Cash dividends declared	2.80	2.80	2.80	2.80	2.80
Common shareholders' equity at year-end	79.81	72.73	66.82	63.54	59.31
Tangible common shareholders' equity at year-end	52.45	44.61	37.79	33.26	28.27
Dividend payout ratio	33.94%	36.98%	44.15%	48.98%	97.36%

Table 5**CHANGES IN INTEREST INCOME AND EXPENSE(a)**

	2013 Compared with 2012			2012 Compared with 2011		
	Total Change	Resulting from Changes in:		Total Change	Resulting from Changes in:	
		Volume	Rate		Volume	Rate
	(Increase (decrease) in thousands)					
Interest income						
Loans and leases, including fees	\$ 29,624	100,052	(70,428)	\$ 182,621	286,590	(103,969)
Deposits at banks	3,980	3,925	55	(1,713)	(1,499)	(214)
Federal funds sold and agreements to resell securities	93	128	(35)	(168)	(346)	178
Trading account	88	(298)	386	(17)	30	(47)
Investment securities						
U.S. Treasury and federal agencies	15,379	19,078	(3,699)	(4,839)	13,157	(17,996)
Obligations of states and political subdivisions	(1,639)	(1,339)	(300)	(2,066)	(1,312)	(754)
Other	(33,296)	(30,940)	(2,356)	(23,705)	(16,104)	(7,601)
Total interest income	\$ 14,229			\$ 150,113		
Interest expense						
Interest-bearing deposits						
NOW accounts	\$ (56)	110	(166)	\$ 198	134	64
Savings deposits	(13,063)	5,798	(18,861)	(16,303)	8,292	(24,595)
Time deposits	(19,663)	(9,814)	(9,849)	(24,912)	(11,097)	(13,815)
Deposits at Cayman Islands office	(112)	(223)	111	168	(256)	424
Short-term borrowings	(856)	(570)	(286)	256	15	241
Long-term borrowings	(25,314)	(23,672)	(1,642)	(18,569)	(54,973)	36,404
Total interest expense	\$ (59,064)			\$ (59,162)		

(a) Interest income data are on a taxable-equivalent basis. The apportionment of changes resulting from the combined effect of both volume and rate was based on the separately determined volume and rate changes.

Item 1A. Risk Factors.

M&T and its subsidiaries could be adversely impacted by various risks and uncertainties which are difficult to predict. As a financial institution, the Company has significant exposure to market risk, including interest-rate risk, liquidity risk and credit risk, among others. Adverse experience with these or other risks could have a material impact on the Company's financial condition and results of operations, as well as on the value of the Company's financial instruments in general, and M&T's common stock, in particular.

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Weakness in the economy has adversely affected the Company and may adversely affect the Company in the future.

From late-2007 through mid-2009, the U.S. economy was in recession. Although there has been gradual improvement in the U.S. economy since then, economic growth has been uneven and unemployment levels are high. A slowing of improvement or a return to deteriorating business and economic conditions could have one or more of the following adverse effects on the Company's business:

A decrease in the demand for loans and other products and services offered by the Company.

A decrease in net interest income derived from the Company's lending and deposit gathering activities.

A decrease in the value of the Company's investment securities, loans held for sale or other assets secured by residential or commercial real estate.

Other-than-temporary impairment of investment securities in the Company's investment securities portfolio.

A decrease in fees from the Company's brokerage and trust businesses associated with declines or lack of growth in stock market prices.

Potential higher FDIC assessments due to the DIF falling below minimum required levels.

An impairment of certain intangible assets, such as goodwill.

An increase in the number of customers and counterparties who become delinquent, file for protection under bankruptcy laws or default on their loans or other obligations to the Company. An increase in the number of delinquencies, bankruptcies or defaults could result in higher levels of nonperforming assets, net charge-offs, provision for credit losses and valuation adjustments on loans held for sale.

The Company's business and financial performance is impacted significantly by market interest rates and movements in those rates. The monetary, tax and other policies of governmental agencies, including the Federal Reserve, have a significant impact on interest rates and overall financial market performance over which M&T has no control and which M&T may not be able to anticipate adequately.

As a result of the high percentage of the Company's assets and liabilities that are in the form of interest-bearing or interest-related instruments, changes in interest rates, in the shape of the yield curve or in spreads between different market interest rates, can have a material effect on the Company's business and profitability and the value of the Company's assets and liabilities. For example:

Changes in interest rates or interest rate spreads can affect the difference between the interest that the Company earns on assets and the interest that the Company pays on liabilities, which impacts the Company's overall net interest income and profitability.

Such changes can affect the ability of borrowers to meet obligations under variable or adjustable rate loans and other debt instruments, and can, in turn, affect the Company's loss rates on those assets.

Such changes may decrease the demand for interest rate based products and services, including loans and deposits.

Such changes can also affect the Company's ability to hedge various forms of market and interest rate risk and may decrease the profitability or protection or increase the risk or cost associated with such hedges.

Movements in interest rates also affect mortgage prepayment speeds and could result in the impairment of capitalized mortgage servicing assets, reduce the value of loans held for sale and increase the volatility of mortgage banking revenues, potentially adversely affecting the Company's results of operations.

The monetary, tax and other policies of the government and its agencies, including the Federal Reserve, have a significant impact on interest rates and overall financial market performance. These governmental policies can thus affect the activities and results of operations of banking companies such as the Company. An important function of the Federal Reserve is to regulate the national supply of bank credit and certain interest rates. The actions of the Federal Reserve influence the rates of interest that the Company charges on loans and that the Company pays on borrowings and interest-bearing deposits and can also affect the value of the Company's on-balance sheet and off-balance sheet financial instruments. Also, due to the impact on rates for short-term funding, the Federal Reserve's policies also influence, to a significant extent, the Company's cost of such funding. In addition, the Company is routinely subject to examinations from

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various governmental taxing authorities. Such examinations may result in challenges to the tax return treatment applied by the Company to specific transactions. Management believes that the assumptions and judgment used to record tax-related assets or liabilities have been appropriate. Should tax laws change or the tax authorities determine that management's assumptions were inappropriate, the result and adjustments required could have a material effect on the Company's results of operations. M&T cannot predict the nature or timing of future changes in monetary, tax and other policies or the effect that they may have on the Company's business activities, financial condition and results of operations.

The Company's business and performance is vulnerable to the impact of volatility in debt and equity markets.

As most of the Company's assets and liabilities are financial in nature, the Company's performance tends to be sensitive to the performance of the financial markets. Turmoil and volatility in U.S. and global financial markets can be a major contributory factor to overall weak economic conditions, leading to some of the risks discussed herein, including the impaired ability of borrowers and other counterparties to meet obligations to the Company. Financial market volatility also can have some of the following adverse effects on the Company and its business, including adversely affecting the Company's financial condition and results of operations:

It can affect the value or liquidity of the Company's on-balance sheet and off-balance sheet financial instruments.

It can affect the value of capitalized servicing assets.

It can affect M&T's ability to access capital markets to raise funds. Inability to access capital markets if needed, at cost effective rates, could adversely affect the Company's liquidity and results of operations.

It can affect the value of the assets that the Company manages or otherwise administers or services for others. Although the Company is not directly impacted by changes in the value of such assets, decreases in the value of those assets would affect related fee income and could result in decreased demand for the Company's services.

In general, it can impact the nature, profitability or risk profile of the financial transactions in which the Company engages.

Volatility in the markets for real estate and other assets commonly securing financial products has been and may continue to be a significant contributor to overall volatility in financial markets.

The Company's regional concentrations expose it to adverse economic conditions in its primary retail banking office footprint.

Although many of the Company's businesses are national in scope, its core banking business is concentrated within the Company's retail banking office network footprint, located principally in New York, Pennsylvania, Maryland, Delaware, Virginia, West Virginia and the District of Columbia. Therefore, the Company is, or in the future may be, particularly vulnerable to adverse changes in economic conditions in the Northeast and Mid-Atlantic regions.

Risks Relating to the Regulatory Environment

The Company is subject to extensive government regulation and supervision and this regulatory environment is being significantly impacted by the financial regulatory reform initiatives in the United States, including the Dodd-Frank Act and related regulations.

The Company is subject to extensive federal and state regulation and supervision. Banking regulations are primarily intended to protect depositors' funds, federal deposit insurance funds and the financial system as a whole, not security holders. These regulations and supervisory guidance affect the Company's lending practices, capital structure, investment practices, dividend policy and growth, among other things. Failure to comply with laws, regulations, policies or supervisory guidance could result in civil or criminal penalties, including monetary penalties, the loss of FDIC insurance, the revocation of a banking charter, other sanctions by regulatory agencies, and/or reputation damage, which could have a material adverse effect on the Company's business, financial condition and results of operations. In this regard, government authorities, including the bank regulatory agencies, are pursuing aggressive enforcement actions with respect to compliance and other legal matters involving financial activities, which heightens the risks associated with actual and perceived compliance failures.

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The United States government and others have recently undertaken major reforms of the regulatory oversight structure of the financial services industry. M&T expects to face increased regulation of its industry as a result of current and possible future initiatives. M&T also expects more intense scrutiny in the examination process and more aggressive enforcement of regulations on both the federal and state levels. Compliance with these new regulations and supervisory initiatives will likely increase the Company's costs, reduce its revenue and may limit its ability to pursue certain desirable business opportunities.

Many parts of the Dodd-Frank Act are now in effect, while others depend on rules that have yet to be adopted or implemented. Reforms, both under the Dodd-Frank Act and otherwise, will have a significant effect on the entire financial services industry. Although it is difficult to predict the magnitude and extent of these effects, M&T believes compliance with new regulations and other initiatives will likely negatively impact revenue and increase the cost of doing business, both in terms of transition expenses and on an ongoing basis, and may also limit M&T's ability to pursue certain desirable business opportunities. Any new regulatory requirements or changes to existing requirements could require changes to the Company's businesses, result in increased compliance costs and affect the profitability of such businesses. Additionally, reform could affect the behaviors of third parties that the Company deals with in the course of its business, such as rating agencies, insurance companies and investors. Heightened regulatory practices, requirements or expectations could affect the Company in substantial and unpredictable ways, and, in turn, could have a material adverse effect on the Company's business, financial condition and results of operations.

New capital and liquidity standards adopted by the U.S. banking regulators will result in banks and bank holding companies needing to maintain more and higher quality capital and greater liquidity than has historically been the case.

New and evolving capital standards, both as a result of the Dodd-Frank Act and implementation in the U.S. of new capital standards adopted by the Basel Committee, including the so-called Basel III capital accord, will have a significant effect on banks and bank holding companies, including M&T. Basel III, when implemented and fully phased-in, will require bank holding companies and their bank subsidiaries to maintain substantially more capital, with a greater emphasis on common equity. For additional information, see Capital Requirements under Part I, Item 1 Business.

The need to maintain more and higher quality capital, as well as greater liquidity, going forward than historically has been required, and generally increased regulatory scrutiny with respect to capital levels, could limit the Company's business activities, including lending, and its ability to expand, either organically or through acquisitions. It could also result in M&T being required to take steps to increase its regulatory capital that may be dilutive to shareholders or limit its ability to pay dividends or otherwise return capital to shareholders, or sell or refrain from acquiring assets, the capital requirements for which are not justified by the assets' underlying risks. In addition, new liquidity standards will require the Company to increase its holdings of unencumbered highly liquid investments, thereby reducing the Company's ability to invest in other longer-term assets even if deemed more desirable from a balance sheet management perspective. Moreover, although these new requirements are being phased in over time, U.S. federal banking agencies have been taking into account expectations regarding the ability of banks to meet these new requirements, including under stressed conditions, in approving actions that represent uses of capital, such as dividend increases, share repurchases and acquisitions.

Risks Relating to the Company's Business

Deteriorating credit quality could adversely impact the Company.

As a lender, the Company is exposed to the risk that customers will be unable to repay their loans in accordance with the terms of the agreements, and that any collateral securing the loans may be insufficient to assure full repayment. Credit losses are inherent in the business of making loans.

Factors that influence the Company's credit loss experience include overall economic conditions affecting businesses and consumers, generally, but also residential and commercial real estate valuations, in particular, given the size of the Company's real estate loan portfolios. Factors that can influence the Company's credit loss experience include: (i) the impact of residential real estate values on loans to residential real estate builders and developers and other loans secured by residential real estate; (ii) the concentrations of commercial real estate loans in the Company's loan portfolio; (iii) the amount of commercial and industrial loans to businesses in areas of New York State outside of the New York City

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metropolitan area and in central Pennsylvania that have historically experienced less economic growth and vitality than many other regions of the country; (iv) the repayment performance associated with first and second lien loans secured by residential real estate; and (v) the size of the Company's portfolio of loans to individual consumers, which historically have experienced higher net charge-offs as a percentage of loans outstanding than loans to other types of borrowers.

Commercial real estate valuations can be highly subjective as they are based upon many assumptions. Such valuations can be significantly affected over relatively short periods of time by changes in business climate, economic conditions, interest rates and, in many cases, the results of operations of businesses and other occupants of the real property. Similarly, residential real estate valuations can be impacted by housing trends, the availability of financing at reasonable interest rates, governmental policy regarding housing and housing finance and general economic conditions affecting consumers.

The Company maintains an allowance for credit losses which represents, in management's judgment, the amount of losses inherent in the loan and lease portfolio. The allowance is determined by management's evaluation of the loan and lease portfolio based on such factors as the differing economic risks associated with each loan category, the current financial condition of specific borrowers, the economic environment in which borrowers operate, the level of delinquent loans, the value of any collateral and, where applicable, the existence of any guarantees or indemnifications. The effects of probable decreases in expected principal cash flows on acquired loans are also considered in the establishment of the allowance for credit losses.

M&T believes that the allowance for credit losses appropriately reflects credit losses inherent in the loan and lease portfolio. However, there is no assurance that the allowance will be sufficient to cover such credit losses, particularly if housing and employment conditions worsen or the economy experiences a downturn. In those cases, the Company may be required to increase the allowance through an increase in the provision for credit losses, which would reduce net income.

The Company must maintain adequate sources of funding and liquidity.

The Company must maintain adequate funding sources in the normal course of business to support its operations and fund outstanding liabilities, as well as meet regulatory expectations. The Company primarily relies on deposits to be a low cost and stable source of funding for the loans it makes and the operations of its business. Core customer deposits, which include noninterest-bearing deposits, interest-bearing transaction accounts, savings deposits and time deposits of \$250,000 or less, have historically provided the Company with a sizeable source of relatively stable and low-cost funds. In addition to customer deposits, sources of liquidity include borrowings from third party banks, securities dealers, various Federal Home Loan Banks and the Federal Reserve Bank of New York.

The Company's liquidity and ability to fund and run the business could be materially adversely affected by a variety of conditions and factors, including financial and credit market disruptions and volatility or a lack of market or customer confidence in financial markets in general, which may result in a loss of customer deposits or outflows of cash or collateral and/or ability to access capital markets on favorable terms.

Other conditions and factors that could materially adversely affect the Company's liquidity and funding include a lack of market or customer confidence in, or negative news about, the Company or the financial services industry generally which also may result in a loss of deposits and/or negatively affect the ability to access the capital markets; the loss of customer deposits to alternative investments; inability to sell or securitize loans or other assets; and downgrades in one or more of the Company's credit ratings. A downgrade in the Company's credit ratings, which could result from general industry-wide or regulatory factors not solely related to the Company, could adversely affect the Company's ability to borrow funds and raise the cost of borrowings substantially and could cause creditors and business counterparties to raise collateral requirements or take other actions that could adversely affect M&T's ability to raise capital. Many of the above conditions and factors may be caused by events over which M&T has little or no control. There can be no assurance that significant disruption and volatility in the financial markets will not occur in the future.

If the Company is unable to continue to fund assets through customer bank deposits or access funding sources on favorable terms or if the Company suffers an increase in borrowing costs or otherwise fails to manage liquidity effectively, the Company's liquidity, operating margins, financial condition and results of operations may be materially adversely affected.

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The financial services industry is highly competitive and creates competitive pressures that could adversely affect the Company's revenue and profitability.

The financial services industry in which the Company operates is highly competitive. The Company competes not only with commercial and other banks and thrifts, but also with insurance companies, mutual funds, hedge funds, securities brokerage firms and other companies offering financial services in the U.S., globally and over the Internet. The Company competes on the basis of several factors, including capital, access to capital, revenue generation, products, services, transaction execution, innovation, reputation and price. Over time, certain sectors of the financial services industry have become more concentrated, as institutions involved in a broad range of financial services have been acquired by or merged into other firms. These developments could result in the Company's competitors gaining greater capital and other resources, such as a broader range of products and services and geographic diversity. The Company may experience pricing pressures as a result of these factors and as some of its competitors seek to increase market share by reducing prices or paying higher rates of interest on deposits. Finally, technological change is influencing how individuals and firms conduct their financial affairs and changing the delivery channels for financial services, with the result that the Company may have to contend with a broader range of competitors including many that are not located within the geographic footprint of its banking office network.

M&T may be adversely affected by the soundness of other financial institutions.

Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. The Company has exposure to many different industries and counterparties, and routinely executes transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks, and other institutional clients. Many of these transactions expose the Company to credit risk in the event of a default by a counterparty or client. In addition, the Company's credit risk may be exacerbated when the collateral held by the Company cannot be realized or is liquidated at prices not sufficient to recover the full amount of the credit or derivative exposure due to the Company. Any such losses could have a material adverse effect on the Company's financial condition and results of operations.

M&T relies on dividends from its subsidiaries for its liquidity.

M&T is a separate and distinct legal entity from its subsidiaries. M&T typically receives substantially all of its revenue from subsidiary dividends. These dividends are the principal source of funds to pay dividends on M&T stock and interest and principal on its debt. Various federal and/or state laws and regulations, as well as regulatory expectations, limit the amount of dividends that M&T's banking subsidiaries and certain nonbank subsidiaries may pay. Regulatory scrutiny of capital levels at bank holding companies and insured depository institution subsidiaries has increased in recent years and has resulted in increased regulatory focus on all aspects of capital planning, including dividends and other distributions to shareholders of banks, such as parent bank holding companies. See Item 1. Business - Dividends for a discussion of regulatory and other restrictions on dividend declarations. Also, M&T's right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of that subsidiary's creditors. Limitations on M&T's ability to receive dividends from its subsidiaries could have a material adverse effect on its liquidity and ability to pay dividends on its stock or interest and principal on its debt.

The Company is subject to operational risk.

Like all businesses, the Company is subject to operational risk, which represents the risk of loss resulting from human error, inadequate or failed internal processes and systems, and external events. Operational risk also encompasses reputational risk and compliance and legal risk, which is the risk of loss from violations of, or noncompliance with, laws, rules, regulations, prescribed practices or ethical standards, as well as the risk of noncompliance with contractual and other obligations. The Company is also exposed to operational risk through outsourcing arrangements, and the effect that changes in circumstances or capabilities of its outsourcing vendors can have on the Company's ability to continue to perform operational functions necessary to its business. In addition, along with other participants in the financial services industry, the Company continually and frequently attempts to introduce new technology-driven products and services that are aimed at allowing the Company to better serve customers and to reduce costs. The Company may not be able to effectively implement new technology-driven products and services that allows it to remain

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competitive or be successful in marketing these products and services to its customers. Although the Company seeks to mitigate operational risk through a system of internal controls which are reviewed and updated, no system of controls, however well designed and maintained, is infallible. Control weaknesses or failures or other operational risks could result in charges, increased operational costs, harm to the Company's reputation or foregone business opportunities.

Changes in accounting standards could impact the Company's financial condition and results of operations.

The accounting standard setters, including the Financial Accounting Standards Board (FASB), the SEC and other regulatory bodies, periodically change the financial accounting and reporting standards that govern the preparation of the Company's consolidated financial statements. These changes can be hard to predict and can materially impact how the Company records and reports its financial condition and results of operations. In some cases, the Company could be required to apply a new or revised standard retroactively, which would result in the restating of the Company's prior period financial statements.

M&T's accounting policies and processes are critical to the reporting of the Company's financial condition and results of operations. They require management to make estimates about matters that are uncertain.

Accounting policies and processes are fundamental to the Company's reported financial condition and results of operations. Some of these policies require use of estimates and assumptions that may affect the reported amounts of assets or liabilities and financial results. Several of M&T's accounting policies are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. Pursuant to generally accepted accounting principles (GAAP), management is required to make certain assumptions and estimates in preparing the Company's financial statements. If assumptions or estimates underlying the Company's financial statements are incorrect, the Company may experience material losses.

Management has identified certain accounting policies as being critical because they require management's judgment to ascertain the valuations of assets, liabilities, commitments and contingencies. A variety of factors could affect the ultimate value that is obtained either when earning income, recognizing an expense, recovering an asset, valuing an asset or liability, or recognizing or reducing a liability. M&T has established detailed policies and control procedures that are intended to ensure these critical accounting estimates and judgments are well controlled and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. Because of the uncertainty surrounding judgments and the estimates pertaining to these matters, M&T could be required to adjust accounting policies or restate prior period financial statements if those judgments and estimates prove to be incorrect. For additional information, see Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, Critical Accounting Estimates and Note 1, Significant Accounting Policies, to the Consolidated Financial Statements in Part II, Item 8.

Difficulties in combining the operations of acquired entities with the Company's own operations may prevent M&T from achieving the expected benefits from its acquisitions.

M&T has regularly considered opportunities to expand and improve its business through acquisition of other financial institutions. Inherent uncertainties exist when integrating the operations of an acquired entity. M&T may not be able to fully achieve its strategic objectives and planned operating efficiencies in an acquisition. In addition, the markets and industries in which the Company and its potential acquisition targets operate are highly competitive. The Company may lose customers or fail to retain the customers of acquired entities as a result of an acquisition. Future acquisition and integration activities may require M&T to devote substantial time and resources, and as a result M&T may not be able to pursue other business opportunities.

After completing an acquisition, the Company may not realize the expected benefits of the acquisition due to lower financial results pertaining to the acquired entity. For example, the Company could experience higher credit losses than originally anticipated related to an acquired loan portfolio.

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M&T could suffer if it fails to attract and retain skilled personnel.

M&T's success depends, in large part, on its ability to attract and retain key individuals. Competition for qualified candidates in the activities and markets that the Company serves is significant and the Company may not be able to hire these candidates and retain them. Growth in the Company's business, including through acquisitions, may increase its need for additional qualified personnel. If the Company is not able to hire or retain these key individuals, it may be unable to execute its business strategies and may suffer adverse consequences to its business, financial condition and results of operations.

The federal banking agencies have issued joint guidance on executive compensation designed to help ensure that a banking organization's incentive compensation policies do not encourage imprudent risk taking and are consistent with the safety and soundness of the organization. In addition, the Dodd-Frank Act required those agencies, along with the SEC, to adopt rules to require reporting of incentive compensation and to prohibit certain compensation arrangements. If as a result of complying with such rules M&T is unable to attract and retain qualified employees, or do so at rates necessary to maintain its competitive position, or if the compensation costs required to attract and retain employees become more significant, the Company's performance, including its competitive position, could be materially adversely affected.

Severe weather, natural disasters, acts of war or terrorism and other external events could significantly impact the Company's business.

Severe weather, natural disasters, acts of war or terrorism and other adverse external events could have a significant impact on the Company's ability to conduct business. Such events could affect the stability of the Company's deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in loss of revenue and/or cause the Company to incur additional expenses. Although the Company has established disaster recovery plans and procedures, and monitors for significant environmental effects on its properties or its investments, the occurrence of any such event could have a material adverse effect on the Company.

The Company's information systems may experience interruptions or breaches in security.

The Company relies heavily on communications and information systems to conduct its business. Any failure, interruption or breach in security of these systems could result in disruptions to its accounting, deposit, loan and other systems, and adversely affect the Company's customer relationships. While the Company has policies and procedures designed to prevent or limit the effect of these possible events, there can be no assurance that any such failure, interruption or security breach will not occur or, if any does occur, that it can be sufficiently remediated.

There have been increasing efforts on the part of third parties to breach data security at financial institutions or with respect to financial transactions. In addition, because the techniques used to cause such security breaches change frequently, often are not recognized until launched against a target and may originate from less regulated and remote areas around the world, the Company may be unable to proactively address these techniques or to implement adequate preventative measures. The ability of the Company's customers to bank remotely, including online and through mobile devices, requires secure transmission of confidential information and increases the risk of data security breaches.

The occurrence of any failure, interruption or security breach of the Company's systems, particularly if widespread or resulting in financial losses to customers, could damage the Company's reputation, result in a loss of customer business, subject it to additional regulatory scrutiny, or expose it to civil litigation and financial liability.

The Company is or may become involved from time to time in suits, legal proceedings, information-gathering requests, investigations and proceedings by governmental and self-regulatory agencies that may lead to adverse consequences.

Many aspects of the Company's business involve substantial risk of legal liability. M&T and/or its subsidiaries have been named or threatened to be named as defendants in various lawsuits arising from its or its subsidiaries' business activities (and in some cases from the activities of companies M&T has acquired). In addition, from time to time, M&T is, or may become, the subject of governmental and self-regulatory agency information-gathering requests, reviews, investigations and proceedings and other forms of

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regulatory inquiry, including by bank regulatory agencies, the SEC and law enforcement authorities. M&T is also at risk when it has agreed to indemnify others for losses related to legal proceedings, including litigation and governmental investigations and inquiries, they face, such as in connection with the purchase or sale of a business or assets. The results of such proceedings could lead to significant civil or criminal penalties, including monetary penalties, damages, adverse judgments, settlements, fines, injunctions, restrictions on the way in which the Company conducts its business, or reputational harm.

Although the Company establishes accruals for legal proceedings when information related to the loss contingencies represented by those matters indicates both that a loss is probable and that the amount of loss can be reasonably estimated, the Company does not have accruals for all legal proceedings where it faces a risk of loss. In addition, due to the inherent subjectivity of the assessments and unpredictability of the outcome of legal proceedings, amounts accrued may not represent the ultimate loss to the Company from the legal proceedings in question. Thus, the Company's ultimate losses may be higher, and possibly significantly so, than the amounts accrued for legal loss contingencies, which could adversely affect the Company's financial condition and results of operations.

M&T relies on other companies to provide key components of the Company's business infrastructure.

Third parties provide key components of the Company's business infrastructure such as banking services, processing, and Internet connections and network access. Any disruption in such services provided by these third parties or any failure of these third parties to handle current or higher volumes of use could adversely affect the Company's ability to deliver products and services to clients and otherwise to conduct business. Technological or financial difficulties of a third party service provider could adversely affect the Company's business to the extent those difficulties result in the interruption or discontinuation of services provided by that party. The Company may not be insured against all types of losses as a result of third party failures and insurance coverage may be inadequate to cover all losses resulting from system failures or other disruptions. Failures in the Company's business infrastructure could interrupt the operations or increase the costs of doing business.

Detailed discussions of the specific risks outlined above and other risks facing the Company are included within this Annual Report on Form 10-K in Part I, Item 1 Business, and Part II, Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations. Furthermore, in Part II, Item 7 under the heading Forward-Looking Statements is included a description of certain risks, uncertainties and assumptions identified by management that are difficult to predict and that could materially affect the Company's financial condition and results of operations, as well as the value of the Company's financial instruments in general, and M&T common stock, in particular.

In addition, the market price of M&T common stock may fluctuate significantly in response to a number of other factors, including changes in securities analysts' estimates of financial performance, volatility of stock market prices and volumes, rumors or erroneous information, changes in market valuations of similar companies and changes in accounting policies or procedures as may be required by the FASB or other regulatory agencies.

Item 1B. *Unresolved Staff Comments.*

None.

Item 2. *Properties.*

Both M&T and M&T Bank maintain their executive offices at One M&T Plaza in Buffalo, New York. This twenty-one story headquarters building, containing approximately 300,000 rentable square feet of space, is owned in fee by M&T Bank and was completed in 1967. M&T, M&T Bank and their subsidiaries occupy approximately 98% of the building and the remainder is leased to non-affiliated tenants. At December 31, 2013, the cost of this property (including improvements subsequent to the initial construction), net of accumulated depreciation, was \$10.5 million.

M&T Bank owns an additional facility in Buffalo, New York with approximately 395,000 rentable square feet of space. Approximately 89% of this facility, known as M&T Center, is occupied by M&T Bank and its subsidiaries, with the remainder leased to non-affiliated tenants. At December 31, 2013, the cost of this building (including improvements subsequent to acquisition), net of accumulated depreciation, was \$8.2 million.

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M&T Bank also owns and occupies two separate facilities in the Buffalo area which support certain back-office and operations functions of the Company. The total square footage of these facilities approximates 225,000 square feet and their combined cost (including improvements subsequent to acquisition), net of accumulated depreciation, was \$18.6 million at December 31, 2013.

M&T Bank also owns a facility in Syracuse, New York with approximately 160,000 rentable square feet of space. Approximately 48% of this facility is occupied by M&T Bank. At December 31, 2013, the cost of this building (including improvements subsequent to acquisition), net of accumulated depreciation, was \$3.6 million.

M&T Bank also owns facilities in Harrisburg, Pennsylvania and Millsboro, Delaware with approximately 225,000 and 325,000 rentable square feet of space, respectively. M&T Bank occupies approximately 29% and 87% of these respective facilities. At December 31, 2013, the cost of these buildings (including improvements subsequent to acquisition), net of accumulated depreciation, was \$11.1 million and \$7.1 million, respectively.

M&T Bank obtained facilities in connection with the Wilmington Trust acquisition in Wilmington, Delaware, with approximately 340,000 (known as Wilmington Center) and 295,000 (known as Wilmington Plaza) rentable square feet of space, respectively. M&T Bank occupies approximately 92% of Wilmington Center. Wilmington Plaza is 100% occupied by a tenant. At December 31, 2013, the cost of these buildings, net of accumulated depreciation, was \$44.1 million and \$13.6 million, respectively.

No other properties owned by M&T Bank have more than 100,000 square feet of space. The cost, net of accumulated depreciation and amortization, of the Company's premises and equipment is detailed in note 6 of Notes to Financial Statements filed herewith in Part II, Item 8, Financial Statements and Supplementary Data. Of the 722 domestic banking offices of the Registrant's subsidiary banks at December 31, 2013, 299 are owned in fee and 423 are leased.

Item 3. *Legal Proceedings.*

M&T and its subsidiaries are subject in the normal course of business to various pending and threatened legal proceedings in which claims for monetary damages are asserted. On an on-going basis management, after consultation with legal counsel, assesses the Company's liabilities and contingencies in connection with such legal proceedings. For those matters where it is probable that the Company will incur losses and the amounts of the losses can be reasonably estimated, the Company records an expense and corresponding liability in its consolidated financial statements. To the extent the pending or threatened litigation could result in exposure in excess of that liability, the amount of such excess is not currently estimable. Although not considered probable, the range of reasonably possible losses for such matters in the aggregate, beyond the existing recorded liability, was between \$0 and \$50 million. Although the Company does not believe that the outcome of pending litigations will be material to the Company's consolidated financial position, it cannot rule out the possibility that such outcomes will be material to the consolidated results of operations for a particular reporting period in the future.

Wilmington Trust Corporation Investigative and Litigation Matters

M&T's Wilmington Trust Corporation (Wilmington Trust) subsidiary is the subject of certain governmental investigations arising from actions undertaken by Wilmington Trust prior to M&T's acquisition of Wilmington Trust and its subsidiaries, as set forth below.

SEC Investigation: Prior to M&T's acquisition of Wilmington Trust, the Securities and Exchange Commission (SEC) commenced an investigation of Wilmington Trust, relating to the financial reporting and securities filings of Wilmington Trust prior to its acquisition by M&T. Counsel for Wilmington Trust has met with the SEC to discuss the investigation and its possible resolution. On August 5, 2013, the SEC issued a Wells Notice to Wilmington Trust. On September 20, 2013, Wilmington Trust filed a Wells submission. The SEC investigation is ongoing.

DOJ Investigation: Prior to M&T's acquisition of Wilmington Trust, the Department of Justice (DOJ) also commenced an investigation of Wilmington Trust, relating to Wilmington Trust's financial reporting and securities filings, as well as certain commercial real estate lending relationships involving its subsidiary bank, Wilmington Trust Company, all of which relate to filings and activities occurring prior to the acquisition of Wilmington Trust by M&T. Counsel for Wilmington Trust has met with the DOJ to discuss the DOJ investigation. The DOJ investigation is ongoing.

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Either of these investigations could lead to administrative or legal proceedings resulting in potential civil and/or criminal remedies, or settlements, including, among other things, enforcement actions, fines, penalties, restitution or additional costs and expenses.

In Re Wilmington Trust Securities Litigation (U.S. District Court, District of Delaware, Case No. 10-CV-0990-SLR): Beginning on November 18, 2010, a series of parties, purporting to be class representatives, commenced a putative class action lawsuit against Wilmington Trust, alleging that Wilmington Trust's financial reporting and securities filings were in violation of securities laws. The cases were consolidated and Wilmington Trust moved to dismiss. On March 29, 2012, the Court granted Wilmington Trust's motion to dismiss in its entirety, but allowed plaintiffs to re-file their Complaint. Plaintiffs subsequently filed a Second Amended Complaint and a Third Amended Complaint. On June 11, 2013, plaintiffs filed a motion to serve a Fourth Amended Complaint, which was granted, and the Fourth Amended Complaint was filed. On July 17, 2013, Wilmington Trust filed a motion to dismiss the Fourth Amended Complaint.

Due to their complex nature, it is difficult to estimate when litigation and investigatory matters such as these may be resolved. As set forth in the introductory paragraph to this Item 3 – Legal Proceedings, current litigation and regulatory matters which the company is subject to, including those involving Wilmington Trust-related entities, although not currently considered probable, are within a range of reasonably possible losses for such matters in the aggregate, beyond the existing recorded liability, and are included in the range of reasonably possible losses set forth above.

Item 4. Mine Safety Disclosures.

Not applicable.

Executive Officers of the Registrant

Information concerning the Registrant's executive officers is presented below as of February 21, 2014. The year the officer was first appointed to the indicated position with the Registrant or its subsidiaries is shown parenthetically. In the case of each entity noted below, officers' terms run until the first meeting of the board of directors after such entity's annual meeting, which in the case of the Registrant takes place immediately following the Annual Meeting of Shareholders, and until their successors are elected and qualified.

Robert G. Wilmers, age 79, is chief executive officer (2007), chairman of the board (2000) and a director (1982) of the Registrant. From April 1998 until July 2000, he served as president and chief executive officer of the Registrant and from July 2000 until June 2005 he served as chairman, president (1988) and chief executive officer (1983) of the Registrant. He is chief executive officer (2007), chairman of the board (2005) and a director (1982) of M&T Bank, and previously served as chairman of the board of M&T Bank from March 1983 until July 2003 and as president of M&T Bank from March 1984 until June 1996.

Mark J. Czarnecki, age 58, is president (2007), chief operating officer (2014) and a director (2007) of the Registrant and of M&T Bank. Previously, he was an executive vice president of the Registrant (1999) and M&T Bank (1997) and was responsible for the M&T Investment Group and the Company's Retail Banking network. Mr. Czarnecki is a director (1999) of M&T Securities, chairman of the board, president and chief executive officer (2007) and a director (2005) of Wilmington Trust, N.A., and chairman of the board and a director (2011) of Wilmington Trust Company.

Robert J. Bojdak, age 58, is an executive vice president and chief credit officer (2004) of the Registrant and M&T Bank. In addition to managing the Company's credit risk, Mr. Bojdak was also responsible for managing the Company's enterprise-wide risk, including operational, compliance and investment risk, until February 2013. From April 2002 to April 2004, Mr. Bojdak served as senior vice president and credit deputy for M&T Bank. He is an executive vice president and a director of Wilmington Trust, N.A. (2004).

Stephen J. Braunscheidel, age 57, is an executive vice president (2004) of the Registrant and M&T Bank, and is in charge of the Company's Human Resources Division. Previously, he was a senior vice president in the M&T Investment Group, where he managed the Private Client Services and Employee Benefits departments. Mr. Braunscheidel has held a number of management positions with M&T Bank since 1978.

William J. Farrell II, age 56, is an executive vice president (2011) of the Registrant and M&T Bank, and is responsible for M&T's Wealth and Institutional Services Division, which includes Wealth Advisory Services, Institutional Client Services, Asset Management, M&T Securities and M&T Insurance Agency. Mr. Farrell joined M&T through the Wilmington Trust acquisition. He joined Wilmington Trust in 1976 and held a number of senior management positions, most recently as executive vice president and head of the Corporate Client Services business. Mr. Farrell is president, chief executive officer and a director

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(2012) of Wilmington Trust Company, an executive vice president and a director (2011) of Wilmington Trust, N.A. and a director (2013) of M&T Securities.

Richard S. Gold, age 53, is an executive vice president of the Registrant (2007) and M&T Bank (2006) and is responsible for managing the Company's Residential Mortgage and Business Banking Divisions. He is also responsible for the Office of Regulatory Projects. Mr. Gold served as senior vice president of M&T Bank from 2000 to 2006, most recently responsible for the Retail Banking Division, including M&T Securities. Mr. Gold is an executive vice president of Wilmington Trust, N.A. (2006).

Brian E. Hickey, age 61, is an executive vice president of the Registrant (1997) and M&T Bank (1996). He is a member of the Directors Advisory Council (1994) of the Rochester Division of M&T Bank. Mr. Hickey is responsible for managing all of the non-retail segments in Upstate New York and in the Northern and Central/Western Pennsylvania regions. Mr. Hickey is also responsible for the Auto Floor Plan lending business.

René F. Jones, age 49, is an executive vice president (2006) and chief financial officer (2005) of the Registrant. He is a vice chairman (2014) and chief financial officer (2005) of M&T Bank. Mr. Jones is also responsible for Wilmington Trust's wealth and institutional services businesses and for M&T's Treasury Division. Previously, Mr. Jones was a senior vice president in charge of the Financial Performance Measurement department within M&T Bank's Finance Division. Mr. Jones has held a number of management positions within M&T Bank's Finance Division since 1992. Mr. Jones is an executive vice president and chief financial officer (2005) and a director (2007) of Wilmington Trust, N.A., and he is chairman of the board, president (2009) and a trustee (2005) of M&T Real Estate. He is chairman of the board and a director (2014) of Wilmington Trust Investment Advisors, and is a director of M&T Insurance Agency (2007) and M&T Securities (2005). Mr. Jones is chief financial officer (2012) and a director (2014) of Wilmington Trust Company.

Darren J. King, age 44, is an executive vice president of the Registrant (2010) and M&T Bank (2009), and is in charge of the Retail Banking Division, the Consumer Lending Division and the Marketing and Communications Division. Mr. King previously served as senior vice president of M&T Bank, most recently responsible for the Business Banking Division, and has held a number of management positions within M&T Bank since 2000. Mr. King is an executive vice president of Wilmington Trust, N.A. (2009).

Gino A. Martocci, age 48, is an executive vice president of the Registrant and M&T Bank (2014), and is responsible for M&T's New York City, Baltimore and Washington, D.C. metropolitan markets. He also is responsible for M&T's specialty businesses, commercial planning and analysis, commercial payment systems, and M&T Realty Capital. Mr. Martocci served as senior vice president of M&T Bank from 2002 to 2013, serving in a number of management positions. He is a director (2009) of M&T Realty Capital. Mr. Martocci is also the chairman of the Directors Advisory Council (2013) of the New York City/Long Island Division of M&T Bank.

Kevin J. Pearson, age 52, is an executive vice president (2002) of the Registrant and is a vice chairman (2014) of M&T Bank. He is a member of the Directors Advisory Council (2006) of the New York City/Long Island Division of M&T Bank. Mr. Pearson is responsible for managing all of M&T Bank's commercial banking lines of business. Previously, he was responsible for all of the non-retail segments in the New York City, Philadelphia, Connecticut, New Jersey, Tarrytown, Greater Washington D.C. and Northern Virginia, Southern Pennsylvania and Delaware markets of M&T Bank, as well as the Company's commercial real estate business, Commercial Marketing and Treasury Management. He is an executive vice president of M&T Real Estate (2003), and chairman of the board (2009) and a director (2003) of M&T Realty Capital. Mr. Pearson served as senior vice president of M&T Bank from 2000 to 2002.

Michele D. Trolli, age 52, is an executive vice president and chief information officer of the Registrant and M&T Bank (2005). She is in charge of the Company's Banking Services, Technology, Alternative Banking and Global Sourcing groups. Previously, Ms. Trolli was in charge of the Technology and Banking Operations Division, the Retail Banking Division and the Corporate Services Group of M&T Bank.

Donald K. Truslow, age 55, is an executive vice president and chief risk officer (2013) of the Registrant and M&T Bank. He is responsible for managing the Company's enterprise-wide risk, including operational, compliance and investment risk. Previous to joining M&T, Mr. Truslow served as President, Financial Stability Industry Council of The Financial Services Roundtable, for two years. Prior to that, Mr. Truslow served in several senior management positions at Wachovia Corporation, including eight years as senior executive vice president and chief risk officer.

D. Scott N. Warman, age 48, is an executive vice president (2009) and treasurer (2008) of the Registrant and M&T Bank. He is responsible for managing the Company's Treasury Division. Mr. Warman

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previously served as senior vice president of M&T Bank and has held a number of management positions within M&T Bank since 1995. He is an executive vice president and treasurer of Wilmington Trust, N.A. (2008), a trustee of M&T Real Estate (2009), a director of M&T Securities (2008) and is treasurer of Wilmington Trust Company (2012).

PART II**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

M&T's common stock is traded under the symbol MTB on the New York Stock Exchange. See cross-reference sheet for disclosures incorporated elsewhere in this Annual Report on Form 10-K for market prices of M&T's common stock, approximate number of common shareholders at year-end, frequency and amounts of dividends on common stock and restrictions on the payment of dividends.

During the fourth quarter of 2013, M&T did not issue any shares of its common stock that were not registered under the Securities Act of 1933.

Equity Compensation Plan Information

The following table provides information as of December 31, 2013 with respect to shares of common stock that may be issued under M&T's existing equity compensation plans. M&T's existing equity compensation plans include the M&T Bank Corporation 2001 Stock Option Plan, the 2005 Incentive Compensation Plan, which replaced the 2001 Stock Option Plan, and the 2009 Equity Incentive Compensation Plan, each of which has been previously approved by shareholders, and the M&T Bank Corporation 2008 Directors' Stock Plan and the M&T Bank Corporation Deferred Bonus Plan, each of which did not require shareholder approval.

The table does not include information with respect to shares of common stock subject to outstanding options and rights assumed by M&T in connection with mergers and acquisitions of the companies that originally granted those options and rights. Footnote (1) to the table sets forth the total number of shares of common stock issuable upon the exercise of such assumed options and rights as of December 31, 2013, and their weighted-average exercise price.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options or Rights (A)	Weighted-Average Exercise Price of Outstanding Options or Rights (B)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column A) (C)
Equity compensation plans approved by security holders:			
2001 Stock Option Plan	833,829	\$ 100.09	
2005 Incentive Compensation Plan	3,904,299	104.77	3,357,716
2009 Equity Incentive Compensation Plan	3,454	75.13	1,516,826
Equity compensation plans not approved by security holders:			
2008 Directors' Stock Plan	3,788	116.42	98,244
Deferred Bonus Plan	33,046	64.11	
Total	4,778,416	\$ 103.65	4,972,786

- (1) *As of December 31, 2013, a total of 153,364 shares of M&T common stock were issuable upon exercise of outstanding options or rights assumed by M&T in connection with merger and acquisition transactions. The weighted-average exercise price of those outstanding options or rights is \$149.04 per common share.*

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Equity compensation plans adopted without the approval of shareholders are described below:

2008 Directors Stock Plan. M&T maintains a plan for non-employee members of the Board of Directors of M&T and the members of its Directors Advisory Council, and the non-employee members of the Board of Directors of M&T Bank and the members of its regional Directors Advisory Councils, which allows such directors, advisory directors and members of regional Directors Advisory Councils to receive all or a portion of their directorial compensation in shares of M&T common stock.

Deferred Bonus Plan. M&T maintains a deferred bonus plan which was frozen effective January 1, 2010 and did not allow any deferrals after that date. Prior to January 1, 2010, the plan allowed eligible officers of M&T and its subsidiaries to elect to defer all or a portion of their annual incentive compensation awards and allocate such awards to several investment options, including M&T common stock. At the time of the deferral election, participants also elected the timing of distributions from the plan. Such distributions are payable in cash, with the exception of balances allocated to M&T common stock which are distributable in the form of shares of common stock.

Performance Graph

The following graph contains a comparison of the cumulative shareholder return on M&T common stock against the cumulative total returns of the KBW Bank Index, compiled by Keefe, Bruyette & Woods, Inc., and the S&P 500 Index, compiled by Standard & Poor's Corporation, for the five-year period beginning on December 31, 2008 and ending on December 31, 2013. The KBW Bank Index is a market capitalization index consisting of 24 companies representing leading national money centers and regional banks or thrifts.

Shareholder Value at Year End*

	2008	2009	2010	2011	2012	2013
M&T Bank Corporation	100	123	166	151	201	243
KBW Bank Index	100	104	116	87	119	162
S&P 500 Index	100	126	146	149	172	228

* Assumes a \$100 investment on December 31, 2008 and reinvestment of all dividends.

In accordance with and to the extent permitted by applicable law or regulation, the information set forth above under the heading Performance Graph shall not be incorporated by reference into any future filing under the Securities Act of 1933, as amended (the Securities Act), or the Exchange Act and shall not be deemed to be soliciting material or to be filed with the SEC under the Securities Act or the Exchange Act.

Table of Contents**Issuer Purchases of Equity Securities**

In February 2007, 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. M&T did not repurchase any shares pursuant to such plan during 2013.

During the fourth quarter of 2013 M&T purchased shares of its common stock as follows:

Period	(a) Total Number of Shares (or Units) Purchased(1)	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that may yet be Purchased Under the Plans or Programs(2)
October 1 - October 31, 2013	11,939	\$ 113.84		2,181,500
November 1 - November 30, 2013	35,942	115.24		2,181,500
December 1 - December 31, 2013	5,615	114.46		2,181,500
Total	53,496	\$ 114.85		

- (1) The total number of shares purchased during the periods indicated reflects shares deemed to have been received from employees who exercised stock options by attesting to previously acquired common shares in satisfaction of the exercise price or shares received from employees upon the vesting of restricted stock awards in satisfaction of applicable tax withholding obligations, as is permitted under M&T's stock-based compensation plans.
- (2) On February 22, 2007, M&T announced a program to purchase up to 5,000,000 shares of its common stock. No shares were purchased under such program during the periods indicated.

Item 6. Selected Financial Data.

See cross-reference sheet for disclosures incorporated elsewhere in this Annual Report on Form 10-K.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations. Corporate Profile and Significant Developments

M&T Bank Corporation (M&T) is a bank holding company headquartered in Buffalo, New York with consolidated assets of \$85.2 billion at December 31, 2013. The consolidated financial information presented herein reflects M&T and all of its subsidiaries, which are referred to collectively as the Company. M&T's wholly owned bank subsidiaries are M&T Bank and Wilmington Trust, National Association (Wilmington Trust, N.A.).

M&T Bank, with total assets of \$84.4 billion at December 31, 2013, is a New York-chartered commercial bank with 720 domestic banking offices in New York State, Pennsylvania, Maryland, Delaware, Virginia, West Virginia, and the District of Columbia, a full-service commercial banking office in Ontario, Canada, and an office in the Cayman Islands. M&T Bank and its subsidiaries offer a broad range of financial services to a diverse base of consumers, businesses, professional clients, governmental entities and financial institutions located in their markets. Lending

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is largely focused on consumers residing in New York State, Pennsylvania, Maryland, Virginia, Delaware and Washington, D.C., and on small and medium size businesses based in those areas, although loans are originated through lending offices in other states and in Ontario, Canada. Certain lending activities are also conducted in other states through various subsidiaries. Trust and other fiduciary services are offered by M&T Bank and through its wholly owned subsidiary, Wilmington Trust Company. Other subsidiaries of M&T Bank include: M&T Real Estate Trust, a commercial mortgage lender; M&T Realty Capital Corporation, a multifamily commercial mortgage lender; M&T Securities, Inc., which provides brokerage, investment advisory and insurance services; Wilmington Trust Investment Advisors, Inc., which serves as investment advisor to the Wilmington Funds, a family of proprietary mutual funds, and other funds and institutional clients; and M&T Insurance Agency, Inc., an insurance agency.

Wilmington Trust, N.A., with total assets of \$1.7 billion at December 31, 2013, is a national bank with offices in Wilmington, Delaware and Oakfield, New York. Wilmington Trust, N.A. and its subsidiaries offer various trust and wealth management services. Wilmington Trust, N.A. also offered selected deposit and loan products on a nationwide basis, largely through telephone, Internet and direct mail marketing techniques.

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On August 27, 2012, M&T announced that it had entered into a definitive agreement with Hudson City Bancorp, Inc. (Hudson City), headquartered in Paramus, New Jersey, under which Hudson City would be acquired by M&T. Pursuant to the terms of the agreement, Hudson City common shareholders will receive consideration for each common share of Hudson City in an amount valued at .08403 of an M&T share in the form of either M&T common stock or cash, based on the election of each Hudson City shareholder, subject to proration as specified in the merger agreement (which provides for an aggregate split of total consideration of 60% common stock of M&T and 40% cash). The estimated purchase price considering the closing price of M&T's common stock of \$116.42 on December 31, 2013 was \$5.0 billion.

As of December 31, 2013, Hudson City reported \$38.6 billion of assets, including \$24.2 billion of loans (predominantly residential real estate loans) and \$9.3 billion of investment securities, and \$33.9 billion of liabilities, including \$21.5 billion of deposits. The merger has received the approval of the common shareholders of M&T and Hudson City. However, the merger is subject to a number of conditions, including regulatory approvals.

On June 17, 2013, M&T and M&T Bank entered into a written agreement with the Federal Reserve Bank of New York (Federal Reserve Bank). Under the terms of the agreement, M&T and M&T Bank are required to submit to the Federal Reserve Bank a revised compliance risk management program designed to ensure compliance with the Bank Secrecy Act and anti-money laundering laws and regulations (BSA/AML) and to take certain other steps to enhance their compliance practices. The Company commenced a major initiative, including the hiring of outside consulting firms, intended to fully address those regulator concerns. M&T and M&T Bank continue to make progress towards completing this initiative. In view of the timeframe required to implement this initiative, demonstrate its efficacy to the satisfaction of the regulators and otherwise meet any other regulatory requirements that may be imposed in connection with these matters, the timeframe for closing the transaction between M&T and Hudson City has extended beyond the date previously expected. Accordingly, M&T and Hudson City extended the date after which either party may elect to terminate the merger agreement if the merger has not yet been completed to December 31, 2014. Nevertheless, there can be no assurances that the merger will be completed by that date. M&T and Hudson City intend to close the merger as soon as possible following the receipt of all necessary regulatory approvals and satisfaction of all other conditions to closing.

M&T participated in the Troubled Asset Relief Program Capital Purchase Program (TARP) of the U.S. Department of Treasury (U.S. Treasury), which was initiated during 2008, both by issuing preferred shares (Series A) in December 2008 and through the 2009 acquisition of Provident Bankshares Corporation (Provident) by assuming shares (Series C) that had been issued by that corporation in November 2008. In August 2012, the U.S. Treasury sold its holdings of M&T's Series A (230,000 shares) and Series C (151,500 shares) Preferred Stock to the public which allowed M&T to exit the TARP. M&T modified certain of the terms of the Series A and Series C Preferred Stock related to the dividend rate on the preferred shares at the reset dates, which was originally set to change to 9% on November 15, 2013 for the Series C preferred shares and on February 15, 2014 for the Series A preferred shares. In each case, the dividend rate changed to 6.375% on November 15, 2013 rather than to the 9% in the original terms. The other modification related to M&T agreeing to not redeem the Series A and Series C preferred shares until on or after November 15, 2018, except that if an event occurs such that the shares no longer qualify as Tier 1 Capital, M&T may redeem all of the shares within 90 days following that occurrence.

On May 16, 2011, M&T acquired all of the outstanding common stock of Wilmington Trust Corporation (Wilmington Trust), headquartered in Wilmington, Delaware, in a stock-for-stock transaction. Wilmington Trust operated 55 banking offices in Delaware and Pennsylvania at the date of acquisition. The results of operations acquired in the Wilmington Trust transaction have been included in the Company's financial results since the acquisition date. Wilmington Trust shareholders received .051372 shares of M&T common stock in exchange for each share of Wilmington Trust common stock, resulting in M&T issuing a total of 4,694,486 common shares with an acquisition date fair value of \$406 million.

The Wilmington Trust transaction was accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed and consideration exchanged were recorded at estimated fair value on the acquisition date. Assets acquired totaled approximately \$10.8 billion, including \$6.4 billion of loans and leases (including approximately \$3.2 billion of commercial real estate loans, \$1.4 billion of commercial loans and leases, \$1.1 billion of consumer loans and \$680 million of residential real estate loans). Liabilities assumed aggregated \$10.0 billion, including \$8.9 billion of deposits. The common stock issued in the transaction added \$406 million to M&T's common shareholders equity. Immediately

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prior to the closing of the Wilmington Trust transaction, M&T redeemed the \$330 million of preferred stock issued by Wilmington Trust as part of the TARP of the U.S. Treasury. In connection with the acquisition, the Company recorded \$112 million of core deposit and other intangible assets. The core deposit and other intangible assets are generally being amortized over periods of 5 to 7 years using accelerated methods. There was no goodwill recorded as a result of the transaction; however, in accordance with generally accepted accounting principles (GAAP), a non-taxable gain of \$65 million was realized, which represented the excess of the fair value of assets acquired less liabilities assumed over consideration exchanged. The acquisition of Wilmington Trust added to M&T's market-leading position in the Mid-Atlantic region by giving M&T a leading deposit market share in Delaware.

Recent Legislative Developments

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) that was signed into law on July 21, 2010 has and will continue to significantly change the bank regulatory structure and affect the lending, deposit, investment, trading and operating activities of financial institutions and their holding companies, and the system of regulatory oversight of the Company. The Dodd-Frank Act requires various federal agencies to adopt a broad range of new implementing rules and regulations, and to prepare numerous studies and reports for Congress, many of which are not yet completed or implemented. The Dodd-Frank Act could have a material adverse impact on the financial services industry as a whole, as well as on M&T's business, results of operations, financial condition and liquidity.

A discussion of the provisions of the Dodd-Frank Act is included in Part I, Item 1 of this Form 10-K.

On July 31, 2013, the U.S. District Court for the District of Columbia issued an order granting summary judgment to the plaintiffs in a case challenging certain provisions of the Federal Reserve Board's rule concerning electronic debit card transaction fees and network exclusivity arrangements (the Current Rule) that were adopted to implement Section 1075 of the Dodd-Frank Act the so-called Durbin Amendment. The Court held that, in adopting the Current Rule, the Federal Reserve violated the Durbin Amendment's provisions concerning which costs are allowed to be taken into account for purposes of setting fees that are reasonable and proportional to the costs incurred by the issuer and therefore the Current Rule's maximum permissible fees were too high. In addition, the Court held that the Current Rule's network non-exclusivity provisions concerning unaffiliated payment networks for debit cards also violated the Durbin Amendment. The Court vacated the Current Rule. The Court's judgment was stayed in September 2013 pending appeal by the Federal Reserve. The Federal Reserve filed its appeal in October 2013. The fee limits in the Current Rule will remain in effect until the Federal Reserve revises the rule, if it is ultimately required to do so. If the Federal Reserve is not successful in its appeal and re-issues rules for purposes of implementing the Durbin Amendment in a manner consistent with this decision, the amount of debit card interchange fees the Company would be permitted to charge likely would be reduced. The amount of such reduction cannot be estimated at this time.

In July 2013, the Federal Reserve Board, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation approved final rules (the New Capital Rules) establishing a new comprehensive capital framework for U.S. banking organizations. The New Capital Rules generally implement the Basel Committee on Banking Supervision's (the Basel Committee) December 2010 final capital framework referred to as Basel III for strengthening international capital standards. The New Capital Rules substantially revise the risk-based capital requirements applicable to bank holding companies and their depository institution subsidiaries, including M&T and M&T Bank, as compared to the current U.S. general risk-based capital rules.

The New Capital Rules also preclude certain hybrid securities, such as trust preferred securities, from inclusion in bank holding companies' Tier 1 capital, subject to phase-out in the case of bank holding companies, such as M&T, that had \$15 billion or more in total consolidated assets as of December 31, 2009. As a result, beginning in 2015 25% of M&T's trust preferred securities will be includable in Tier 1 capital, and in 2016, none of M&T's trust preferred securities will be includable in Tier 1 capital. Trust preferred securities no longer included in M&T's Tier 1 capital may nonetheless be included as a component of Tier 2 capital on a permanent basis without phase-out and irrespective of whether such securities otherwise meet the revised definition of Tier 2 capital set forth in the New Capital Rules. In the first quarter of 2014, M&T will redeem \$350 million of 8.50% junior subordinated debentures associated with the trust preferred capital securities of M&T Capital Trust IV and issued preferred stock that qualifies as regulatory capital. A detailed discussion of the New Capital Rules is included in Part I, Item 1 of this Form 10-K under the heading Capital Requirements.

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Management believes that the Company will be able to comply with the targeted capital ratios upon implementation of the revised requirements, as finalized. More specifically, management estimates that the Company's ratio of Common Equity Tier 1 (CET1) to risk-weighted assets under the New Capital Rules (and as defined therein) on a fully phased-in basis was approximately 8.98% as of December 31, 2013, reflecting a good faith estimate of the computation of CET1 and the Company's risk-weighted assets under the methodologies set forth in the New Capital Rules.

The Company's regulatory capital ratios under risk-based capital rules currently in effect are presented in note 23 of Notes to Financial Statements.

On December 10, 2013, the Federal Reserve Board, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the Securities and Exchange Commission adopted the final version of the Volcker Rule, which was mandated under Dodd-Frank. The Volcker Rule is intended to effectively reduce risks posed to banking entities from proprietary trading activities and investments in or relationships with covered funds. Banking entities are generally prohibited from engaging in proprietary trading. The Company does not believe that it engages in any significant amount of proprietary trading as defined in the Volcker Rule and that any impact would be minimal. In addition, a review of the Company's investments was undertaken to determine if any meet the Volcker Rule's definition of covered funds. Based on that review, the Company believes that any impact related to investments considered to be covered funds would not have a significant effect on the Company's financial condition or its results of operations. Nevertheless, the Company may be required to divest certain investments subject to the Volcker Rule by mid-2015.

On October 24, 2013, the Federal Reserve Board and other banking regulators issued an interagency proposal for the U.S. version of the Basel Committee's Liquidity Coverage Ratio (LCR). The LCR requires a banking organization to maintain a minimum amount of liquid assets to withstand a 30-day standardized supervisory liquidity stress scenario. The proposed effective date is January 1, 2015, subject to a two-year phase-in period.

Critical Accounting Estimates

The Company's significant accounting policies conform with GAAP and are described in note 1 of Notes to Financial Statements. In applying those accounting policies, management of the Company is required to exercise judgment in determining many of the methodologies, assumptions and estimates to be utilized. Certain of the critical accounting estimates are more dependent on such judgment and in some cases may contribute to volatility in the Company's reported financial performance should the assumptions and estimates used change over time due to changes in circumstances. Some of the more significant areas in which management of the Company applies critical assumptions and estimates include the following:

Accounting for credit losses The allowance for credit losses represents the amount that in management's judgment appropriately reflects credit losses inherent in the loan and lease portfolio as of the balance sheet date. A provision for credit losses is recorded to adjust the level of the allowance as deemed necessary by management. In estimating losses inherent in the loan and lease portfolio, assumptions and judgment are applied to measure amounts and timing of expected future cash flows, collateral values and other factors used to determine the borrowers' abilities to repay obligations. Historical loss trends are also considered, as are economic conditions, industry trends, portfolio trends and borrower-specific financial data. In accounting for loans acquired at a discount, which are initially recorded at fair value with no carry-over of an acquired entity's previously established allowance for credit losses, the cash flows expected at acquisition in excess of estimated fair value are recognized as interest income over the remaining lives of the loans. Subsequent decreases in the expected principal cash flows require the Company to evaluate the need for additions to the Company's allowance for credit losses. Subsequent improvements in expected cash flows result first in the recovery of any applicable allowance for credit losses and then in the recognition of additional interest income over the remaining lives of the loans. Changes in the circumstances considered when determining management's estimates and assumptions could result in changes in those estimates and assumptions, which may result in adjustment of the allowance or, in the case of acquired loans, increases in interest income in future periods. A detailed discussion of facts and circumstances considered by management in determining the allowance for credit losses is included herein under the heading **Provision for Credit Losses** and in note 5 of Notes to Financial Statements.

Valuation methodologies Management of the Company applies various valuation methodologies to assets and liabilities which often involve a significant degree of judgment, particularly when liquid

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markets do not exist for the particular items being valued. Quoted market prices are referred to when estimating fair values for certain assets, such as trading assets, most investment securities, and residential real estate loans held for sale and related commitments. However, for those items for which an observable liquid market does not exist, management utilizes significant estimates and assumptions to value such items. Examples of these items include loans, deposits, borrowings, goodwill, core deposit and other intangible assets, and other assets and liabilities obtained or assumed in business combinations; capitalized servicing assets; pension and other postretirement benefit obligations; estimated residual values of property associated with leases; and certain derivative and other financial instruments. These valuations require the use of various assumptions, including, among others, discount rates, rates of return on assets, repayment rates, cash flows, default rates, costs of servicing and liquidation values. The use of different assumptions could produce significantly different results, which could have material positive or negative effects on the Company's results of operations. In addition to valuation, the Company must assess whether there are any declines in value below the carrying value of assets that should be considered other than temporary or otherwise require an adjustment in carrying value and recognition of a loss in the consolidated statement of income. Examples include investment securities, other investments, mortgage servicing rights, goodwill, core deposit and other intangible assets, among others. Specific assumptions and estimates utilized by management are discussed in detail herein in management's discussion and analysis of financial condition and results of operations and in notes 1, 3, 4, 7, 8, 12, 18, 19 and 20 of Notes to Financial Statements.

Commitments, contingencies and off-balance sheet arrangements Information regarding the Company's commitments and contingencies, including guarantees and contingent liabilities arising from litigation, and their potential effects on the Company's results of operations is included in note 21 of Notes to Financial Statements. In addition, the Company is routinely subject to examinations from various governmental taxing authorities. Such examinations may result in challenges to the tax return treatment applied by the Company to specific transactions. Management believes that the assumptions and judgment used to record tax-related assets or liabilities have been appropriate. Should tax laws change or the tax authorities determine that management's assumptions were inappropriate, the result and adjustments required could have a material effect on the Company's results of operations. Information regarding the Company's income taxes is presented in note 13 of Notes to Financial Statements. The recognition or de-recognition in the Company's consolidated financial statements of assets and liabilities held by so-called variable interest entities is subject to the interpretation and application of complex accounting pronouncements or interpretations that require management to estimate and assess the relative significance of the Company's financial interests in those entities and the degree to which the Company can influence the most important activities of the entities. Information relating to the Company's involvement in such entities and the accounting treatment afforded each such involvement is included in note 19 of Notes to Financial Statements.

Overview

Net income for the Company during 2013 was \$1.14 billion or \$8.20 of diluted earnings per common share, up 11% and 9%, respectively, from \$1.03 billion or \$7.54 of diluted earnings per common share in 2012. Basic earnings per common share increased 9% to \$8.26 in 2013 from \$7.57 in 2012. Net income in 2011 aggregated \$859 million, while diluted and basic earnings per common share were \$6.35 and \$6.37, respectively. The after-tax impact of net merger-related gains and expenses associated with the acquisition transactions previously described totaled to expenses of \$8 million (\$12 million pre-tax) or \$.06 of basic and diluted earnings per common share in 2013, compared with expenses of \$6 million (\$10 million pre-tax) or \$.05 of basic and diluted earnings per common share in 2012 and net gains of \$13 million (net expenses of \$19 million pre-tax) or \$.10 of basic and diluted earnings per common share in 2011. Expressed as a rate of return on average assets, net income in 2013 was 1.36%, compared with 1.29% in 2012 and 1.16% in 2011. The return on average common shareholders' equity was 10.93% in 2013, 10.96% in 2012 and 9.67% in 2011.

The Company's improved performance in 2013 as compared with 2012 reflected certain noteworthy items. During the second quarter, the Company sold the majority of its privately issued mortgage-backed securities (MBS) that had been held in the available-for-sale investment securities portfolio for an after-tax loss of \$28 million (\$46 million pre-tax), or \$.22 per diluted common share. In addition, the Company's

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holdings of Visa and MasterCard shares were sold for an after-tax gain of \$62 million (\$103 million pre-tax), or \$.48 per diluted common share. Finally, reflected in 2013's results were after-tax gains from loan securitization transactions of \$38 million (\$63 million pre-tax), or \$.29 per diluted common share. The Company securitized during the second and third quarters of 2013 approximately \$1.3 billion of one-to-four family residential real estate loans previously held in the Company's loan portfolio into guaranteed mortgage-backed securities with the Government National Mortgage Association (Ginnie Mae) and recognized gains of \$42 million. The Company retained the substantial majority of those securities in its investment securities portfolio. In addition, the Company securitized and sold in September 2013 approximately \$1.4 billion of automobile loans held in its loan portfolio, resulting in a gain of \$21 million. Partially offsetting the positive impact of the 2013 security transactions and gains on securitization activities were higher operating expenses largely attributable to increased costs for professional services and salaries. The Company's improved financial performance in 2012 as compared with 2011 resulted from an increase in net interest income, lower credit costs and significantly higher mortgage banking revenues and trust income, partially offset by net investment securities losses in 2012, compared with net gains on investment securities in 2011. Results for 2012 reflected the full-year impact of the operations obtained from the acquisition of Wilmington Trust on May 16, 2011.

Taxable-equivalent net interest income increased 3% to \$2.70 billion in 2013 from \$2.62 billion in 2012. That improvement resulted largely from growth in average loans and leases of \$2.4 billion or 4%. The net interest margin, or taxable-equivalent net interest income divided by average earning assets, was 3.65% in 2013, down 8 basis points (hundredths of one percent) from 3.73% in 2012. Taxable-equivalent net interest income rose \$209 million or 9% in 2012 as compared with 2011, resulting from a \$6.5 billion, or 12%, increase in average loans and leases. The net interest margin in 2012 was unchanged from 2011.

The provision for credit losses in 2013 declined 9% to \$185 million from \$204 million in 2012. Net charge-offs of \$183 million in 2013 were down from \$186 million in the prior year. Net charge-offs as a percentage of average loans and leases were .28% and .30% in 2013 and 2012, respectively. The Company continued to experience improvement in credit quality during 2013. The provision for credit losses in 2012 was \$66 million or 24% below \$270 million in 2011. Net charge-offs in 2012 declined \$79 million from \$265 million, or .47% of average loans and leases, in 2011.

Other income totaled \$1.87 billion in 2013, 12% above \$1.67 billion in 2012. That rise was primarily the result of net gains on investment securities of \$47 million in 2013, compared with net losses of \$48 million in 2012, and gains on securitization activities in 2013 of \$63 million. Reflected in gains and losses on investment securities were other-than-temporary impairment charges of \$10 million and \$48 million in 2013 and 2012, respectively, on certain privately issued collateralized mortgage obligations (CMOs). In addition, trust income in 2013 rose \$24 million, or 5%, from 2012 while mortgage banking revenues declined \$18 million, or 5%, from the prior year. Other income increased 5% or \$84 million in 2012 from \$1.58 billion in 2011. That improvement was led by mortgage banking revenues, which rose \$183 million or 110%, and trust income, which increased \$139 million or 42%, from 2011. Gains and losses on bank investment securities totaled to net gains of \$73 million in 2011, compared with the \$48 million of net losses in 2012. Reflected in the 2011 net gains were other-than-temporary impairment charges of \$77 million on certain privately issued CMOs, and gains of \$150 million from the sale of investment securities available for sale. Those sold securities were predominantly mortgage-backed securities guaranteed by government-sponsored entities that were sold in connection with the Wilmington Trust acquisition in order to manage the Company's balance sheet composition and resultant capital ratios. Also reflected in other income in 2011 was \$55 million of cash received in full settlement of a lawsuit initiated by M&T in 2008 under which M&T sought damages arising from a 2007 investment in collateralized debt obligations (CDOs) and alleged that the quality of the investment was not as represented. The \$65 million non-taxable gain associated with the acquisition of Wilmington Trust was also included in other income in 2011.

Other expense increased 5% to \$2.64 billion in 2013 from \$2.51 billion in 2012. During 2011, other expense totaled \$2.48 billion. Included in those amounts are expenses considered by M&T to be nonoperating in nature, consisting of amortization of core deposit and other intangible assets of \$47 million, \$61 million and \$62 million in 2013, 2012 and 2011, respectively, and merger-related expenses of \$12 million in 2013, \$10 million in 2012 and \$84 million in 2011. Exclusive of those nonoperating expenses, noninterest operating expenses aggregated \$2.58 billion in 2013, compared with \$2.44 billion in 2012 and \$2.33 billion in 2011. The rise in such expenses from 2012 to 2013 was largely attributable to higher costs for professional services and salaries, partially offset by lower FDIC assessments and the reversal of an accrual for a contingent compensation obligation assumed in the May 2011 acquisition of Wilmington Trust that

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expired, resulting in a \$26 million reduction of other costs of operations. In addition, the Company reached a legal settlement of a previously disclosed lawsuit related to issues that were alleged to occur at Wilmington Trust Company prior to its acquisition by M&T that led to a \$40 million increase in the Company's reserve for litigation as of December 31, 2013. Reflected in 2011's noninterest operating expenses were a \$79 million other-than-temporary impairment charge related to M&T's 20% investment in Bayview Lending Group LLC (BLG) and a \$30 million tax-deductible cash contribution to The M&T Charitable Foundation in the fourth quarter. After considering those items, the increase in noninterest operating expenses from 2011 to 2012 was largely the result of the full-year impact of the operations obtained in the May 2011 acquisition of Wilmington Trust.

The efficiency ratio expresses the relationship of operating expenses to revenues. The Company's efficiency ratio, or noninterest operating expenses (as previously defined) divided by the sum of taxable-equivalent net interest income and noninterest income (exclusive of gains and losses from bank investment securities and gains on merger transactions), was 57.0% in 2013, compared with 56.2% and 60.4% in 2012 and 2011, respectively. The calculations of the efficiency ratio are presented in table 2.

Table 1**EARNINGS SUMMARY***Dollars in millions*

Increase (Decrease)(a)				Compound						
2012 to 2013		2011 to 2012							Growth Rate	
Amount	%	Amount	%	2013	2012	2011	2010	2009	5 Years 2008 to 2013	
\$ 14.2		\$ 150.1	5	Interest income(b)	\$ 2,982.3	2,968.1	2,817.9	2,753.8	2,747.0	(2)%
(59.1)	(17)	(59.2)	(15)	Interest expense	284.1	343.2	402.3	462.3	669.4	(27)
73.3	3	209.3	9	Net interest income(b)	2,698.2	2,624.9	2,415.6	2,291.5	2,077.6	7
(19.0)	(9)	(66.0)	(24)	Less: provision for credit losses	185.0	204.0	270.0	368.0	604.0	(15)
94.5		(121.0)		Gain (loss) on bank investment securities(c)	46.7	(47.8)	73.2	(83.5)	(137.1)	
103.4	6	205.3	14	Other income	1,818.5	1,715.1	1,509.8	1,191.6	1,185.2	11
				Less:						
40.6	3	110.6	9	Salaries and employee benefits	1,355.2	1,314.6	1,204.0	999.7	1,001.9	7
86.0	7	(79.4)	(6)	Other expense	1,280.7	1,194.7	1,274.1	915.1	978.7	11
163.6	10	328.4	26	Income before income taxes	1,742.5	1,578.9	1,250.5	1,116.8	541.1	18
				Less:						
(1.4)	(5)	.5	2	Taxable-equivalent adjustment(b)	25.0	26.4	25.9	24.0	21.8	3
56.0	11	157.9	43	Income taxes	579.0	523.0	365.1	356.6	139.4	26
\$ 109.0	11	\$ 170.0	20	Net income	\$ 1,138.5	1,029.5	859.5	736.2	379.9	15%

(a) Changes were calculated from unrounded amounts.

(b) Interest income data are on a taxable-equivalent basis. The taxable-equivalent adjustment represents additional income taxes that would be due if all interest income were subject to income taxes. This adjustment, which is related to interest received on qualified municipal securities, industrial revenue financings and preferred equity securities, is based on a composite income tax rate of approximately 39%.

(c) *Includes other-than-temporary impairment losses, if any.*

Supplemental Reporting of Non-GAAP Results of Operations

As a result of business combinations and other acquisitions, the Company had intangible assets consisting of goodwill and core deposit and other intangible assets totaling \$3.6 billion at each of December 31, 2013 and 2012, compared with \$3.7 billion at December 31, 2011. Included in such intangible assets was goodwill of \$3.5 billion at each of those dates. Amortization of core deposit and other intangible assets, after tax effect, totaled \$29 million, \$37 million and \$38 million during 2013, 2012 and 2011, respectively.

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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 gains and expenses associated with merging acquired operations into the Company, since such items are considered by management to be nonoperating in nature. Those merger-related expenses generally consist of professional services and other temporary help fees associated with the actual or planned conversion of systems and/or integration of operations; costs related to branch and office consolidations; costs related to termination of existing contractual arrangements to purchase various services; initial marketing and promotion expenses designed to introduce M&T Bank to its new customers; severance for former employees; incentive compensation costs; travel costs; and printing, supplies and other costs of completing the transactions and commencing operations in new markets and offices. 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.

Net operating income totaled \$1.17 billion in 2013, up 10% from \$1.07 billion in 2012. Diluted net operating earnings per common share in 2013 rose 8% to \$8.48 from \$7.88 in 2012. Net operating income and diluted net operating earnings per common share were \$884 million and \$6.55, respectively, in 2011.

Expressed as a rate of return on average tangible assets, net operating income was 1.47% in 2013, compared with 1.40% in 2012 and 1.26% in 2011. Net operating return on average tangible common equity was 17.79% in 2013, compared with 19.42% and 17.96% in 2012 and 2011, respectively.

Reconciliations of GAAP amounts with corresponding non-GAAP amounts are presented in table 2.

Table of Contents**Table 2****RECONCILIATION OF GAAP TO NON-GAAP MEASURES**

	2013	2012	2011
Income statement data			
<i>In thousands, except per share</i>			
Net income			
Net income	\$ 1,138,480	\$ 1,029,498	\$ 859,479
Amortization of core deposit and other intangible assets(a)	28,644	37,011	37,550
Merger-related gain(a)			(64,930)
Merger-related expenses(a)	7,511	6,001	52,154
Net operating income	\$ 1,174,635	\$ 1,072,510	\$ 884,253
Earnings per common share			
Diluted earnings per common share	\$ 8.20	\$ 7.54	\$ 6.35
Amortization of core deposit and other intangible assets(a)	.22	.29	.30
Merger-related gain(a)			(.52)
Merger-related expenses(a)	.06	.05	.42
Diluted net operating earnings per common share	\$ 8.48	\$ 7.88	\$ 6.55
Other expense			
Other expense	\$ 2,635,885	\$ 2,509,260	\$ 2,478,068
Amortization of core deposit and other intangible assets	(46,912)	(60,631)	(61,617)
Merger-related expenses	(12,364)	(9,879)	(83,687)
Noninterest operating expense	\$ 2,576,609	\$ 2,438,750	\$ 2,332,764
Merger-related expenses			
Salaries and employee benefits	\$ 836	\$ 4,997	\$ 16,131
Equipment and net occupancy	690	15	412
Printing, postage and supplies	1,825		2,663
Other costs of operations	9,013	4,867	64,481
Total	\$ 12,364	\$ 9,879	\$ 83,687
Efficiency ratio			
Noninterest operating expense (numerator)	\$ 2,576,609	\$ 2,438,750	\$ 2,332,764
Taxable-equivalent net interest income	2,698,200	2,624,907	2,415,632
Other income	1,865,205	1,667,270	1,582,912
Less: Gain on bank investment securities	56,457	9	150,187
Net OTTI losses recognized in earnings	(9,800)	(47,822)	(77,035)
Merger-related gain			64,930
Denominator	\$ 4,516,748	\$ 4,339,990	\$ 3,860,462
Efficiency ratio	57.05%	56.19%	60.43%
Balance sheet data			
<i>In millions</i>			
Average assets			
Average assets	\$ 83,662	\$ 79,983	\$ 73,977
Goodwill	(3,525)	(3,525)	(3,525)
Core deposit and other intangible assets	(90)	(144)	(168)

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Deferred taxes	27	42	43
Average tangible assets	\$ 80,074	\$ 76,356	\$ 70,327
Average common equity			
Average total equity	\$ 10,722	\$ 9,703	\$ 9,004
Preferred stock	(878)	(869)	(797)
Average common equity	9,844	8,834	8,207
Goodwill	(3,525)	(3,525)	(3,525)
Core deposit and other intangible assets	(90)	(144)	(168)
Deferred taxes	27	42	43
Average tangible common equity	\$ 6,256	\$ 5,207	\$ 4,557
At end of year			
Total assets			
Total assets	\$ 85,162	\$ 83,009	\$ 77,924
Goodwill	(3,525)	(3,525)	(3,525)
Core deposit and other intangible assets	(69)	(116)	(176)
Deferred taxes	21	34	51
Total tangible assets	\$ 81,589	\$ 79,402	\$ 74,274
Total common equity			
Total equity	\$ 11,306	\$ 10,203	\$ 9,271
Preferred stock	(882)	(873)	(865)
Undeclared dividends preferred stock	(3)	(3)	(3)
Common equity, net of undeclared preferred dividends	10,421	9,327	8,403
Goodwill	(3,525)	(3,525)	(3,525)
Core deposit and other intangible assets	(69)	(116)	(176)
Deferred taxes	21	34	51
Total tangible common equity	\$ 6,848	\$ 5,720	\$ 4,753

(a) After any related tax effect.

Table of Contents**Net Interest Income/Lending and Funding Activities**

Net interest income on a taxable-equivalent basis totaled \$2.70 billion in 2013, 3% above \$2.62 billion in 2012. Growth in average earning assets was the major factor for that increase, partially offset by a narrowing of the net interest margin. Average earning assets were \$74.0 billion in 2013, up 5% from \$70.3 billion in 2012, the result of higher average loans and leases and interest-bearing deposits at the Federal Reserve Bank. The net interest margin declined to 3.65% in 2013 from 3.73% in 2012. Contributing to that narrowing were an 11 basis point reduction in the average yield on loans and leases and the lower yielding cash balances on deposit with the Federal Reserve Bank.

Average loans and leases increased \$2.4 billion or 4% to \$65.1 billion in 2013 from \$62.7 billion in 2012. Commercial loans and leases averaged \$17.7 billion in 2013, \$1.4 billion or 9% higher than in the prior year. Average balances of commercial real estate loans rose 5% or \$1.2 billion to \$26.1 billion in 2013 from \$24.9 billion in 2012. The growth in commercial loans and commercial real estate loans reflected increased demand by customers. Average residential real estate balances grew to \$10.1 billion in 2013 from \$9.7 billion in the preceding year, resulting from the impact of the Company retaining for portfolio during the first eight months of 2012 a majority of originated residential real estate loans, partially offset by the securitization of \$1.3 billion of loans held in the loan portfolio during mid-2013. Average consumer loans totaled \$11.1 billion in 2013, down \$635 million or 5% from \$11.7 billion in 2012 due in part to the impact of the \$1.4 billion automobile loan securitization transaction completed during the third quarter of 2013.

Taxable-equivalent net interest income rose 9% to \$2.62 billion in 2012 from \$2.42 billion in 2011. That improvement resulted from a 9% increase in average earning assets, to \$70.3 billion in 2012 from \$64.7 billion in 2011. The rise in average earning assets was the result of higher average loans and leases partially offset by lower interest-bearing deposits held at the Federal Reserve Bank. The net interest margin of 3.73% in 2012 was unchanged from 2011.

Average balances of loans and leases increased \$6.5 billion or 12% in 2012 from \$56.2 billion in 2011. Commercial loans and leases averaged \$16.3 billion in 2012, up \$1.7 billion or 11% from \$14.7 billion in 2011. Average commercial real estate loans increased \$2.0 billion or 9% to \$24.9 billion in 2012 from \$22.9 billion in the preceding year. The growth in commercial loans and commercial real estate loans reflected higher loan demand by customers. Residential real estate loan balances rose \$2.9 billion or 43% to \$9.7 billion in 2012 from \$6.8 billion in 2011, predominantly the result of the Company retaining for portfolio a higher proportion of originated loans during most of the year rather than selling them. Consumer loans averaged \$11.7 billion in 2012, down \$132 million or 1% from \$11.9 billion in 2011. Average loans and leases in 2012 reflected the full-year impact of loans obtained in the Wilmington Trust acquisition.

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Table 3

AVERAGE BALANCE SHEETS AND TAXABLE-EQUIVALENT RATES

	2013		Average	Average	2012		Average	Average	2011		Average	Average	2010		Average	Average	2009		
	Average	Interest	Rate	Balance	Interest	Average	Balance	Interest	Average	Balance	Interest	Average	Balance	Interest	Average	Balance	Interest	Average	
	(Average balance in millions; interest in thousands)																		
Assets																			
and leases, earned (a)																			
Special, etc.	\$ 17,736	\$ 628,154	3.54%	16,336	606,495	3.71%	14,655	564,787	3.85%	13,092	521,747	3.99%	13,855	524,609					
State	26,083	1,198,400	4.53	24,907	1,138,723	4.50	22,901	1,051,772	4.59	20,714	974,047	4.70	20,085	894,691					
Foreign	10,136	418,095	4.12	9,727	421,516	4.33	6,778	334,421	4.93	5,746	303,262	5.28	5,297	288,474					
Other	11,098	510,962	4.60	11,732	559,253	4.77	11,865	592,386	4.99	11,745	613,479	5.22	11,722	636,074					
Loans and other	65,053	2,755,611	4.24	62,702	2,725,987	4.35	56,199	2,543,366	4.53	51,297	2,412,535	4.70	50,959	2,343,848					
Securities bearing interest	2,139	5,201	.24	528	1,221	.23	1,195	2,934	.25	102	88	.09	50	34					
Securities sold																			
Securities to be sold	128	114	.09	4	21	.55	180	189	.11	221	446	.20	52	129					
Securities to be sold	78	1,482	1.91	96	1,394	1.45	94	1,411	1.50	94	789	.84	87	640					
Securities to be sold																			
Securities to be sold	5,123	165,879	3.24	4,538	150,500	3.32	4,165	155,339	3.73	4,483	191,677	4.28	3,805	182,163					
Securities to be sold	194	9,999	5.15	220	11,638	5.29	244	13,704	5.61	266	15,107	5.67	221	13,143					
Securities to be sold	1,298	44,019	3.39	2,211	77,315	3.50	2,655	101,020	3.80	3,269	133,176	4.07	4,377	207,069					
Securities to be sold	6,615	219,897	3.32	6,969	239,453	3.44	7,064	270,063	3.82	8,018	339,960	4.24	8,403	402,375					
Securities to be sold	74,013	2,982,305	4.03	70,299	2,968,076	4.22	64,732	2,817,963	4.35	59,732	2,753,818	4.61	59,551	2,747,026					
Securities to be sold	(932)			(922)			(916)			(906)			(864)						
Securities to be sold	1,380			1,384			1,207			1,099			1,121						
Securities to be sold	9,201			9,222			8,954			8,455			7,664						
Securities to be sold	\$ 83,662			79,983			73,977			68,380			67,472						

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bearing														
counts	\$ 923	1,287	.14	856	1,343	.16	753	1,145	.15	601	850	.14	543	1,122
deposits	36,739	54,948	.15	33,398	68,011	.20	30,403	84,314	.28	26,190	85,226	.33	22,832	112,550
deposits	4,045	26,439	.65	5,347	46,102	.86	6,480	71,014	1.10	6,583	100,241	1.52	8,782	206,220
at Islands	496	1,018	.21	605	1,130	.19	779	962	.12	953	1,368	.14	1,665	2,391
bearing	42,203	83,692	.20	40,206	116,586	.29	38,415	157,435	.41	34,327	187,685	.55	33,822	322,283
m	390	430	.11	839	1,286	.15	827	1,030	.12	1,854	3,006	.16	2,911	7,129
m	4,941	199,983	4.05	5,527	225,297	4.08	6,959	243,866	3.50	9,169	271,578	2.96	11,092	340,037
bearing	47,534	284,105	.60	46,572	343,169	.74	46,201	402,331	.87	45,350	462,269	1.02	47,825	669,449
est-bearing	23,721			21,761			17,273			13,709			11,054	
ilities	1,685			1,947			1,499			1,218			1,311	
ilities	72,940			70,280			64,973			60,277			60,190	
ders equity	10,722			9,703			9,004			8,103			7,282	
ilities and				79,983			73,977			68,380			67,472	
ders equity	\$ 83,662													
est spread			3.43			3.48			3.48			3.59		
tion of														
ree funds			.22			.25			.25			.25		
est														
margin on														
assets	\$ 2,698,200	3.65%		2,624,907	3.73%		2,415,632	3.73%		2,291,549	3.84%		2,077,577	

(a) Includes nonaccrual loans.

(b) Includes available-for-sale investment securities at amortized cost.

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Table 4 summarizes average loans and leases outstanding in 2013 and percentage changes in the major components of the portfolio over the past two years.

Table 4**AVERAGE LOANS AND LEASES****(Net of unearned discount)**

	2013 (In millions)	Percent Increase (Decrease) from 2012 to 2013	Percent Increase (Decrease) from 2011 to 2012
Commercial, financial, etc.	\$ 17,736	9%	11%
Real estate commercial	26,083	5	9
Real estate consumer	10,136	4	43
Consumer			
Automobile	2,162	(16)	(6)
Home equity lines	5,776	(3)	
Home equity loans	410	(27)	(22)
Other	2,750	3	8
Total consumer	11,098	(5)	(1)
Total	\$ 65,053	4%	12%

Commercial loans and leases, excluding loans secured by real estate, aggregated \$18.7 billion at December 31, 2013, representing 29% of total loans and leases. Table 5 presents information on commercial loans and leases as of December 31, 2013 relating to geographic area, size, borrower industry and whether the loans are secured by collateral or unsecured. Of the \$18.7 billion of commercial loans and leases outstanding at the end of 2013, approximately \$16.2 billion, or 86%, were secured, while 43%, 26% and 18% were granted to businesses in New York State, Pennsylvania and the Mid-Atlantic area (which includes Maryland, Delaware, Virginia, West Virginia and the District of Columbia), respectively. The Company provides financing for leases to commercial customers, primarily for equipment. Commercial leases included in total commercial loans and leases at December 31, 2013 aggregated \$1.2 billion, of which 51% were secured by collateral located in New York State, 15% were secured by collateral in Pennsylvania and another 12% were secured by collateral in the Mid-Atlantic area.

Table of Contents**Table 5****COMMERCIAL LOANS AND LEASES, NET OF UNEARNED DISCOUNT***(Excludes Loans Secured by Real Estate)***December 31, 2013**

	New York	Pennsylvania	Mid-Atlantic	Other	Total	Percent of Total
	(Dollars in millions)					
Automobile dealerships	\$ 1,463	\$ 817	\$ 331	\$ 780	\$ 3,391	18%
Manufacturing	1,520	916	288	480	3,204	17
Services	1,088	755	803	332	2,978	16
Wholesale	900	397	365	183	1,845	10
Transportation, communications, utilities	409	404	181	236	1,230	7
Real estate investors	598	191	195	195	1,179	6
Health services	482	179	325	43	1,029	5
Financial and insurance	487	189	225	33	934	5
Construction	356	278	191	34	859	5
Retail	195	243	92	68	598	3
Public administration	181	99	49	3	332	2
Agriculture, forestry, fishing, mining, etc.	33	109	28	1	171	1
Other	405	278	237	35	955	5
Total	\$ 8,117	\$ 4,855	\$ 3,310	\$ 2,423	\$ 18,705	100%
Percent of total	43%	26%	18%	13%	100%	
Percent of dollars outstanding						
Secured	82%	77%	80%	78%	80%	
Unsecured	10	19	16	11	14	
Leases	8	4	4	11	6	
Total	100%	100%	100%	100%	100%	
Percent of dollars outstanding by size of loan						
Less than \$1 million	25%	18%	29%	11%	22%	
\$1 million to \$5 million	22	23	23	24	23	
\$5 million to \$10 million	16	18	16	22	17	
\$10 million to \$20 million	16	22	20	23	19	
\$20 million to \$30 million	7	12	5	10	8	
\$30 million to \$50 million	10	4	5	7	8	
Greater than \$50 million	4	3	2	3	3	
Total	100%	100%	100%	100%	100%	

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International loans included in commercial loans and leases totaled \$170 million and \$138 million at December 31, 2013 and 2012, respectively. Included in such loans were \$72 million and \$128 million, respectively, of loans at M&T Bank's commercial branch in Ontario, Canada.

Loans secured by real estate, including outstanding balances of home equity loans and lines of credit which the Company classifies as consumer loans, represented approximately 65% of the loan and lease portfolio during 2013 and 2011, compared with 66% in 2012. At December 31, 2013, the Company held approximately \$26.1 billion of commercial real estate loans, \$8.9 billion of consumer real estate loans secured by one-to-four family residential properties (including \$401 million of loans originated for sale) and \$6.1 billion of outstanding balances of home equity loans and lines of credit, compared with \$26.0 billion, \$11.2 billion and \$6.3 billion, respectively, at December 31, 2012. Included in total loans and leases were amounts due from builders and developers of residential real estate aggregating \$1.3 billion and \$1.2 billion at December 31, 2013 and 2012, respectively, substantially all of which were classified as commercial real estate loans.

Commercial real estate loans originated by the Company include fixed-rate instruments with monthly payments and a balloon payment of the remaining unpaid principal at maturity, in many cases five years after origination. For borrowers in good standing, the terms of such loans may be extended by the customer for an additional five years at the then-current market rate of interest. The Company also originates fixed-rate commercial real estate loans with maturities of greater than five years, generally having original maturity terms of approximately seven to ten years, and adjustable-rate commercial real estate loans. Adjustable-rate commercial real estate loans represented approximately 63% of the commercial real estate loan portfolio at the 2013 year-end. Table 6 presents commercial real estate loans by geographic area, type of collateral and size of the loans outstanding at December 31, 2013. New York City metropolitan area commercial real estate loans totaled \$8.6 billion at December 31, 2013. The \$6.8 billion of investor-owned commercial real estate loans in the New York City metropolitan area were largely secured by multifamily residential properties, retail space, and office space. The Company's experience has been that office, retail and service-related properties tend to demonstrate more volatile fluctuations in value through economic cycles and changing economic conditions than do multifamily residential properties. Approximately 48% of the aggregate dollar amount of New York City-area loans were for loans with outstanding balances of \$10 million or less, while loans of more than \$50 million made up approximately 9% of the total.

Table of Contents**Table 6****COMMERCIAL REAL ESTATE LOANS, NET OF UNEARNED DISCOUNT****December 31, 2013**

	Metropolitan New York City	Other New York State	Pennsylvania	Mid- Atlantic	Other	Total	Percent of Total
(Dollars in millions)							
Investor-owned							
Permanent finance by property type							
Retail	\$ 1,681	\$ 492	\$ 405	\$ 829	\$ 630	\$ 4,037	15%
Office	1,172	691	385	763	283	3,294	13
Apartments/Multifamily	1,330	482	159	473	297	2,741	10
Hotel	662	366	279	349	399	2,055	8
Industrial/Warehouse	248	164	191	290	156	1,049	4
Health facilities	87	161	61	88	32	429	2
Other	163	43	46	68	75	395	2
Total permanent	5,343	2,399	1,526	2,860	1,872	14,000	54%
Construction/Development							
Commercial							
Construction	588	375	310	681	206	2,160	8%
Land/Land development	419	24	46	146	18	653	2
Residential builder and developer							
Construction	403	6	42	138	153	742	3
Land/Land development	43	19	73	323	77	535	2
Total construction/development	1,453	424	471	1,288	454	4,090	15%
Total investor-owned	6,796	2,823	1,997	4,148	2,326	18,090	69%
Owner-occupied by industry(a)							
Health services	791	488	359	466	258	2,362	9%
Other services	285	309	258	525	42	1,419	5
Retail	165	185	222	353	59	984	4
Automobile dealerships	98	181	187	129	185	780	3
Manufacturing	120	213	169	113	32	647	2
Wholesale	101	61	146	128	52	488	2
Real estate investors	126	130	65	118	15	454	2
Other	124	183	250	349	18	924	4
Total owner-occupied	1,810	1,750	1,656	2,181	661	8,058	31%
Total commercial real estate	\$ 8,606	\$ 4,573	\$ 3,653	\$ 6,329	\$ 2,987	\$ 26,148	100%
Percent of total	33%	18%	14%	24%	11%	100%	
Percent of dollars outstanding by size of loan							
Less than \$1 million	5%	23%	21%	17%	7%	13%	
\$1 million to \$5 million	24	37	33	30	21	29	

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\$5 million to \$10 million	19	18	17	16	16	18
\$10 million to \$30 million	32	21	23	23	28	26
\$30 million to \$50 million	11	1	6	9	13	8
\$50 million to \$100 million	9			5	11	5
Greater than \$100 million					4	1
Total	100%	100%	100%	100%	100%	100%

(a) *Includes \$316 million of construction loans.*

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Commercial real estate loans secured by properties located in other parts of New York State, Pennsylvania and the Mid-Atlantic area tend to have a greater diversity of collateral types and include a significant amount of lending to customers who use the mortgaged property in their trade or business (owner-occupied). Approximately 78% of the aggregate dollar amount of commercial real estate loans in New York State secured by properties located outside of the metropolitan New York City area were for loans with outstanding balances of \$10 million or less. Of the outstanding balances of commercial real estate loans in Pennsylvania and the Mid-Atlantic area, approximately 71% and 63%, respectively, were for loans with outstanding balances of \$10 million or less.

Commercial real estate loans secured by properties located outside of Pennsylvania, the Mid-Atlantic area, New York State and areas of states neighboring New York considered to be part of the New York City metropolitan area, comprised 11% of total commercial real estate loans as of December 31, 2013.

Commercial real estate construction and development loans made to investors presented in table 6 totaled \$4.1 billion at December 31, 2013, or 6% of total loans and leases. Approximately 94% of those construction loans had adjustable interest rates. Included in such loans at the 2013 year-end were \$1.3 billion of loans to developers of residential real estate properties. Information about the credit performance of the Company's loans to builders and developers of residential real estate properties is included herein under the heading Provision For Credit Losses. The remainder of the commercial real estate construction loan portfolio was comprised of loans made for various purposes, including the construction of office buildings, multifamily residential housing, retail space and other commercial development.

M&T Realty Capital Corporation, a commercial real estate lending subsidiary of M&T Bank, participates in the Delegated Underwriting and Servicing (DUS) program of the Federal National Mortgage Association (Fannie Mae), pursuant to which commercial real estate loans are originated in accordance with terms and conditions specified by Fannie Mae and sold. Under this program, loans are sold with partial credit recourse to M&T Realty Capital Corporation. The amount of recourse is generally limited to one-third of any credit loss incurred by the purchaser on an individual loan, although in some cases the recourse amount is less than one-third of the outstanding principal balance. The Company's maximum credit risk for recourse associated with sold commercial real estate loans was approximately \$2.3 billion and \$2.0 billion at December 31, 2013 and 2012, respectively. There have been no material losses incurred as a result of those recourse arrangements. Commercial real estate loans held for sale at December 31, 2013 and 2012 aggregated \$68 million and \$200 million, respectively. At December 31, 2013 and 2012, commercial real estate loans serviced for other investors by the Company were \$11.4 billion and \$10.6 billion, respectively. Those serviced loans are not included in the Company's consolidated balance sheet.

Real estate loans secured by one-to-four family residential properties were \$8.9 billion at December 31, 2013, including approximately 41% secured by properties located in New York State, 14% secured by properties located in Pennsylvania and 25% secured by properties located in the Mid-Atlantic area. At December 31, 2013, \$401 million of residential real estate loans had been originated for sale, compared with \$1.2 billion at December 31, 2012. The significant decrease in residential real estate loans held for sale at December 31, 2013 as compared with December 31, 2012 reflected decreased volumes of such loan originations. The Company's portfolio of alternative (Alt-A) residential real estate loans held for investment at December 31, 2013 declined to \$396 million from \$462 million at December 31, 2012. Alt-A loans represent loans that at origination typically included some form of limited borrower documentation requirements as compared with more traditional residential real estate loans. Loans in the Company's Alt-A portfolio were originated by the Company prior to 2008. Loans to individuals to finance the construction of one-to-four family residential properties totaled \$34 million at December 31, 2013 and \$39 million at December 31, 2012, or approximately .1% of total loans and leases at each of those dates. Information about the credit performance of the Company's Alt-A loans and other residential real estate loans is included herein under the heading Provision For Credit Losses.

Consumer loans comprised approximately 16% and 17% of total loans and leases at December 31, 2013 and 2012, respectively. Outstanding balances of home equity lines of credit represent the largest component of the consumer loan portfolio. Such balances represented approximately 9% of total loans and leases at each of December 31, 2013 and 2012. No other consumer loan product represented at least 4% of loans outstanding at December 31, 2013. Approximately 41% of home equity lines of credit outstanding at December 31, 2013 were secured by properties in New York State, and 21% and 36% were secured by properties in Pennsylvania and the Mid-Atlantic area, respectively. Outstanding automobile loan balances decreased to \$1.4 billion at December 31, 2013 from \$2.5 billion at December 31, 2012. That decline resulted from the securitization and sale of \$1.4 billion of such loans near the end of the third quarter of 2013.

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Table 7 presents the composition of the Company's loan and lease portfolio at the end of 2013, including outstanding balances to businesses and consumers in New York State, Pennsylvania, the Mid-Atlantic area and other states. Approximately 45% of total loans and leases at December 31, 2013 were to New York State customers, while 18% and 23% were to Pennsylvania and the Mid-Atlantic area customers, respectively.

Table 7**LOANS AND LEASES, NET OF UNEARNED DISCOUNT****December 31, 2013**

	Outstandings (In millions)	New York State	Percent of Dollars Outstanding		
			Pennsylvania	Mid-Atlantic	Other
Real estate					
Residential	\$ 8,928	41%	14%	25%	20%
Commercial	26,148	51(a)	14	24	11
Total real estate	35,076	48%	14%	24%	14%
Commercial, financial, etc.	17,467	43%	27%	18%	12%
Consumer					
Home equity lines	5,770	41%	21%	36%	2%
Home equity loans	352	13	30	51	6
Automobile	1,365	30	23	22	25
Other secured or guaranteed	2,104	27	14	17	42
Other unsecured	701	40	22	34	4
Total consumer	10,292	36%	20%	31%	13%
Total loans	62,835	45%	18%	24%	13%
Commercial leases	1,238	50%	15%	12%	23%
Total loans and leases	\$ 64,073	45%	18%	23%	14%

(a) Includes loans secured by properties located in neighboring states generally considered to be within commuting distance of New York City.

Average balances of investment securities were \$6.6 billion in 2013, compared with \$7.0 billion and \$7.1 billion in 2012 and 2011, respectively. The decline in such balances in 2013 reflects the impact of maturities and paydowns of mortgage-backed securities, offset by the net effect of purchases, sales and securitizations during 2013. Beginning in the second quarter of 2013, the Company undertook certain actions to improve its regulatory capital and liquidity positions in response to evolving regulatory requirements. As a result, in the second quarter of 2013 approximately \$1.0 billion of privately issued mortgage-backed securities held in the available-for-sale portfolio were sold, as were the Company's holdings of Visa and MasterCard common stock. In the second and third quarters of 2013, the Company securitized approximately \$1.3 billion of residential real estate loans held in its loan portfolio guaranteed by the Federal Housing Authority (FHA). A substantial majority of the Ginnie Mae securities resulting from those securitizations were retained by the Company. During the second quarter of 2013, the Company also began originating FHA residential real estate loans for purposes of securitizing such loans into Ginnie Mae mortgage-backed

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securities to be retained in the Company's investment securities portfolio. Approximately \$1.6 billion of such loans were originated and securitized during 2013. Finally, the Company purchased approximately \$1.9 billion of Ginnie Mae securities and \$250 million of Fannie Mae securities that were added to the investment securities portfolio during 2013. The slight decline in average balances of investment securities in 2012 as compared with 2011 reflects the impact of maturities and paydowns of

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mortgage-backed securities, partially offset by purchases of \$250 million of residential mortgage-backed securities guaranteed by the Federal Home Loan Mortgage Corporation (Freddie Mac) during the second quarter of 2012 and the full-year impact of purchases of residential mortgage-backed securities guaranteed by Fannie Mae, Freddie Mac and the Ginnie Mae during 2011.

The investment securities portfolio is largely comprised of residential mortgage-backed securities, debt securities issued by municipalities, trust preferred securities issued by certain financial institutions, and shorter-term U.S. Treasury and federal agency notes. When purchasing investment securities, the Company considers its overall interest-rate risk and liquidity profiles as well as the adequacy of expected returns relative to risks assumed, including prepayments. In managing its investment securities portfolio, the Company occasionally sells investment securities as a result of changes in interest rates and spreads, actual or anticipated prepayments, credit risk associated with a particular security, or as a result of restructuring its investment securities portfolio in connection with a business combination. As noted above, in 2013 the Company sold investment securities to reduce its exposure to higher risk securities in response to changing regulatory capital and liquidity standards.

The Company regularly reviews its investment securities for declines in value below amortized cost that might be characterized as other than temporary. Pre-tax other-than-temporary impairment charges of \$10 million, \$48 million and \$77 million were recognized during 2013, 2012 and 2011, respectively, related to certain privately issued mortgage-backed securities backed by residential and commercial real estate loans. Persistently high unemployment, loan delinquencies and foreclosures that led to a backlog of homes held for sale by financial institutions and others were significant factors contributing to the recognition of the other-than-temporary impairment charges related to the mortgage-backed securities. As noted earlier, substantially all of the privately issued mortgage-backed securities held in the available-for-sale portfolio were sold in the second quarter of 2013. The impairment charges recognized during the past three years predominantly related to a subset of those sold securities. Based on management's assessment of future cash flows associated with individual investment securities as of December 31, 2013, the Company concluded that the remaining declines associated with the rest of the investment securities portfolio were temporary in nature. A further discussion of fair values of investment securities is included herein under the heading Capital. Additional information about the investment securities portfolio is included in notes 3 and 20 of Notes to Financial Statements.

Other earning assets include interest-bearing deposits at the Federal Reserve Bank and other banks, trading account assets, federal funds sold and agreements to resell securities. Those other earning assets in the aggregate averaged \$2.3 billion in 2013, \$628 million in 2012 and \$1.5 billion in 2011. Interest-bearing deposits at banks averaged \$2.1 billion in 2013, compared with \$528 million and \$1.2 billion in 2012 and 2011, respectively. Those balances were predominantly due to deposits at the Federal Reserve Bank, resulting largely from Wilmington Trust-related customer deposits. The amounts of investment securities and other earning assets held by the Company are influenced by such factors as demand for loans, which generally yield more than investment securities and other earning assets, ongoing repayments, the levels of deposits, and management of liquidity and balance sheet size and resulting capital ratios.

The most significant source of funding for the Company is core deposits. The Company considers noninterest-bearing deposits, interest-bearing transaction accounts, savings deposits and time deposits of \$250,000 or less as core deposits. The Company's branch network is its principal source of core deposits, which generally carry lower interest rates than wholesale funds of comparable maturities. Average core deposits totaled \$63.8 billion in 2013, up from \$59.1 billion in 2012 and \$52.0 billion in 2011. The Wilmington Trust acquisition added approximately \$6.6 billion of core deposits on May 16, 2011. Average core deposits of Wilmington Trust, N.A., including both noninterest-bearing trust deposits and certificates of deposit of \$250,000 or less generated on a nationwide basis, were \$1.4 billion in 2013, \$1.2 billion in 2012 and \$630 million in 2011. Excluding the impact of the deposits obtained in the Wilmington Trust acquisition, the growth in core deposits from 2011 to 2013 was due, in part, to the lack of attractive alternative investments available to the Company's customers resulting from lower interest rates and from the economic environment in the U.S. and higher balances held on behalf of trust customers. The low interest rate environment has resulted in a shift in customer savings trends, as average time deposits have continued to decline, while average noninterest-bearing deposits and savings deposits have generally increased. Funding provided by core deposits represented 86% of average earning assets in 2013, compared with 84% and 80% in 2012 and 2011, respectively. Table 8 summarizes average core deposits in 2013 and percentage changes in the components of such deposits over the past two years. Core deposits aggregated \$65.4 billion and \$62.7 billion at December 31, 2013 and 2012, respectively.

Table of Contents**Table 8****AVERAGE CORE DEPOSITS**

	2013 (In millions)	Percentage Increase (Decrease) from	
		2012 to 2013	2011 to 2012
NOW accounts	\$ 899	8%	15%
Savings deposits	35,711	10	11
Time deposits	3,441	(18)	(14)
Noninterest-bearing deposits	23,721	9	26
Total	\$ 63,772	8%	14%

Additional funding sources for the Company included branch-related time deposits over \$250,000, deposits associated with the Company's Cayman Islands office, and brokered deposits. Time deposits over \$250,000, excluding brokered certificates of deposit, averaged \$325 million in 2013, \$410 million in 2012 and \$491 million in 2011. Cayman Islands office deposits averaged \$496 million in 2013, \$605 million in 2012 and \$779 million in 2011. Average brokered time deposits totaled \$279 million in 2013, compared with \$741 million in 2012 and \$1.1 billion in 2011, and at December 31, 2013 and 2012 totaled \$26 million and \$462 million, respectively. Brokered time deposits obtained in the acquisition of Wilmington Trust totaled \$1.4 billion as of May 16, 2011. The Company also had brokered NOW and brokered money-market deposit accounts, which in the aggregate averaged \$1.1 billion in each of 2013 and 2012 and \$1.3 billion in 2011. The levels of brokered NOW and brokered money-market deposit accounts reflect the demand for such deposits, largely resulting from the desire of brokerage firms to earn reasonable yields while ensuring that customer deposits are fully insured. The level of Cayman Islands office deposits and brokered deposits are also reflective of customer demand. Additional amounts of such deposits may be added in the future depending on market conditions, including demand by customers and other investors for those deposits, and the cost of funds available from alternative sources at the time.

The Company also uses borrowings from banks, securities dealers, various Federal Home Loan Banks (FHLBs), the Federal Reserve Bank and others as sources of funding. Average short-term borrowings totaled \$390 million in 2013, \$839 million in 2012 and \$827 million in 2011. Included in short-term borrowings were unsecured federal funds borrowings, which generally mature on the next business day, that averaged \$284 million, \$669 million and \$593 million in 2013, 2012 and 2011, respectively. Overnight federal funds borrowings represented the largest component of average short-term borrowings and totaled \$169 million at December 31, 2013 and \$939 million at December 31, 2012.

Long-term borrowings averaged \$4.9 billion in 2013, \$5.5 billion in 2012 and \$7.0 billion in 2011. Included in average long-term borrowings were amounts borrowed from FHLBs of \$30 million in 2013, \$768 million in 2012 and \$1.9 billion in 2011, and subordinated capital notes of \$1.6 billion in 2013 and \$2.0 billion in each of 2012 and 2011. On April 15, 2013, \$250 million of 4.875% subordinated notes of the Company matured and were redeemed. On July 2, 2012, M&T Bank redeemed \$400 million of subordinated capital notes that were due to mature in 2013, as such notes ceased to qualify as regulatory capital during the one-year period before their contractual maturity date. Junior subordinated debentures associated with trust preferred securities that were included in average long-term borrowings were \$1.2 billion in each of 2013, 2012 and 2011. However, M&T expects to redeem \$350 million of 8.50% junior subordinated debentures associated with trust preferred securities in the first quarter of 2014. Additional information regarding junior subordinated debentures, as well as information regarding contractual maturities of long-term borrowings, is provided in note 9 of Notes to Financial Statements. Also included in long-term borrowings were agreements to repurchase securities, which averaged \$1.4 billion during each of 2013 and 2012, and \$1.5 billion during 2011. The agreements have various repurchase dates through 2017, however, the contractual maturities of the underlying securities extend beyond such repurchase dates. During the first quarter of 2013, M&T Bank initiated a Bank Note Program whereby M&T Bank may offer up to \$5 billion of unsecured senior and subordinated notes. During March 2013, three-year floating rate senior notes due March 2016 were issued for \$300 million and five-year 1.45% fixed rate senior notes due March 2018 were issued for \$500 million. Average balances of those senior notes in 2013 were \$657 million. During January 2014, M&T Bank issued an additional \$1.5 billion of senior notes of which \$750 million are due in 2017 and

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\$750 million are due in 2019. The Company has utilized interest rate swap agreements to modify the repricing characteristics of certain components of long-term debt. As of December 31, 2013, interest rate swap agreements were used to hedge approximately \$900 million of fixed rate subordinated notes and \$500 million of fixed rate senior notes. Further information on interest rate swap agreements is provided in note 18 of Notes to Financial Statements.

Changes in the composition of the Company's earning assets and interest-bearing liabilities, as discussed herein, as well as changes in interest rates and spreads, can impact net interest income. Net interest spread, or the difference between the taxable-equivalent yield on earning assets and the rate paid on interest-bearing liabilities, was 3.43% in 2013, compared with 3.48% in each of 2012 and 2011. The yield on the Company's earning assets declined 19 basis points to 4.03% in 2013 from 4.22% in 2012, while the rate paid on interest-bearing liabilities decreased 14 basis points to .60% in 2013 from .74% in 2012. The yield on earning assets during 2012 decreased 13 basis points from 4.35% in 2011, while the rate paid on interest-bearing liabilities also declined 13 basis points from .87% in 2011. The declines in yields on earning assets and rates on interest-bearing liabilities reflect the impact of actions taken by the Federal Reserve to maintain the target range for the federal funds rate of 0% to .25% and to control the level of interest rates in general.

Net interest-free funds consist largely of noninterest-bearing demand deposits and shareholders' equity, partially offset by bank owned life insurance and non-earning assets, including goodwill and core deposit and other intangible assets. Net interest-free funds averaged \$26.5 billion in 2013, compared with \$23.7 billion in 2012 and \$18.5 billion in 2011. The significant increases in average net interest-free funds in 2013 and 2012 were largely the result of higher balances of noninterest-bearing deposits, which averaged \$23.7 billion in 2013, \$21.8 billion in 2012 and \$17.3 billion in 2011. In connection with the Wilmington Trust acquisition, the Company added noninterest-bearing deposits totaling \$2.0 billion at the acquisition date. Goodwill and core deposit and other intangible assets averaged \$3.6 billion in 2013 and \$3.7 billion in each of 2012 and 2011. The cash surrender value of bank owned life insurance averaged \$1.6 billion in each of 2013 and 2012, and \$1.5 billion in 2011. Increases in the cash surrender value of bank owned life insurance are not included in interest income, but rather are recorded in other revenues from operations. The contribution of net interest-free funds to net interest margin was .22% in 2013 and .25% in each of 2012 and 2011.

Reflecting the changes to the net interest spread and the contribution of net interest-free funds as described herein, the Company's net interest margin was 3.65% in 2013 and 3.73% in each of 2012 and 2011. Future changes in market interest rates or spreads, as well as changes in the composition of the Company's portfolios of earning assets and interest-bearing liabilities that result in reductions in spreads, could adversely impact the Company's net interest income and net interest margin. In particular, the relatively low interest rate environment continues to exert downward pressure on yields on loans, investment securities and other earning assets.

Management assesses the potential impact of future changes in interest rates and spreads by projecting net interest income under several interest rate scenarios. In managing interest rate risk, the Company has utilized interest rate swap agreements to modify the repricing characteristics of certain portions of its portfolios of earning assets and interest-bearing liabilities. Periodic settlement amounts arising from these agreements are generally reflected in either the yields earned on assets or the rates paid on interest-bearing liabilities. The notional amount of interest rate swap agreements entered into for interest rate risk management purposes was \$1.4 billion and \$900 million at December 31, 2013 and 2012, respectively. Under the terms of those swap agreements, the Company received payments based on the outstanding notional amount of the agreements at fixed rates and made payments at variable rates. Those swap agreements were designated as fair value hedges of certain fixed rate long-term borrowings. There were no interest rate swap agreements designated as cash flow hedges at those respective dates.

In a fair value hedge, the fair value of the derivative (the interest rate swap agreement) and changes in the fair value of the hedged item are recorded in the Company's consolidated balance sheet with the corresponding gain or loss recognized in current earnings. The difference between changes in the fair value of the interest rate swap agreements and the hedged items represents hedge ineffectiveness and is recorded in other revenues from operations in the Company's consolidated statement of income. The amounts of hedge ineffectiveness recognized in 2013, 2012 and 2011 were not material to the Company's results of operations. The estimated aggregate fair value of interest rate swap agreements designated as fair value hedges represented gains of approximately \$103 million at December 31, 2013 and \$143 million at December 31, 2012. The fair values of such swap agreements were substantially offset by changes in the fair values of the hedged items. The changes in the fair values of the interest rate swap agreements and the

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hedged items primarily result from the effects of changing interest rates and spreads. The Company's credit exposure as of December 31, 2013 with respect to the estimated fair value of interest rate swap agreements used for managing interest rate risk has been substantially mitigated through master netting arrangements with trading account interest rate contracts with the same counterparty as well as counterparty postings of \$85 million of collateral with the Company. Additional information about swap agreements and the items being hedged is included in note 18 of Notes to Financial Statements. The average notional amounts of interest rate swap agreements entered into for interest rate risk management purposes, the related effect on net interest income and margin, and the weighted-average interest rates paid or received on those swap agreements are presented in table 9.

Table 9**INTEREST RATE SWAP AGREEMENTS**

	2013		Year Ended December 31 2012		2011	
	Amount	Rate(a)	Amount (Dollars in thousands)	Rate(a)	Amount	Rate(a)
Increase (decrease) in:						
Interest income	\$	%	\$	%	\$	%
Interest expense	(41,326)	(.09)	(36,368)	(.08)	(37,709)	(.08)
Net interest income/margin	\$ 41,326	.06%	\$ 36,368	.05%	\$ 37,709	.06%
Average notional amount	\$ 1,160,274		\$ 900,000		\$ 900,000	
Rate received(b)		5.03%		6.07%		6.07%
Rate paid(b)		1.47%		2.03%		1.88%

(a) Computed as a percentage of average earning assets or interest-bearing liabilities.

(b) Weighted-average rate paid or received on interest rate swap agreements in effect during year.

Provision for Credit Losses

The Company maintains an allowance for credit losses that in management's judgment appropriately reflects losses inherent in the loan and lease portfolio. A provision for credit losses is recorded to adjust the level of the allowance as deemed necessary by management. The provision for credit losses was \$185 million in 2013, compared with \$204 million in 2012 and \$270 million in 2011. Net loan charge-offs aggregated \$183 million in 2013, \$186 million in 2012 and \$265 million in 2011. Net loan charge-offs as a percentage of average loans outstanding were .28% in 2013, compared with .30% in 2012 and .47% in 2011. While the Company has experienced improvement in its credit quality metrics during the past few years, sluggish economic activity, relatively high unemployment rates, generally depressed real estate valuations and higher than normal levels of delinquencies have significantly affected the credit performance of the Company's loan portfolios. A summary of the Company's loan charge-offs, provision and allowance for credit losses is presented in table 10 and in note 5 of Notes to Financial Statements.

Table of Contents**Table 10****LOAN CHARGE-OFFS, PROVISION AND ALLOWANCE FOR CREDIT LOSSES**

	2013	2012	2011	2010	2009
	(Dollars in thousands)				
Allowance for credit losses beginning balance	\$ 925,860	\$ 908,290	\$ 902,941	\$ 878,022	\$ 787,904
Charge-offs during year					
Commercial, financial, leasing, etc.	109,329	41,148	55,021	91,650	180,119
Real estate construction	9,137	27,687	63,529	86,603	127,728
Real estate mortgage	49,079	58,572	81,691	108,500	95,109
Consumer	85,965	103,348	109,246	125,593	153,506
Total charge-offs	253,510	230,755	309,487	412,346	556,462
Recoveries during year					
Commercial, financial, leasing, etc.	11,773	11,375	10,224	26,621	7,999
Real estate construction	18,800	3,693	5,930	4,975	2,623
Real estate mortgage	13,718	8,847	10,444	10,954	6,917
Consumer	26,035	20,410	18,238	23,963	25,041
Total recoveries	70,326	44,325	44,836	66,513	42,580
Net charge-offs	183,184	186,430	264,651	345,833	513,882
Provision for credit losses	185,000	204,000	270,000	368,000	604,000
Allowance related to loans sold or securitized	(11,000)				
Consolidation of loan securitization trusts				2,752	
Allowance for credit losses ending balance	\$ 916,676	\$ 925,860	\$ 908,290	\$ 902,941	\$ 878,022
Net charge-offs as a percent of:					
Provision for credit losses	99.02%	91.39%	98.02%	93.98%	85.08%
Average loans and leases, net of unearned discount	.28%	.30%	.47%	.67%	1.01%
Allowance for credit losses as a percent of loans and leases, net of unearned discount, at year-end	1.43%	1.39%	1.51%	1.74%	1.69%

Loans acquired in connection with acquisition transactions subsequent to 2008 were recorded at fair value with no carry-over of any previously recorded allowance for credit losses. Determining the fair value of the acquired loans required estimating cash flows expected to be collected on the loans and discounting those cash flows at then-current interest rates. The excess of expected cash flows over the carrying value of the loans is recognized as interest income over the lives of the loans. The difference between contractually required payments and the cash flows expected to be collected is referred to as the nonaccretable balance and is not recorded on the consolidated balance sheet. The nonaccretable balance reflects estimated future credit losses and other contractually required payments that the Company does not expect to collect. The Company regularly evaluates the reasonableness of its cash flow projections. Any decreases to the expected cash flows require the Company to evaluate the need for an additional allowance for credit losses and could lead to charge-offs of acquired loan balances. Any significant increases in expected cash flows result in additional interest income to be recognized over the then-remaining lives of the loans. The carrying amount of loans obtained in acquisitions subsequent to 2008 was \$4.0 billion and \$5.8 billion at December 31, 2013 and 2012, respectively. The portion of the nonaccretable balance related to remaining principal losses as well as life-to-date principal losses charged against the nonaccretable balance as of December 31, 2013 and 2012 are presented in table 11. The Company regularly reviews its cash flow projections for acquired loans, including its estimates of lifetime principal losses. During 2013, based on stabilizing economic conditions

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the Company's estimates of cash flows expected to be generated by acquired loans increased by \$179 million, or approximately 3%. That improvement reflected a lowering of estimated principal losses by approximately \$173 million, primarily due to a \$160 million decrease in expected principal losses in the acquired commercial real estate portfolios. The increase in projected cash flows, including both the \$173 million of principal referred to above and interest payments related thereto, resulted in a \$181 million transfer from the nonaccretable balance to the accretable yield. Similarly, in 2012 the estimates of cash flows expected to be generated by acquired loans increased by approximately 2%, or \$178 million. That improvement also reflected a lowering of estimated principal losses that amounted to approximately \$175 million, largely driven by a \$132 million decrease in expected principal losses in the acquired commercial real estate portfolios. Including both the \$175 million of principal referred to above and interest payments related thereto, the increases in projected cash flows resulted in a \$200 million transfer from the nonaccretable balance to the accretable yield. In the aggregate, approximately \$109 million and \$45 million of those transfers were recognized as interest income in 2013 and 2012, respectively. The remainder will be recognized as interest income in subsequent years.

Table 11**NONACCRETABLE BALANCE PRINCIPAL**

	Remaining Balance		Life-to-date Charges	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	(In thousands)			
Commercial, financing, leasing, etc.	\$ 31,931	\$ 40,198	\$ 69,772	\$ 63,190
Commercial real estate	110,984	285,681	277,222	262,062
Residential real estate	23,201	36,471	54,177	46,842
Consumer	33,989	50,856	74,039	63,132
Total	\$ 200,105	\$ 413,206	\$ 475,210	\$ 435,226

Nonaccrual loans totaled \$874 million or 1.36% of outstanding loans and leases at December 31, 2013, compared with \$1.01 billion or 1.52% at December 31, 2012 and \$1.10 billion or 1.83% at December 31, 2011. The decline in nonaccrual loans at the end of 2013 as compared with December 31, 2012 and 2011 was largely due to lower commercial loans and commercial real estate loans on nonaccrual status. Since December 31, 2011, additions to nonaccrual loans were more than offset by the impact on such loans from payments received and charge-offs. Nevertheless, conditions in the U.S. economy have continued to result in generally higher levels of nonaccrual loans than historically experienced by the Company.

Accruing loans past due 90 days or more (excluding acquired loans) totaled \$369 million or .58% of total loans and leases at December 31, 2013, compared with \$358 million or .54% at December 31, 2012 and \$288 million or .48% at December 31, 2011. Those loans included loans guaranteed by government-related entities of \$298 million, \$316 million and \$253 million at December 31, 2013, 2012 and 2011, respectively. Such guaranteed loans included one-to-four family residential mortgage loans serviced by the Company that were repurchased to reduce servicing costs, including a requirement to advance principal and interest payments that had not been received from individual mortgagors. Despite the loans being purchased by the Company, the insurance or guarantee by the applicable government-related entity remains in force. The outstanding principal balances of the repurchased loans that are guaranteed by government-related entities aggregated \$255 million at December 31, 2013, \$294 million at December 31, 2012 and \$241 million at December 31, 2011. The remaining loans in this classification were loans considered to be with creditworthy borrowers that were in the process of collection or renewal. A summary of nonperforming assets and certain past due, renegotiated and impaired loan data and credit quality ratios is presented in table 12.

Table of Contents**Table 12****NONPERFORMING ASSET AND PAST DUE, RENEGOTIATED AND IMPAIRED LOAN DATA**

December 31	2013	2012	2011 (Dollars in thousands)	2010	2009
Nonaccrual loans	\$ 874,156	\$ 1,013,176	\$ 1,097,581	\$ 1,139,740	\$ 1,255,552
Real estate and other foreclosed assets	66,875	104,279	156,592	220,049	94,604
Total nonperforming assets	\$ 941,031	\$ 1,117,455	\$ 1,254,173	\$ 1,359,789	\$ 1,350,156
Accruing loans past due 90 days or more(a)	\$ 368,510	\$ 358,397	\$ 287,876	\$ 250,705	\$ 205,172
Government guaranteed loans included in totals above:					
Nonaccrual loans	\$ 63,647	\$ 57,420	\$ 40,529	\$ 39,883	\$ 37,658
Accruing loans past due 90 days or more	297,918	316,403	252,503	207,243	193,495
Renegotiated loans	\$ 257,092	\$ 271,971	\$ 214,379	\$ 233,342	\$ 212,548
Acquired accruing loans past due 90 days or more(b)	\$ 130,162	\$ 166,554	\$ 163,738	\$ 91,022	\$ 55,638
Purchased impaired loans(c):					
Outstanding customer balance	\$ 579,975	\$ 828,571	\$ 1,267,762	\$ 219,477	\$ 172,772
Carrying amount	330,792	447,114	653,362	97,019	88,170
Nonaccrual loans to total loans and leases, net of unearned discount	1.36%	1.52%	1.83%	2.19%	2.42%
Nonperforming assets to total net loans and leases and real estate and other foreclosed assets	1.47%	1.68%	2.08%	2.60%	2.59%
Accruing loans past due 90 days or more(a) to total loans and leases, net of unearned discount	.58%	.54%	.48%	.48%	.40%

(a) Excludes acquired loans. Predominantly residential mortgage loans.

(b) Acquired loans that were recorded at fair value at acquisition date. This category does not include purchased impaired loans that are presented separately.

(c) Accruing loans that were impaired at acquisition date and recorded at fair value.

Purchased impaired loans are loans obtained in acquisition transactions subsequent to 2008 that as of the acquisition date were specifically identified as displaying signs of credit deterioration and for which the Company did not expect to collect all outstanding principal and contractually required interest payments. Those loans were impaired at the date of acquisition, were recorded at estimated fair value and were generally delinquent in payments, but, in accordance with GAAP, the Company continues to accrue interest income on such loans based on the estimated expected cash flows associated with the loans. The carrying amount of such loans was \$331 million at December 31, 2013, or .5% of total loans. Purchased impaired loans totaled \$447 million at December 31, 2012. The decline in such loans during 2013 was predominantly the result of payments received from customers.

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Acquired accruing loans past due 90 days or more are loans that could not be specifically identified as impaired as of the acquisition date, but were recorded at estimated fair value as of such date. Such loans totaled \$130 million at December 31, 2013 and \$167 million at December 31, 2012.

In an effort to assist borrowers, the Company modified the terms of select loans. If the borrower was experiencing financial difficulty and a concession was granted, the Company considered such modifications as troubled debt restructurings. Loan modifications included such actions as the extension of loan maturity dates and the lowering of interest rates and monthly payments. The objective of the modifications was to increase loan repayments by customers and thereby reduce net charge-offs. In accordance with GAAP, the modified loans are included in impaired loans for purposes of determining the level of the allowance for credit losses. Information about modifications of loans that are considered troubled debt restructurings is included in note 4 of Notes to Financial Statements.

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Residential real estate loans modified under specified loss mitigation programs prescribed by government guarantors have not been included in renegotiated loans because the loan guarantee remains in full force and, accordingly, the Company has not granted a concession with respect to the ultimate collection of the original loan balance. Such loans totaled \$206 million and \$167 million at December 31, 2013 and December 31, 2012, respectively.

Net charge-offs of commercial loans and leases were \$98 million in 2013, \$30 million in 2012 and \$45 million in 2011. Reflected in net charge-offs of commercial loans and leases in 2013 were \$49 million of charge-offs for a relationship with a motor vehicle-related parts wholesaler. Commercial loans and leases in nonaccrual status aggregated \$111 million at December 31, 2013, \$152 million at December 31, 2012 and \$164 million at December 31, 2011.

Charge-offs of commercial real estate loans, net of recoveries, during 2013, 2012 and 2011 totaled \$12 million, \$36 million and \$77 million, respectively. Reflected in such charge-offs in 2013 were net recoveries of \$12 million of loans to residential real estate builders and developers, compared with net charge-offs of \$23 million and \$55 million in 2012 and 2011, respectively. Commercial real estate loans classified as nonaccrual aggregated \$305 million at December 31, 2013, compared with \$412 million at December 31, 2012 and \$559 million at December 31, 2011. The decrease in such loans from December 31, 2012 to December 31, 2013 was due to lower nonaccrual loans to residential homebuilders and developers. The decline in commercial real estate loans in nonaccrual status from the 2011 year-end to December 31, 2012 was largely attributable to a decrease in loans to residential homebuilders and developers in this category and to the impact of a payoff in 2012 of a second quarter of a \$58 million construction loan to an owner/operator of retirement and assisted living facilities. At December 31, 2013 and 2012, commercial real estate loans to residential homebuilders and developers classified as nonaccrual aggregated \$96 million and \$182 million, respectively, compared with \$281 million at December 31, 2011. Information about the location of nonaccrual and charged-off loans to residential real estate builders and developers as of and for the year ended December 31, 2013 is presented in table 13.

Table 13**RESIDENTIAL BUILDER AND DEVELOPER LOANS, NET OF UNEARNED DISCOUNT**

	December 31, 2013			Year Ended December 31, 2013	
	Outstanding Balances(a)	Nonaccrual Balances	Percent of Outstanding Balances (Dollars in thousands)	Net Charge-offs (Recoveries) Balances	Percent of Average Outstanding Balances
New York	\$ 454,014	\$ 7,952	1.75%	\$ 299	.11%
Pennsylvania	115,389	47,288	40.98	583	.32
Mid-Atlantic	496,258	40,518	8.16	(11,623)	(2.06)
Other	242,032	2,319	.96	(838)	(.42)
Total	\$ 1,307,693	\$ 98,077	7.50%	\$ (11,579)	(.94)%

(a) Includes approximately \$31 million of loans not secured by real estate, of which approximately \$2 million are in nonaccrual status. Residential real estate loan net charge-offs totaled \$13 million in 2013, \$38 million in 2012 and \$52 million in 2011. The lower charge-offs of such loans in 2013 as compared with 2012 reflect lower Alt-A loan charge-offs and generally improved economic conditions. Nonaccrual residential real estate loans at December 31, 2013 totaled \$334 million, compared with \$345 million and \$278 million at December 31, 2012 and 2011, respectively. The increase in residential real estate loans classified as nonaccrual from December 31, 2011 to the 2012 year-end was predominantly related to the addition of \$64 million of loans to one customer that are secured by residential real estate. Depressed real estate values and high levels of delinquencies have contributed to the higher than historical levels of residential real estate loans classified as nonaccrual. Net charge-offs of Alt-A loans were \$8 million in 2013, \$20 million in 2012 and \$32 million in 2011. Nonaccrual Alt-A loans aggregated \$81 million at December 31, 2013, compared with \$96 million and

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\$105 million at December 31, 2012 and 2011, respectively. Residential real estate loans past due 90 days or more and accruing interest (excluding acquired loans) totaled \$295 million, \$313 million and \$250 million at December 31, 2013, 2012 and 2011, respectively. A substantial portion of such amounts related to guaranteed loans repurchased from government-related entities. Information about the location of nonaccrual and charged-off residential real estate loans as of and for the year ended December 31, 2013 is presented in table 14.

Net charge-offs of consumer loans during 2013 were \$60 million, compared with \$83 million in 2012 and \$91 million in 2011. Included in net charge-offs of consumer loans were: automobile loans of \$11 million during 2013, \$14 million during 2012 and \$22 million during 2011; recreational vehicle loans of \$15 million, \$18 million and \$21 million during 2013, 2012 and 2011, respectively; and home equity loans and lines of credit secured by one-to-four family residential properties of \$12 million during 2013, \$31 million during 2012 and \$33 million during 2011. Reflected in net charge-offs of home equity loans and lines of credit in 2013 were \$9 million of recoveries of previously charged-off loans related to a portfolio of loans acquired in 2007. Nonaccrual consumer loans totaled \$125 million at December 31, 2013, compared with \$104 million and \$97 million at December 31, 2012 and 2011, respectively. Included in nonaccrual consumer loans at the 2013, 2012 and 2011 year-ends were: automobile loans of \$21 million, \$25 million and \$27 million, respectively; recreational vehicle loans of \$12 million, \$10 million and \$13 million, respectively; and outstanding balances of home equity loans and lines of credit, including junior lien Alt-A loans, of \$79 million, \$58 million and \$47 million, respectively. The increase in nonaccrual home equity loans and lines of credit in 2013 reflects the Company's ability to now better identify when related senior lien loans not owned or serviced by the Company have a delinquency in payment that results in the home equity loan or line of credit being placed in nonaccrual status. Information about the location of nonaccrual and charged-off home equity loans and lines of credit as of and for the year ended December 31, 2013 is presented in table 14.

Table of Contents**Table 14****SELECTED RESIDENTIAL REAL ESTATE-RELATED LOAN DATA**

	December 31, 2013			Year Ended December 31, 2013	
	Outstanding Balances	Nonaccrual Balances	Percent of Outstanding Balances (Dollars in thousands)	Net Charge-offs Balances	Percent of Average Outstanding Balances
Residential mortgages					
New York	\$ 3,636,005	\$ 68,847	1.89%	\$ 1,656	.04%
Pennsylvania	1,199,062	19,159	1.60	1,409	.11
Mid-Atlantic	2,122,428	34,038	1.60	1,458	.06
Other	1,554,328	129,263	8.32	1,224	.06
Total	\$ 8,511,823	\$ 251,307	2.95%	\$ 5,747	.06%
Residential construction loans					
New York	\$ 7,098	\$ 135	1.90%	\$ 79	1.15%
Pennsylvania	1,569	267	17.02		
Mid-Atlantic	7,694	35	.45		
Other	17,653	1,061	6.01	(173)	(.90)
Total	\$ 34,014	\$ 1,498	4.40%	\$ (94)	(.25)%
Alt-A first mortgages					
New York	\$ 63,182	\$ 17,693	28.00%	\$ 1,712	2.54%
Pennsylvania	11,489	2,909	25.32	172	1.34
Mid-Atlantic	74,631	11,904	15.95	706	.88
Other	233,082	48,616	20.86	5,057	2.00
Total	\$ 382,384	\$ 81,122	21.21%	\$ 7,647	1.85%
Alt-A junior lien					
New York	\$ 1,430	\$ 262	18.32%	\$ 281	17.45%
Pennsylvania	434	35	8.06	(6)	(1.25)
Mid-Atlantic	3,447	276	8.01	4	.12
Other	8,350	841	10.07	1,007	11.26
Total	\$ 13,661	\$ 1,414	10.35%	\$ 1,286	8.87%
First lien home equity loans					
New York	\$ 24,862	\$ 2,042	8.21%	\$ 158	.69%
Pennsylvania	80,445	2,620	3.26	313	.35
Mid-Atlantic	99,834	624	.63	52	.05
Other	2,913	66	2.27		
Total	\$ 208,054	\$ 5,352	2.57%	\$ 523	.25%
First lien home equity lines					
New York	\$ 1,392,002	\$ 10,870	.78%	\$ 1,435	.12%
Pennsylvania	844,966	5,835	.69	636	.08
Mid-Atlantic	881,500	3,864	.44	389	.05
Other	31,921	1,610	5.04	100	.40

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Total	\$ 3,150,389	\$ 22,179	.70%	\$ 2,560	.10%
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Junior lien home equity loans

New York	\$ 19,432	\$ 2,614	13.45%	\$ 595	2.01%
Pennsylvania	23,330	828	3.55	401	1.14
Mid-Atlantic	77,410	1,541	1.99	863	.80
Other	9,714	164	1.69	(37)	(.32)

Total	\$ 129,886	\$ 5,147	3.96%	\$ 1,822	.99%
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Junior lien home equity lines

New York	\$ 960,360	\$ 29,627	3.08%	\$ 3,133	.26%
Pennsylvania	391,383	3,563	.91	648	.14
Mid-Atlantic	1,198,860	8,438	.70	2,023	.15
Other	69,196	2,796	4.04	(271)	(.33)

Total	\$ 2,619,799	\$ 44,424	1.70%	\$ 5,533	.18%
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Information about past due and nonaccrual loans as of December 31, 2013 is also included in note 4 of Notes to Financial Statements.

Real estate and other foreclosed assets totaled \$67 million at December 31, 2013, compared with \$104 million at December 31, 2012 and \$157 million at December 31, 2011. The decline in real estate and other foreclosed assets during 2013 and 2012 reflects sales of such assets. No significant gains or losses occurred as a result of those sales. At December 31, 2013, the Company's holding of residential real estate-related properties comprised approximately 75% of foreclosed assets.

Management determined the allowance for credit losses by performing ongoing evaluations of the loan and lease portfolio, including such factors as the differing economic risks associated with each loan category, the financial condition of specific borrowers, the economic environment in which borrowers operate, the level of delinquent loans, the value of any collateral and, where applicable, the existence of any guarantees or indemnifications. Management evaluated the impact of changes in interest rates and overall economic conditions on the ability of borrowers to meet repayment obligations when quantifying the Company's exposure to credit losses and the allowance for such losses as of each reporting date. Factors also considered by management when performing its assessment, in addition to general economic conditions and the other factors described above, included, but were not limited to: (i) the impact of residential real estate values on the Company's portfolio of loans to residential real estate builders and developers and other loans secured by residential real estate; (ii) the concentrations of commercial real estate loans in the Company's loan portfolio; (iii) the amount of commercial and industrial loans to businesses in areas of New York State outside of the New York City metropolitan area and in central Pennsylvania that have historically experienced less economic growth and vitality than the vast majority of other regions of the country; (iv) the repayment performance associated with the Company's first and second lien loans secured by residential real estate; and (v) the size of the Company's portfolio of loans to individual consumers, which historically have experienced higher net charge-offs as a percentage of loans outstanding than other loan types. The level of the allowance is adjusted based on the results of management's analysis.

Management cautiously and conservatively evaluated the allowance for credit losses as of December 31, 2013 in light of: (i) residential real estate values and the level of delinquencies of loans secured by residential real estate; (ii) economic conditions in the markets served by the Company; (iii) continuing weakness in industrial employment in upstate New York and central Pennsylvania; (iv) the significant subjectivity involved in commercial real estate valuations for properties located in areas with stagnant or low growth economies; and (v) the amount of loan growth experienced by the Company. While there has been general improvement in economic conditions, concerns continue to exist about the strength and sustainability of such improvements; the slowly strengthening housing market; the troubled state of financial and credit markets; Federal Reserve positioning of monetary policy; high levels of unemployment; and continued stagnant population growth in the upstate New York and central Pennsylvania regions (approximately 60% of the Company's loans are to customers in New York State and Pennsylvania).

The Company utilizes a loan grading system which is applied to all commercial and commercial real estate loans. Loan grades are utilized to differentiate risk within the portfolio and consider the expectations of default for each loan. Commercial loans and commercial real estate loans with a lower expectation of default are assigned one of ten possible pass loan grades and are generally ascribed lower loss factors when determining the allowance for credit losses. Loans with an elevated level of credit risk are classified as criticized and are ascribed a higher loss factor when determining the allowance for credit losses. Criticized loans may be classified as nonaccrual if the Company no longer expects to collect all amounts according to the contractual terms of the loan agreement or the loan is delinquent 90 days or more. Criticized commercial loans and commercial real estate loans were \$1.8 billion at December 31, 2013, compared with \$2.4 billion at December 31, 2012. Loan officers with the support of loan review personnel in different geographic locations are responsible to continuously review and reassign loan grades to pass and criticized loans based on their detailed knowledge of individual borrowers and their judgment of the impact on such borrowers resulting from changing conditions in their respective geographic regions. On a quarterly basis, the Company's centralized loan review department reviews all criticized commercial and commercial real estate loans greater than \$1 million to determine the appropriateness of the assigned loan grade, including whether the loan should be reported as accruing or nonaccruing. For criticized nonaccrual loans, additional meetings are held with loan officers and their managers, workout specialists and senior management to discuss each of the relationships. In analyzing criticized loans, borrower-specific information is reviewed, including operating results, future cash flows, recent developments and the borrower's outlook, and other pertinent data. The timing and extent of potential losses, considering collateral valuation and other factors,

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and the Company's potential courses of action are reviewed. To the extent that these loans are collateral-dependent, they are evaluated based on the fair value of the loan's collateral as estimated at or near the financial statement date. As the quality of a loan deteriorates to the point of classifying the loan as criticized, the process of obtaining updated collateral valuation information is usually initiated, unless it is not considered warranted given factors such as the relative size of the loan, the characteristics of the collateral or the age of the last valuation. In those cases where current appraisals may not yet be available, prior appraisals are utilized with adjustments, as deemed necessary, for estimates of subsequent declines in value as determined by line of business and/or loan workout personnel in the respective geographic regions. Those adjustments are reviewed and assessed for reasonableness by the Company's credit department. Accordingly, for real estate collateral securing larger commercial and commercial real estate loans, estimated collateral values are based on current appraisals and estimates of value. For non-real estate loans, collateral is assigned a discounted estimated liquidation value and, depending on the nature of the collateral, is verified through field exams or other procedures. In assessing collateral, real estate and non-real estate values are reduced by an estimate of selling costs. With regard to residential real estate loans, the Company's loss identification and estimation techniques make reference to loan performance and house price data in specific areas of the country where collateral that was securing the Company's residential real estate loans was located. For residential real estate loans, including home equity loans and lines of credit, the excess of the loan balance over the net realizable value of the property collateralizing the loan is charged-off when the loan becomes 150 days delinquent. That charge-off is based on recent indications of value from external parties that are generally obtained shortly after a loan becomes nonaccrual. At December 31, 2013 approximately 55% of the Company's home equity portfolio consisted of first lien loans and lines of credit. Of the remaining junior lien loans in the portfolio, approximately 75% (or approximately 34% of the aggregate home equity portfolio) consisted of junior lien loans that were behind a first lien mortgage loan that was not owned or serviced by the Company. To the extent known by the Company, if a senior lien loan, would be on nonaccrual status because of payment delinquency, even if such senior lien loan was not owned by the Company, the junior lien loan or line that is owned by the Company is placed on nonaccrual status. At December 31, 2013, the balance of junior lien loans and lines that were in nonaccrual status solely as a result of first lien loan performance was \$30 million, compared with \$7 million at December 31, 2012 when such determination was based only on the status of related senior lien loans that were owned or serviced by the Company. At December 31, 2013, approximately \$22 million of the \$30 million referred to above related to loans where the senior lien loan was not owned or serviced by the Company. In monitoring the credit quality of its home equity portfolio for purposes of determining the allowance for credit losses, the Company reviews delinquency and nonaccrual information and considers recent charge-off experience. Additionally, the Company generally evaluates home equity loans and lines of credit that are more than 150 days past due for collectibility on a loan-by-loan basis and the excess of the loan balance over the net realizable value of the property collateralizing the loan is charged-off at that time. In determining the amount of such charge-offs, if the Company does not know the precise amount of the remaining first lien mortgage loan (typically because the Company does not own or service the first lien loan), the Company assumes that the first lien mortgage loan has had no principal amortization since the origination of the junior lien loan. Similarly, data used in estimating incurred losses for purposes of determining the allowance for credit losses also assumes no reductions in outstanding principal of first lien loans since the origination of the junior lien loan. Home equity line of credit terms vary but such lines are generally originated with an open draw period of ten years followed by an amortization period of up to twenty years. At December 31, 2013, approximately 95% of all outstanding balances of home equity lines of credit related to lines that were still in the draw period, the weighted-average remaining draw periods were approximately five years, and approximately 21% were making contractually allowed payments that do not include any repayment of principal.

Factors that influence the Company's credit loss experience include overall economic conditions affecting businesses and consumers, generally, but also residential and commercial real estate valuations, in particular, given the size of the Company's real estate loan portfolios. Commercial real estate valuations can be highly subjective, as they are based upon many assumptions. Such valuations can be significantly affected over relatively short periods of time by changes in business climate, economic conditions, interest rates, and, in many cases, the results of operations of businesses and other occupants of the real property. Similarly, residential real estate valuations can be impacted by housing trends, the availability of financing at reasonable interest rates, and general economic conditions affecting consumers.

In determining the allowance for credit losses, the Company estimates losses attributable to specific troubled credits identified through both normal and detailed or intensified credit review processes and also estimates losses inherent in other loans and leases. In quantifying incurred losses, the Company considers

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the factors and uses the techniques described herein and in note 5 of Notes to Financial Statements. For purposes of determining the level of the allowance for credit losses, the Company segments its loan and lease portfolio by loan type. The amount of specific loss components in the Company's loan and lease portfolios is determined through a loan by loan analysis of commercial loans and commercial real estate loans in nonaccrual status. Measurement of the specific loss components is typically based on expected future cash flows, collateral values or other factors that may impact the borrower's ability to pay. Losses associated with residential real estate loans and consumer loans are generally determined by reference to recent charge-off history and are evaluated (and adjusted if deemed appropriate) through consideration of other factors including near-term forecasted loss estimates developed by the Company's credit department. These forecasts give consideration to overall borrower repayment performance and current geographic region changes in collateral values using third party published historical price indices or automated valuation methodologies. With regard to collateral values, the realizability of such values by the Company contemplates repayment of any first lien position prior to recovering amounts on a junior lien position. Approximately 45% of the Company's home equity portfolio consists of junior lien loans and lines of credit. The Company generally evaluates residential real estate loans and home equity loans and lines of credit that are more than 150 days past due for collectibility on a loan-by-loan basis and the excess of the loan balance over the net realizable value of the property collateralizing the loan is charged-off at that time. Except for consumer loans and residential real estate loans that are considered smaller balance homogeneous loans and are evaluated collectively and loans obtained in acquisition transactions, the Company considers a loan to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts according to the contractual terms of the loan agreement or the loan is delinquent 90 days or more and has been placed in nonaccrual status. Those impaired loans are evaluated for specific loss components. Modified loans, including smaller balance homogenous loans, that are considered to be troubled debt restructurings are evaluated for impairment giving consideration to the impact of the modified loan terms on the present value of the loan's expected cash flows. Loans less than 90 days delinquent are deemed to have a minimal delay in payment and are generally not considered to be impaired. Loans acquired in connection with acquisition transactions subsequent to 2008 were recorded at fair value with no carry-over of any previously recorded allowance for credit losses. Determining the fair value of the acquired loans required estimating cash flows expected to be collected on the loans and discounting those cash flows at then-current interest rates. The impact of estimated future credit losses represents the predominant difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition. Subsequent decreases to those expected cash flows require the Company to evaluate the need for an additional allowance for credit losses and could lead to charge-offs of acquired loan balances.

The inherent base level loss components of the Company's allowance for credit losses are generally determined by applying loss factors to specific loan balances based on loan type and management's classification of such loans under the Company's loan grading system. The Company utilizes a loan grading system which is applied to all commercial loans and commercial real estate loans. As previously described, loan officers are responsible for continually assigning grades to these loans based on standards outlined in the Company's Credit Policy. Internal loan grades are also extensively monitored by the Company's loan review department to ensure consistency and strict adherence to the prescribed standards. Loan balances utilized in the inherent base level loss component computations exclude loans and leases for which specific allocations are maintained. Loan grades are assigned loss component factors that reflect the Company's loss estimate for each group of loans and leases. Factors considered in assigning loan grades and loss component factors include borrower-specific information related to expected future cash flows and operating results, collateral values, financial condition, payment status, and other information; levels of and trends in portfolio charge-offs and recoveries; levels of and trends in portfolio delinquencies and impaired loans; changes in the risk profile of specific portfolios; trends in volume and terms of loans; effects of changes in credit concentrations; and observed trends and practices in the banking industry. In determining the allowance for credit losses, management also gives consideration to such factors as customer, industry and geographic concentrations as well as national and local economic conditions including: (i) the comparatively poorer economic conditions and unfavorable business climate in many market regions served by the Company, including upstate New York and central Pennsylvania, that result in such regions generally experiencing significantly poorer economic growth and vitality as compared with much of the rest of the country; (ii) portfolio concentrations regarding loan type, collateral type and geographic location, in particular, the large concentrations of commercial real estate loans serviced by properties in the New York

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City metropolitan area and other areas of New York State; and (iii) additional risk associated with the Company's portfolio of consumer loans, in particular automobile loans and leases, which generally have higher rates of loss than other types of collateralized loans.

The inherent base level loss components related to residential real estate loans and consumer loans are generally determined by applying loss factors to portfolio balances after consideration of payment performance and recent loss experience and trends, which are mainly driven by current collateral values in the market place as well as the amount of loan defaults. Loss rates for loans secured by residential real estate, including home equity loans and lines of credit, are determined by reference to recent charge-off history and are evaluated (and adjusted if deemed appropriate) through consideration of other factors as previously described.

In evaluating collateral, the Company relies extensively on internally and externally prepared valuations. Residential real estate valuations are usually based on sales of comparable properties in the respective location. Commercial real estate valuations also refer to sales of comparable properties but oftentimes are based on calculations that utilize many assumptions and, as a result, can be highly subjective. Specifically, commercial real estate values can be significantly affected over relatively short periods of time by changes in business climate, economic conditions and interest rates, and, in many cases, the results of operations of businesses and other occupants of the real property. Additionally, management is aware that there is oftentimes a delay in the recognition of credit quality changes in loans and, as a result, in changes to assigned loan grades due to time delays in the manifestation and reporting of underlying events that impact credit quality. Accordingly, loss estimates derived from the inherent base level loss component computation are adjusted for current national and local economic conditions and trends. Economic indicators in the most significant market regions served by the Company continued to improve modestly in 2013 but remained generally below pre-recession levels. For example, during 2013, private sector employment in most market areas served by the Company rose by 1.4%, trailing the 2.0% U.S. average. Private sector employment in 2013 increased 0.8% in upstate New York, 1.3% in areas of Pennsylvania served by the Company, 1.6% in Maryland, 1.4% in Greater Washington D.C. and 2.2% in the State of Delaware. In New York City, private sector employment increased by 2.4% in 2013, however, unemployment rates there remain elevated and are expected to continue at above historical levels during 2014. At the end of 2013 there remained significant concerns about the pace of national economic recovery from the recession, high unemployment, real estate valuations, high levels of consumer indebtedness, volatile energy prices, federal fiscal policy and emerging markets growth prospects that weigh on the global economic outlook. Those factors are expected to act as headwinds for the national economy in 2014.

The specific loss components and the inherent base level loss components together comprise the total base level or allocated allowance for credit losses. Such allocated portion of the allowance represents management's assessment of losses existing in specific larger balance loans that are reviewed in detail by management and pools of other loans that are not individually analyzed. In addition, the Company has always provided an inherent unallocated portion of the allowance that is intended to recognize probable losses that are not otherwise identifiable. The inherent unallocated allowance includes management's subjective determination of amounts necessary for such things as the possible use of imprecise estimates in determining the allocated portion of the allowance and other risks associated with the Company's loan portfolio which may not be specifically allocable.

A comparative allocation of the allowance for credit losses for each of the past five year-ends is presented in table 15. Amounts were allocated to specific loan categories based on information available to management at the time of each year-end assessment and using the methodology described herein. Variations in the allocation of the allowance by loan category as a percentage of those loans reflect changes in management's estimate of specific loss components and inherent base level loss components, including the impact of delinquencies and nonaccrual loans. As described in note 5 of Notes to Financial Statements, loans considered impaired were \$889 million and \$1.1 billion at December 31, 2013 and December 31, 2012, respectively. The allocated portion of the allowance for credit losses related to impaired loans totaled \$93 million at December 31, 2013 and \$133 million at December 31, 2012. The unallocated portion of the allowance for credit losses was equal to .12% and .11% of gross loans outstanding at December 31, 2013 and 2012, respectively. Given the inherent imprecision in the many estimates used in the determination of the allocated portion of the allowance, management deliberately remained cautious and conservative in establishing the overall allowance for credit losses. Given the Company's high concentration of real estate loans and considering the other factors already discussed herein, management considers the allocated and unallocated portions of the allowance for credit losses to be prudent and reasonable. Furthermore, the Company's allowance is general in nature and is available to absorb losses from any loan or lease category. Additional information about the allowance for credit losses is included in note 5 of Notes to Financial Statements.

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December 31	2013	2012	2011	2010	2009
	(Dollars in thousands)				
Commercial, financial, leasing, etc.	\$ 273,383	\$ 246,759	\$ 234,022	\$ 212,579	\$ 219,170
Real estate	403,634	425,908	459,552	486,913	451,352
Consumer	164,644	179,418	143,121	133,067	137,124
Unallocated	75,015	73,775	71,595	70,382	70,376
Total	\$ 916,676	\$ 925,860	\$ 908,290	\$ 902,941	\$ 878,022

As a Percentage of Gross Loans**and Leases Outstanding**

Commercial, financial, leasing, etc.	1.45%	1.37%	1.47%	1.56%	1.59%
Real estate	1.15	1.14	1.42	1.79	1.70
Consumer	1.60	1.55	1.19	1.16	1.14

Management believes that the allowance for credit losses at December 31, 2013 appropriately reflected credit losses inherent in the portfolio as of that date. The allowance for credit losses was \$917 million or 1.43% of total loans and leases at December 31, 2013, compared with \$926 million or 1.39% at December 31, 2012 and \$908 million or 1.51% at December 31, 2011. The ratio of the allowance to total loans and leases at each respective year-end reflects the impact of loans obtained in acquisition transactions subsequent to 2008 that have been recorded at estimated fair value based on estimated future cash flows expected to be received on those loans. Those cash flows reflect the impact of expected defaults on customer repayment performance. As noted earlier, GAAP prohibits any carry-over of an allowance for credit losses for acquired loans recorded at fair value. During the third quarter of 2013, the allowance for credit losses was reduced by \$11 million as a result of the \$1.4 billion automobile loan securitization previously noted. The increase in the ratio of the allowance to total loans and leases from the 2012 year-end to December 31, 2013 was largely due to the automobile loan securitization and the securitization of \$1.3 billion of FHA guaranteed residential real estate loans. The decline in the ratio of the allowance to total loans and leases from December 31, 2011 to the 2012 year end reflects the impact of newly originated loans for which significant losses had not been incurred as of December 31, 2012 as well as improvement in the levels of criticized and nonaccrual loans. The level of the allowance reflects management's evaluation of the loan and lease portfolio using the methodology and considering the factors as described herein. Should the various credit factors considered by management in establishing the allowance for credit losses change and should management's assessment of losses inherent in the loan portfolios also change, the level of the allowance as a percentage of loans could increase or decrease in future periods. The ratio of the allowance to nonaccrual loans at the end of 2013, 2012 and 2011 was 105%, 91% and 83%, respectively. Given the Company's position as a secured lender and its practice of charging off loan balances when collection is deemed doubtful, that ratio and changes in that ratio are generally not an indicative measure of the adequacy of the Company's allowance for credit losses, nor does management rely upon that ratio in assessing the adequacy of the allowance. The level of the allowance reflects management's evaluation of the loan and lease portfolio as of each respective date.

In establishing the allowance for credit losses, management follows the methodology described herein, including taking a conservative view of borrowers' abilities to repay loans. The establishment of the allowance is extremely subjective and requires management to make many judgments about borrower, industry, regional and national economic health and performance. In order to present examples of the possible impact on the allowance from certain changes in credit quality factors, the Company assumed the following scenarios for possible deterioration of credit quality:

For consumer loans and leases considered smaller balance homogenous loans and evaluated collectively, a 50 basis point increase in loss factors;

For residential real estate loans and home equity loans and lines of credit, also considered smaller balance homogenous loans and evaluated collectively, a 25% increase in estimated inherent losses; and

For commercial loans and commercial real estate loans, a migration of loans to lower-ranked risk grades resulting in a 25% increase in the balance of classified credits in each risk grade.

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For possible improvement in credit quality factors, the scenarios assumed were:

For consumer loans and leases, a 20 basis point decrease in loss factors;

For residential real estate loans and home equity loans and lines of credit, a 10% decrease in estimated inherent losses; and

For commercial loans and commercial real estate loans, a migration of loans to higher-ranked risk grades resulting in a 5% decrease in the balance of classified credits in each risk grade.

The scenario analyses resulted in an additional \$75 million that could be identifiable under the assumptions for credit deterioration, whereas under the assumptions for credit improvement a \$25 million reduction could occur. These examples are only a few of numerous reasonably possible scenarios that could be utilized in assessing the sensitivity of the allowance for credit losses based on changes in assumptions and other factors.

Investor-owned commercial real estate loans secured by retail properties in the New York City metropolitan area represented 3% of loans outstanding at December 31, 2013. The Company had no concentrations of credit extended to any specific industry that exceeded 10% of total loans at December 31, 2013. Outstanding loans to foreign borrowers were \$192 million at December 31, 2013, or .3% of total loans and leases.

Other Income

Other income totaled \$1.87 billion in 2013, up 12% from \$1.67 billion in 2012. Reflected in such income were net gains and losses on investment securities (including other-than-temporary impairment losses), which totaled to a net gain of \$47 million in 2013 and to a net loss of \$48 million in 2012. Also reflected in noninterest income in 2013 were gains from securitization activities of \$63 million. Excluding the specific items mentioned above, noninterest income was \$1.76 billion in 2013, up \$40 million from \$1.72 billion in 2012. Higher trust, brokerage services and credit card interchange income in 2013 was partially offset by lower mortgage banking revenues.

Other income in 2012 was 5% higher than the \$1.58 billion earned in 2011. As noted above, reflected in other income in 2012 were net losses from bank investment securities of \$48 million, compared with net gains of \$73 million in 2011. Excluding the impact of securities gains and losses from both years, as well as the \$55 million CDO litigation settlement and the \$65 million gain recognized on the acquisition of Wilmington Trust in 2011, other income of \$1.72 billion in 2012 was up \$325 million from \$1.39 billion in 2011. The predominant contributors to that rise in noninterest income were higher levels of mortgage banking revenues and trust income, the latter reflecting the full-year impact of the acquisition of Wilmington Trust.

Mortgage banking revenues totaled \$331 million in 2013, \$349 million in 2012 and \$166 million in 2011. Mortgage banking revenues are comprised of both residential and commercial mortgage banking activities. The Company's involvement in commercial mortgage banking activities includes the origination, sales and servicing of loans under the multifamily loan programs of Fannie Mae, Freddie Mac and the U.S. Department of Housing and Urban Development.

Residential mortgage banking revenues, consisting of realized gains from sales of residential real estate loans and loan servicing rights, unrealized gains and losses on residential real estate loans held for sale and related commitments, residential real estate loan servicing fees, and other residential real estate loan-related fees and income, were \$251 million in 2013, \$264 million in 2012 and \$103 million in 2011. The decline in residential mortgage banking revenues from 2012 to 2013 was due to narrower margins on loans originated for sale. The significantly higher level of residential mortgage banking revenues in 2012 as compared with 2011 resulted from increased volumes of loans originated for sale and wider margins related to such loans. Those higher volumes reflected increased refinancing activities by consumers in light of the low interest rate environment and included the impact of the Company's involvement in the U.S. government's Home Affordable Refinance Program (HARP 2.0), which allows homeowners to refinance their Fannie Mae or Freddie Mac mortgages when the value of their home has fallen such that they have little or no equity. The HARP 2.0 program was set to expire December 31, 2013, but was extended and will now be available to borrowers through December 31, 2015. Nevertheless, volumes associated with that program have curtailed as mortgage loan interest rates have risen and following the significant re-financing activity that has already taken place.

New commitments to originate residential real estate loans to be sold totaled approximately \$5.6 billion in 2013, compared with \$5.1 billion in 2012 and \$1.9 billion in 2011. Included in those commitments to originate residential real estate loans to be sold were HARP 2.0 commitments of \$1.1

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billion in 2013 and \$1.8 billion in 2012. The HARP 2.0 program began in December 2011. Realized gains from sales of residential real estate loans and loan servicing rights (net of the impact of costs associated with obligations to repurchase real estate loans originated for sale) and recognized net unrealized gains or losses attributable to residential real estate loans held for sale, commitments to originate loans for sale and commitments to sell loans totaled to a gain of \$123 million in 2013, compared with gains of \$157 million in 2012 and \$17 million in 2011.

The Company is contractually obligated to repurchase previously sold loans that do not ultimately meet investor sale criteria related to underwriting procedures or loan documentation. When required to do so, the Company may reimburse loan purchasers for losses incurred or may repurchase certain loans. The Company reduces residential mortgage banking revenues for losses related to its obligations to loan purchasers. The amount of those charges varies based on the volume of loans sold, the level of reimbursement requests received from loan purchasers and estimates of losses that may be associated with previously sold loans. Residential mortgage banking revenues during 2013, 2012 and 2011 were reduced by approximately \$17 million, \$28 million and \$23 million, respectively, related to the actual or anticipated settlement of repurchase obligations.

For much of 2011 and 2012, the Company originated certain residential real estate loans to be held in its loan portfolio, rather than selling such loans. The retained loans conformed to Fannie Mae and Freddie Mac underwriting guidelines. Retaining those residential real estate loans offset the impact of the declining investment securities portfolio resulting from maturities and pay-downs of residential mortgage-backed securities while providing high quality assets earning a reasonable yield. The decision to retain for portfolio the majority of such loans originated rather than selling them resulted in a reduction of residential mortgage banking revenues of approximately \$53 million and \$27 million in 2012 and 2011, respectively. Due to the significant growth in the Company's residential real estate loan portfolio and the pending Hudson City acquisition, beginning in September 2012 the majority of the Company's commitments are to originate residential real estate loans for sale.

Loans held for sale that are secured by residential real estate totaled \$401 million and \$1.2 billion at December 31, 2013 and 2012, respectively. Commitments to sell residential real estate loans and commitments to originate residential real estate loans for sale at pre-determined rates were \$725 million and \$470 million, respectively, at December 31, 2013, \$2.3 billion and \$1.6 billion, respectively, at December 31, 2012 and \$296 million and \$182 million, respectively, at December 31, 2011. Net unrealized gains on residential real estate loans held for sale, commitments to sell loans, and commitments to originate loans for sale were \$20 million and \$83 million at December 31, 2013 and 2012, respectively, and \$6 million at December 31, 2011. Changes in such net unrealized gains and losses are recorded in mortgage banking revenues and resulted in net decreases in revenue of \$63 million and \$4 million in 2013 and 2011, respectively, and a net increase in revenue of \$77 million in 2012.

Revenues from servicing residential real estate loans for others were \$128 million in 2013, up from \$107 million in 2012 and \$86 million in 2011. Residential real estate loans serviced for others totaled \$72.4 billion at December 31, 2013, \$35.9 billion a year earlier and \$40.7 billion at December 31, 2011, including certain small-balance commercial real estate loans of approximately \$3.2 billion, \$3.8 billion and \$4.4 billion at December 31, 2013, 2012 and 2011, respectively. Reflected in residential real estate loans serviced for others were loans sub-serviced for others of \$46.6 billion, \$12.5 billion and \$14.3 billion at December 31, 2013, 2012 and 2011, respectively. Included in residential real estate loans sub-serviced for others were loans sub-serviced for affiliates of BLG of \$45.6 billion, \$11.4 billion and \$13.1 billion at December 31, 2013, 2012, and 2011, respectively. During the third quarter of 2013, the Company added approximately \$38 billion of residential real estate loans to its portfolio of loans sub-serviced for affiliates of BLG. That additional sub-servicing added approximately \$20 million of revenue in 2013. On September 30, 2011, the Company purchased servicing rights associated with residential real estate loans having an outstanding principal balance of approximately \$6.7 billion. Approximately \$15 million, \$19 million and \$5 million of servicing fees related to that portfolio of loans were included in mortgage banking revenues during 2013, 2012 and 2011, respectively. Capitalized residential mortgage servicing assets, net of any applicable valuation allowance for possible impairment, totaled \$129 million at December 31, 2013, compared with \$108 million and \$145 million at December 31, 2012 and 2011, respectively. Included in capitalized residential mortgage servicing assets noted above were purchased servicing rights associated with the small-balance commercial real estate loans. Additional information about the Company's capitalized residential mortgage servicing assets, including information about the calculation of estimated fair value, is presented in note 7 of Notes to Financial Statements.

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Commercial mortgage banking revenues were \$80 million in 2013, \$85 million in 2012 and \$63 million in 2011. Included in such amounts were revenues from loan origination and sales activities of \$48 million in 2013, \$59 million in 2012 and \$41 million in 2011. Commercial real estate loans originated for sale to other investors totaled approximately \$1.9 billion in 2013, compared with \$2.5 billion in 2012 and \$1.5 billion in 2011. Loan servicing revenues totaled \$32 million in 2013, \$26 million in 2012 and \$22 million in 2011. Capitalized commercial mortgage servicing assets aggregated \$72 million at December 31, 2013, \$60 million at December 31, 2012 and \$51 million at December 31, 2011. Commercial real estate loans serviced for other investors totaled \$11.4 billion, \$10.6 billion and \$9.0 billion at December 31, 2013, 2012 and 2011, respectively, and included \$2.3 billion, \$2.0 billion and \$1.8 billion, respectively, of loan balances for which investors had recourse to the Company if such balances are ultimately uncollectible. Commitments to sell commercial real estate loans and commitments to originate commercial real estate loans for sale were \$130 million and \$62 million, respectively, at December 31, 2013, \$340 million and \$140 million, respectively, at December 31, 2012 and \$339 million and \$178 million, respectively, at December 31, 2011. Commercial real estate loans held for sale totaled \$68 million, \$200 million and \$161 million at December 31, 2013, 2012 and 2011, respectively.

Service charges on deposit accounts were \$447 million in each of 2013 and 2012. Deposit account service charges in 2011 were \$455 million. The decline from 2011 to 2012 reflected new regulations that were enacted as part of the Dodd-Frank Act related to limiting debit card interchange fees that financial institutions are able to assess. Those regulations were effective October 1, 2011. The Company estimates that the impact of that change resulted in a reduction of service charges on deposit accounts of approximately \$75 million and \$17 million in 2012 and 2011, respectively. Partially offsetting the impact of those new regulations in 2012 was the full-year impact of service charges on deposit accounts obtained in the Wilmington Trust acquisition.

Trust income includes fees related to two significant businesses. The Institutional Client Services (ICS) business provides a variety of trustee, agency, investment management and administrative services for corporations and institutions, investment bankers, corporate tax, finance and legal executives, and other institutional clients who: (i) use capital markets financing structures; (ii) use independent trustees to hold retirement plan and other assets; and (iii) need investment and cash management services. Many ICS clients are multinational corporations and institutions. The Wealth Advisory Services (WAS) business helps high net worth clients grow their wealth, protect it, and transfer it to their heirs. A comprehensive array of wealth management services are offered, including asset management, fiduciary services and family office services. Trust income increased 5% in 2013 to \$496 million from \$472 million in 2012. During 2011, trust income totaled \$332 million. The increase in such income from 2012 to 2013 was largely due to higher fees from the WAS business. The significant rise in trust income from 2011 to 2012 was due to the full-year impact in 2012 of the May 2011 Wilmington Trust acquisition. Adversely impacting trust income in 2013, 2012 and 2011 were fee waivers by the Company in order to enable proprietary money-market funds to pay customers a yield on their investments in such funds. Those waived fees were approximately \$70 million in 2013, \$57 million in 2012 and \$33 million in 2011. Revenues associated with the ICS and WAS business in 2013 were \$234 million and \$214 million, respectively. Prior to 2013, certain other trust operations of the Company were not combined with the respective ICS and WAS activities. Trust income attributable to the ICS business was approximately \$193 million in 2012 and \$119 million in 2011. Revenues attributable to WAS were approximately \$153 million and \$87 million in 2012 and 2011, respectively. Total trust assets, which include assets under management and assets under administration, aggregated \$266.1 billion at December 31, 2013, compared with \$255.9 billion at December 31, 2012. Trust assets under management were \$65.1 billion and \$61.5 billion at December 31, 2013 and 2012, respectively. In addition to the asset amounts noted above, trust assets under management of affiliates totaled \$17.1 billion and \$15.4 billion at December 31, 2013 and 2012, respectively. The Company's proprietary mutual funds had assets of \$12.7 billion and \$13.9 billion at December 31, 2013 and 2012, respectively.

Brokerage services income, which includes revenues from the sale of mutual funds and annuities and securities brokerage fees, totaled \$66 million in 2013, \$59 million in 2012 and \$56 million in 2011. The improvement from 2012 to 2013 reflects higher sales of annuity products, while the rise from 2011 to 2012 was due to higher revenues earned from the sale of mutual funds. Trading account and foreign exchange activity resulted in gains of \$41 million in 2013, \$36 million in 2012 and \$27 million in 2011. The rise in such gains in 2013 as compared with 2012 was largely due to increased new volumes of interest rate swap agreement transactions executed on behalf of commercial customers. The higher gains in 2012 as compared 2011 were due to increased market values of trading account assets held in connection with deferred

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compensation arrangements and to higher new volumes of interest rate swap agreement transactions executed on behalf of commercial customers. The Company enters into interest rate and foreign exchange contracts with customers who need such services and concomitantly enters into offsetting trading positions with third parties to minimize the risks involved with these types of transactions. Information about the notional amount of interest rate, foreign exchange and other contracts entered into by the Company for trading account purposes is included in note 18 of Notes to Financial Statements and herein under the heading Liquidity, Market Risk, and Interest Rate Sensitivity.

Including other-than-temporary impairment losses, the Company recognized net gains on investment securities of \$47 million and \$73 million during 2013 and 2011, respectively, compared with net losses of \$48 million in 2012. During 2013, the Company sold its holdings of Visa Class B shares for a gain of approximately \$90 million and its holdings of MasterCard Class B shares for a gain of \$13 million. The shares of Visa and MasterCard were sold as a result of favorable market conditions and to enhance the Company's capital and liquidity. In addition, the Company sold substantially all of its privately issued MBS held in the available-for-sale investment securities portfolio. In total, \$1.0 billion of such securities were sold for a net loss of approximately \$46 million. The MBS were sold to reduce the Company's exposure to such relatively higher risk securities in favor of lower risk Ginnie Mae securities in response to changing regulatory capital and liquidity standards. During 2011, the Company realized gains of \$150 million from the sale of investment securities available for sale, predominantly residential mortgage-backed securities guaranteed by Fannie Mae and Freddie Mac, CDOs and trust preferred securities, having an amortized cost of \$1.75 billion. Realized gains and losses from sales of investment securities were not significant in 2012. Other-than-temporary impairment charges of \$10 million, \$48 million and \$77 million were recorded in 2013, 2012 and 2011, respectively. The charges related to certain privately issued CMOs backed by residential and commercial real estate loans. Each reporting period the Company reviews its investment securities for other-than-temporary impairment. For equity securities, the Company considers various factors to determine if the decline in value is other than temporary, including the duration and extent of the decline in value, the factors contributing to the decline in fair value, including the financial condition of the issuer as well as the conditions of the industry in which it operates, and the prospects for a recovery in fair value of the equity security. For debt securities, the Company analyzes the creditworthiness of the issuer or reviews the credit performance of the underlying collateral supporting the bond. For debt securities backed by pools of loans, such as privately issued mortgage-backed securities, the Company estimates the cash flows of the underlying loan collateral using forward-looking assumptions of default rates, loss severities and prepayment speeds. Estimated collateral cash flows are then utilized to estimate bond-specific cash flows to determine the ultimate collectibility of the bond. If the present value of the cash flows indicates that the Company should not expect to recover the entire amortized cost basis of a bond or if the Company intends to sell the bond or it more likely than not will be required to sell the bond before recovery of its amortized cost basis, an other-than-temporary impairment loss is recognized. If an other-than-temporary impairment loss is deemed to have occurred, the investment security's cost basis is adjusted, as appropriate for the circumstances. Additional information about other-than-temporary impairment losses is included herein under the heading Capital.

M&T's share of the operating losses of BLG was \$16 million in 2013, compared with \$22 million and \$24 million in 2012 and 2011, respectively. The operating losses of BLG in the respective years resulted from disruptions in the residential and commercial real estate markets and reflected provisions for losses associated with securitized loans and other loans held by BLG and loan servicing and other administrative costs. Under GAAP, such losses are required to be recognized by BLG despite the fact that many of the securitized loan losses will ultimately be borne by the underlying third party bond-holders. As these loan losses are realized through later foreclosure and still later sale of real estate collateral, the underlying bonds will ultimately be charged-down resulting in BLG's future recognition of debt extinguishment gains. The timing of such debt extinguishment is difficult to predict and given ongoing loan loss provisioning, it is not possible to project when BLG will return to profitability. As a result of credit and liquidity disruptions, BLG ceased its originations of small-balance commercial real estate loans in 2008. However, as a result of past securitization activities, BLG is entitled to cash flows from mortgage assets that it owns or that are owned by its affiliates and is also entitled to receive distributions from affiliates that provide asset management and other services. Accordingly, the Company believes that BLG is capable of realizing positive cash flows that could be available for distribution to its owners, including M&T, despite a lack of positive GAAP-earnings from its core mortgage activities. To this point, BLG's affiliates have largely reinvested their earnings to generate additional servicing and asset management activities, further contributing to the value of those

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affiliates. During the fourth quarter of 2011, the Company recognized a \$79 million other-than-temporary impairment charge related to M&T's 20% investment in BLG. While the small business commercial real estate securitization market that BLG previously operated in continues to be stagnant, its affiliated asset management and loan servicing operations continue to grow and perform well. BLG is entitled to receive, if and when made, cash distributions from affiliates, a portion of which is contractually required to be distributed to M&T. Nevertheless, in consideration of the passage of time since M&T's original investment in BLG in 2007, the prospects of ongoing loan losses at BLG and the inability to accurately predict the timing of potential distributions to M&T, management concluded that the investment was other-than-temporarily impaired and wrote it down to its estimated fair value of \$115 million. The impairment charge of \$79 million was recorded in other costs of operations in 2011. The Company believes that the value of its investment in BLG as of December 31, 2013 has not changed significantly from when the impairment charge was recognized and that no additional other-than-temporary impairment charge is required. Information about the Company's relationship with BLG and its affiliates is included in note 24 of Notes to Financial Statements.

Other revenues from operations aggregated \$454 million in 2013, compared with \$374 million in 2012. Reflected in such revenues in 2013 were gains from securitization transactions, which totaled \$63 million. During 2013, the Company securitized approximately \$1.3 billion of one-to-four family residential real estate loans held in the Company's loan portfolio in guaranteed mortgage securitizations with Ginnie Mae and recognized gains of \$42 million. In addition, during the third quarter of 2013 the Company securitized and sold approximately \$1.4 billion of automobile loans held in its loan portfolio, resulting in a gain of \$21 million. The Company securitized those loans to improve its regulatory capital ratios and strengthen its liquidity and risk profile as a result of changing regulatory requirements. Other revenues from operations were \$497 million in 2011. Reflected in other revenues from operations in that year were the \$65 million gain realized on the acquisition of Wilmington Trust and the \$55 million CDO litigation settlement. Excluding those two items, other revenues from operations were little changed in 2012 as compared with 2011, but nevertheless reflected higher merchant discount and credit card fees in 2012 offset by a decline in gains from the sale of previously leased equipment.

Included in other revenues from operations were the following significant components. Letter of credit and other credit-related fees were \$132 million, \$127 million and \$130 million in 2013, 2012 and 2011, respectively. Tax-exempt income earned from bank owned life insurance totaled \$56 million in 2013 and \$51 million in each of 2012 and 2011. Such income includes increases in cash surrender value of life insurance policies and benefits received. Revenues from merchant discount and credit card fees were \$84 million in 2013, \$77 million in 2012 and \$60 million in 2011. The higher revenues in 2013 as compared with 2012 and in 2012 as compared with 2011 were largely attributable to increased transaction volumes related to merchant activity and usage of the Company's credit card products. Insurance-related sales commissions and other revenues totaled \$42 million in 2013, compared with \$44 million in 2012 and \$40 million in 2011. Automated teller machine usage fees aggregated \$17 million in 2013 and \$19 million in each of 2012 and 2011.

Other Expense

Other expense totaled \$2.64 billion in 2013, compared with \$2.51 billion in 2012 and \$2.48 billion in 2011. Included in such amounts are expenses considered to be nonoperating in nature consisting of amortization of core deposit and other intangible assets of \$47 million, \$61 million and \$62 million in 2013, 2012 and 2011, respectively, and merger-related expenses of \$12 million in 2013, \$10 million in 2012 and \$84 million in 2011. Exclusive of those nonoperating expenses, noninterest operating expenses aggregated \$2.58 billion in 2013, \$2.44 billion in 2012 and \$2.33 billion in 2011. The rise in such expenses in 2013 as compared with 2012 was largely attributable to higher costs for professional services and salaries, partially offset by lower FDIC assessments and the reversal of the \$26 million accrual for a contingent compensation obligation at Wilmington Trust that expired. In addition, the Company reached a legal settlement of a previously disclosed lawsuit (*i.e. Mennen, et al v. Mennen, Wilmington Trust Company, et al*) related to issues that were alleged to occur at Wilmington Trust Company prior to its acquisition by M&T that led to a \$40 million increase in the Company's reserve for litigation as of December 31, 2013. The increase in noninterest operating expenses in 2012 as compared with 2011 was largely attributable to the full-year impact of the operations obtained in the Wilmington Trust acquisition. Reflected in 2011 noninterest operating expenses was the previously discussed \$79 million impairment charge related to BLG.

Salaries and employee benefits expense in 2013 totaled \$1.36 billion, compared with \$1.31 billion and \$1.20 billion in 2012 and 2011, respectively. The increase in such expenses in 2013 from 2012 was predominantly due to higher salaries expenses that reflect an increase in the Company's loan servicing

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capacity to accommodate the sub-servicing arrangements entered into during 2013 and costs related to BSA/AML compliance, capital planning and stress testing, risk management and other operational initiatives. Those factors were partially offset by lower pension-related costs. The higher expense level in 2012 as compared with 2011 reflects the full-year impact of the operations obtained in the acquisition of Wilmington Trust. Also contributing to the higher expense level in 2012 were increased incentive compensation costs and expenses related to pension and postretirement benefits. Stock-based compensation totaled \$55 million in 2013, \$57 million in 2012 and \$56 million in 2011. The number of full-time equivalent employees was 15,368 at December 31, 2013, compared with 14,404 and 15,072 at December 31, 2012 and 2011, respectively.

The Company provides pension and other postretirement benefits (including a retirement savings plan) for its employees. Expenses related to such benefits totaled \$87 million in 2013, \$105 million in 2012 and \$86 million in 2011. The Company sponsors both defined benefit and defined contribution pension plans. Pension benefit expense for those plans was \$53 million in each of 2013 and 2011, and \$69 million in 2012. Included in those amounts are \$21 million in 2013, \$17 million in 2012 and \$13 million in 2011 for a defined contribution pension plan that the Company began on January 1, 2006. The decline in pension and other postretirement benefits expense in 2013 as compared with 2012 reflects the impact on the qualified defined benefit pension plan of favorable investment returns and higher balances of invested assets. The Company made a \$200 million contribution to that plan in the third quarter of 2012. The rise in pension and other postretirement benefits expense in 2012 as compared with 2011 was largely reflective of a \$17 million increase in amortization of actuarial losses accumulated in the defined benefit pension plans. The determination of pension expense and the recognition of net pension assets and liabilities for defined benefit pension plans requires management to make various assumptions that can significantly impact the actuarial calculations related thereto. Those assumptions include the expected long-term rate of return on plan assets, the rate of increase in future compensation levels and the discount rate. Changes in any of those assumptions will impact the Company's pension expense. The expected long-term rate of return assumption is determined by taking into consideration asset allocations, historical returns on the types of assets held and current economic factors. Returns on invested assets are periodically compared with target market indices for each asset type to aid management in evaluating such returns. The discount rate used by the Company to determine the present value of the Company's future benefit obligations reflects specific market yields for a hypothetical portfolio of highly rated corporate bonds that would produce cash flows similar to the Company's benefit plan obligations and the level of market interest rates in general as of the year-end. Other factors used to estimate the projected benefit obligations include actuarial assumptions for mortality rate, turnover rate, retirement age and disability rate. Those other factors do not tend to change significantly over time. The Company reviews its pension plan assumptions annually to ensure that such assumptions are reasonable and adjusts those assumptions, as necessary, to reflect changes in future expectations. The Company utilizes actuaries and others to aid in that assessment.

The Company's 2013 pension expense for its defined benefit plans was determined using the following assumptions: a long-term rate of return on assets of 6.50%; a rate of future compensation increase of 4.50%; and a discount rate of 3.75%. To demonstrate the sensitivity of pension expense to changes in the Company's pension plan assumptions, 25 basis point increases in: the rate of return on plan assets would have resulted in a decrease in pension expense of \$3 million; the rate of increase in compensation would have resulted in an increase in pension expense of \$400,000; and the discount rate would have resulted in a decrease in pension expense of \$6 million. Decreases of 25 basis points in those assumptions would have resulted in similar changes in amount, but in the opposite direction from the changes presented in the preceding sentence. The accounting guidance for defined benefit pension plans reflects the long-term nature of benefit obligations and the investment horizon of plan assets, and has the effect of reducing expense volatility related to short-term changes in interest rates and market valuations. Actuarial gains and losses include the impact of plan amendments, in addition to various gains and losses resulting from changes in assumptions and investment returns which are different from that which was assumed. As of December 31, 2013, the Company had cumulative unrecognized actuarial losses of approximately \$191 million that could result in an increase in the Company's future pension expense depending on several factors, including whether such losses at each measurement date exceed ten percent of the greater of the projected benefit obligation or the market-related value of plan assets. In accordance with GAAP, net unrecognized gains or losses that exceed that threshold are required to be amortized over the expected service period of active employees, and are included as a component of net pension cost. Amortization of these net unrealized losses

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had the effect of increasing the Company's pension expense by approximately \$41 million in 2013, \$37 million in 2012 and \$21 million in 2011.

GAAP requires an employer to recognize in its balance sheet as an asset or liability the overfunded or underfunded status of a defined benefit postretirement plan, measured as the difference between the fair value of plan assets and the benefit obligation. For a pension plan, the benefit obligation is the projected benefit obligation; for any other postretirement benefit plan, such as a retiree health care plan, the benefit obligation is the accumulated postretirement benefit obligation. Gains or losses and prior service costs or credits that arise during the period, but are not included as components of net periodic benefit cost, are to be recognized as a component of other comprehensive income. As of December 31, 2013, the combined benefit obligations of the Company's defined benefit postretirement plans exceeded the fair value of the assets of such plans by approximately \$38 million. Of that amount, \$178 million was related to the non-qualified pension and other postretirement benefit plans that are generally not funded until benefits are paid. In the Company's qualified defined benefit pension plan, the fair value of assets exceeded the projected benefit obligation by approximately \$140 million as of December 31, 2013. At the prior year-end, the projected benefit obligation exceeded the fair value of that plan's assets by approximately \$105 million. The main factors contributing to that improvement in the funded status were the increase in the discount rate used to measure the projected benefit obligation to 4.75% at December 31, 2013 from 3.75% at December 31, 2012 and better than expected returns on plan assets. The Company was required to have a net pension and postretirement benefit liability for the non-qualified pension and other postretirement benefit plans that was equal to \$178 million and a net prepaid asset for the qualified pension plan that was equal to \$140 million at December 31, 2013. Accordingly, as of December 31, 2013 the Company recorded an additional postretirement benefit adjustment of \$162 million. After applicable tax effect, that additional adjustment reduced accumulated other comprehensive income (and thereby shareholders' equity) by \$98 million. The result of this was a year-over-year decrease of \$294 million to the additional minimum postretirement benefit liability from the \$455 million recorded at December 31, 2012. After applicable tax effect, the \$294 million decrease in the additional required liability adjustment increased accumulated other comprehensive income in 2013 by \$179 million from the prior year-end amount of \$277 million. The main factors contributing to the change in the minimum liability from December 31, 2012 were the impact of actual experience during 2013 that differed from the actuarial assumptions used and from changes in those assumptions. As previously noted, gains were realized from higher than expected investment returns in 2013 in addition to gains realized in the remeasurement of the benefit obligations that resulted from an increase in the discount rate used in that measurement. In determining the benefit obligation for defined benefit postretirement plans the Company used a discount rate of 4.75% at December 31, 2013 and 3.75% at December 31, 2012. A 25 basis point decrease in the assumed discount rate as of December 31, 2013 to 4.50% would have resulted in increases in the combined benefit obligations of all defined benefit postretirement plans (including pension and other plans) of \$53 million. Under that scenario, the minimum postretirement liability adjustment at December 31, 2013 would have been \$215 million, rather than the \$162 million that was actually recorded, and the corresponding after tax-effect charge to accumulated other comprehensive income at December 31, 2013 would have been \$131 million, rather than the \$98 million that was actually recorded. A 25 basis point increase in the assumed discount rate to 5.00% would have decreased the combined benefit obligations of all defined benefit postretirement plans by \$51 million. Under this latter scenario, the aggregate minimum liability adjustment at December 31, 2013 would have been \$111 million rather than the \$162 million actually recorded and the corresponding after tax-effect charge to accumulated other comprehensive income would have been \$67 million rather than \$98 million. The Company was not required to make any contributions to its qualified defined benefit pension plan in 2013, 2012 or 2011. However, during 2012 and 2011 the Company elected to make cash contributions of \$200 million and \$70 million, respectively. The Company did not make any contributions to its qualified defined benefit pension plan in 2013. Information about the Company's pension plans, including significant assumptions utilized in completing actuarial calculations for the plans, is included in note 12 of Notes to Financial Statements.

The Company also provides a retirement savings plan (RSP) that is a defined contribution plan in which eligible employees of the Company may defer up to 50% of qualified compensation via contributions to the plan. The Company makes an employer matching contribution in an amount equal to 75% of an employee's contribution, up to 4.5% of the employee's qualified compensation. RSP expense totaled \$32 million in 2013, \$31 million in 2012 and \$28 million in 2011.

Expenses associated with the defined benefit and defined contribution pension plans and the RSP totaled \$85 million in 2013, \$100 million in 2012 and \$81 million in 2011. Expenses associated with

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providing medical and other postretirement benefits were \$2 million in 2013, \$5 million in 2012 and \$4 million in 2011.

Excluding the nonoperating expense items already noted, nonpersonnel operating expenses totaled \$1.22 billion in 2013, compared with \$1.13 billion in 2012. That higher level of such expenses was predominantly the result of increased costs for professional services, reflecting the Company's investments in BSA/AML compliance, capital planning and stress testing, risk management, and operational initiatives, and the previously noted increase in the legal settlement accrual. Those higher expenses were partially offset by lower FDIC assessments and the previously noted reversal of the contingent compensation accrual related to Wilmington Trust. Nonpersonnel operating expenses were \$1.14 billion in 2011. Higher expenses in 2012 related to the full-year impact of the operations obtained in the acquisition of Wilmington Trust and professional services were predominantly offset by the impairment charge related to BLG and higher charitable contributions in 2011.

Income Taxes

The provision for income taxes was \$579 million in 2013, compared with \$523 million in 2012 and \$365 million in 2011. The effective tax rates were 33.7% in each of 2013 and 2012 and 29.8% in 2011. The effective tax rate is affected by the level of income earned that is exempt from tax relative to the overall level of pre-tax income, the level of income allocated to the various state and local jurisdictions where the Company operates, because tax rates differ among such jurisdictions, and the impact of any large but infrequently occurring items. For example, the recognition of the non-taxable gain of \$65 million on the Wilmington Trust acquisition served to lower the effective tax rate in 2011. Income taxes in 2011 also reflect the resolution of previously uncertain tax positions that allowed the Company to reduce its accrual for income taxes in total by \$12 million. Excluding the impact of (i) the non-taxable gain of \$65 million on the Wilmington Trust acquisition and (ii) the \$12 million accrual reversal related to the resolution with taxing authorities of previously uncertain tax positions, the Company's effective tax rate for 2011 would have been 32.5%.

The Company's effective tax rate in future periods will be affected by the results of operations allocated to the various tax jurisdictions within which the Company operates, any change in income tax laws or regulations within those jurisdictions, and interpretations of income tax regulations that differ from the Company's interpretations by any of various tax authorities that may examine tax returns filed by M&T or any of its subsidiaries. Information about amounts accrued for uncertain tax positions and a reconciliation of income tax expense to the amount computed by applying the statutory federal income tax rate to pre-tax income is provided in note 13 of Notes to Financial Statements.

International Activities

The Company's net investment in international assets totaled \$226 million at December 31, 2013 and \$179 million at December 31, 2012. Such assets included \$192 million and \$149 million, respectively, of loans to foreign borrowers. Deposits in the Company's office in the Cayman Islands totaled \$323 million at December 31, 2013 and \$1.0 billion at December 31, 2012. The Company uses such deposits to facilitate customer demand and as an alternative to short-term borrowings when the costs of such deposits seem reasonable. Loans and deposits at M&T Bank's commercial branch in Ontario, Canada as of December 31, 2013 were \$94 million and \$25 million, respectively, compared with \$139 million and \$22 million, respectively, at December 31, 2012. The Company also offers trust-related services in Europe and the Cayman Islands. Revenues from providing such services during 2013, 2012 and 2011 were approximately \$26 million, \$24 million and \$15 million, respectively.

Liquidity, Market Risk, and Interest Rate Sensitivity

As a financial intermediary, the Company is exposed to various risks, including liquidity and market risk. Liquidity refers to the Company's ability to ensure that sufficient cash flow and liquid assets are available to satisfy current and future obligations, including demands for loans and deposit withdrawals, funding operating costs, and other corporate purposes. Liquidity risk arises whenever the maturities of financial instruments included in assets and liabilities differ.

The most significant source of funding for the Company is core deposits, which are generated from a large base of consumer, corporate and institutional customers. That customer base has, over the past several years, become more geographically diverse as a result of acquisitions and expansion of the Company's businesses. Nevertheless, the Company faces competition in offering products and services from a large array of financial market participants, including banks, thrifts, mutual funds, securities dealers and others.

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Core deposits financed 88% of the Company's earning assets at December 31, 2013, compared with 86% and 83% at December 31, 2012 and 2011, respectively. The increases in the amount of earning assets financed by core deposits at the 2013 and 2012 year-ends as compared with December 31, 2011 reflect higher levels of core deposits, largely due to higher noninterest-bearing deposits.

The Company supplements funding provided through core deposits with various short-term and long-term wholesale borrowings, including federal funds purchased and securities sold under agreements to repurchase, brokered certificates of deposit, Cayman Islands office deposits and longer-term borrowings. At December 31, 2013, M&T Bank had short-term and long-term credit facilities with the FHLBs aggregating \$8.3 billion. Outstanding borrowings under FHLB credit facilities totaled \$29 million and \$30 million at December 31, 2013 and 2012, respectively. Such borrowings were secured by loans and investment securities. M&T Bank and Wilmington Trust, N.A. had available lines of credit with the Federal Reserve Bank that aggregated approximately \$11.8 billion at December 31, 2013. The amounts of those lines are dependent upon the balances of loans and securities pledged as collateral. There were no borrowings outstanding under such lines of credit at December 31, 2013 or December 31, 2012. During the first quarter of 2013, M&T Bank instituted a Bank Note Program whereby M&T Bank may offer up to \$5 billion in unsecured senior and subordinated notes. During March 2013, three-year floating rate senior notes due March 2016 were issued for \$300 million and five-year 1.45% fixed rate senior notes due March 2018 were issued for \$500 million. The floating rate notes pay interest quarterly at rates that are indexed to the three-month LIBOR. The rate at December 31, 2013 was .54%. In addition, in January 2014 M&T Bank issued an additional \$1.5 billion of senior notes, of which \$750 million mature in 2017 and \$750 million mature in 2019.

The Company has, from time to time, issued subordinated capital notes and junior subordinated debentures associated with trust preferred securities to provide liquidity and enhance regulatory capital ratios. Such notes generally qualify under the Federal Reserve Board's current risk-based capital guidelines for inclusion in the Company's capital. However, in July 2013, Federal regulators issued a final rule to comprehensively revise the capital framework for the U.S. banking sector. Under that rule, trust preferred securities will be phased out from inclusion in Tier 1 capital such that in 2015 only 25% of then-outstanding securities will be included in Tier 1 capital and beginning in 2016 none of the securities will be included in Tier 1 capital. The amounts excluded from Tier 1 capital will be includable in total capital. Information about the Company's borrowings is included in note 9 of Notes to Financial Statements. In February 2014, the Company will redeem \$350 million of 8.50% junior subordinated debentures associated with trust preferred securities and issued \$350 million of preferred stock that qualifies as regulatory capital.

The Company has informal and sometimes reciprocal sources of funding available through various arrangements for unsecured short-term borrowings from a wide group of banks and other financial institutions. Short-term federal funds borrowings were \$169 million and \$939 million at December 31, 2013 and 2012, respectively. In general, those borrowings were unsecured and matured on the next business day. In addition to satisfying customer demand, Cayman Islands office deposits and brokered certificates of deposit may be used by the Company as an alternative to short-term borrowings. Cayman Islands office deposits also generally mature on the next business day and totaled \$323 million and \$1.0 billion at December 31, 2013 and 2012, respectively. Outstanding brokered time deposits at December 31, 2013 and December 31, 2012 were \$26 million and \$462 million, respectively. At December 31, 2013, the weighted-average remaining term to maturity of brokered time deposits was 2 months. The Company also has brokered NOW and brokered money-market deposit accounts which totaled \$1.0 billion and \$1.1 billion at December 31, 2013 and 2012, respectively.

The Company's ability to obtain funding from these or other sources could be negatively impacted should the Company experience a substantial deterioration in its financial condition or its debt ratings, or should the availability of short-term funding become restricted due to a disruption in the financial markets. The Company attempts to quantify such credit-event risk by modeling scenarios that estimate the liquidity impact resulting from a short-term ratings downgrade over various grading levels. Such impact is estimated by attempting to measure the effect on available unsecured lines of credit, available capacity from secured borrowing sources and securitizable assets. Information about the credit ratings of M&T and M&T Bank is presented in table 16. Additional information regarding the terms and maturities of all of the Company's short-term and long-term borrowings is provided in note 9 of Notes to Financial Statements. In addition to deposits and borrowings, other sources of liquidity include maturities of investment securities and other earning assets, repayments of loans and investment securities, and cash generated from operations, such as fees collected for services.

Table of Contents**Table 16****DEBT RATINGS**

	Moody's	Standard and Poor's	Fitch
M&T Bank Corporation			
Senior debt	A3	A	A
Subordinated debt	Baa1	BBB+	BBB+
M&T Bank			
Short-term deposits	Prime-1	A-1	F1
Long-term deposits	A2	A	A
Senior debt	A2	A	A
Subordinated debt	A3	A	BBB+

Certain customers of the Company obtain financing through the issuance of variable rate demand bonds (VRDBs). The VRDBs are generally enhanced by letters of credit provided by M&T Bank. M&T Bank oftentimes acts as remarketing agent for the VRDBs and, at its discretion, may from time-to-time own some of the VRDBs while such instruments are remarketed. When this occurs, the VRDBs are classified as trading assets in the Company's consolidated balance sheet. Nevertheless, M&T Bank is not contractually obligated to purchase the VRDBs. The value of VRDBs in the Company's trading account totaled \$25 million and \$7 million at December 31, 2013 and 2012, respectively. The total amount of VRDBs outstanding backed by M&T Bank letters of credit was \$1.7 billion and \$1.9 billion at December 31, 2013 and 2012, respectively. M&T Bank also serves as remarketing agent for most of those bonds.

Table 17**MATURITY DISTRIBUTION OF SELECTED LOANS(a)**

December 31, 2013	Demand	2014	2015-2018	After 2018
		(In thousands)		
Commercial, financial, etc.	\$ 6,846,809	\$ 2,529,923	\$ 7,041,403	\$ 952,949
Real estate construction	128,035	1,789,120	2,074,445	332,725
Total	\$ 6,974,844	\$ 4,319,043	\$ 9,115,848	\$ 1,285,674
Floating or adjustable interest rates			\$ 7,535,569	\$ 883,098
Fixed or predetermined interest rates			1,580,279	402,576
Total			\$ 9,115,848	\$ 1,285,674

(a) The data do not include nonaccrual loans.

The Company enters into contractual obligations in the normal course of business which require future cash payments. The contractual amounts and timing of those payments as of December 31, 2013 are summarized in table 18. Off-balance sheet commitments to customers may impact liquidity, including commitments to extend credit, standby letters of credit, commercial letters of credit, financial guarantees and indemnification contracts, and commitments to sell real estate loans. Because many of these commitments or contracts expire without being funded in whole or in part, the contract amounts are not necessarily indicative of future cash flows. Further discussion of these commitments is provided in note 21 of Notes to Financial Statements. Table 18 summarizes the Company's other commitments as of December 31, 2013 and the timing of the expiration of such commitments.

Table of Contents**Table 18****CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS**

December 31, 2013	Less Than One Year	One to Three Years	Three to Five Years (In thousands)	Over Five Years	Total
Payments due for contractual obligations					
Time deposits	\$ 2,618,456	\$ 622,611	\$ 274,652	\$ 8,119	\$ 3,523,838
Deposits at Cayman Islands office	322,746				322,746
Federal funds purchased and agreements to repurchase securities	260,455				260,455
Long-term borrowings	22,021	1,110,831	1,819,862	2,156,156	5,108,870
Operating leases	85,923	146,502	96,386	135,156	463,967
Other	51,762	24,227	9,819	6,738	92,546
Total	\$ 3,361,363	\$ 1,904,171	\$ 2,200,719	\$ 2,306,169	\$ 9,772,422
Other commitments					
Commitments to extend credit	\$ 8,372,289	\$ 5,878,613	\$ 4,023,245	\$ 3,200,638	\$ 21,474,785
Standby letters of credit	1,631,044	1,486,078	396,537	86,869	3,600,528
Commercial letters of credit	12,204	40,736	344		53,284
Financial guarantees and indemnification contracts	137,277	268,483	372,568	1,679,305	2,457,633
Commitments to sell real estate loans	852,649	2,007			854,656
Total	\$ 11,005,463	\$ 7,675,917	\$ 4,792,694	\$ 4,966,812	\$ 28,440,886

M&T's primary source of funds to pay for operating expenses, shareholder dividends and treasury stock repurchases has historically been the receipt of dividends from its banking subsidiaries, which are subject to various regulatory limitations. Dividends from any banking subsidiary to M&T are limited by the amount of earnings of the banking subsidiary in the current year and the two preceding years. For purposes of that test, at December 31, 2013 approximately \$1.11 billion was available for payment of dividends to M&T from banking subsidiaries. These historic sources of cash flow have been augmented in the past by the issuance of trust preferred securities and senior notes payable. Information regarding trust preferred securities and the related junior subordinated debentures is included in note 9 of Notes to Financial Statements. M&T also maintains a \$30 million line of credit with an unaffiliated commercial bank, of which there were no borrowings outstanding at December 31, 2013. A similar \$30 million line of credit was entirely available for borrowing at December 31, 2012.

Table of Contents**Table 19****MATURITY AND TAXABLE-EQUIVALENT YIELD OF INVESTMENT SECURITIES**

December 31, 2013	One Year or Less	One to Five Years	Five to Ten Years	Over Ten Years	Total
	(Dollars in thousands)				
<i>Investment securities available for sale(a)</i>					
U.S. Treasury and federal agencies					
Carrying value	\$ 28,713	\$ 7,328	\$ 1,735	\$	\$ 37,776
Yield	1.58%	1.86%	1.58%		1.63%
Obligations of states and political subdivisions					
Carrying value	1,073	2,137	4,539	3,062	10,811
Yield	6.22%	6.53%	4.63%	4.21%	5.04%
Mortgage-backed securities(b)					
Government issued or guaranteed					
Carrying value	136,714	581,180	742,076	2,705,116	4,165,086
Yield	3.38%	3.38%	3.38%	3.39%	3.39%
Privately issued					
Carrying value	43	90	9	1,708	1,850
Yield	3.00%	4.42%	4.28%		.31%
Other debt securities					
Carrying value	250	7,152	1,741	174,025	183,168
Yield	2.73%	2.96%	4.55%	3.77%	3.74%
Equity securities					
Carrying value					133,095
Yield					.57%
Total investment securities available for sale					
Carrying value	166,793	597,887	750,100	2,883,911	4,531,786
Yield	3.09%	3.37%	3.39%	3.41%	3.31%
<i>Investment securities held to maturity</i>					
Obligations of states and political subdivisions					
Carrying value	19,485	68,713	81,486		169,684
Yield	4.07%	5.06%	5.71%		5.26%
Mortgage-backed securities(b)					
Government issued or guaranteed					
Carrying value	105,577	463,333	683,204	2,315,791	3,567,905
Yield	3.07%	3.07%	3.07%	3.05%	3.06%
Privately issued					
Carrying value	6,970	28,600	37,756	146,302	219,628
Yield	2.53%	2.55%	2.59%	2.79%	2.72%
Other debt securities					
Carrying value				8,913	8,913
Yield				4.99%	4.99%
Total investment securities held to maturity					
Carrying value	132,032	560,646	802,446	2,471,006	3,966,130
Yield	3.19%	3.29%	3.31%	3.04%	3.14%
<i>Other investment securities</i>					
					298,581
Total investment securities					
Carrying value	\$ 298,825	\$ 1,158,533	\$ 1,552,546	\$ 5,354,917	\$ 8,796,497
Yield	3.13%	3.33%	3.35%	3.24%	3.12%

- (a) *Investment securities available for sale are presented at estimated fair value. Yields on such securities are based on amortized cost.*

- (b) *Maturities are reflected based upon contractual payments due. Actual maturities are expected to be significantly shorter as a result of loan repayments in the underlying mortgage pools.*

Table of Contents**Table 20****MATURITY OF DOMESTIC CERTIFICATES OF DEPOSIT AND TIME DEPOSITS****WITH BALANCES OF \$100,000 OR MORE**

	December 31, 2013 (In thousands)
Under 3 months	\$ 279,170
3 to 6 months	156,120
6 to 12 months	213,428
Over 12 months	294,292
Total	\$ 943,010

Management closely monitors the Company's liquidity position on an ongoing basis for compliance with internal policies and believes that available sources of liquidity are adequate to meet funding needs anticipated in the normal course of business. Management does not anticipate engaging in any activities, either currently or in the long-term, for which adequate funding would not be available and would therefore result in a significant strain on liquidity at either M&T or its subsidiary banks. As noted previously, banking regulators have proposed rules for the U.S. version of the Basel Committee's LCR that could impact the level of the Company's liquid assets. The Company has taken steps to improve its liquidity and will take further action, as necessary, to comply with the final regulations when they take effect.

Market risk is the risk of loss from adverse changes in the market prices and/or interest rates of the Company's financial instruments. The primary market risk the Company is exposed to is interest rate risk. Interest rate risk arises from the Company's core banking activities of lending and deposit-taking, because assets and liabilities reprice at different times and by different amounts as interest rates change. As a result, net interest income earned by the Company is subject to the effects of changing interest rates. The Company measures interest rate risk by calculating the variability of net interest income in future periods under various interest rate scenarios using projected balances for earning assets, interest-bearing liabilities and derivatives used to hedge interest rate risk. Management's philosophy toward interest rate risk management is to limit the variability of net interest income. The balances of financial instruments used in the projections are based on expected growth from forecasted business opportunities, anticipated prepayments of loans and investment securities, and expected maturities of investment securities, loans and deposits. Management uses a value of equity model to supplement the modeling technique described above. Those supplemental analyses are based on discounted cash flows associated with on- and off-balance sheet financial instruments. Such analyses are modeled to reflect changes in interest rates and provide management with a long-term interest rate risk metric. The Company has entered into interest rate swap agreements to help manage exposure to interest rate risk. At December 31, 2013, the aggregate notional amount of interest rate swap agreements entered into for interest rate risk management purposes was \$1.4 billion. Information about interest rate swap agreements entered into for interest rate risk management purposes is included herein under the heading "Net Interest Income/Lending and Funding Activities" and in note 18 of Notes to Financial Statements.

The Company's Risk Management Committee, which includes members of senior management, monitors the sensitivity of the Company's net interest income to changes in interest rates with the aid of a computer model that forecasts net interest income under different interest rate scenarios. In modeling changing interest rates, the Company considers different yield curve shapes that consider both parallel (that is, simultaneous changes in interest rates at each point on the yield curve) and non-parallel (that is, allowing interest rates at points on the yield curve to vary by different amounts) shifts in the yield curve. In utilizing the model, market-implied forward interest rates over the subsequent twelve months are generally used to determine a base interest rate scenario for the net interest income simulation. That calculated base net interest income is then compared to the income calculated under the varying interest rate scenarios. The model considers the impact of ongoing lending and deposit-gathering activities, as well as interrelationships in the magnitude and timing of the repricing of financial instruments, including the effect of changing interest rates on expected prepayments and maturities. When deemed prudent, management has taken actions to mitigate exposure to interest rate risk through the use of on- or off-balance sheet financial instruments and intends to do so in the future. Possible actions include, but are not limited to, changes in the pricing of loan and deposit products, modifying the composition of earning assets and interest-bearing liabilities, and adding to, modifying or terminating existing interest rate swap agreements or other financial instruments used for interest rate risk management purposes.

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Table 21 displays as of December 31, 2013 and 2012 the estimated impact on net interest income from non-trading financial instruments in the base scenario described above resulting from parallel changes in interest rates across repricing categories during the first modeling year.

Table 21**SENSITIVITY OF NET INTEREST INCOME TO CHANGES IN INTEREST RATES**

Changes in Interest Rates	Calculated Increase (Decrease) in Projected Net Interest Income December 31	
	2013	2012
	(In thousands)	
+ 200 basis points	\$ 245,089	\$ 210,030
+ 100 basis points	134,188	117,198
100 basis points	(72,755)	(69,687)
200 basis points	(100,543)	(90,333)

The Company utilized many assumptions to calculate the impact that changes in interest rates may have on net interest income. The more significant of those assumptions included the rate of prepayments of mortgage-related assets, cash flows from derivative and other financial instruments held for non-trading purposes, loan and deposit volumes and pricing, and deposit maturities. In the scenarios presented, the Company also assumed gradual changes in rates during a twelve-month period of 100 and 200 basis points, as compared with the assumed base scenario. In the event that a 100 or 200 basis point rate change cannot be achieved, the applicable rate changes are limited to lesser amounts such that interest rates cannot be less than zero. The assumptions used in interest rate sensitivity modeling are inherently uncertain and, as a result, the Company cannot precisely predict the impact of changes in interest rates on net interest income. Actual results may differ significantly from those presented due to the timing, magnitude and frequency of changes in interest rates and changes in market conditions and interest rate differentials (spreads) between maturity/repricing categories, as well as any actions, such as those previously described, which management may take to counter such changes.

Table 22 presents cumulative totals of net assets (liabilities) repricing on a contractual basis within the specified time frames, as adjusted for the impact of interest rate swap agreements entered into for interest rate risk management purposes. Management believes that this measure does not appropriately depict interest rate risk since changes in interest rates do not necessarily affect all categories of earning assets and interest-bearing liabilities equally nor, as assumed in the table, on the contractual maturity or repricing date. Furthermore, this static presentation of interest rate risk fails to consider the effect of ongoing lending and deposit gathering activities, projected changes in balance sheet composition or any subsequent interest rate risk management activities the Company is likely to implement.

Table of Contents**Table 22****CONTRACTUAL REPRICING DATA**

December 31, 2013	Three Months or Less	Four to Twelve Months	One to Five Years (Dollars in thousands)	After Five Years	Total
Loans and leases, net	\$ 39,467,322	\$ 4,249,463	\$ 10,464,608	\$ 9,891,766	\$ 64,073,159
Investment securities	426,185	49,344	213,885	8,107,083	8,796,497
Other earning assets	1,835,447	600	100		1,836,147
<i>Total earning assets</i>	41,728,954	4,299,407	10,678,593	17,998,849	74,705,803
NOW accounts	1,989,441				1,989,441
Savings deposits	36,621,580				36,621,580
Time deposits	1,000,415	1,618,041	897,263	8,119	3,523,838
Deposits at Cayman Islands office	223,682	99,064			322,746
<i>Total interest-bearing deposits</i>	39,835,118	1,717,105	897,263	8,119	42,457,605
Short-term borrowings	260,455				260,455
Long-term borrowings	609,497	19,560	2,886,595	1,593,218	5,108,870
<i>Total interest-bearing liabilities</i>	40,705,070	1,736,665	3,783,858	1,601,337	47,826,930
Interest rate swaps	(1,400,000)		1,400,000		
Periodic gap	\$ (376,116)	\$ 2,562,742	\$ 8,294,735	\$ 16,397,512	
Cumulative gap	(376,116)	2,186,626	10,481,361	26,878,873	
Cumulative gap as a % of total earning assets	(0.5)%	2.9%	14.0%	36.0%	

Changes in fair value of the Company's financial instruments can also result from a lack of trading activity for similar instruments in the financial markets. That impact is most notable on the values assigned to the Company's investment securities. Information about the fair valuation of such securities is presented herein under the heading "Capital" and in notes 3 and 20 of Notes to Financial Statements.

The Company engages in trading activities to meet the financial needs of customers and to fund the Company's obligations under certain deferred compensation plans. Financial instruments utilized in trading activities consist predominantly of interest rate contracts, such as swap agreements, and forward and futures contracts related to foreign currencies, but have also included investments in U.S. Treasury and other government securities, mutual funds and, as previously described, a limited number of VRDBs. The Company generally mitigates the foreign currency and interest rate risk associated with trading activities by entering into offsetting trading positions. The fair values of the offsetting trading positions associated with interest rate contracts and foreign currency and other option and futures contracts are presented in note 18 of Notes to Financial Statements. The amounts of gross and net trading positions, as well as the type of trading activities conducted by the Company, are subject to a well-defined series of potential loss exposure limits established by management and approved by M&T's Board of Directors. However, as with any non-government guaranteed financial instrument, the Company is exposed to credit risk associated with counterparties to the Company's trading activities.

The notional amounts of interest rate contracts entered into for trading purposes totaled \$17.4 billion at December 31, 2013 and \$15.5 billion at December 31, 2012. The notional amounts of foreign currency and other option and futures contracts entered into for trading purposes were \$1.4 billion and \$869 million at December 31, 2013 and 2012, respectively. Although the notional amounts of these trading contracts are not recorded in the consolidated balance sheet, the fair values of all financial instruments used for trading activities are recorded in the consolidated balance sheet. The fair values of all trading account assets and liabilities were \$376 million and \$250 million, respectively, at December 31, 2013 and \$489 million and \$374 million, respectively, at December 31, 2012. Included in trading account assets at December 31, 2013 and 2012 were \$29 million and \$36 million, respectively, of assets related to deferred compensation plans. Changes in the fair value of such assets are

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recorded as trading account and foreign exchange gains in the consolidated statement of income. Included in other liabilities in the consolidated

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balance sheet at December 31, 2013 and 2012 were \$31 million and \$30 million, respectively, of liabilities related to deferred compensation plans. Changes in the balances of such liabilities due to the valuation of allocated investment options to which the liabilities are indexed are recorded in other costs of operations in the consolidated statement of income.

Given the Company's policies, limits and positions, management believes that the potential loss exposure to the Company resulting from market risk associated with trading activities was not material, however, as previously noted, the Company is exposed to credit risk associated with counterparties to transactions related to the Company's trading activities. Additional information about the Company's use of derivative financial instruments in its trading activities is included in note 18 of Notes to Financial Statements.

Capital

Shareholders' equity was \$11.3 billion at December 31, 2013 and represented 13.28% of total assets, compared with \$10.2 billion or 12.29% at December 31, 2012 and \$9.3 billion or 11.90% at December 31, 2011.

Included in shareholders' equity was preferred stock with financial statement carrying values of \$882 million at December 31, 2013 and \$873 million at December 31, 2012. As noted earlier, the U.S. Treasury completed a public offering of its holding of M&T Series A and Series C preferred stock in August 2012, resulting in M&T's exit from the TARP. At December 31, 2013 and 2012, preferred stock included \$382 million and \$373 million, respectively, for Series A and Series C Fixed Rate Cumulative Perpetual Preferred Stock. The redemption value of those series of stock was \$382 million at each of those dates. In conjunction with the U.S. Treasury's public offering of its holding of M&T Series A and Series C preferred stock, M&T modified certain of the terms of the Series A and Series C Preferred Stock. The modifications related to the dividend rate on the preferred shares at the reset dates, which was originally set to change to 9% on November 15, 2013 for the Series C preferred shares and on February 15, 2014 for the Series A preferred shares. In each case, the dividend rate changed to 6.375% on November 15, 2013 rather than to the 9% in the original terms. The other modification related to M&T agreeing to not redeem the Series A and Series C preferred shares until on or after November 15, 2018, except that if an event occurs such that the shares no longer qualify as Tier 1 capital M&T may redeem all of the shares within 90 days following that occurrence. On May 31, 2011, M&T issued 50,000 shares of Series D Perpetual 6.875% Non-Cumulative Preferred Stock, par value \$1.00 per share and liquidation preference of \$10,000 per share. Holders of Series D preferred stock are entitled to receive, only when, as and if declared by the Board of Directors, non-cumulative cash dividends at an annual rate of 6.875%, payable semi-annually in arrears. The Series D preferred stock is redeemable on or after June 15, 2016 in whole or in part at par plus any declared but unpaid dividends. Notwithstanding the redemption provisions noted and subject to regulatory approval, M&T may redeem all of the outstanding shares of Series D preferred stock if a regulatory capital treatment event takes place whereby the full liquidation value of the shares no longer qualifies as Tier 1 capital. During February 2014, M&T issued 350,000 shares of Series E Perpetual Fixed-to-Floating Rate Non-Cumulative Preferred Stock, par value \$1.00 per share and liquidation preference of \$1,000 per share. Further information concerning M&T's preferred stock can be found in note 10 of Notes to Financial Statements.

Common shareholders' equity was \$10.4 billion, or \$79.81 per share, at December 31, 2013, compared with \$9.3 billion, or \$72.73 per share, at December 31, 2012 and \$8.4 billion, or \$66.82 per share, at December 31, 2011. Tangible equity per common share, which excludes goodwill and core deposit and other intangible assets and applicable deferred tax balances, was \$52.45 at December 31, 2013, compared with \$44.61 and \$37.79 at December 31, 2012 and 2011, respectively. The Company's ratio of tangible common equity to tangible assets was 8.39% at December 31, 2013, compared with 7.20% and 6.40% at December 31, 2012 and 2011, respectively. Reconciliations of total common shareholders' equity and tangible common equity and total assets and tangible assets as of December 31, 2013, 2012 and 2011 are presented in table 2. During 2013, 2012 and 2011, the ratio of average total shareholders' equity to average total assets was 12.82%, 12.13% and 12.17%, respectively. The ratio of average common shareholders' equity to average total assets was 11.77%, 11.04% and 11.09% in 2013, 2012 and 2011, respectively.

Shareholders' equity reflects accumulated other comprehensive income or loss, which includes the net after-tax impact of unrealized gains or losses on investment securities classified as available for sale, unrealized losses on held-to-maturity securities for which an other-than-temporary impairment charge has been recognized, gains or losses associated with interest rate swap agreements designated as cash flow hedges, foreign currency translation adjustments and adjustments to reflect the funded status of defined benefit pension and other postretirement plans. Net unrealized gains on investment securities, net of

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applicable tax effect, were \$34 million, or \$.26 per common share, at December 31, 2013, compared with net unrealized gains of \$37 million, or \$.29 per common share, at December 31, 2012, and net unrealized losses of \$78 million, or \$.62 per common share, at December 31, 2011. Information about unrealized gains and losses as of December 31, 2013 and 2012 is included in note 3 of Notes to Financial Statements.

Reflected in net unrealized gains at December 31, 2013 were pre-tax effect unrealized losses of \$40 million on available-for-sale investment securities with an amortized cost of \$1.8 billion and pre-tax effect unrealized gains of \$127 million on securities with an amortized cost of \$2.6 billion. The pre-tax effect unrealized losses reflect \$19 million of losses on trust preferred securities issued by financial institutions having an amortized cost of \$123 million and an estimated fair value of \$104 million (generally considered Level 2 valuations). Further information concerning the Company's valuations of available-for-sale investment securities is provided in note 20 of Notes to Financial Statements.

In the second quarter of 2013, the Company sold substantially all of its privately issued residential MBS that were classified as available for sale and recorded a pre-tax loss of \$46 million. Those privately issued MBS previously held by the Company were generally collateralized by prime and Alt-A residential mortgage loans. The sales, which were in response to changing regulatory capital and liquidity standards, resulted in improved liquidity and regulatory capital ratios for the Company. Further information on the sales is provided in note 3 of Notes to Financial Statements.

The Company assesses impairment losses on privately issued MBS in the held-to-maturity portfolio by performing internal modeling to estimate bond-specific cash flows that reflect the placement of the bond in the overall securitization structure and the remaining subordination levels. As a result, the Company did not recognize any other-than-temporary impairment charge related to MBS in the held-to-maturity portfolio during 2013. In total, at December 31, 2013 and 2012, the Company had in its held-to-maturity portfolio privately issued MBS with an amortized cost basis of \$220 million and \$242 million, respectively, and a fair value of \$159 million and \$148 million, respectively. At December 31, 2013, 93% of the MBS were in the most senior tranche of the securitization structure with 36% being independently rated as investment grade. The MBS had a weighted-average credit enhancement of 20% at December 31, 2013, calculated by dividing the remaining unpaid principal balance of bonds subordinate to the bonds owned by the Company plus any overcollateralization remaining in the securitization structure by the remaining unpaid principal balance of all bonds in the securitization structure. All MBS in the held-to-maturity portfolio had a current payment status as of December 31, 2013.

During the first quarter of 2013, the Company recognized \$10 million (pre-tax) of other-than-temporary impairment losses related to privately issued mortgage-backed securities held in the available-for-sale portfolio. In assessing impairment losses for debt securities, the Company performed internal modeling to estimate bond-specific cash flows, which considered the placement of the bond in the overall securitization structure and the remaining levels of subordination. During 2012 and 2011, the Company recognized \$48 million (pre-tax) and \$77 million (pre-tax), respectively, of other-than-temporary losses related to privately issued mortgage-backed securities.

As of December 31, 2013, based on a review of each of the remaining securities in the investment securities portfolio, the Company concluded that the declines in the values of any securities containing an unrealized loss were temporary and that any additional other-than-temporary impairment charges were not appropriate. It is possible that the Company may be required to sell certain of its collateralized debt obligations backed by trust preferred securities held in the available-for-sale portfolio to comply with the provisions of the Volcker Rule. However, the fair value of such securities predominantly exceeded carrying value at December 31, 2013 and the Company did not expect that it would realize any material losses if it ultimately was required to sell such securities. As of that date, the Company did not intend to sell nor is it anticipated that it would be required to sell any of its other impaired securities, that is, where fair value is less than the cost basis of the security. The Company intends to continue to closely monitor the performance of its securities because changes in their underlying credit performance or other events could cause the cost basis of those securities to become other-than-temporarily impaired. However, because the unrealized losses on available-for-sale investment securities have generally already been reflected in the financial statement values for investment securities and shareholders' equity, any recognition of an other-than-temporary decline in value of those investment securities would not have a material effect on the Company's consolidated financial condition. Any other-than-temporary impairment charge related to held-to-maturity securities would result in reductions in the financial statement values for investment securities and shareholders' equity. Additional information concerning fair value measurements and the Company's approach to the classification of such measurements is included in note 20 of the Notes to Financial Statements.

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Adjustments to reflect the funded status of defined benefit pension and other postretirement plans, net of applicable tax effect, reduced accumulated other comprehensive income by \$98 million, or \$.75 per common share, at December 31, 2013, \$277 million, or \$2.16 per common share, at December 31, 2012, and \$278 million, or \$2.21 per common share, at December 31, 2011. The decrease in such adjustment at December 31, 2013 as compared with December 31, 2012 and 2011 was predominantly the result of a 100 basis point increase in the discount rate used to measure the benefit obligations of the defined benefit plans at December 31, 2013 as compared with a year earlier and actual investment returns in the qualified defined benefit pension plan that were higher than expected returns. Information about the funded status of the Company's pension and other postretirement benefit plans is included in note 12 of Notes to Financial Statements.

Cash dividends declared on M&T's common stock totaled \$365 million in 2013, compared with \$358 million and \$350 million in 2012 and 2011, respectively. Dividends per common share totaled \$2.80 in each of 2013, 2012 and 2011. Cash dividends of \$53 million in each of 2013 and 2012 and \$48 million in 2011 were declared and paid on preferred stock in accordance with the terms of each series.

The Company did not repurchase any shares of its common stock in 2013, 2012 or 2011.

Federal regulators generally require banking institutions under the current Basel I rules to maintain Tier 1 capital and total capital ratios of at least 4% and 8%, respectively, of risk-adjusted total assets. In addition to the risk-based measures, Federal bank regulators have also implemented a minimum leverage ratio guideline of 3% of the quarterly average of total assets. At December 31, 2013, Tier 1 capital included trust preferred securities of \$1.2 billion as described in note 9 of Notes to Financial Statements and total capital further included subordinated capital notes of \$1.4 billion. As previously noted, pursuant to the Dodd-Frank Act, trust preferred securities will be phased-out of the definition of Tier 1 capital of bank holding companies beginning in 2015. The capital ratios of the Company and its banking subsidiaries as of December 31, 2013 and 2012 are presented in note 23 of Notes to Financial Statements.

Fourth Quarter Results

Net income during the fourth quarter of 2013 was \$221 million, compared with \$296 million in the year-earlier quarter. Diluted and basic earnings per common share were \$1.56 and \$1.57, respectively, in the final quarter of 2013, compared with \$2.16 and \$2.18 of diluted and basic earnings per common share, respectively, in the corresponding quarter of 2012. On an annualized basis, the rates of return on average assets and average common shareholders' equity for the recent quarter were 1.03% and 7.99%, respectively, compared with 1.45% and 12.10%, respectively, in the year-earlier quarter.

Net operating income totaled \$228 million in the recently completed quarter, compared with \$305 million in the fourth quarter of 2012. Diluted net operating earnings per common share were \$1.61 and \$2.23 in the final quarters of 2013 and 2012, respectively. The annualized net operating returns on average tangible assets and average tangible common equity in the fourth quarter of 2013 were 1.11% and 12.67%, respectively, compared with 1.56% and 20.46%, respectively, in the similar quarter of 2012. Core deposit and other intangible asset amortization, after tax effect, totaled \$6 million and \$8 million in the fourth quarters of 2013 and 2012 (\$.05 and \$.07 per diluted common share), respectively. Reconciliations of GAAP results with non-GAAP results for the quarterly periods of 2013 and 2012 are provided in table 24.

Net interest income on a taxable-equivalent basis totaled \$673 million in the final 2013 quarter, little changed from \$674 million in the year-earlier quarter. An 18 basis point narrowing of the net interest margin, to 3.56% in the recent quarter from 3.74% in 2012's fourth quarter, was offset by growth in average earning assets of \$3.4 billion. The decline in the net interest margin reflects an 11 basis point decrease in the yield on loans and the impact of higher balances of interest-bearing deposits at the Federal Reserve Bank and investment securities which have lower yields than loans. The increase in average earning assets was attributable to a \$2.7 billion increase in average interest-bearing deposits held at the Federal Reserve Bank and higher investment securities balances of \$2.1 billion, partially offset by a \$1.5 billion decrease in average loans and leases. The increase in the investment securities portfolio from the year-earlier quarter reflects the impact of purchases of Ginnie Mae residential mortgage-backed securities and the retention of similar securities resulting from mortgage securitization transactions during 2013, partially offset by maturities and paydowns of mortgage-backed securities and the sale of \$1.0 billion of privately issued mortgage-backed securities late in 2013's second quarter. Average commercial loan and lease balances were \$18.1 billion in the recent quarter, up \$1.1 billion or 6% from \$17.0 billion in the final quarter of 2012. Commercial real estate loans averaged \$26.2 billion in the fourth quarter of 2013, up \$899 million or 4% from \$25.3 billion in the corresponding 2012 quarter. The growth in commercial loans and commercial real estate loans reflects

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higher loan demand by customers. Average residential real estate loans outstanding declined \$2.1 billion to \$9.0 billion in the recent quarter from \$11.1 billion in the fourth quarter of 2012. Included in the residential real estate loan portfolio were average balances of loans held for sale, which declined to \$463 million in the recent quarter from \$997 million in the fourth quarter of 2012, reflecting lower volumes of loans originated for sale. The decrease in average residential real estate loans outstanding also reflected the impact of securitizations in the second and third quarters of 2013 of loans previously held by the Company in its loan portfolio. The Company securitized approximately \$1.3 billion of residential real estate loans guaranteed by the FHA, and a substantial majority of the resulting Ginnie Mae mortgage-backed securities were retained by the Company in the investment securities portfolio. Consumer loans averaged \$10.2 billion in the recent quarter, down \$1.4 billion from \$11.6 billion in the last quarter of 2012. That decline was largely due to lower average balances of automobile loans. In September 2013, the Company securitized and sold approximately \$1.4 billion of automobile loans held in its loan portfolio to improve its regulatory capital ratios and strengthen its liquidity and risk profile as a result of changing regulatory requirements. Total loans at December 31, 2013 increased \$414 million to \$64.1 billion from \$63.7 billion at September 30, 2013. That growth was attributable to increases in commercial loans, due largely to seasonally-higher automobile dealer floor plan balances. The yield on earning assets in the fourth quarter of 2013 was 3.92%, a 25 basis point decline from the year-earlier quarter. The rate paid on interest-bearing liabilities declined 11 basis points to .56% in the recently completed quarter from .67% in the similar 2012 quarter. The resulting net interest spread was 3.36% in the final quarter of 2013, 14 basis points lower than 3.50% in the year-earlier quarter. That compression was largely due to the changed mix in earning assets already noted and the 11 basis point decline in loan yields. The contribution of net interest-free funds to the Company's net interest margin was .20% in the recent quarter, down from .24% in the year-earlier quarter. As a result, the Company's net interest margin narrowed to 3.56% in the fourth quarter of 2013 from 3.74% in the corresponding 2012 period.

The provision for credit losses was \$42 million during the three-month period ended December 31, 2013, compared with \$49 million in the year-earlier period. Net charge-offs of loans totaled \$42 million in the final quarter of 2013, representing an annualized .26% of average loans and leases outstanding, compared with \$44 million or .27% during the fourth quarter of 2012. Net charge-offs included: residential real estate loans of \$3 million in the recently completed quarter, compared with \$10 million in 2012's fourth quarter; net recoveries on loans to builders and developers of residential real estate properties of \$2 million in the final 2013 quarter, compared with net charge-offs of \$8 million in the year-earlier quarter; other commercial real estate loans of \$10 million in 2013, compared with \$1 million a year earlier; commercial loans of \$21 million and \$3 million in 2013 and 2012, respectively; and consumer loans of \$10 million in the recent quarter, compared with \$22 million in the 2012's fourth quarter. The higher level of commercial loan charge-offs in the recent quarter reflected a higher volume of charge-offs, none of which individually exceeded \$5 million. Reflected in net charge-offs of consumer loans for the fourth quarter of 2013 were recoveries of previously charged-off home equity line of credit balances of \$9 million related to a portfolio acquired in 2007.

Other income aggregated \$446 million in the recent quarter, compared with \$453 million in the year-earlier quarter. Net losses on investment securities during the fourth quarter of 2012 were \$14 million, due to other-than-temporary impairment charges related to certain of the Company's privately issued mortgage-backed securities. There were no gains or losses on investment securities in the fourth quarter of 2013. Excluding the impact of the losses on investment securities in the final 2012 quarter, the recent quarter's decline in noninterest income was predominantly due to lower mortgage banking revenues, partially offset by higher trust income.

Other expense in the fourth quarter of 2013 totaled \$743 million, compared with \$626 million in the year-earlier quarter. Included in such amounts are expenses considered to be nonoperating in nature consisting of amortization of core deposit and other intangible assets of \$10 million and \$14 million in the fourth quarters of 2013 and 2012, respectively. Exclusive of those nonoperating expenses, noninterest operating expenses were \$733 million in the fourth quarter of 2013, up from \$612 million in the corresponding quarter of 2012. The higher operating expenses in the recently completed quarter reflect increased costs for professional services largely associated with investments in the Company's infrastructure related to BSA/AML compliance, capital planning and stress testing, risk management, and other operational initiatives. Those increases amounted to approximately \$50 million as compared with the fourth quarter of 2012. In addition, the Company reached a legal settlement of a previously disclosed lawsuit related to issues that were alleged to occur at Wilmington Trust Company prior to its acquisition by M&T that led to a \$40 million increase in the Company's reserve for litigation as of December 31, 2013. The

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higher level of expenses in the recent quarter as compared with the year-earlier quarter also reflects salaries associated with the Company's expanded residential real estate loan sub-servicing activities. The Company's efficiency ratio during the fourth quarter of 2013 and 2012 was 65.5% and 53.6%, respectively. Table 24 includes a reconciliation of other expense to noninterest operating expense and the calculation of the efficiency ratio for each of the quarters of 2013 and 2012.

Segment Information

In accordance with GAAP, the Company's reportable segments have been determined based upon its internal profitability reporting system, which is organized by strategic business unit. Certain strategic business units have been combined for segment information reporting purposes where the nature of the products and services, the type of customer, and the distribution of those products and services are similar. The reportable segments are Business Banking, Commercial Banking, Commercial Real Estate, Discretionary Portfolio, Residential Mortgage Banking and Retail Banking.

The financial information of the Company's segments was compiled utilizing the accounting policies described in note 22 of Notes to Financial Statements. The management accounting policies and processes utilized in compiling segment financial information are highly subjective and, unlike financial accounting, are not based on authoritative guidance similar to GAAP. As a result, reported segments and the financial information of the reported segments are not necessarily comparable with similar information reported by other financial institutions. Furthermore, changes in management structure or allocation methodologies and procedures may result in changes in reported segment financial data. Financial information about the Company's segments is presented in note 22 of Notes to Financial Statements.

The Business Banking segment provides a wide range of services to small businesses and professionals within markets served by the Company through the Company's branch network, business banking centers and other delivery channels such as telephone banking, Internet banking and automated teller machines. Services and products offered by this segment include various business loans and leases, including loans guaranteed by the Small Business Administration, business credit cards, deposit products, and financial services such as cash management, payroll and direct deposit, merchant credit card and letters of credit. Net income for the Business Banking segment declined 24% to \$111 million in 2013 from \$147 million in 2012. That decrease reflects: lower net interest income of \$22 million; increased costs associated with the allocation of operating expenses related to BSA/AML compliance, risk management, and other operational initiatives across the Company; a \$6 million increase in personnel costs; and a \$4 million increase in the provision for credit losses. The lower net interest income reflects a 43 basis point narrowing of the net interest margin on deposits, partially offset by a \$418 million increase in average outstanding deposit balances (predominantly noninterest-bearing). Net income contributed by the Business Banking segment totaled \$123 million in 2011. The 20% increase in net income in 2012 as compared with 2011 reflected a \$23 million decline in the provision for credit losses, higher net interest income of \$12 million and increased merchant discount and credit card revenues of \$5 million. The higher net interest income reflected a \$1.0 billion increase in average outstanding deposit balances (predominantly noninterest-bearing), offset, in part, by a 9 basis point narrowing of the net interest margin on deposits.

The Commercial Banking segment provides a wide range of credit products and banking services for middle-market and large commercial customers, mainly within the markets served by the Company. Services provided by this segment include commercial lending and leasing, letters of credit, deposit products, and cash management services. The Commercial Banking segment recorded net income of \$391 million in 2013, down 9% from \$431 million in 2012. That decline was largely due to a \$61 million increase in the provision for credit losses, the result of higher net charge-offs predominantly related to \$49 million of loans charged-off for a relationship with a motor vehicle-related parts wholesaler. Net income for the Commercial Banking segment in 2011 was \$369 million. The 17% increase in net income in 2012 as compared with 2011 reflects a \$98 million rise in net interest income, largely due to higher average loan and deposit balances of \$2.3 billion and \$1.2 billion, respectively, and a \$14 million decline in the provision for credit losses.

The Commercial Real Estate segment provides credit and deposit services to its customers. Real estate securing loans in this segment is generally located in the New York City metropolitan area, upstate New York, Pennsylvania, Maryland, the District of Columbia, Delaware, Virginia, West Virginia, and the northwestern portion of the United States. Commercial real estate loans may be secured by apartment/multifamily buildings; office, retail and industrial space; or other types of collateral. Activities of this segment also include the origination, sales and servicing of commercial real estate loans through the Fannie Mae DUS program and other programs. The Commercial Real Estate segment earned \$322 million in 2013,

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4% above the \$309 million recorded in 2012. That improvement was largely attributable to a \$39 million increase in net interest income, resulting from growth in average loan and deposit balances of \$694 million and \$466 million, respectively, and a 17 basis point widening of the net interest margin on loans, partially offset by a 31 basis point narrowing of the net interest margin on deposits. The higher net interest income was offset, in part, by: a \$3 million increase in the provision for credit losses; a \$3 million decrease in mortgage banking revenues; and increased other operating expenses that reflect costs associated with the allocation of operating expenses relating to BSA/AML compliance, risk management, and other operational initiatives across the Company. Net income for the Commercial Real Estate segment in 2012 rose 29% from \$240 million in 2011. Factors contributing to that higher net income include: a \$64 million increase in net interest income resulting primarily from growth in average loan and deposit balances of \$1.4 billion and \$486 million, respectively, and a 9 basis point widening of the net interest margin on loans; a \$54 million reduction in the provision for credit losses; and a \$22 million increase in mortgage banking revenues. Those favorable factors were offset, in part, by increased FDIC assessments, personnel costs and other operating expenses.

The Discretionary Portfolio segment includes investment and trading securities, residential mortgage loans and other assets; short-term and long-term borrowed funds; brokered certificates of deposit and interest rate swap agreements related thereto; and Cayman Islands office deposits. This segment also provides foreign exchange services to customers. Included in the assets of the Discretionary Portfolio segment are the Company's portfolio of Alt-A mortgage loans and, prior to the second quarter of 2013, were most of the investment securities for which the Company had recognized other-than-temporary impairment charges in each of the last three years. The Discretionary Portfolio segment contributed net income of \$30 million in 2013 and \$59 million in 2011, compared with a net loss of \$33 million in 2012. Included in this segment's results for 2013 were net pre-tax losses of \$46 million associated with the second quarter sale of approximately \$1.0 billion of privately issued MBS that had been held in the available-for-sale investment securities portfolio and \$149 million of net realized gains in 2011 on the sale of investment securities, predominantly comprised of residential mortgage-backed securities guaranteed by Fannie Mae and Freddie Mac, CDOs and trust preferred securities. Also reflected in securities gains or losses were other-than-temporary impairment charges, predominantly related to certain privately issued MBS, of \$10 million in 2013, \$48 million in 2012 and \$77 million in 2011. Excluding securities gains and losses, the Discretionary Portfolio segment recorded net income of \$63 million in 2013 and \$16 million in 2011, compared with a net loss of \$5 million in 2012. The most significant contributors to the favorable performance in 2013 as compared with 2012 include: \$42 million of gains from securitization transactions associated with one-to-four family residential real estate loans previously held in the Company's loan portfolio; a \$28 million decline in the provision for credit losses, predominantly the result of lower net charge-offs; and a \$31 million decrease in intersegment costs due to a lower proportion of residential real estate loans being retained for portfolio rather than being sold. On that same basis, the unfavorable performance in 2012 as compared with 2011 reflects a \$48 million rise in intersegment costs related to a higher proportion of residential real estate loans being retained for portfolio rather than being sold, offset, in part, by a \$15 million decrease in the provision for credit losses.

The Residential Mortgage Banking segment originates and services residential mortgage loans and sells substantially all of those loans in the secondary market to investors or to the Discretionary Portfolio segment. This segment had also originated and serviced loans to developers of residential real estate properties, although that origination activity has been significantly curtailed. In addition to the geographic regions served by or contiguous with the Company's branch network, the Company maintains mortgage loan origination offices in several states throughout the western United States. The Company periodically purchases the rights to service mortgage loans and also sub-services residential mortgage loans for others. Residential mortgage loans held for sale are included in this segment. Net income for the Residential Mortgage Banking segment was \$99 million in 2013, down 26% from \$135 million in 2012. The decrease in net income was largely due to a \$97 million decline in revenues from residential mortgage origination and sales activities (including intersegment revenues), due to lower origination volumes on loans originated for sale and increased personnel and professional services costs associated with expanded residential mortgage loan sub-servicing activities. Those unfavorable factors were offset, in part, by: a \$29 million decline in the provision for credit losses reflecting net recoveries in 2013 of previously charged-off loans to real estate builders and developers of \$12 million; a \$20 million rise in net interest income, the result of a \$139 million increase in average loan balances and a 63 basis point widening of the net interest margin on loans due to higher loan yields; and a \$16 million rise in revenues from servicing residential real estate loans (including intersegment revenues). Net income for this segment totaled \$13 million in 2011. The significant

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improvement in 2012's results as compared with 2011 was attributable to a \$177 million increase in revenues from residential mortgage origination and sales activities (including intersegment revenues), due to higher origination volumes and wider margins on loans originated for sale, and a \$25 million rise in revenues from servicing residential real estate loans. Also contributing to the increase in net income were a \$19 million decline in the provision for credit losses and a \$14 million rise in net interest income, the result of an increase in average loan balances of \$445 million. Those positive factors were offset, in part, by an increase in personnel costs of \$23 million.

The Retail Banking segment offers a variety of services to consumers through several delivery channels which include branch offices, automated teller machines, telephone banking and Internet banking. The Company has branch offices in New York State, Pennsylvania, Maryland, Virginia, the District of Columbia, West Virginia, and Delaware. Credit services offered by this segment include consumer installment loans, automobile loans (originated both directly and indirectly through dealers), home equity loans and lines of credit and credit cards. The segment also offers to its customers deposit products, including demand, savings and time accounts; investment products, including mutual funds and annuities; and other services. The Retail Banking segment's net income declined 17% to \$182 million in 2013 from \$221 million in 2012. The main factor for that decline was a \$93 million decrease in net interest income, largely due to a 33 basis point narrowing of the net interest margin on deposits and a decrease in average outstanding loans of \$682 million, partially offset by a 16 basis point widening of the net interest margin on loans and a \$720 million increase in average outstanding deposit balances. Also contributing to the lower net income in 2013 were higher noninterest operating expenses, including costs related to BSA/AML compliance, risk management, and other operational initiatives. Those unfavorable factors were offset, in part, by a \$21 million gain on the securitization and sale of approximately \$1.4 billion of automobile loans previously held in the Company's loan portfolio and a \$23 million decline in the provision for credit losses, largely due to lower net charge-offs. This segment's net income rose 10% in 2012 from \$200 million in 2011. The most significant factors contributing to that improvement were: a \$52 million increase in net interest income, due largely to a \$1.8 billion increase in average outstanding deposit balances and an 8 basis point widening of the net interest margin on deposits; a \$6 million decrease in the provision for credit losses; and a \$5 million rise in merchant discount and credit card revenues. Those favorable factors were offset, in part, by a \$24 million decrease in fees earned for providing deposit account services and a \$6 million increase in other operating expenses.

The All Other category reflects other activities of the Company that are not directly attributable to the reported segments. Reflected in this category are the amortization of core deposit and other intangible assets resulting from the acquisitions of financial institutions, M&T's share of the operating losses of BLG, merger-related gains and expenses resulting from acquisitions and the net impact of the Company's allocation methodologies for internal transfers for funding charges and credits associated with the earning assets and interest-bearing liabilities of the Company's reportable segments and the provision for credit losses. The All Other category also includes the ICS, WAS and other trust activities of the Company. The various components of the All Other category resulted in net income of \$3 million in 2013, compared with net losses of \$181 million and \$145 million 2012 and 2011, respectively. The improved performance in 2013 as compared with the previous year resulted largely from the realized gains on the sale of the Company's holdings of Visa and MasterCard shares totaling \$103 million and the reversal of an accrual for a contingent compensation obligation of \$26 million assumed in the May 2011 acquisition of Wilmington Trust that expired, each of which was recorded in 2013. Also contributing to the improvement were increased trust income of \$24 million and the favorable impact from the Company's allocation methodologies for internal transfers for funding and other charges of the Company's reportable segments and the provision for credit losses. Partially offsetting those favorable factors was the previously noted increase of \$40 million in the legal settlement accrual at December 31, 2013. The most significant contributors to the higher net loss in 2012 as compared with 2011 were: higher personnel-related expenses and professional services costs of \$84 million and \$57 million, respectively (due, in part, to the full-year impact of the Wilmington Trust acquisition); the impact on 2011's results of the \$65 million non-taxable gain on the Wilmington Trust acquisition and the \$55 million of income from the CDO litigation settlement; and the impact from the Company's allocation methodologies for internal transfers for funding charges and credits associated with the earning assets and interest-bearing liabilities of the Company's reportable segments and the provision for credit losses. Partially offsetting those factors were: increases in trust income of \$139 million (reflecting the full-year impact of the acquisition of Wilmington Trust); the \$79 million other-than-temporary impairment charge related to M&T's 20% investment in BLG and cash contributions made to The M&T Charitable Foundation, each of which was recorded in 2011; and merger-related expenses of \$10 million in 2012, compared with \$84 million in 2011.

Table of Contents**Recent Accounting Developments**

In January 2014, the Financial Accounting Standards Board (FASB) issued amended accounting and disclosure guidance for reclassification of residential real estate collateralized consumer mortgage loans upon foreclosure. The amended guidance clarifies that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. The amended guidance also requires interim and annual disclosure of both (1) the amount of foreclosed residential real estate property held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. This guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. This guidance should be applied using a prospective transition method or a modified retrospective transition method. The Company does not expect the guidance to have a material impact on its financial position or results of operations.

In January 2014, the FASB issued amended accounting guidance permitting an accounting policy election to account for investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. Under the proportional amortization method, an entity amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the income statement as a component of income tax expense. The decision to apply the proportional amortization method of accounting is an accounting policy election that should be applied consistently to all qualifying affordable housing project investments. This guidance is effective for annual periods, and interim reporting periods within those annual periods, beginning after December 15, 2014. This guidance should be applied retrospectively to all periods presented. The Company is still evaluating the impact the guidance could have on its consolidated financial statements.

In July 2013, the FASB issued amended accounting guidance permitting the Overnight Index Swap Rate (also referred to as the Fed Funds Effective Swap Rate) to be used as a U.S. benchmark interest rate for hedge accounting purposes, in addition to the interest rate on direct Treasury obligations of the U.S. government and the London Interbank Offered Rate. The amendments also remove the restriction on using different benchmark rates for similar hedges. The guidance was effective prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. In the past, the Company has not attempted to hedge its assets or its liabilities for changes in the Overnight Index Swap Rate, but could do so in the future.

In October 2012, the FASB issued amended accounting guidance relating to subsequent accounting for an indemnification asset recognized at the acquisition date as a result of a government-assisted acquisition of a financial institution. The amendment clarifies the existing subsequent measurement guidance for indemnification assets recognized as a result of a government-assisted acquisition of a financial institution that includes a loss-sharing agreement. Specifically, when an entity recognizes an indemnification asset as a result of a government-assisted acquisition of a financial institution and subsequently a change in the cash flows expected to be collected on the indemnification asset occurs (as a result of a change in cash flows expected to be collected on the assets subject to indemnification), the entity should account for the change in the measurement of the indemnification asset on the same basis as the change in the assets subject to indemnification. The period for any amortization of changes in value would be limited to the lesser of the contractual term of the indemnification agreement and the remaining life of the indemnified assets. The guidance was effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2012. The guidance should be applied prospectively to any new indemnification assets recognized after the date of adoption and to indemnification assets existing as of the date of adoption. The adoption of this guidance did not have a significant effect on the Company's financial position or results of operations.

In December 2011, the FASB issued amended disclosure guidance relating to offsetting assets and liabilities. The amendments require disclosure of gross and net information about instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. The scope of this guidance includes derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. The guidance was effective for annual reporting periods

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beginning on or after January 1, 2013, and interim periods within those annual periods. The new required disclosures should be applied retrospectively for all comparable periods presented. The Company's disclosures relating to offsetting assets and liabilities can be found in notes 9 and 18 of Notes to Financial Statements.

In June 2011, the FASB issued amended presentation guidance relating to comprehensive income. The amendments eliminate the option to present the components of other comprehensive income as part of the statement of changes in shareholders' equity and now require the presentation of total comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both options, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. The presentation guidance was effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 and was to be applied retrospectively. The Company has complied with the new presentation guidance using separate but consecutive statements. In February 2013, the FASB again amended presentation guidance relating to comprehensive income to require disclosures of significant amounts reclassified out of accumulated other comprehensive income by component for reporting periods beginning after December 15, 2012. The Company's disclosures relating to accumulated other comprehensive income can be found in note 15 of Notes to Financial Statements.

Forward-Looking Statements

Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this Annual Report contain forward-looking statements that are based on current expectations, estimates and projections about the Company's business, management's beliefs and assumptions made by management. Forward-looking statements are typically identified by words such as believe, expect, anticipate, intend, target, estimate, continue, positions, prospects or potential, by future conditional verbs such as will, would, should, could, or variations of such words or by similar expressions. 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. Forward-looking statements speak only as of the date they are made and the Company assumes no duty to update 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 of loans, collateral securing 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; the impact of changes in market values on trust-related revenues; legislation and/or regulation affecting the financial services industry as a whole, and M&T and its subsidiaries individually or collectively, including tax legislation or regulation; regulatory supervision and oversight, including monetary policy and capital requirements; changes in accounting policies or procedures as may be required by the FASB 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, including tax-related examinations and other matters; 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.

Table of Contents**Table 23****QUARTERLY TRENDS**

Earnings and dividends	2013 Quarters				2012 Quarters			
	Fourth	Third	Second	First	Fourth	Third	Second	First
<i>Amounts in thousands, except per share</i>								
Interest income (taxable-equivalent basis)	\$ 740,665	\$ 748,791	\$ 756,424	\$ 736,425	\$ 751,860	\$ 751,385	\$ 744,031	\$ 720,800
Interest expense	67,982	69,578	72,620	73,925	77,931	82,129	89,403	93,706
Net interest income	672,683	679,213	683,804	662,500	673,929	669,256	654,628	627,094
Less: provision for credit losses	42,000	48,000	57,000	38,000	49,000	46,000	60,000	49,000
Other income	446,246	477,388	508,689	432,882	453,164	445,733	391,650	376,723
Less: other expense	743,072	658,626	598,591	635,596	626,146	616,027	627,392	639,695
Income before income taxes	333,857	449,975	536,902	421,786	451,947	452,962	358,886	315,122
Applicable income taxes	106,236	149,391	182,219	141,223	149,247	152,966	118,861	101,954
Taxable-equivalent adjustment	6,199	6,105	6,217	6,450	6,507	6,534	6,645	6,705
Net income	\$ 221,422	\$ 294,479	\$ 348,466	\$ 274,113	\$ 296,193	\$ 293,462	\$ 233,380	\$ 206,463
Net income available to common shareholders-diluted	\$ 203,451	\$ 275,356	\$ 328,557	\$ 255,096	\$ 276,605	\$ 273,896	\$ 214,716	\$ 188,241
Per common share data								
Basic earnings	\$ 1.57	\$ 2.13	\$ 2.56	\$ 2.00	\$ 2.18	\$ 2.18	\$ 1.71	\$ 1.50
Diluted earnings	1.56	2.11	2.55	1.98	2.16	2.17	1.71	1.50
Cash dividends	\$.70	\$.70	\$.70	\$.70	\$.70	\$.70	\$.70	\$.70
Average common shares outstanding								
Basic	129,497	129,171	128,252	127,669	126,918	125,819	125,488	125,220
Diluted	130,464	130,265	129,017	128,636	127,800	126,292	125,897	125,616
Performance ratios, annualized								
Return on								
Average assets	1.03%	1.39%	1.68%	1.36%	1.45%	1.45%	1.17%	1.06%
Average common shareholders equity	7.99%	11.06%	13.78%	11.10%	12.10%	12.40%	10.12%	9.04%
Net interest margin on average earning assets (taxable-equivalent basis)	3.56%	3.61%	3.71%	3.71%	3.74%	3.77%	3.74%	3.69%
Nonaccrual loans to total loans and leases, net of unearned discount	1.36%	1.44%	1.46%	1.60%	1.52%	1.44%	1.54%	1.75%
Net operating (tangible) results(a)								
Net operating income (in thousands)	\$ 227,797	\$ 300,968	\$ 360,734	\$ 285,136	\$ 304,657	\$ 302,060	\$ 247,433	\$ 218,360
Diluted net operating income per common share	1.61	2.16	2.65	2.06	2.23	2.24	1.82	1.59
Annualized return on								
Average tangible assets	1.11%	1.48%	1.81%	1.48%	1.56%	1.56%	1.30%	1.18%
Average tangible common shareholders equity	12.67%	17.64%	22.72%	18.71%	20.46%	21.53%	18.54%	16.79%
Efficiency ratio(b)	65.48%	56.03%	50.92%	55.88%	53.63%	53.73%	56.86%	61.09%
Balance sheet data								
<i>In millions, except per share</i>								
Average balances								
Total assets(c)	\$ 85,330	\$ 84,011	\$ 83,352	\$ 81,913	\$ 81,366	\$ 80,432	\$ 80,087	\$ 78,026
Total tangible assets(c)	81,754	80,427	79,760	78,311	77,755	76,810	76,455	74,381
Earning assets	75,049	74,667	73,960	72,339	71,679	70,662	70,450	68,388
Investment securities	8,354	6,979	5,293	5,803	6,295	6,811	7,271	7,507
Loans and leases, net of unearned discount	63,550	64,858	65,979	65,852	65,011	63,455	61,826	60,484
Deposits	67,212	66,232	65,680	64,540	64,269	62,743	61,530	59,291
Common shareholders equity(c)	10,228	10,003	9,687	9,448	9,233	8,919	8,668	8,510
Tangible common shareholders equity(c)	6,652	6,419	6,095	5,846	5,622	5,297	5,036	4,865
At end of quarter								
Total assets(c)	\$ 85,162	\$ 84,427	\$ 83,229	\$ 82,812	\$ 83,009	\$ 81,085	\$ 80,808	\$ 79,187
Total tangible assets(c)	81,589	80,847	79,641	79,215	79,402	77,469	77,181	75,548
Earning assets	74,706	74,085	73,927	73,543	72,859	71,220	71,065	69,490

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Investment securities	8,796	8,310	5,211	5,661	6,074	6,624	7,057	7,195
Loans and leases, net of unearned discount	64,073	63,659	65,972	65,924	66,571	64,112	62,851	60,922
Deposits	67,119	66,552	65,661	65,090	65,611	64,007	62,549	60,913
Common shareholders' equity, net of undeclared cumulative preferred dividends(c)	10,421	10,133	9,836	9,545	9,327	9,071	8,758	8,559
Tangible common shareholders' equity(c)	6,848	6,553	6,248	5,948	5,720	5,455	5,131	4,920
Equity per common share	79.81	77.81	75.98	73.99	72.73	71.17	69.15	67.64
Tangible equity per common share	52.45	50.32	48.26	46.11	44.61	42.80	40.52	38.89
Market price per common share								
High	\$ 117.29	\$ 119.54	\$ 112.01	\$ 105.90	\$ 105.33	\$ 95.98	\$ 88.00	\$ 87.37
Low	109.23	109.47	95.68	99.59	95.02	82.29	76.92	76.82
Closing	116.42	111.92	111.75	103.16	98.47	95.16	82.57	86.88

- (a) Excludes amortization and balances related to goodwill and core deposit and other intangible assets and merger-related gains and 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 appears in Table 24.
- (b) Excludes impact of merger-related expenses and net securities transactions.
- (c) The difference between total assets and total tangible assets, and common shareholders' equity and tangible common shareholders' equity, represents goodwill, core deposit and other intangible assets, net of applicable deferred tax balances. A reconciliation of such balances appears in Table 24.

Table of Contents**Table 24****RECONCILIATION OF QUARTERLY GAAP TO NON-GAAP MEASURES**

	2013 Quarters				2012 Quarters			
	Fourth	Third	Second	First	Fourth	Third	Second	First
Income statement data								
<i>In thousands, except per share</i>								
Net income								
Net income	\$ 221,422	\$ 294,479	\$ 348,466	\$ 274,113	\$ 296,193	\$ 293,462	\$ 233,380	\$ 206,463
Amortization of core deposit and other intangible assets(a)	6,375	6,489	7,632	8,148	8,464	8,598	9,709	10,240
Merger-related expenses(a)			4,636	2,875			4,344	1,657
Net operating income	\$ 227,797	\$ 300,968	\$ 360,734	\$ 285,136	\$ 304,657	\$ 302,060	\$ 247,433	\$ 218,360
Earnings per common share								
Diluted earnings per common share	\$ 1.56	\$ 2.11	\$ 2.55	\$ 1.98	\$ 2.16	\$ 2.17	\$ 1.71	\$ 1.50
Amortization of core deposit and other intangible assets(a)	.05	.05	.06	.06	.07	.07	.08	.08
Merger-related expenses(a)			.04	.02			.03	.01
Diluted net operating earnings per common share	\$ 1.61	\$ 2.16	\$ 2.65	\$ 2.06	\$ 2.23	\$ 2.24	\$ 1.82	\$ 1.59
Other expense								
Other expense	\$ 743,072	\$ 658,626	\$ 598,591	\$ 635,596	\$ 626,146	\$ 616,027	\$ 627,392	\$ 639,695
Amortization of core deposit and other intangible assets	(10,439)	(10,628)	(12,502)	(13,343)	(13,865)	(14,085)	(15,907)	(16,774)
Merger-related expenses			(7,632)	(4,732)			(7,151)	(2,728)
Noninterest operating expense	\$ 732,633	\$ 647,998	\$ 578,457	\$ 617,521	\$ 612,281	\$ 601,942	\$ 604,334	\$ 620,193
Merger-related expenses								
Salaries and employee benefits	\$	\$	\$ 300	\$ 536	\$	\$	\$ 3,024	\$ 1,973
Equipment and net occupancy			489	201				15
Printing, postage and supplies			998	827				
Other costs of operations			5,845	3,168			4,127	740
Total	\$	\$	\$ 7,632	\$ 4,732	\$	\$	\$ 7,151	\$ 2,728
Efficiency ratio								
Noninterest operating expense (numerator)	\$ 732,633	\$ 647,998	\$ 578,457	\$ 617,521	\$ 612,281	\$ 601,942	\$ 604,334	\$ 620,193
Taxable-equivalent net interest income	672,683	679,213	683,804	662,500	673,929	669,256	654,628	627,094
Other income	446,246	477,388	508,689	432,882	453,164	445,733	391,650	376,723
Less: Gain (loss) on bank investment securities			56,457			372	(408)	45
Net OTTI losses recognized in earnings				(9,800)	(14,491)	(5,672)	(16,173)	(11,486)
Denominator	\$ 1,118,929	\$ 1,156,601	\$ 1,136,036	\$ 1,105,182	\$ 1,141,584	\$ 1,120,289	\$ 1,062,859	\$ 1,015,258
Efficiency ratio	65.48%	56.03%	50.92%	55.88%	53.63%	53.73%	56.86%	61.09%

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Balance sheet data

In millions

Average assets

Average assets	\$ 85,330	\$ 84,011	\$ 83,352	\$ 81,913	\$ 81,366	\$ 80,432	\$ 80,087	\$ 78,026
Goodwill	(3,525)	(3,525)	(3,525)	(3,525)	(3,525)	(3,525)	(3,525)	(3,525)
Core deposit and other intangible assets	(74)	(84)	(95)	(109)	(122)	(136)	(151)	(168)
Deferred taxes	23	25	28	32	36	39	44	48
Average tangible assets	\$ 81,754	\$ 80,427	\$ 79,760	\$ 78,311	\$ 77,755	\$ 76,810	\$ 76,455	\$ 74,381

Average common equity

Average total equity	\$ 11,109	\$ 10,881	\$ 10,563	\$ 10,322	\$ 10,105	\$ 9,789	\$ 9,536	\$ 9,376
Preferred stock	(881)	(878)	(876)	(874)	(872)	(870)	(868)	(866)
Average common equity	10,228	10,003	9,687	9,448	9,233	8,919	8,668	8,510
Goodwill	(3,525)	(3,525)	(3,525)	(3,525)	(3,525)	(3,525)	(3,525)	(3,525)
Core deposit and other intangible assets	(74)	(84)	(95)	(109)	(122)	(136)	(151)	(168)
Deferred taxes	23	25	28	32	36	39	44	48
Average tangible common equity	\$ 6,652	\$ 6,419	\$ 6,095	\$ 5,846	\$ 5,622	\$ 5,297	\$ 5,036	\$ 4,865

At end of quarter

Total assets

Total assets	\$ 85,162	\$ 84,427	\$ 83,229	\$ 82,812	\$ 83,009	\$ 81,085	\$ 80,808	\$ 79,187
Goodwill	(3,525)	(3,525)	(3,525)	(3,525)	(3,525)	(3,525)	(3,525)	(3,525)
Core deposit and other intangible assets	(69)	(79)	(90)	(102)	(116)	(129)	(143)	(160)
Deferred taxes	21	24	27	30	34	38	41	46
Total tangible assets	\$ 81,589	\$ 80,847	\$ 79,641	\$ 79,215	\$ 79,402	\$ 77,469	\$ 77,181	\$ 75,548

Total common equity

Total equity	\$ 11,306	\$ 11,016	\$ 10,716	\$ 10,423	\$ 10,203	\$ 9,945	\$ 9,630	\$ 9,429
Preferred stock	(882)	(879)	(877)	(875)	(873)	(870)	(868)	(867)
Undeclared dividends-cumulative preferred stock	(3)	(4)	(3)	(3)	(3)	(4)	(4)	(3)
Common equity, net of undeclared cumulative preferred dividends	10,421	10,133	9,836	9,545	9,327	9,071	8,758	8,559
Goodwill	(3,525)	(3,525)	(3,525)	(3,525)	(3,525)	(3,525)	(3,525)	(3,525)
Core deposit and other intangible assets	(69)	(79)	(90)	(102)	(116)	(129)	(143)	(160)
Deferred taxes	21	24	27	30	34	38	41	46
Total tangible common equity	\$ 6,848	\$ 6,553	\$ 6,248	\$ 5,948	\$ 5,720	\$ 5,455	\$ 5,131	\$ 4,920

(a) After any related tax effect.

Table of Contents**Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

Incorporated by reference to the discussion contained in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, under the captions Liquidity, Market Risk, and Interest Rate Sensitivity (including Table 21) and Capital.

Item 8. Financial Statements and Supplementary Data.

Financial Statements and Supplementary Data consist of the financial statements as indexed and presented below and Table 23 Quarterly Trends presented in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Index to Financial Statements and Financial Statement Schedules

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<u>Consolidated Statement of Comprehensive Income – Years ended December 31, 2013, 2012 and 2011</u>	101
<u>Consolidated Statement of Cash Flows – Years ended December 31, 2013, 2012 and 2011</u>	102
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Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting at M&T Bank Corporation and subsidiaries (the Company). Management has assessed the effectiveness of the Company s internal control over financial reporting as of December 31, 2013 based on criteria described in Internal Control Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, management concluded that the Company maintained effective internal control over financial reporting as of December 31, 2013.

The consolidated financial statements of the Company have been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, that was engaged to express an opinion as to the fairness of presentation of such financial statements. PricewaterhouseCoopers LLP was also engaged to assess the effectiveness of the Company s internal control over financial reporting. The report of PricewaterhouseCoopers LLP follows this report.

M&T BANK CORPORATION

ROBERT G. WILMERS

Chairman of the Board and Chief Executive Officer

RENÉ F. JONES

Executive Vice President and Chief Financial Officer

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of

M&T Bank Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, cash flows, and changes in shareholders' equity present fairly, in all material respects, the financial position of M&T Bank Corporation and its subsidiaries (the Company) at December 31, 2013 and December 31, 2012, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Buffalo, New York

February 21, 2014

Table of Contents**M&T BANK CORPORATION AND SUBSIDIARIES****Consolidated Balance Sheet**

(Dollars in thousands, except per share)

	December 31	
	2013	2012
Assets		
Cash and due from banks	\$ 1,573,361	\$ 1,983,615
Interest-bearing deposits at banks	1,651,138	129,945
Federal funds sold	99,573	3,000
Trading account	376,131	488,966
Investment securities (includes pledged securities that can be sold or repledged of \$1,696,438 at December 31, 2013; \$1,801,842 at December 31, 2012)		
Available for sale (cost: \$4,444,365 at December 31, 2013; \$4,643,070 at December 31, 2012)	4,531,786	4,739,437
Held to maturity (fair value: \$3,860,127 at December 31, 2013; \$976,883 at December 31, 2012)	3,966,130	1,032,276
Other (fair value: \$298,581 at December 31, 2013; \$302,648 at December 31, 2012)	298,581	302,648
Total investment securities	8,796,497	6,074,361
Loans and leases	64,325,783	66,790,186
Unearned discount	(252,624)	(219,229)
Loans and leases, net of unearned discount	64,073,159	66,570,957
Allowance for credit losses	(916,676)	(925,860)
Loans and leases, net	63,156,483	65,645,097
Premises and equipment	633,520	594,652
Goodwill	3,524,625	3,524,625
Core deposit and other intangible assets	68,851	115,763
Accrued interest and other assets	5,282,212	4,448,779
Total assets	\$ 85,162,391	\$ 83,008,803
Liabilities		
Noninterest-bearing deposits	\$ 24,661,007	\$ 24,240,802
NOW accounts	1,989,441	1,979,619
Savings deposits	36,621,580	33,783,947
Time deposits	3,523,838	4,562,366
Deposits at Cayman Islands office	322,746	1,044,519
Total deposits	67,118,612	65,611,253
Federal funds purchased and agreements to repurchase securities	260,455	1,074,482
Accrued interest and other liabilities	1,368,922	1,512,717
Long-term borrowings	5,108,870	4,607,758
Total liabilities	73,856,859	72,806,210
Shareholders equity		
Preferred stock, \$1.00 par, 1,000,000 shares authorized; Issued and outstanding: Liquidation preference of \$1,000 per share: 381,500 shares at December 31, 2013 and December 31, 2012; Liquidation preference of \$10,000 per share: 50,000 shares at December 31, 2013 and December 31, 2012	881,500	872,500

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Common stock, \$.50 par, 250,000,000 shares authorized, 130,516,364 shares issued at December 31, 2013; 128,176,912 shares issued at December 31, 2012	65,258	64,088
Common stock issuable, 47,231 shares at December 31, 2013; 57,409 shares at December 31, 2012	2,915	3,473
Additional paid-in capital	3,232,014	3,025,520
Retained earnings	7,188,004	6,477,276
Accumulated other comprehensive income (loss), net	(64,159)	(240,264)
Total shareholders' equity	11,305,532	10,202,593
Total liabilities and shareholders' equity	\$ 85,162,391	\$ 83,008,803

See accompanying notes to financial statements.

Table of Contents**M&T BANK CORPORATION AND SUBSIDIARIES****Consolidated Statement of Income**

(In thousands, except per share)	Year Ended December 31		
	2013	2012	2011
Interest income			
Loans and leases, including fees	\$ 2,734,708	\$ 2,704,156	\$ 2,522,567
Deposits at banks	5,201	1,221	2,934
Federal funds sold	104	21	57
Agreements to resell securities	10		132
Trading account	1,265	1,126	1,198
Investment securities			
Fully taxable	209,244	227,116	256,057
Exempt from federal taxes	6,802	8,045	9,142
Total interest income	2,957,334	2,941,685	2,792,087
Interest expense			
NOW accounts	1,287	1,343	1,145
Savings deposits	54,948	68,011	84,314
Time deposits	26,439	46,102	71,014
Deposits at Cayman Islands office	1,018	1,130	962
Short-term borrowings	430	1,286	1,030
Long-term borrowings	199,983	225,297	243,866
Total interest expense	284,105	343,169	402,331
<i>Net interest income</i>	2,673,229	2,598,516	2,389,756
Provision for credit losses	185,000	204,000	270,000
Net interest income after provision for credit losses	2,488,229	2,394,516	2,119,756
Other income			
Mortgage banking revenues	331,265	349,064	166,021
Service charges on deposit accounts	446,941	446,698	455,095
Trust income	496,008	471,852	332,385
Brokerage services income	65,647	59,059	56,470
Trading account and foreign exchange gains	40,828	35,634	27,224
Gain on bank investment securities	56,457	9	150,187
Total other-than-temporary impairment (OTTI) losses	(1,884)	(32,067)	(72,915)
Portion of OTTI losses recognized in other comprehensive income (before taxes)	(7,916)	(15,755)	(4,120)
Net OTTI losses recognized in earnings	(9,800)	(47,822)	(77,035)
Equity in earnings of Bayview Lending Group LLC	(16,126)	(21,511)	(24,231)
Other revenues from operations	453,985	374,287	496,796
Total other income	1,865,205	1,667,270	1,582,912
Other expense			
Salaries and employee benefits	1,355,178	1,314,540	1,203,993
Equipment and net occupancy	264,327	257,551	249,514
Printing, postage and supplies	39,557	41,929	40,917
Amortization of core deposit and other intangible assets	46,912	60,631	61,617

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FDIC assessments	69,584	101,110	100,230
Other costs of operations	860,327	733,499	821,797
Total other expense	2,635,885	2,509,260	2,478,068
Income before taxes	1,717,549	1,552,526	1,224,600
Income taxes	579,069	523,028	365,121
<i>Net income</i>	\$ 1,138,480	\$ 1,029,498	\$ 859,479
Net income available to common shareholders			
Basic	\$ 1,062,429	\$ 953,390	\$ 781,743
Diluted	1,062,496	953,429	781,765
Net income per common share			
Basic	\$ 8.26	\$ 7.57	\$ 6.37
Diluted	8.20	7.54	6.35

See accompanying notes to financial statements.

Table of Contents**M&T BANK CORPORATION AND SUBSIDIARIES****Consolidated Statement of Comprehensive Income**

(In thousands)	Year Ended December 31		
	2013	2012	2011
Net income	\$ 1,138,480	\$ 1,029,498	\$ 859,479
Other comprehensive income, net of tax and reclassification adjustments:			
Net unrealized gains (losses) on investment securities	(2,865)	114,825	6,687
Reclassification to income for amortization of gains on terminated cash flow hedges		(112)	(281)
Foreign currency translation adjustment	381	519	(803)
Defined benefit plans liability adjustment	178,589	945	(156,824)
Total other comprehensive income	176,105	116,177	(151,221)
Total comprehensive income	\$ 1,314,585	\$ 1,145,675	\$ 708,258

See accompanying notes to financial statements.

Table of Contents**M&T BANK CORPORATION AND SUBSIDIARIES****Consolidated Statement of Cash Flows**

(In thousands)	Year Ended December 31		
	2013	2012	2011
Cash flows from operating activities			
Net income	\$ 1,138,480	\$ 1,029,498	\$ 859,479
Adjustments to reconcile net income to net cash provided by operating activities			
Provision for credit losses	185,000	204,000	270,000
Depreciation and amortization of premises and equipment	91,469	84,375	80,304
Amortization of capitalized servicing rights	65,354	59,555	55,859
Amortization of core deposit and other intangible assets	46,912	60,631	61,617
Provision for deferred income taxes	139,785	131,858	33,924
Asset write-downs	17,918	63,790	170,632
Net gain on sales of assets	(127,890)	(6,868)	(187,120)
Net change in accrued interest receivable, payable	(10,523)	(13,898)	(27,508)
Net change in other accrued income and expense	71,523	(200,704)	147,465
Net change in loans originated for sale	(674,062)	(924,839)	238,156
Net change in trading account assets and liabilities	(11,642)	12,583	69,438
Net cash provided by operating activities	932,324	499,981	1,772,246
Cash flows from investing activities			
Proceeds from sales of investment securities			
Available for sale	1,081,802	49,528	1,909,829
Other	13,172	78,071	116,410
Proceeds from maturities of investment securities			
Available for sale	1,034,564	1,585,260	1,307,567
Held to maturity	287,837	329,279	272,841
Purchases of investment securities			
Available for sale	(197,931)	(28,161)	(3,491,759)
Held to maturity	(1,977,064)	(285,125)	(28,454)
Other	(9,105)	(13,833)	(30,727)
Net decrease in agreements to resell securities			15,000
Net (increase) decrease in loans and leases	123,120	(5,672,747)	(2,233,600)
Net (increase) decrease in interest-bearing deposits at banks	(1,521,193)	25,015	2,552,527
Capital expenditures, net	(129,563)	(91,519)	(70,008)
Acquisitions, net of cash acquired			
Banks and bank holding companies			178,940
Purchase of Wilmington Trust Corporation preferred stock			(330,000)
Net (increase) decrease in loan servicing advances	(1,004,923)	(69,084)	55,698
Other, net	95,706	32,458	144,668
Net cash provided (used) by investing activities	(2,203,578)	(4,060,858)	368,932
Cash flows from financing activities			
Net increase in deposits	1,513,884	6,230,391	742,653
Net increase (decrease) in short-term borrowings	(814,027)	292,422	(313,050)
Proceeds from long-term borrowings	799,760		
Payments on long-term borrowings	(261,212)	(2,080,167)	(1,809,984)
Dividends paid common	(365,349)	(357,717)	(350,129)
Dividends paid preferred	(53,450)	(53,450)	(48,203)
Proceeds from issuance of preferred stock			495,000
Redemption of preferred stock			(370,000)
Other, net	137,967	63,616	31,177
Net cash provided (used) by financing activities	957,573	4,095,095	(1,622,536)

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Net increase (decrease) in cash and cash equivalents	(313,681)	534,218	518,642
Cash and cash equivalents at beginning of year	1,986,615	1,452,397	933,755
Cash and cash equivalents at end of year	\$ 1,672,934	\$ 1,986,615	\$ 1,452,397
Supplemental disclosure of cash flow information			
Interest received during the year	\$ 2,894,699	\$ 2,931,409	\$ 2,807,071
Interest paid during the year	301,734	371,887	440,810
Income taxes paid during the year	389,008	405,598	251,810
Supplemental schedule of noncash investing and financing activities			
Securitization of residential mortgage loans allocated to			
Available-for-sale investment securities	\$ 1,690,490	\$	\$
Held-to-maturity investment securities	1,245,444		
Capitalized servicing rights	30,879		
Real estate acquired in settlement of loans	44,804	48,932	81,588
Acquisitions			
Fair value of			
Assets acquired (noncash)			10,666,102
Liabilities assumed			10,044,555
Common stock issued			405,557

See accompanying notes to financial statements.

Table of Contents**M&T BANK CORPORATION AND SUBSIDIARIES****Consolidated Statement of Changes in Shareholders' Equity**

(In thousands, except per share)		Preferred Stock	Common Stock	Common Stock Issuable	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
							(Loss), Net		
2011									
Balance	January 1, 2011	\$ 740,657	60,198	4,189	2,398,615	5,426,701	(205,220)	(67,445)	8,357,695
Total comprehensive income						859,479	(151,221)		708,258
Acquisition of Wilmington Trust Corporation common stock issued			2,348		403,209				405,557
Partial redemption of Series A preferred stock		(370,000)							(370,000)
Conversion of Series B preferred stock into 433,144 shares of common stock			192		21,754			4,554	
Issuance of Series D preferred stock		500,000			(5,000)				495,000
Preferred stock cash dividends						(48,203)			(48,203)
Amortization of preferred stock discount		20,428				(20,428)			
Stock-based compensation plans:									
Compensation expense, net			50		12,196			31,666	43,912
Exercises of stock options, net			48		(4,300)			30,106	25,854
Directors' stock plan			6		813			612	1,431
Deferred compensation plans, net, including dividend equivalents				(117)	(164)	(188)		507	38
Other					1,863				1,863
Common stock cash dividends		\$2.80 per share				(350,196)			(350,196)
Balance	December 31, 2011	\$ 864,585	62,842	4,072	2,828,986	5,867,165	(356,441)		9,271,209
2012									
Total comprehensive income						1,029,498	116,177		1,145,675
Preferred stock cash dividends						(53,450)			(53,450)
Amortization of preferred stock discount		7,915				(7,915)			
Stock-based compensation plans:									
Compensation expense, net			229		47,937				48,166
Exercises of stock options, net			928		135,017				135,945
Stock purchase plan			75		10,042				10,117
Directors' stock plan			9		1,471				1,480
Deferred compensation plans, net, including dividend equivalents				5	(599)	593	(160)		(161)
Other					1,474				1,474
Common stock cash dividends		\$2.80 per share				(357,862)			(357,862)
Balance	December 31, 2012	\$ 872,500	64,088	3,473	3,025,520	6,477,276	(240,264)		10,202,593
2013									
Total comprehensive income						1,138,480	176,105		1,314,585
Preferred stock cash dividends						(53,450)			(53,450)
Amortization of preferred stock discount		9,000				(9,000)			
Exercise of 407,542 Series C stock warrants into 186,589 shares of common stock			93		(93)				
Exercise of 69,127 Series A stock warrants into 25,427 shares of common stock			13		(13)				
Stock-based compensation plans:									
Compensation expense, net			137		37,890				38,027
Exercises of stock options, net			914		163,891				164,805
Directors' stock plan			8		1,636				1,644
Deferred compensation plans, net, including dividend equivalents				5	(558)	575	(131)		(109)
Other					2,608				2,608

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Common stock cash dividends	\$2.80 per share					(365,171)		(365,171)
Balance	December 31, 2013	\$ 881,500	65,258	2,915	3,232,014	7,188,004	(64,159)	11,305,532

See accompanying notes to financial statements.

Table of Contents**M&T BANK CORPORATION AND SUBSIDIARIES****Notes to Financial Statements****1. Significant accounting policies**

M&T Bank Corporation (M&T) is a bank holding company headquartered in Buffalo, New York. Through subsidiaries, M&T provides individuals, corporations and other businesses, and institutions with commercial and retail banking services, including loans and deposits, trust, mortgage banking, asset management, insurance and other financial services. Banking activities are largely focused on consumers residing in New York State, Pennsylvania, Maryland, Delaware, Virginia and the District of Columbia and on small and medium-size businesses based in those areas. Banking services are also provided in West Virginia and New Jersey, while certain subsidiaries also conduct activities in other areas.

The accounting and reporting policies of M&T and subsidiaries (the Company) conform to generally accepted accounting principles (GAAP) and to general practices within the banking industry. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The more significant accounting policies are as follows:

Consolidation

The consolidated financial statements include M&T and all of its subsidiaries. All significant intercompany accounts and transactions of consolidated subsidiaries have been eliminated in consolidation. The financial statements of M&T included in note 25 report investments in subsidiaries under the equity method. Information about some limited purpose entities that are affiliates of the Company but are not included in the consolidated financial statements appears in note 19.

Consolidated Statement of Cash Flows

For purposes of this statement, cash and due from banks and federal funds sold are considered cash and cash equivalents.

Securities purchased under agreements to resell and securities sold under agreements to repurchase

Securities purchased under agreements to resell and securities sold under agreements to repurchase are treated as collateralized financing transactions and are recorded at amounts equal to the cash or other consideration exchanged. It is generally the Company's policy to take possession of collateral pledged to secure agreements to resell.

Trading account

Financial instruments used for trading purposes are stated at fair value. Realized gains and losses and unrealized changes in fair value of financial instruments utilized in trading activities are included in trading account and foreign exchange gains in the consolidated statement of income.

Investment securities

Investments in debt securities are classified as held to maturity and stated at amortized cost when management has the positive intent and ability to hold such securities to maturity. Investments in other debt securities and equity securities having readily determinable fair values are classified as available for sale and stated at estimated fair value. Amortization of premiums and accretion of discounts for investment securities available for sale and held to maturity are included in interest income.

Other securities are stated at cost and include stock of the Federal Reserve Bank of New York and the Federal Home Loan Bank (FHLB) of New York.

The cost basis of individual securities is written down through a charge to earnings when declines in value below amortized cost are considered to be other than temporary. In cases where fair value is less than amortized cost and the Company intends to sell a debt security, it is more likely than not to be required to sell a debt security before recovery of its amortized cost basis, or the Company does not expect to recover the entire amortized cost basis of a debt security, an other-than-temporary impairment is considered to have occurred. If the Company intends to sell the

debt security or more likely than not will be required to sell the

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security before recovery of its amortized cost basis, the other-than-temporary impairment is recognized in earnings equal to the entire difference between the debt security's amortized cost basis and its fair value. If the Company does not expect to recover the entire amortized cost basis of the security, the Company does not intend to sell the security and it is not more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis, the other-than-temporary impairment is separated into (a) the amount representing the credit loss and (b) the amount related to all other factors. The amount of the other-than-temporary impairment related to the credit loss is recognized in earnings while the amount related to other factors is recognized in other comprehensive income, net of applicable taxes. Subsequently, the Company accounts for the other-than-temporarily impaired debt security as if the security had been purchased on the measurement date of the other-than-temporary impairment at an amortized cost basis equal to the previous amortized cost basis less the other-than-temporary impairment recognized in earnings. The cost basis of individual equity securities is written down to estimated fair value through a charge to earnings when declines in value below cost are considered to be other than temporary. Realized gains and losses on the sales of investment securities are determined using the specific identification method.

Loans and leases

The Company's accounting methods for loans depends on whether the loans were originated by the Company or were acquired in a business combination.

Originated loans and leases

Interest income on loans is accrued on a level yield method. Loans are placed on nonaccrual status and previously accrued interest thereon is charged against income when principal or interest is delinquent 90 days, unless management determines that the loan status clearly warrants other treatment. Nonaccrual commercial loans and commercial real estate loans are returned to accrual status when borrowers have demonstrated an ability to repay their loans and there are no delinquent principal and interest payments. Consumer loans not secured by residential real estate are returned to accrual status when all past due principal and interest payments have been paid by the borrower. Loans secured by residential real estate are returned to accrual status when they are deemed to have an insignificant delay in payments of 90 days or less. Loan balances are charged off when it becomes evident that such balances are not fully collectible. For commercial loans and commercial real estate loans, charge-offs are recognized after an assessment by credit personnel of the capacity and willingness of the borrower to repay, the estimated value of any collateral, and any other potential sources of repayment. A charge-off is recognized when, after such assessment, it becomes evident that the loan balance is not fully collectible. For loans secured by residential real estate, the excess of the loan balances over the net realizable value of the property collateralizing the loan is charged-off when the loan becomes 150 days delinquent. Consumer loans are generally charged-off when the loans are 91 to 180 days past due, depending on whether the loan is collateralized and the status of repossession activities with respect to such collateral. Loan fees and certain direct loan origination costs are deferred and recognized as an interest yield adjustment over the life of the loan. Net deferred fees have been included in unearned discount as a reduction of loans outstanding. Commitments to sell real estate loans are utilized by the Company to hedge the exposure to changes in fair value of real estate loans held for sale. The carrying value of hedged real estate loans held for sale recorded in the consolidated balance sheet includes changes in estimated fair market value during the hedge period, typically from the date of close through the sale date. Valuation adjustments made on these loans and commitments are included in mortgage banking revenues.

Except for consumer and residential mortgage loans that are considered smaller balance homogenous loans and are evaluated collectively, the Company considers a loan to be impaired for purposes of applying GAAP when, based on current information and events, it is probable that the Company will be unable to collect all amounts according to the contractual terms of the loan agreement or the loan is delinquent 90 days. Regardless of loan type, the Company considers a loan to be impaired if it qualifies as a troubled debt restructuring. Impaired loans are classified as either nonaccrual or as loans renegotiated at below market rates which continue to accrue interest, provided that a credit assessment of the borrower's financial condition results in an expectation of full repayment under the modified contractual terms. Certain loans greater than 90 days delinquent are not considered impaired if they are well-secured and in the process of collection. Loans less than 90 days delinquent are deemed to have an insignificant delay in payment and are generally not considered impaired. Impairment of a loan is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the

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fair value of collateral if the loan is collateral-dependent. Interest received on impaired loans placed on nonaccrual status is generally applied to reduce the carrying value of the loan or, if principal is considered fully collectible, recognized as interest income.

Residual value estimates for commercial leases are generally determined through internal or external reviews of the leased property. The Company reviews commercial lease residual values at least annually and recognizes residual value impairments deemed to be other than temporary.

Loans and leases acquired in a business combination

Loans acquired in a business combination subsequent to December 31, 2008 are recorded at fair value with no carry-over of an acquired entity's previously established allowance for credit losses. The excess of cash flows expected at acquisition over the estimated fair value of acquired loans is recognized as interest income over the remaining lives of the loans. Subsequent decreases in the expected principal cash flows require the Company to evaluate the need for additions to the Company's allowance for credit losses. Subsequent improvements in expected cash flows result first in the recovery of any related allowance for credit losses and then in recognition of additional interest income over the then-remaining lives of the loans.

Purchased impaired loans represent specifically identified loans with evidence of credit deterioration for which it was probable at acquisition that the Company would be unable to collect all contractual principal and interest payments.

Allowance for credit losses

The allowance for credit losses represents, in management's judgment, the amount of losses inherent in the loan and lease portfolio as of the balance sheet date. The allowance is determined by management's evaluation of the loan and lease portfolio based on such factors as the differing economic risks associated with each loan category, the current financial condition of specific borrowers, the economic environment in which borrowers operate, the level of delinquent loans, the value of any collateral and, where applicable, the existence of any guarantees or indemnifications. The effects of probable decreases in expected principal cash flows on acquired loans are also considered in the establishment of the allowance for credit losses.

Assets taken in foreclosure of defaulted loans

Assets taken in foreclosure of defaulted loans are primarily comprised of commercial and residential real property and are included in other assets in the consolidated balance sheet. Upon acquisition of assets taken in satisfaction of a defaulted loan, the excess of the remaining loan balance over the asset's estimated fair value less costs to sell is charged off against the allowance for credit losses. Subsequent declines in value of the assets are recognized as other costs of operations in the consolidated statement of income.

Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation expense is computed principally using the straight-line method over the estimated useful lives of the assets.

Capitalized servicing rights

Capitalized servicing assets are included in other assets in the consolidated balance sheet. Separately recognized servicing assets are initially measured at fair value. The Company uses the amortization method to subsequently measure servicing assets. Under that method, capitalized servicing assets are charged to expense in proportion to and over the period of estimated net servicing income.

To estimate the fair value of servicing rights, the Company considers market prices for similar assets and the present value of expected future cash flows associated with the servicing rights calculated using assumptions that market participants would use in estimating future servicing income and expense. Such assumptions include estimates of the cost of servicing loans, loan default rates, an appropriate discount rate, and prepayment speeds. For purposes of evaluating and measuring impairment of capitalized servicing rights, the Company stratifies such assets based on the predominant risk characteristics of the underlying financial instruments that are expected to have the most impact on projected prepayments, cost of servicing and other factors affecting future cash flows associated with the servicing rights. Such factors may include financial asset or loan type, note rate and term. The amount of impairment recognized is the amount by which the carrying value of the capitalized servicing rights for a stratum exceeds estimated fair value. Impairment is recognized through a valuation allowance.

Table of Contents***Sales and securitizations of financial assets***

Transfers of financial assets for which the Company has surrendered control of the financial assets are accounted for as sales. Interests in a sale of financial assets that continue to be held by the Company, including servicing rights, are measured at fair value. The fair values of retained debt securities are generally determined through reference to independent pricing information. The fair values of retained servicing rights and any other retained interests are determined based on the present value of expected future cash flows associated with those interests and by reference to market prices for similar assets.

Securitization structures typically require the use of special-purpose trusts that are considered variable interest entities. A variable interest entity is included in the consolidated financial statements if the Company has the power to direct the activities that most significantly impact the variable interest entity's economic performance and has the obligation to absorb losses or the right to receive benefits of the variable interest entity that could potentially be significant to that entity.

Goodwill and core deposit and other intangible assets

Goodwill represents the excess of the cost of an acquired entity over the fair value of the identifiable net assets acquired. Goodwill is not amortized, but rather is tested for impairment at least annually at the reporting unit level, which is either at the same level or one level below an operating segment. Other acquired intangible assets with finite lives, such as core deposit intangibles, are initially recorded at estimated fair value and are amortized over their estimated lives. Core deposit and other intangible assets are generally amortized using accelerated methods over estimated useful lives of five to ten years. The Company periodically assesses whether events or changes in circumstances indicate that the carrying amounts of core deposit and other intangible assets may be impaired.

Derivative financial instruments

The Company accounts for derivative financial instruments at fair value. If certain conditions are met, a derivative may be specifically designated as (a) a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, (b) a hedge of the exposure to variable cash flows of a forecasted transaction or (c) a hedge of the foreign currency exposure of a net investment in a foreign operation, an unrecognized firm commitment, an available-for-sale security, or a foreign currency denominated forecasted transaction.

The Company utilizes interest rate swap agreements as part of the management of interest rate risk to modify the repricing characteristics of certain portions of its portfolios of earning assets and interest-bearing liabilities. For such agreements, amounts receivable or payable are recognized as accrued under the terms of the agreement and the net differential is recorded as an adjustment to interest income or expense of the related asset or liability. Interest rate swap agreements may be designated as either fair value hedges or cash flow hedges. In a fair value hedge, the fair values of the interest rate swap agreements and changes in the fair values of the hedged items are recorded in the Company's consolidated balance sheet with the corresponding gain or loss recognized in current earnings. The difference between changes in the fair values of interest rate swap agreements and the hedged items represents hedge ineffectiveness and is recorded in other revenues from operations in the consolidated statement of income. In a cash flow hedge, the effective portion of the derivative's unrealized gain or loss is initially recorded as a component of other comprehensive income and subsequently reclassified into earnings when the forecasted transaction affects earnings. The ineffective portion of the unrealized gain or loss is reported in other revenues from operations immediately.

The Company utilizes commitments to sell real estate loans to hedge the exposure to changes in the fair value of real estate loans held for sale. Commitments to originate real estate loans to be held for sale and commitments to sell real estate loans are generally recorded in the consolidated balance sheet at estimated fair market value.

Derivative instruments not related to mortgage banking activities, including financial futures commitments and interest rate swap agreements, that do not satisfy the hedge accounting requirements are recorded at fair value and are generally classified as trading account assets or liabilities with resultant changes in fair value being recognized in trading account and foreign exchange gains in the consolidated statement of income.

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Stock-based compensation

Stock-based compensation expense is recognized over the vesting period of the stock-based grant based on the estimated grant date value of the stock-based compensation that is expected to vest, except that the recognition of compensation costs is accelerated for stock-based awards granted to retirement-eligible employees and employees who will become retirement-eligible prior to full vesting of the award because the Company's incentive compensation plan allows for vesting at the time an employee retires.

Income taxes

Deferred tax assets and liabilities are recognized for the future tax effects attributable to differences between the financial statement value of existing assets and liabilities and their respective tax bases and carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates and laws.

The Company evaluates uncertain tax positions using the two-step process required by GAAP. The first step requires a determination of whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Under the second step, a tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement.

Earnings per common share

Basic earnings per common share exclude dilution and are computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding (exclusive of shares represented by the unvested portion of restricted stock and restricted stock unit grants) and common shares issuable under deferred compensation arrangements during the period. Diluted earnings per common share reflect shares represented by the unvested portion of restricted stock and restricted stock unit grants and the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in earnings. Proceeds assumed to have been received on such exercise or conversion are assumed to be used to purchase shares of M&T common stock at the average market price during the period, as required by the treasury stock method of accounting.

GAAP requires that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) shall be considered participating securities and shall be included in the computation of earnings per common share pursuant to the two-class method. The Company has issued stock-based compensation awards in the form of restricted stock and restricted stock units that contain such rights and, accordingly, the Company's earnings per common share are calculated using the two-class method.

Treasury stock

Repurchases of shares of M&T common stock are recorded at cost as a reduction of shareholders' equity. Reissuances of shares of treasury stock are recorded at average cost.

2. Acquisitions

On August 27, 2012, M&T announced that it had entered into a definitive agreement with Hudson City Bancorp, Inc. (Hudson City), headquartered in Paramus, New Jersey, under which Hudson City will be acquired by M&T. Pursuant to the terms of the agreement, Hudson City shareholders will receive consideration for each common share of Hudson City in an amount valued at .08403 of an M&T share in the form of either M&T common stock or cash, based on the election of each Hudson City shareholder, subject to proration as specified in the merger agreement (which provides for an aggregate split of total consideration of 60% common stock of M&T and 40% cash). As of December 31, 2013 total consideration to be paid was valued at approximately \$5.0 billion.

At December 31, 2013, Hudson City had \$38.6 billion of assets, including \$24.2 billion of loans and \$9.3 billion of investment securities, and \$33.9 billion of liabilities, including \$21.5 billion of deposits. The merger has received the approval of the common shareholders of M&T and Hudson City. However, the merger is subject to a number of other conditions, including regulatory approvals.

On June 17, 2013, M&T and Manufacturers and Traders Trust Company (M&T Bank), M&T's principal banking subsidiary, entered into a written agreement with the Federal Reserve Bank of New York (Federal Reserve Bank). Under the terms of the agreement, M&T and M&T Bank are required to submit

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to the Federal Reserve Bank a revised compliance risk management program designed to ensure compliance with the Bank Secrecy Act and anti-money-laundering laws and regulations and to take certain other steps to enhance their compliance practices. The Company has commenced a major initiative, including the hiring of outside consulting firms, intended to fully address the Federal Reserve Bank's concerns. In view of the timeframe required to implement this initiative, demonstrate its efficacy to the satisfaction of the Federal Reserve Bank and otherwise meet any other regulatory requirements that may be imposed in connection with these matters, M&T and Hudson City extended the date after which either party may elect to terminate the merger agreement if the merger has not yet been completed to December 31, 2014. Nevertheless, there can be no assurances that the merger will be completed by that date.

On May 16, 2011, M&T acquired all of the outstanding common stock of Wilmington Trust Corporation (Wilmington Trust), headquartered in Wilmington, Delaware, in a stock-for-stock transaction. Wilmington Trust operated 55 banking offices in Delaware and Pennsylvania at the date of acquisition. The results of operations acquired in the Wilmington Trust transaction have been included in the Company's financial results since May 16, 2011. Wilmington Trust shareholders received .051372 shares of M&T common stock in exchange for each share of Wilmington Trust common stock, resulting in M&T issuing a total of 4,694,486 common shares with an acquisition date fair value of \$406 million.

The Wilmington Trust transaction has been accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed and consideration exchanged were recorded at estimated fair value on the acquisition date. Assets acquired totaled approximately \$10.8 billion, including \$6.4 billion of loans and leases (including approximately \$3.2 billion of commercial real estate loans, \$1.4 billion of commercial loans and leases, \$1.1 billion of consumer loans and \$680 million of residential real estate loans). Liabilities assumed aggregated \$10.0 billion, including \$8.9 billion of deposits. The common stock issued in the transaction added \$406 million to M&T's common shareholders' equity. Immediately prior to the closing of the Wilmington Trust transaction, M&T redeemed the \$330 million of preferred stock issued by Wilmington Trust as part of the Troubled Asset Relief Program Capital Purchase Program (TARP) of the U.S. Department of Treasury (U.S. Treasury). In connection with the acquisition, the Company recorded \$112 million of core deposit and other intangible assets. The core deposit and other intangible assets are generally being amortized over periods of 5 to 7 years using accelerated methods. There was no goodwill recorded as a result of the transaction, however, a non-taxable gain of \$65 million was realized, which represented the excess of the fair value of assets acquired less liabilities assumed over consideration exchanged. The acquisition of Wilmington Trust added to M&T's market-leading position in the Mid-Atlantic region by giving M&T the leading deposit market share in Delaware.

The following table discloses the impact of Wilmington Trust (excluding the impact of the merger-related gain and expenses) since the acquisition on May 16, 2011 through the end of 2011. The table also presents certain pro forma information as if Wilmington Trust had been included in the Company's consolidated financial results for all of 2011. These results combine the historical results of Wilmington Trust into the Company's consolidated statement of income and, while certain adjustments were made for the estimated impact of certain fair valuation adjustments and other acquisition-related activity, they are not indicative of what would have occurred had the acquisition taken place earlier than indicated. In particular, no adjustments have been made to eliminate the amount of Wilmington Trust's provision for credit losses of \$42 million in 2011 or the impact of other-than-temporary impairment losses recognized by Wilmington Trust of \$5 million in 2011 that may not have been necessary had the acquired loans and investment securities been recorded at fair value as of the beginning of 2011. Expenses related to systems conversions and other costs of integration of \$84 million and the \$65 million gain recorded in connection with the acquisition are included in the 2011 pro forma results. Additionally, the Company has achieved further operating cost savings and other business synergies as a result of the acquisition which are not reflected in the pro forma amounts that follow.

	Actual Since Acquisition Through December 31, 2011	Pro Forma Year Ended December 31, 2011
	(In thousands)	
Total revenues(a)	\$ 380,945	\$ 4,202,109
Net income	18,586	808,696

(a) Represents net interest income plus other income.

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The Company incurred merger-related expenses in 2013 associated with the pending Hudson City acquisition and in 2012 and 2011 predominantly associated with the Wilmington Trust acquisition related to actual or planned systems conversions and other costs of integrating and conforming acquired operations with and into the Company. Those expenses consisted largely of professional services and other temporary help fees associated with the actual or planned conversion of systems and/or integration of operations; costs related to branch and office consolidations; costs related to termination of existing contractual arrangements for various services; initial marketing and promotion expenses designed to introduce M&T Bank to its new customers; severance (for former employees of acquired entities) and incentive compensation costs; travel costs; and printing, postage, supplies and other costs of planning for or completing the transactions and commencing operations in new markets and offices.

A summary of merger-related expenses included in the consolidated statement of income for the years ended December 31, 2013, 2012 and 2011 follows:

	2013	2012	2011
		(In thousands)	
Salaries and employee benefits	\$ 836	\$ 4,997	\$ 16,131
Equipment and net occupancy	690	15	412
Printing, postage and supplies	1,825		2,663
Other costs of operations	9,013	4,867	64,481
	\$ 12,364	\$ 9,879	\$ 83,687

3. Investment securities

The amortized cost and estimated fair value of investment securities were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In thousands)			
December 31, 2013				
Investment securities available for sale:				
U.S. Treasury and federal agencies	\$ 37,396	\$ 382	\$ 2	\$ 37,776
Obligations of states and political subdivisions	10,484	333	6	10,811
Mortgage-backed securities:				
Government issued or guaranteed	4,123,435	61,001	19,350	4,165,086
Privately issued	1,468	387	5	1,850
Collateralized debt obligations	42,274	21,666	857	63,083
Other debt securities	137,828	1,722	19,465	120,085
Equity securities	91,480	41,842	227	133,095
	4,444,365	127,333	39,912	4,531,786
Investment securities held to maturity:				
Obligations of states and political subdivisions	169,684	3,744	135	173,293
Mortgage-backed securities:				
Government issued or guaranteed	3,567,905	16,160	65,149	3,518,916
Privately issued	219,628		60,623	159,005
Other debt securities	8,913			8,913
	3,966,130	19,904	125,907	3,860,127
Other securities	298,581			298,581

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Total	\$ 8,709,076	\$ 147,237	\$ 165,819	\$ 8,690,494
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	Amortized Cost	Gross Unrealized Gains (In thousands)	Gross Unrealized Losses	Estimated Fair Value
December 31, 2012				
Investment securities available for sale:				
U.S. Treasury and federal agencies	\$ 38,422	\$ 922	\$	\$ 39,344
Obligations of states and political subdivisions	20,375	534	8	20,901
Mortgage-backed securities:				
Government issued or guaranteed	3,163,210	208,060	229	3,371,041
Privately issued	1,142,287	7,272	125,673	1,023,886
Collateralized debt obligations	43,228	19,663	1,022	61,869
Other debt securities	136,603	2,247	26,900	111,950
Equity securities	98,945	14,921	3,420	110,446
	4,643,070	253,619	157,252	4,739,437
Investment securities held to maturity:				
Obligations of states and political subdivisions	182,103	7,647	27	189,723
Mortgage-backed securities:				
Government issued or guaranteed	597,340	31,727		629,067
Privately issued	242,378	160	94,900	147,638
Other debt securities	10,455			10,455
	1,032,276	39,534	94,927	976,883
Other securities	302,648			302,648
Total	\$ 5,977,994	\$ 293,153	\$ 252,179	\$ 6,018,968

No investment in securities of a single non-U.S. Government or government agency issuer exceeded ten percent of shareholders' equity at December 31, 2013.

As of December 31, 2013, the latest available investment ratings of all obligations of states and political subdivisions, privately issued mortgage-backed securities, collateralized debt obligations and other debt securities were:

	Amortized Cost	Estimated Fair Value	Average Credit Rating of Fair Value Amount			
			A or Better	BBB	BB	B or Less
(In thousands)						
Obligations of states and political subdivisions	\$ 180,168	\$ 184,104	\$ 152,704	\$ 6,359	\$ 200	\$ 24,841
Privately issued mortgage-backed securities	221,096	160,855	56,731			104,000
Collateralized debt obligations	42,274	63,083	11,005	3,684	8,904	39,490
Other debt securities	146,741	128,998	12,073	56,481	28,966	21,300
Total	\$ 590,279	\$ 537,040	\$ 232,513	\$ 66,524	\$ 38,070	\$ 164,790
						\$ 35,143

The amortized cost and estimated fair value of collateralized mortgage obligations included in mortgage-backed securities were as follows:

December 31
2013 2012
(In thousands)

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Collateralized mortgage obligations:

Amortized cost	\$ 231,040	\$ 1,414,691
Estimated fair value	171,100	1,202,243

Gross realized gains from sales of investment securities were \$116,490,000 in 2013. During 2013, the Company sold its holdings of Visa Class B shares for a gain of \$89,545,000 and its holdings of MasterCard Class B shares for a gain of \$13,208,000. Gross realized losses on investment securities were \$60,033,000 in

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2013. The Company sold substantially all of its privately issued mortgage-backed securities held in the available-for-sale investment securities portfolio during 2013. In total, \$1.0 billion of such securities were sold for a net loss of approximately \$46,302,000. In 2011, gross realized gains from sales of investment securities were \$150,223,000 and gross realized losses were \$36,000. During 2011, the Company sold residential mortgage-backed securities guaranteed by the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) having an aggregate amortized cost of approximately \$1.5 billion which resulted in a gain of \$104 million. The Company also sold trust preferred securities and collateralized debt securities during 2011 having an aggregate amortized cost of \$136 million and \$100 million, respectively, which resulted in gains of \$25 million and \$20 million, respectively. Gross realized gains and losses from sales of investment securities were not significant in 2012.

The Company recognized \$10 million, \$48 million and \$77 million of pre-tax other-than-temporary impairment losses related to privately issued mortgage-backed securities in 2013, 2012 and 2011, respectively. The impairment charges were recognized in light of deterioration of real estate values and a rise in delinquencies and charge-offs of underlying mortgage loans collateralizing those securities. The other-than-temporary impairment losses represented management's estimate of credit losses inherent in the debt securities considering projected cash flows using assumptions of delinquency rates, loss severities, and other estimates of future collateral performance.

Changes in credit losses during 2013, 2012 and 2011 associated with debt securities for which other-than-temporary impairment losses have been recognized in earnings follows:

	Year Ended December 31		
	2013	2012 (In thousands)	2011
Estimated credit losses beginning balance	\$ 197,809	\$ 285,399	\$ 327,912
Additions for credit losses not previously recognized	9,800	47,822	77,035
Reductions for increases in cash flows			(5,111)
Reductions for realized losses	(207,441)	(135,412)	(114,437)
Estimated credit losses ending balance	\$ 168	\$ 197,809	\$ 285,399

At December 31, 2013, the amortized cost and estimated fair value of debt securities by contractual maturity were as follows:

	Amortized Cost	Estimated Fair Value
	(In thousands)	
Debt securities available for sale:		
Due in one year or less	\$ 29,839	\$ 30,036
Due after one year through five years	16,005	16,617
Due after five years through ten years	7,718	8,015
Due after ten years	174,420	177,087
	227,982	231,755
Mortgage-backed securities available for sale	4,124,903	4,166,936
	\$ 4,352,885	\$ 4,398,691
Debt securities held to maturity:		
Due in one year or less	\$ 19,485	\$ 19,606
Due after one year through five years	68,713	70,618
Due after five years through ten years	81,486	83,069
Due after ten years	8,913	8,913
	178,597	182,206
Mortgage-backed securities held to maturity	3,787,533	3,677,921

\$ 3,966,130 \$ 3,860,127

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A summary of investment securities that as of December 31, 2013 and 2012 had been in a continuous unrealized loss position for less than twelve months and those that had been in a continuous unrealized loss position for twelve months or longer follows:

	Less Than 12 Months		12 Months or More	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)			
December 31, 2013				
Investment securities available for sale:				
U.S. Treasury and federal agencies	\$ 745	\$ (2)	\$	\$
Obligations of states and political subdivisions			558	(6)
Mortgage-backed securities:				
Government issued or guaranteed	1,697,094	(19,225)	5,815	(125)
Privately issued			98	(5)
Collateralized debt obligations			6,257	(857)
Other debt securities	1,428	(4)	103,602	(19,461)
Equity securities	159	(227)		
	1,699,426	(19,458)	116,330	(20,454)
Investment securities held to maturity:				
Obligations of states and political subdivisions	13,517	(120)	1,558	(15)
Mortgage-backed securities:				
Government issued or guaranteed	2,629,950	(65,149)		
Privately issued			159,005	(60,623)
	2,643,467	(65,269)	160,563	(60,638)
Total	\$ 4,342,893	\$ (84,727)	\$ 276,893	\$ (81,092)
December 31, 2012				
Investment securities available for sale:				
Obligations of states and political subdivisions	\$ 166	\$ (1)	\$ 683	\$ (7)
Mortgage-backed securities:				
Government issued or guaranteed	12,107	(65)	8,804	(164)
Privately issued	121,487	(692)	774,328	(124,981)
Collateralized debt obligations			6,043	(1,022)
Other debt securities			95,685	(26,900)
Equity securities	5,535	(1,295)	2,956	(2,125)
	139,295	(2,053)	888,499	(155,199)
Investment securities held to maturity:				
Obligations of states and political subdivisions	1,026	(5)	3,558	(22)
Privately issued mortgage-backed securities			147,273	(94,900)
	1,026	(5)	150,831	(94,922)
Total	\$ 140,321	\$ (2,058)	\$ 1,039,330	\$ (250,121)

The Company owned 468 individual investment securities with aggregate gross unrealized losses of \$166 million at December 31, 2013. Approximately \$61 million of the unrealized losses pertain to privately issued mortgage-backed securities with a cost basis of \$220 million. The Company also had \$19 million of unrealized losses on available-for-sale trust preferred securities issued by financial institutions having a cost basis of \$123 million. Based on a review of each of the securities in the investment securities portfolio at

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December 31, 2013, the Company concluded that it expected to recover the amortized cost basis of its investment. As of December 31, 2013, the Company does not intend to sell nor is it anticipated that it would be required to sell any of its impaired investment securities at a loss. At December 31, 2013, the Company has not identified events or changes in circumstances which may have a significant adverse effect on the fair value of the \$299 million of cost method investment securities.

At December 31, 2013, investment securities with a carrying value of \$3,902,317,000, including \$2,459,296,000 of investment securities available for sale, were pledged to secure borrowings from various FHLBs, repurchase agreements, governmental deposits, interest rate swap agreements and available lines of credit as described in note 9.

Investment securities pledged by the Company to secure obligations whereby the secured party is permitted by contract or custom to sell or repledge such collateral totaled \$1,696,438,000 at December 31, 2013. The pledged securities included securities of the U.S. Treasury and federal agencies and mortgage-backed securities.

4. Loans and leases

Total loans and leases outstanding were comprised of the following:

	December 31	
	2013	2012
	(In thousands)	
Loans		
Commercial, financial, etc.	\$ 17,477,238	\$ 16,500,202
Real estate:		
Residential	8,911,554	11,161,323
Commercial	21,799,886	22,333,036
Construction	4,457,650	3,772,413
Consumer	10,280,527	11,550,274
Total loans	62,926,855	65,317,248
Leases		
Commercial	1,398,928	1,472,938
Total loans and leases	64,325,783	66,790,186
Less: unearned discount	(252,624)	(219,229)
Total loans and leases, net of unearned discount	\$ 64,073,159	\$ 66,570,957

One-to-four family residential mortgage loans held for sale were \$401 million at December 31, 2013 and \$1.2 billion at December 31, 2012. Commercial real estate loans held for sale were \$68 million at December 31, 2013 and \$200 million at December 31, 2012.

During the second and third quarters of 2013, the Company securitized approximately \$1.3 billion of one-to-four family residential real estate loans previously held in the Company's loan portfolio into guaranteed mortgage-backed securities with the Government National Mortgage Association (Ginnie Mae) and recognized gains of \$42,382,000. In addition, the Company securitized and sold in September 2013 approximately \$1.4 billion of automobile loans held in its loan portfolio, resulting in a gain of \$20,683,000.

As of December 31, 2013, approximately \$2.3 billion of commercial real estate loan balances serviced for others had been sold with recourse in conjunction with the Company's participation in the Fannie Mae Delegated Underwriting and Servicing (DUS) program. At December 31, 2013, the Company estimated that the recourse obligations described above were not material to the Company's consolidated financial position. There have been no material losses incurred as a result of those credit recourse arrangements.

In addition to recourse obligations, as described in note 21, the Company is contractually obligated to repurchase previously sold residential real estate loans that do not ultimately meet investor sale criteria related to underwriting procedures or loan documentation. When required to do so, the Company may reimburse loan purchasers for losses incurred or may repurchase certain loans. Charges incurred for such obligation, which are recorded as a reduction of mortgage banking revenues, were \$17 million, \$28 million and \$23 million in 2013, 2012 and 2011, respectively.

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The outstanding principal balance and the carrying amount of acquired loans that were recorded at fair value at the acquisition date that is included in the consolidated balance sheet were as follows:

	December 31	
	2013	2012
	(In thousands)	
Outstanding principal balance	\$ 4,656,811	\$ 6,705,120
Carrying amount:		
Commercial, financial, leasing, etc.	580,685	928,107
Commercial real estate	1,541,368	2,567,050
Residential real estate	576,473	707,309
Consumer	1,308,926	1,637,887
	\$ 4,007,452	\$ 5,840,353

Purchased impaired loans included in the table above totaled \$331 million at December 31, 2013 and \$447 million at December 31, 2012, representing less than 1% of the Company's assets as of each date. A summary of changes in the accretable yield for acquired loans for the years ended December 31, 2013, 2012 and 2011 follows:

For Year Ended December 31,	2013		2012		2011	
	Purchased Impaired	Other Acquired	Purchased Impaired	Other Acquired	Purchased Impaired	Other Acquired
	(In thousands)					
Balance at beginning of period	\$ 42,252	\$ 638,272	\$ 30,805	\$ 807,960	\$ 9,245	\$ 447,505
Additions					39,358	648,631
Interest income	(36,727)	(247,295)	(40,551)	(295,654)	(26,221)	(268,315)
Reclassifications from nonaccretable balance, net	31,705	149,595	51,998	148,490	8,629	1,800
Other(a)		(1,939)		(22,524)	(206)	(21,661)
Balance at end of period	\$ 37,230	\$ 538,633	\$ 42,252	\$ 638,272	\$ 30,805	\$ 807,960

(a) Other changes in expected cash flows including changes in interest rates and prepayment assumptions.

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A summary of current, past due and nonaccrual loans as of December 31, 2013 and 2012 follows:

	Current	30-89 Days Past Due	90 Days or More Past Due and Accruing Non- acquired	Acquired(a) (In thousands)	Purchased Impaired(b)	Nonaccrual	Total
December 31, 2013							
Commercial, financial, leasing, etc.	\$ 18,489,474	\$ 77,538	\$ 4,981	\$ 6,778	\$ 15,706	\$ 110,739	\$ 18,705,216
Real estate:							
Commercial	21,236,071	145,749	63,353	35,603	88,034	173,048	21,741,858
Residential builder and developer	1,025,984	8,486	141	7,930	137,544	96,427	1,276,512
Other commercial construction	2,986,598	42,234		8,031	57,707	35,268	3,129,838
Residential	7,630,368	295,131	294,649	43,700	29,184	252,805	8,545,837
Residential Alt-A	283,253	18,009				81,122	382,384
Consumer:							
Home equity lines and loans	5,972,365	40,537		27,754	2,617	78,516	6,121,789
Automobile	1,314,246	29,144		366		21,144	1,364,900
Other	2,726,522	47,830	5,386			25,087	2,804,825
Total	\$ 61,664,881	\$ 704,658	\$ 368,510	\$ 130,162	\$ 330,792	\$ 874,156	\$ 64,073,159
December 31, 2012							
Commercial, financial, leasing, etc.	\$ 17,511,052	\$ 62,479	\$ 23,490	\$ 10,587	\$ 17,437	\$ 151,908	\$ 17,776,953
Real estate:							
Commercial	21,759,997	118,249	13,111	54,995	132,962	193,859	22,273,173
Residential builder and developer	757,311	35,419	3,258	23,909	187,764	181,865	1,189,526
Other commercial construction	2,379,953	35,274	509	9,572	68,971	36,812	2,531,091
Residential	9,811,956	337,969	313,184	45,124	36,769	249,314	10,794,316
Residential Alt-A	331,021	19,692				95,808	446,521
Consumer:							
Home equity lines and loans	6,199,591	40,759		20,318	3,211	58,071	6,321,950
Automobile	2,442,502	40,461		251		25,107	2,508,321
Other	2,661,432	40,599	4,845	1,798		20,432	2,729,106
Total	\$ 63,854,815	\$ 730,901	\$ 358,397	\$ 166,554	\$ 447,114	\$ 1,013,176	\$ 66,570,957

(a) *Acquired loans that were recorded at fair value at acquisition date. This category does not include purchased impaired loans that are presented separately.*

(b) *Accruing loans that were impaired at acquisition date and were recorded at fair value.*

If nonaccrual and renegotiated loans had been accruing interest at their originally contracted terms, interest income on such loans would have amounted to \$62,010,000 in 2013, \$69,054,000 in 2012 and \$80,278,000 in 2011. The actual amounts included in interest income during 2013, 2012 and 2011 on such loans were \$31,987,000, \$30,484,000 and \$31,301,000, respectively.

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During the normal course of business, the Company modifies loans to maximize recovery efforts. If the borrower is experiencing financial difficulty and a concession is granted, the Company considers such modifications as troubled debt restructurings and classifies those loans as either nonaccrual loans or renegotiated loans. The types of concessions that the Company grants typically include principal deferrals and interest rate concessions, but may also include other types of concessions.

The table below summarizes the Company's loan modification activities that were considered troubled debt restructurings for the year ended December 31, 2013:

	Number	Recorded Investment		Financial Effects of Modification	
		Pre-modification	Post-modification	Recorded Investment (a)	Interest (b)
(Dollars in thousands)					
Commercial, financial, leasing, etc.					
Principal deferral	79	\$ 16,389	\$ 16,002	\$ (387)	\$
Interest rate reduction	1	104	335	231	(54)
Other	4	50,433	50,924	491	
Combination of concession types	11	6,229	5,578	(651)	(458)
Real estate:					
Commercial					
Principal deferral	27	40,639	40,464	(175)	
Other	2	449	475	26	
Combination of concession types	9	2,649	3,040	391	(250)
Residential builder and developer					
Principal deferral	18	21,423	20,577	(846)	
Other	1	4,039	3,888	(151)	
Combination of concession types	3	15,580	15,514	(66)	(535)
Other commercial construction					
Principal deferral	3	590	521	(69)	
Residential					
Principal deferral	32	3,556	3,821	265	
Other	1	195	195		
Combination of concession types	61	73,940	70,854	(3,086)	(924)
Residential Alt-A					
Principal deferral	10	1,900	1,880	(20)	
Combination of concession types	19	2,826	3,148	322	(790)
Consumer:					
Home equity lines and loans					
Principal deferral	10	859	861	2	
Interest rate reduction	1	99	99		(8)
Other	1	106	106		
Combination of concession types	28	2,190	2,190		(270)
Automobile					
Principal deferral	460	6,148	6,148		
Interest rate reduction	15	235	235		(22)
Other	78	339	339		
Combination of concession types	225	2,552	2,552		(191)
Other					
Principal deferral	36	332	332		
Interest rate reduction	1	12	12		(2)
Other	2	14	14		
Combination of concession types	120	4,248	4,248		(1,187)
Total	1,258	\$ 258,075	\$ 254,352	\$ (3,723)	\$ (4,691)

- (a) *Financial effects impacting the recorded investment included principal payments or advances, charge-offs and capitalized escrow arrearages.*

- (b) *Represents the present value of interest rate concessions discounted at the effective rate of the original loan.*

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The table below summarizes the Company's loan modification activities that were considered troubled debt restructurings for the year ended December 31, 2012:

	Number	Recorded Investment		Financial Effects of Modification	
		Pre-modification	Post-modification	Recorded Investment (a)	Interest (b)
(Dollars in thousands)					
Commercial, financial, leasing, etc.					
Principal deferral	61	\$ 23,888	\$ 22,456	\$ (1,432)	\$
Other	3	2,967	3,052	85	
Combination of concession types	5	628	740	112	(102)
Real estate:					
Commercial					
Principal deferral	24	22,855	23,059	204	
Interest rate reduction	2	665	708	43	(129)
Combination of concession types	7	1,637	1,656	19	(351)
Residential builder and developer					
Principal deferral	23	36,868	34,740	(2,128)	
Combination of concession types	7	37,602	36,148	(1,454)	
Other commercial construction					
Principal deferral	6	81,062	79,312	(1,750)	
Residential					
Principal deferral	36	4,643	4,808	165	
Interest rate reduction	1	109	109		(20)
Combination of concession types	62	12,886	13,146	260	(657)
Residential Alt-A					
Principal deferral	7	968	989	21	
Combination of concession types	38	8,525	8,717	192	(159)
Consumer:					
Home equity lines and loans					
Principal deferral	15	1,285	1,285		
Interest rate reduction	1	144	144		(6)
Combination of concession types	29	2,332	2,332		(368)
Automobile					
Principal deferral	618	8,347	8,347		
Interest rate reduction	22	328	328		(24)
Other	67	300	300		
Combination of concession types	375	5,857	5,857		(684)
Other					
Principal deferral	80	1,201	1,201		
Interest rate reduction	22	515	515		(85)
Other	13	54	54		
Combination of concession types	84	1,015	1,015		(268)
Total	1,608	\$ 256,681	\$ 251,018	\$ (5,663)	\$ (2,853)

(a) Financial effects impacting the recorded investment included principal payments or advances, charge-offs and capitalized escrow arrearages.

(b) *Represents the present value of interest rate concessions discounted at the effective rate of the original loan.*

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The table below summarizes the Company's loan modification activities that were considered troubled debt restructurings for the year ended December 31, 2011:

	Number	Recorded Investment		Financial Effects of Modification	
		Pre-modification	Post-modification	Recorded Investment (a)	Interest (b)
(Dollars in thousands)					
Commercial, financial, leasing, etc.					
Principal deferral	53	\$ 10,703	\$ 10,778	\$ 75	\$
Combination of concession types	3	2,049	2,046	(3)	(654)
Real estate:					
Commercial					
Principal deferral	29	16,804	16,704	(100)	
Combination of concession types	3	15,778	15,777	(1)	(1,463)
Residential builder and developer					
Principal deferral	9	33,208	26,811	(6,397)	
Other	6	118,114	110,156	(7,958)	
Combination of concession types	5	2,540	2,561	21	
Other commercial construction					
Principal deferral	3	8,436	8,553	117	
Combination of concession types	3	65,813	60,973	(4,840)	
Residential					
Principal deferral	37	8,175	8,235	60	
Interest rate reduction	14	1,926	1,991	65	(318)
Combination of concession types	111	19,508	19,934	426	(1,559)
Residential Alt-A					
Principal deferral	3	800	835	35	
Combination of concession types	34	6,813	6,978	165	(889)
Consumer:					
Home equity lines and loans					
Principal deferral	3	259	259		
Other	3	86	86		
Combination of concession types	26	2,156	2,158	2	(444)
Automobile					
Principal deferral	746	10,053	10,053		
Interest rate reduction	17	183	183		(13)
Other	111	739	739		
Combination of concession types	431	6,703	6,703		(808)
Other					
Principal deferral	23	400	400		
Interest rate reduction	1	8	8		(1)
Other	4	103	103		
Combination of concession types	102	803	803		(189)
Total	1,780	\$ 332,160	\$ 313,827	\$ (18,333)	\$ (6,338)

(a) Financial effects impacting the recorded investment included principal payments or advances, charge-offs and capitalized escrow arrearages.

(b) Represents the present value of interest rate concessions discounted at the effective rate of the original loan.

Troubled debt restructurings are considered to be impaired loans and for purposes of establishing the allowance for credit losses are evaluated for impairment giving consideration to the impact of the modified loan terms on the present value of the loan's expected cash flows. Impairment of troubled debt restructurings that have subsequently defaulted may also be measured based on the loan's observable market price or the fair value of collateral if the loan is collateral-dependent. Charge-offs may also be recognized on

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troubled debt restructurings that have subsequently defaulted. Loans that were modified as troubled debt restructurings during the twelve months ended December 31, 2013, 2012 and 2011 and for which there was a subsequent payment default during the respective period were not material.

Borrowings by directors and certain officers of M&T and its banking subsidiaries, and by associates of such persons, exclusive of loans aggregating less than \$120,000, amounted to \$135,512,000 and \$99,532,000 at December 31, 2013 and 2012, respectively. During 2013, new borrowings by such persons amounted to \$44,799,000 (including any borrowings of new directors or officers that were outstanding at the time of their election) and repayments and other reductions (including reductions resulting from retirements) were \$8,819,000.

At December 31, 2013, approximately \$8.9 billion of commercial loans and leases, \$9.6 billion of commercial real estate loans, \$5.3 billion of one-to-four family residential real estate loans, \$4.1 billion of home equity loans and lines of credit and \$2.1 billion of other consumer loans were pledged to secure outstanding borrowings from the FHLB of New York and available lines of credit as described in note 9.

The Company's loan and lease portfolio includes commercial lease financing receivables consisting of direct financing and leveraged leases for machinery and equipment, railroad equipment, commercial trucks and trailers, and aircraft. A summary of lease financing receivables follows:

	December 31	
	2013	2012
	(In thousands)	
Commercial leases:		
Direct financings:		
Lease payments receivable	\$ 1,052,214	\$ 1,106,434
Estimated residual value of leased assets	85,595	96,468
Unearned income	(114,101)	(134,428)
Investment in direct financings	1,023,708	1,068,474
Leveraged leases:		
Lease payments receivable	127,821	132,466
Estimated residual value of leased assets	133,298	137,570
Unearned income	(47,188)	(50,378)
Investment in leveraged leases	213,931	219,658
Total investment in leases.	\$ 1,237,639	\$ 1,288,132

Deferred taxes payable arising from leveraged leases \$ 172,296 \$ 172,026
 Included within the estimated residual value of leased assets at December 31, 2013 and 2012 were \$54 million and \$61 million, respectively, in residual value associated with direct financing leases that are guaranteed by the lessees or others.

At December 31, 2013, the minimum future lease payments to be received from lease financings were as follows:

	(In thousands)
Year ending December 31:	
2014	\$ 268,434
2015	247,620
2016	193,920
2017	122,781
2018	85,341
Later years	261,939
	\$ 1,180,035

Table of Contents**5. Allowance for credit losses**

Changes in the allowance for credit losses for the years ended December 31, 2013, 2012 and 2011 were as follows:

2013	Commercial, Financial, Leasing, etc.	Real Estate			Unallocated	Total
		Commercial	Residential	Consumer		
(In thousands)						
Beginning balance	\$ 246,759	\$ 337,101	\$ 88,807	\$ 179,418	\$ 73,775	\$ 925,860
Provision for credit losses	124,180	275	3,149	56,156	1,240	185,000
Allowance related to loans sold or securitized				(11,000)		(11,000)
Net charge-offs						
Charge-offs	(109,329)	(34,595)	(23,621)	(85,965)		(253,510)
Recoveries	11,773	22,197	10,321	26,035		70,326
Net charge-offs	(97,556)	(12,398)	(13,300)	(59,930)		(183,184)
Ending balance	\$ 273,383	\$ 324,978	\$ 78,656	\$ 164,644	\$ 75,015	\$ 916,676
2012						
Beginning balance	\$ 234,022	\$ 367,637	\$ 91,915	\$ 143,121	\$ 71,595	\$ 908,290
Provision for credit losses	42,510	5,211	34,864	119,235	2,180	204,000
Net charge-offs						
Charge-offs	(41,148)	(41,945)	(44,314)	(103,348)		(230,755)
Recoveries	11,375	6,198	6,342	20,410		44,325
Net charge-offs	(29,773)	(35,747)	(37,972)	(82,938)		(186,430)
Ending balance	\$ 246,759	\$ 337,101	\$ 88,807	\$ 179,418	\$ 73,775	\$ 925,860
2011						
Beginning balance	\$ 212,579	\$ 400,562	\$ 86,351	\$ 133,067	\$ 70,382	\$ 902,941
Provision for credit losses	66,240	44,404	57,081	101,062	1,213	270,000
Net charge-offs						
Charge-offs	(55,021)	(86,869)	(58,351)	(109,246)		(309,487)
Recoveries	10,224	9,540	6,834	18,238		44,836
Net charge-offs	(44,797)	(77,329)	(51,517)	(91,008)		(264,651)
Ending balance	\$ 234,022	\$ 367,637	\$ 91,915	\$ 143,121	\$ 71,595	\$ 908,290

Despite the above allocation, the allowance for credit losses is general in nature and is available to absorb losses from any loan or lease type.

In establishing the allowance for credit losses, the Company estimates losses attributable to specific troubled credits identified through both normal and detailed or intensified credit review processes and also estimates losses inherent in other loans and leases on a collective basis. For purposes of determining the level of the allowance for credit losses, the Company evaluates its loan and lease portfolio by loan type. The amounts of loss components in the Company's loan and lease portfolios are determined through a loan by loan analysis of larger balance commercial and commercial real estate loans that are in nonaccrual status and by applying loss factors to groups of loan balances based on loan type and management's classification of such loans under the Company's loan grading system. Measurement of the specific loss components is typically based on expected future cash flows, collateral values and other factors that may impact the borrower's ability to pay. In determining the allowance for credit losses, the Company utilizes a loan grading system which is applied to commercial and commercial real estate credits on an individual loan basis. Loan officers are responsible for continually assigning grades to these loans based on standards outlined in the Company's

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Credit Policy. Internal loan grades are also monitored by the Company's loan review department to ensure consistency and strict adherence to the prescribed standards. Loan grades are assigned

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loss component factors that reflect the Company's loss estimate for each group of loans and leases. Factors considered in assigning loan grades and loss component factors include borrower-specific information related to expected future cash flows and operating results, collateral values, geographic location, financial condition and performance, payment status, and other information; levels of and trends in portfolio charge-offs and recoveries; levels of and trends in portfolio delinquencies and impaired loans; changes in the risk profile of specific portfolios; trends in volume and terms of loans; effects of changes in credit concentrations; and observed trends and practices in the banking industry. As updated appraisals are obtained on individual loans or other events in the market place indicate that collateral values have significantly changed, individual loan grades are adjusted as appropriate. Changes in other factors cited may also lead to loan grade changes at any time. Except for consumer and residential real estate loans that are considered smaller balance homogenous loans and acquired loans that are evaluated on an aggregated basis, the Company considers a loan to be impaired for purposes of applying GAAP when, based on current information and events, it is probable that the Company will be unable to collect all amounts according to the contractual terms of the loan agreement or the loan is delinquent 90 days. Regardless of loan type, the Company considers a loan to be impaired if it qualifies as a troubled debt restructuring. Modified loans, including smaller balance homogenous loans, that are considered to be troubled debt restructurings are evaluated for impairment giving consideration to the impact of the modified loan terms on the present value of the loan's expected cash flows.

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The following tables provide information with respect to loans and leases that were considered impaired as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011.

	December 31, 2013			December 31, 2012		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
	(In thousands)					
With an allowance recorded:						
Commercial, financial, leasing, etc.	\$ 90,293	\$ 112,092	\$ 24,614	\$ 127,282	\$ 149,534	\$ 33,829
Real estate:						
Commercial	113,570	132,325	19,520	121,542	143,846	23,641
Residential builder and developer	33,311	55,122	4,379	115,306	216,218	25,661
Other commercial construction	86,260	90,515	4,022	73,544	76,869	6,836
Residential	96,508	114,521	7,146	103,451	121,819	3,521
Residential Alt-A	111,911	124,528	14,000	128,891	141,940	17,000
Consumer:						
Home equity lines and loans	13,672	14,796	3,312	12,360	13,567	2,254
Automobile	40,441	40,441	11,074	49,210	49,210	14,273
Other	17,660	17,660	4,541	14,408	14,408	5,667
	603,626	702,000	92,608	745,994	927,411	132,682
With no related allowance recorded:						
Commercial, financial, leasing, etc.	28,093	33,095		32,631	42,199	
Real estate:						
Commercial	65,271	84,333		78,380	100,337	
Residential builder and developer	72,366	104,768		74,307	105,438	
Other commercial construction	7,369	11,493		23,018	23,532	
Residential	84,144	95,358		86,342	96,448	
Residential Alt-A	28,357	52,211		31,354	58,768	
	285,600	381,258		326,032	426,722	
Total:						
Commercial, financial, leasing, etc.	118,386	145,187	24,614	159,913	191,733	33,829
Real estate:						
Commercial	178,841	216,658	19,520	199,922	244,183	23,641
Residential builder and developer	105,677	159,890	4,379	189,613	321,656	25,661
Other commercial construction	93,629	102,008	4,022	96,562	100,401	6,836
Residential	180,652	209,879	7,146	189,793	218,267	3,521
Residential Alt-A	140,268	176,739	14,000	160,245	200,708	17,000
Consumer:						
Home equity lines and loans	13,672	14,796	3,312	12,360	13,567	2,254
Automobile	40,441	40,441	11,074	49,210	49,210	14,273
Other	17,660	17,660	4,541	14,408	14,408	5,667
Total	\$ 889,226	\$ 1,083,258	\$ 92,608	\$ 1,072,026	\$ 1,354,133	\$ 132,682

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	Year Ended December 31, 2013			Year Ended December 31, 2012		
	Average Recorded Investment	Interest Income Recognized		Average Recorded Investment	Interest Income Recognized	
		Total	Cash Basis		Total	Cash Basis
Commercial, financial, leasing, etc.	\$ 155,188	\$ 7,197	\$ 7,197	\$ 151,314	\$ 2,938	\$ 2,938
Real estate:						
Commercial	197,533	4,852	4,852	185,171	2,834	2,834
Residential builder and developer	147,288	1,043	796	249,191	1,563	1,102
Other commercial construction	96,475	5,248	5,248	99,672	5,020	5,020
Residential	183,059	6,203	4,111	132,888	5,284	3,300
Residential Alt-A	149,461	6,784	2,341	171,546	7,175	2,226
Consumer:						
Home equity lines and loans	12,811	683	183	11,322	663	179
Automobile	44,116	2,916	515	51,650	3,470	724
Other	15,710	634	208	11,028	472	197
Total	\$ 1,001,641	\$ 35,560	\$ 25,451	\$ 1,063,782	\$ 29,419	\$ 18,520

	Year Ended December 31, 2011		
	Average Recorded Investment	Interest Income Recognized	
		Total	Cash Basis
Commercial, financial, leasing, etc.	\$ 163,485	\$ 3,306	\$ 3,278
Real estate:			
Commercial	189,837	2,060	1,985
Residential builder and developer	317,296	1,948	860
Other commercial construction	105,947	926	684
Residential	99,107	4,271	2,286
Residential Alt-A	196,161	7,713	1,965
Consumer:			
Home equity lines and loans	11,428	681	106
Automobile	56,862	3,850	1,060
Other	5,006	273	89
Total	\$ 1,145,129	\$ 25,028	\$ 12,313

In accordance with the previously described policies, the Company utilizes a loan grading system that is applied to all commercial loans and commercial real estate loans. Loan grades are utilized to differentiate risk within the portfolio and consider the expectations of default for each loan. Commercial loans and commercial real estate loans with a lower expectation of default are assigned one of ten possible pass loan grades and are generally ascribed lower loss factors when determining the allowance for credit losses. Loans with an elevated level of credit risk are classified as criticized and are ascribed a higher loss factor when determining the allowance for credit losses. Criticized loans may be classified as nonaccrual if the Company no longer expects to collect all amounts according to the contractual terms of the loan agreement.

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or the loan is delinquent 90 days or more. All larger balance criticized commercial loans and commercial real estate loans are individually reviewed by centralized loan review personnel each quarter to determine the appropriateness of the assigned loan grade, including whether the loan should be reported as accruing or nonaccruing. Smaller balance criticized loans are analyzed by business line risk management areas to ensure proper loan grade classification. Furthermore, criticized nonaccrual commercial loans and commercial real estate loans are considered impaired and, as a result, specific loss allowances on such loans are established within the allowance for credit losses to the extent appropriate in each individual instance. The following table summarizes the loan grades applied to the various classes of the Company's commercial loans and commercial real estate loans.

	Commercial, Financial, Leasing, etc	Commercial (In thousands)	Real Estate Residential Builder and Developer	Other Commercial Construction
December 31, 2013				
Pass	\$ 17,894,592	\$ 20,972,257	\$ 1,107,144	\$ 3,040,106
Criticized accrual	699,885	596,553	72,941	54,464
Criticized nonaccrual	110,739	173,048	96,427	35,268
Total	\$ 18,705,216	\$ 21,741,858	\$ 1,276,512	\$ 3,129,838
December 31, 2012				
Pass	\$ 16,889,753	\$ 21,275,182	\$ 922,141	\$ 2,307,436
Criticized accrual	735,292	804,132	85,520	186,843
Criticized nonaccrual	151,908	193,859	181,865	36,812
Total	\$ 17,776,953	\$ 22,273,173	\$ 1,189,526	\$ 2,531,091

In determining the allowance for credit losses, residential real estate loans and consumer loans are generally evaluated collectively after considering such factors as payment performance and recent loss experience and trends, which are mainly driven by current collateral values in the market place as well as the amount of loan defaults. Loss rates on such loans are determined by reference to recent charge-off history and are evaluated (and adjusted if deemed appropriate) through consideration of other factors including near-term forecasted loss estimates developed by the Company's Credit Department. In arriving at such forecasts, the Company considers the current estimated fair value of its collateral based on geographical adjustments for home price depreciation/appreciation and overall borrower repayment performance. With regard to collateral values, the realizability of such values by the Company contemplates repayment of the original balance of any first lien position prior to recovering amounts on a second lien position. However, residential real estate loans and outstanding balances of home equity loans and lines of credit that are more than 150 days past due are generally evaluated for collectibility on a loan-by-loan basis giving consideration to estimated collateral values.

The Company also measures additional losses for purchased impaired loans when it is probable that the Company will be unable to collect all cash flows expected at acquisition plus additional cash flows expected to be collected arising from changes in estimates after acquisition. The determination of the allocated portion of the allowance for credit losses is very subjective. Given that inherent subjectivity and potential imprecision involved in determining the allocated portion of the allowance for credit losses, the Company also provides an inherent unallocated portion of the allowance. The unallocated portion of the allowance is intended to recognize probable losses that are not otherwise identifiable and includes management's subjective determination of amounts necessary to provide for the possible use of imprecise estimates in determining the allocated portion of the allowance. Therefore, the level of the unallocated portion of the allowance is primarily reflective of the inherent imprecision in the various calculations used in determining the allocated portion of the allowance for credit losses. Other factors that could also lead to changes in the unallocated portion include the effects of expansion into new markets for which the Company does not have the same degree of familiarity and experience regarding portfolio performance in changing market conditions, the introduction of new loan and lease product types, and other risks associated with the Company's loan portfolio that may not be specifically identifiable.

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The allocation of the allowance for credit losses summarized on the basis of the Company's impairment methodology was as follows:

	Commercial, Financial, Leasing, etc.	Real Estate			Total
		Commercial	Residential (In thousands)	Consumer	
December 31, 2013					
Individually evaluated for impairment	\$ 24,614	\$ 27,563	\$ 21,127	\$ 18,927	\$ 92,231
Collectively evaluated for impairment	246,096	296,781	55,864	144,210	742,951
Purchased impaired	2,673	634	1,665	1,507	6,479
Allocated	\$ 273,383	\$ 324,978	\$ 78,656	\$ 164,644	841,661
Unallocated					75,015
Total					\$ 916,676
December 31, 2012					
Individually evaluated for impairment	\$ 33,669	\$ 55,291	\$ 20,502	\$ 22,194	\$ 131,656
Collectively evaluated for impairment	212,930	280,789	66,684	156,661	717,064
Purchased impaired	160	1,021	1,621	563	3,365
Allocated	\$ 246,759	\$ 337,101	\$ 88,807	\$ 179,418	852,085
Unallocated					73,775
Total					\$ 925,860

The recorded investment in loans and leases summarized on the basis of the Company's impairment methodology was as follows:

	Commercial, Financial, Leasing, etc.	Real Estate			Total
		Commercial	Residential (In thousands)	Consumer	
December 31, 2013					
Individually evaluated for impairment	\$ 118,386	\$ 376,339	\$ 320,360	\$ 71,773	\$ 886,858
Collectively evaluated for impairment	18,571,124	25,488,584	8,578,677	10,217,124	62,855,509
Purchased impaired	15,706	283,285	29,184	2,617	330,792
Total	\$ 18,705,216	\$ 26,148,208	\$ 8,928,221	\$ 10,291,514	\$ 64,073,159
December 31, 2012					
Individually evaluated for impairment	\$ 159,761	\$ 480,335	\$ 349,477	\$ 75,978	\$ 1,065,551
Collectively evaluated for impairment	17,599,755	25,123,758	10,854,591	11,480,188	65,058,292
Purchased impaired	17,437	389,697	36,769	3,211	447,114
Total	\$ 17,776,953	\$ 25,993,790	\$ 11,240,837	\$ 11,559,377	\$ 66,570,957

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The detail of premises and equipment was as follows:

	December 31	
	2013	2012
	(In thousands)	
Land	\$ 84,220	\$ 84,545
Buildings owned	402,065	393,527
Buildings capital leases	1,131	1,131
Leasehold improvements	208,947	198,498
Furniture and equipment owned	547,824	465,113
Furniture and equipment capital leases	17,703	17,915
	1,261,890	1,160,729
Less: accumulated depreciation and amortization		
Owned assets	617,228	559,948
Capital leases	11,142	6,129
	628,370	566,077
Premises and equipment, net	\$ 633,520	\$ 594,652

Net lease expense for all operating leases totaled \$103,297,000 in 2013, \$102,924,000 in 2012 and \$97,098,000 in 2011. Minimum lease payments under noncancelable operating leases are presented in note 21. Minimum lease payments required under capital leases are not material.

7. Capitalized servicing assets

Changes in capitalized servicing assets were as follows:

For Year Ended December 31,	Residential Mortgage Loans			Commercial Mortgage Loans		
	2013	2012	2011	2013	2012	2011
	(In thousands)					
Beginning balance	\$ 104,855	\$ 131,264	\$ 92,066	\$ 59,978	\$ 51,250	\$ 42,613
Originations	52,375	14,577	13,920	26,754	19,653	17,613
Purchases	272	109	61,642			
Recognized in loan securitization transactions	13,696					
Amortization	(44,821)	(41,095)	(36,364)	(14,233)	(10,925)	(8,976)
	126,377	104,855	131,264	72,499	59,978	51,250
Valuation allowance	(300)	(4,500)	(1,800)			
Ending balance, net	\$ 126,077	\$ 100,355	\$ 129,464	\$ 72,499	\$ 59,978	\$ 51,250

For Year Ended December 31,	2013	Other 2012	2011	2013	Total 2012	2011
	(In thousands)					
Beginning balance	\$ 8,143	\$ 15,678	\$ 26,197	\$ 172,976	\$ 198,192	\$ 160,876
Originations				79,129	34,230	31,533

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Purchases				272	109	61,642
Recognized in loan securitization transactions	9,382			23,078		
Amortization	(6,300)	(7,535)	(10,519)	(65,354)	(59,555)	(55,859)
	11,225	8,143	15,678	210,101	172,976	198,192
Valuation allowance				(300)	(4,500)	(1,800)
Ending balance, net	\$ 11,225	\$ 8,143	\$ 15,678	\$ 209,801	\$ 168,476	\$ 196,392

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Residential mortgage loans serviced for others were \$69.1 billion at December 31, 2013, \$32.1 billion at December 31, 2012 and \$36.3 billion at December 31, 2011. Reflected in residential mortgage loans serviced for others were loans sub-serviced for others of \$46.6 billion, \$12.5 billion and \$14.3 billion at December 31, 2013, 2012, and 2011, respectively. Commercial mortgage loans serviced for others were \$11.4 billion, \$10.6 billion and \$9.0 billion at December 31, 2013, 2012 and 2011, respectively. Other loans serviced for others include small-balance commercial mortgage loans and automobile loans totaling \$4.4 billion, \$3.8 billion and \$4.4 billion at December 31, 2013, 2012 and 2011, respectively.

Changes in the valuation allowance for capitalized residential mortgage servicing assets were not significant in 2013, 2012 or 2011. The estimated fair value of capitalized residential mortgage loan servicing assets was approximately \$266 million at December 31, 2013 and \$138 million at December 31, 2012. The fair value of capitalized residential mortgage loan servicing assets was estimated using weighted-average discount rates of 9.3% and 10.6% at December 31, 2013 and 2012, respectively, and contemporaneous prepayment assumptions that vary by loan type. At December 31, 2013 and 2012, the discount rate represented a weighted-average option-adjusted spread (OAS) of 770 basis points (hundredths of one percent) and 929 basis points, respectively, over market implied forward London Interbank Offered Rates. The estimated fair value of capitalized residential mortgage loan servicing rights may vary significantly in subsequent periods due to changing interest rates and the effect thereof on prepayment speeds. The estimated fair value of capitalized commercial mortgage loan servicing assets was approximately \$85 million and \$71 million at December 31, 2013 and 2012, respectively. An 18% discount rate was used to estimate the fair value of capitalized commercial mortgage loan servicing rights at December 31, 2013 and 2012 with no prepayment assumptions because, in general, the servicing agreements allow the Company to share in customer loan prepayment fees and thereby recover the remaining carrying value of the capitalized servicing rights associated with such loan. The Company's ability to realize the carrying value of capitalized commercial mortgage servicing rights is more dependent on the borrowers' abilities to repay the underlying loans than on prepayments or changes in interest rates.

The key economic assumptions used to determine the fair value of significant portfolios of capitalized servicing rights at December 31, 2013 and the sensitivity of such value to changes in those assumptions are summarized in the table that follows. Those calculated sensitivities are hypothetical and actual changes in the fair value of capitalized servicing rights may differ significantly from the amounts presented herein. The effect of a variation in a particular assumption on the fair value of the servicing rights is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another which may magnify or counteract the sensitivities. The changes in assumptions are presumed to be instantaneous.

	Residential	Commercial
Weighted-average prepayment speeds	11.39%	
Impact on fair value of 10% adverse change	\$ (11,283,000)	
Impact on fair value of 20% adverse change	(21,664,000)	
Weighted-average OAS	7.70%	
Impact on fair value of 10% adverse change	\$ (5,714,000)	
Impact on fair value of 20% adverse change	(11,155,000)	
Weighted-average discount rate		18.00%
Impact on fair value of 10% adverse change		\$ (3,677,000)
Impact on fair value of 20% adverse change		(7,096,000)

As described in note 19, during 2013 the Company securitized approximately \$1.3 billion of one-to-four family residential mortgage loans formerly held in the Company's loan portfolio in guaranteed mortgage securitizations with Ginnie Mae and securitized and sold approximately \$1.4 billion of automobile loans. In conjunction with these transactions, the Company retained the servicing rights to the loans.

Table of Contents**8. Goodwill and other intangible assets**

In accordance with GAAP, the Company does not amortize goodwill, however, core deposit and other intangible assets are amortized over the estimated life of each respective asset. Total amortizing intangible assets were comprised of the following:

	Gross Carrying Amount	Accumulated Amortization (In thousands)	Net Carrying Amount
December 31, 2013			
Core deposit	\$ 755,794	\$ 705,518	\$ 50,276
Other	177,268	158,693	18,575
Total	\$ 933,062	\$ 864,211	\$ 68,851
December 31, 2012			
Core deposit	\$ 755,794	\$ 670,940	\$ 84,854
Other	177,268	146,359	30,909
Total	\$ 933,062	\$ 817,299	\$ 115,763

Amortization of core deposit and other intangible assets was generally computed using accelerated methods over original amortization periods of five to ten years. The weighted-average original amortization period was approximately eight years. The remaining weighted-average amortization period as of December 31, 2013 was approximately three years. Amortization expense for core deposit and other intangible assets was \$46,912,000, \$60,631,000 and \$61,617,000 for the years ended December 31, 2013, 2012 and 2011, respectively. Estimated amortization expense in future years for such intangible assets is as follows:

	(In thousands)
Year ending December 31:	
2014	\$ 33,825
2015	20,938
2016	10,052
2017	3,303
2018	733
	\$ 68,851

In accordance with GAAP, the Company completed annual goodwill impairment tests as of October 1, 2013, 2012 and 2011. For purposes of testing for impairment, the Company assigned all recorded goodwill to the reporting units originally intended to benefit from past business combinations, which has historically been the Company's core relationship business reporting units. Goodwill was generally assigned based on the implied fair value of the acquired goodwill applicable to the benefited reporting units at the time of each respective acquisition. The implied fair value of the goodwill was determined as the difference between the estimated incremental overall fair value of the reporting unit and the estimated fair value of the net assets assigned to the reporting unit as of each respective acquisition date. To test for goodwill impairment at each evaluation date, the Company compared the estimated fair value of each of its reporting units to their respective carrying amounts and certain other assets and liabilities assigned to the reporting unit, including goodwill and core deposit and other intangible assets. The methodologies used to estimate fair values of reporting units as of the acquisition dates and as of the evaluation dates were similar. For the Company's core customer relationship business reporting units, fair value was estimated as the present value of the expected future cash flows of the reporting unit. Based on the results of the goodwill impairment tests, the Company concluded that the amount of recorded goodwill was not impaired at

the respective testing dates.

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A summary of goodwill assigned to each of the Company's reportable segments as of December 31, 2013 and 2012 for purposes of testing for impairment is as follows.

	(In thousands)
Business Banking	\$ 748,907
Commercial Banking	907,524
Commercial Real Estate	349,197
Discretionary Portfolio	
Residential Mortgage Banking	
Retail Banking	1,144,404
All Other	374,593
Total	\$ 3,524,625

9. Borrowings

The amounts and interest rates of short-term borrowings were as follows:

	Federal Funds Purchased and Repurchase Agreements	Other Short-term Borrowings (Dollars in thousands)	Total
At December 31, 2013			
Amount outstanding	\$ 260,455	\$	\$ 260,455
Weighted-average interest rate	0.04%		0.04%
For the year ended December 31, 2013			
Highest amount at a month-end	\$ 563,879	\$	
Daily-average amount outstanding	390,034		\$ 390,034
Weighted-average interest rate	0.11%		0.11%
At December 31, 2012			
Amount outstanding	\$ 1,074,482	\$	\$ 1,074,482
Weighted-average interest rate	0.11%		0.11%
For the year ended December 31, 2012			
Highest amount at a month-end	\$ 1,224,194	\$ 50,016	
Daily-average amount outstanding	822,859	16,043	\$ 838,902
Weighted-average interest rate	0.15%	0.57%	0.15%
At December 31, 2011			
Amount outstanding	\$ 732,059	\$ 50,023	\$ 782,082
Weighted-average interest rate	0.04%	0.70%	0.09%
For the year ended December 31, 2011			
Highest amount at a month-end	\$ 1,389,237	\$ 142,927	
Daily-average amount outstanding	706,749	120,059	\$ 826,808
Weighted-average interest rate	0.11%	0.18%	0.12%

Short-term borrowings have a stated maturity of one year or less at the date the Company enters into the obligation. In general, federal funds purchased and short-term repurchase agreements outstanding at December 31, 2013 matured on the next business day following year-end. Other short-term borrowings at December 31, 2011 included \$50 million of borrowings from FHLBs. There were no similar borrowings at December 31, 2013 or December 31, 2012.

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At December 31, 2013, the Company had lines of credit under formal agreements as follows:

	M&T	M&T Bank (In thousands)	Wilmington Trust, N.A.
Outstanding borrowings	\$	\$ 28,868	\$
Unused	30,000	19,838,117	300,710

M&T has a revolving credit agreement with an unaffiliated commercial bank whereby M&T may borrow up to \$30 million at its discretion through November 21, 2014. At December 31, 2013, M&T Bank had borrowing facilities available with the FHLBs whereby M&T Bank could borrow up to approximately \$8.3 billion. Additionally, M&T Bank and Wilmington Trust, National Association (Wilmington Trust, N.A.), a wholly owned subsidiary of M&T, had available lines of credit with the Federal Reserve Bank of New York totaling approximately \$11.8 billion at December 31, 2013. M&T Bank and Wilmington Trust, N.A. are required to pledge loans and investment securities as collateral for these borrowing facilities.

Long-term borrowings were as follows:

	December 31, 2013	December 31, 2012
	(In thousands)	
Senior notes of M&T Bank:		
Variable rate due 2016	\$ 300,000	\$
1.45% due 2018	502,479	
Advances from FHLB:		
Fixed rates	29,079	30,066
Agreements to repurchase securities	1,400,000	1,400,000
Subordinated notes of Wilmington Trust Corporation (a wholly owned subsidiary of M&T):		
4.875% due 2013		251,298
8.50% due 2018	224,067	230,255
Subordinated notes of M&T Bank:		
6.625% due 2017	437,582	455,439
9.50% due 2018	50,000	50,000
5.585% due 2020, variable rate commencing 2015	392,964	385,669
5.629% due 2021, variable rate commencing 2016	559,378	583,097
Junior subordinated debentures of M&T associated with preferred capital securities:		
Fixed rates:		
M&T Capital Trust I 8.234%, due 2027	154,640	154,640
M&T Capital Trust II 8.277%, due 2027	103,093	103,093
M&T Capital Trust III 9.25%, due 2027	66,109	66,434
BSB Capital Trust I 8.125%, due 2028	15,589	15,566
Provident Trust I 8.29%, due 2028	25,051	24,746
Southern Financial Statutory Trust I 10.60%, due 2030	6,521	6,496
M&T Capital Trust IV 8.50%, due 2068	350,010	350,010
Variable rates:		
First Maryland Capital I due 2027	144,641	144,102
First Maryland Capital II due 2027	145,964	145,301
Allfirst Asset Trust due 2029	96,059	95,913
BSB Capital Trust III due 2033	15,464	15,464
Provident Trust III due 2033	52,176	51,694
Southern Financial Capital Trust III due 2033	7,747	7,683
Other	30,257	40,792
	\$ 5,108,870	\$ 4,607,758

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During the first quarter of 2013, M&T Bank instituted a Bank Note Program whereby M&T Bank may offer up to \$5 billion in unsecured senior and subordinated notes. During March 2013, three-year floating rate senior notes due March 2016 were issued for \$300 million and five-year 1.45% fixed rate senior notes due March 2018 were issued for \$500 million. The floating rate notes pay interest quarterly at rates that are indexed to the three-month LIBOR. The rate at December 31, 2013 was .54%.

Long-term fixed rate advances from the FHLB had contractual interest rates ranging from 3.48% to 7.32% at December 31, 2013 and 2012. The weighted-average contractual interest rates payable were 4.60% at December 31, 2013 and 4.64% at December 31, 2012. Advances from the FHLB mature at various dates through 2035 and are secured by residential real estate loans, commercial real estate loans and investment securities.

Long-term agreements to repurchase securities had contractual interest rates that ranged from 3.61% to 4.30% at each of December 31, 2013 and 2012. The weighted-average contractual interest rates were 3.90% at each of those dates. The agreements outstanding at December 31, 2013 reflect various repurchase dates through 2017, however, the contractual maturities of the underlying investment securities extend beyond such repurchase dates. The agreements are subject to legally enforceable master netting arrangements, however, the Company has not offset any amounts related to these agreements in its consolidated financial statements. The Company posted collateral of \$1.6 billion at each of December 31, 2013 and 2012.

The subordinated notes of M&T Bank and Wilmington Trust Corporation are unsecured and are subordinate to the claims of other creditors of those entities.

The fixed and floating rate junior subordinated deferrable interest debentures of M&T (Junior Subordinated Debentures) are held by various trusts and were issued in connection with the issuance by those trusts of preferred capital securities (Capital Securities) and common securities (Common Securities). The proceeds from the issuances of the Capital Securities and the Common Securities were used by the trusts to purchase the Junior Subordinated Debentures. The Common Securities of each of those trusts are wholly owned by M&T and are the only class of each trust's securities possessing general voting powers. The Capital Securities represent preferred undivided interests in the assets of the corresponding trust. Under the Federal Reserve Board's current risk-based capital guidelines, the Capital Securities are includable in M&T's Tier 1 capital. However, in July 2013, the Federal Reserve Board, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation issued a final rule to comprehensively revise the capital framework for the U.S. banking sector. Under that rule, trust preferred capital securities will be phased out from inclusion in Tier 1 capital such that in 2015 only 25% of then-outstanding securities will be included in Tier 1 capital and beginning in 2016 none of the securities will be included in Tier 1 capital. The variable rate Junior Subordinated Debentures pay interest quarterly at rates that are indexed to the three-month LIBOR. Those rates ranged from 1.09% to 3.59% at December 31, 2013 and from 1.16% to 3.69% at December 31, 2012. The weighted-average variable rates payable on those Junior Subordinated Debentures were 1.67% at December 31, 2013 and 1.75% at December 31, 2012.

Holders of the Capital Securities receive preferential cumulative cash distributions unless M&T exercises its right to extend the payment of interest on the Junior Subordinated Debentures as allowed by the terms of each such debenture, in which case payment of distributions on the respective Capital Securities will be deferred for comparable periods. During an extended interest period, M&T may not pay dividends or distributions on, or repurchase, redeem or acquire any shares of its capital stock. In the event of an extended interest period exceeding twenty quarterly periods for \$350 million of Junior Subordinated Debentures due January 31, 2068, M&T must fund the payment of accrued and unpaid interest through an alternative payment mechanism, which requires M&T to issue common stock, non-cumulative perpetual preferred stock or warrants to purchase common stock until M&T has raised an amount of eligible proceeds at least equal to the aggregate amount of accrued and unpaid deferred interest on the Junior Subordinated Debentures due January 31, 2068. In general, the agreements governing the Capital Securities, in the aggregate, provide a full, irrevocable and unconditional guarantee by M&T of the payment of distributions on, the redemption of, and any liquidation distribution with respect to the Capital Securities. The obligations under such guarantee and the Capital Securities are subordinate and junior in right of payment to all senior indebtedness of M&T.

The Capital Securities will remain outstanding until the Junior Subordinated Debentures are repaid at maturity, are redeemed prior to maturity or are distributed in liquidation to the Trusts. The Capital Securities are mandatorily redeemable in whole, but not in part, upon repayment at the stated maturity dates (ranging from 2027 to 2068) of the Junior Subordinated Debentures or the earlier redemption of the

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Junior Subordinated Debentures in whole upon the occurrence of one or more events set forth in the indentures relating to the Capital Securities, and in whole or in part at any time after an optional redemption prior to contractual maturity contemporaneously with the optional redemption of the related Junior Subordinated Debentures in whole or in part, subject to possible regulatory approval. In January 2014, M&T announced that it will redeem all of the issued and outstanding 8.5% \$350 million trust preferred securities issued by M&T Capital Trust IV and the related junior subordinated debentures held by M&T Capital Trust IV on February 27, 2014.

Long-term borrowings at December 31, 2013 mature as follows:

	(In thousands)
Year ending December 31:	
2014	\$ 22,021
2015	5,756
2016	1,105,075
2017	1,041,871
2018	777,991
Later years	2,156,156
	\$ 5,108,870

10. Shareholders equity

M&T is authorized to issue 1,000,000 shares of preferred stock with a \$1.00 par value per share. Preferred shares outstanding rank senior to common shares both as to dividends and liquidation preference, but have no general voting rights.

Issued and outstanding preferred stock of M&T is presented below:

	December 31, 2013		December 31, 2012	
	Shares Issued and Outstanding	Carrying Value (Dollars in thousands)	Shares Issued and Outstanding	Carrying Value
Series A(a)				
Fixed Rate Cumulative Perpetual Preferred Stock, Series A, \$1,000 liquidation preference per share	230,000	\$ 230,000	230,000	\$ 226,965
Series C(a)				
Fixed Rate Cumulative Perpetual Preferred Stock, Series C, \$1,000 liquidation preference per share	151,500	151,500	151,500	145,535
Series D(b)				
Fixed Rate Non-cumulative Perpetual Preferred Stock, Series D, \$10,000 liquidation preference per share	50,000	500,000	50,000	500,000

(a) Shares were originally issued as part of the TARP of the U.S Treasury. Cash proceeds were allocated between the preferred stock and a ten-year warrant to purchase M&T common stock (Series A 1,218,522 common shares at \$73.86 per share, Series C 407,542 common shares at \$55.76 per share). The U.S. Treasury sold all of the shares of M&T preferred stock that it held in August 2012. In connection with that sale, the terms of the preferred stock were modified such that dividends, if declared, were paid quarterly at a rate of 5% per year through November 14, 2013 and at 6.375% thereafter, and M&T agreed to not redeem the preferred shares until on or after November 15, 2018. In December 2012, the U.S. Treasury sold to other investors the Series A warrants for \$26.50 per warrant. In March 2013, the U.S. Treasury exercised the Series C warrants in a cashless exercise, resulting in the issuance of 186,589 common shares. During 2013, 69,127

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of the Series A warrants were exercised in cashless exercises, resulting in the issuance of 25,427 common shares. Remaining outstanding Series A warrants were 1,149,395 at December 31, 2013.

- (b) *Dividends, if declared, will be paid semi-annually at a rate of 6.875% per year. The shares are redeemable in whole or in part on or after June 15, 2016. Notwithstanding M&T's option to redeem the shares, if an event occurs such that the shares no longer qualify as Tier 1 capital, M&T may redeem all of the shares within 90 days following that occurrence.*

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In addition to the Series A and Series C warrants mentioned in (a) above, a ten-year warrant to purchase 95,383 shares of M&T common stock at \$518.96 per share was outstanding at each of December 31, 2013 and 2012. That warrant was issued by Wilmington Trust in December 2008 as part of the TARP of the U.S. Treasury.

11. Stock-based compensation plans

Stock-based compensation expense was \$55 million in 2013, \$57 million in 2012 and \$56 million in 2011. The Company recognized income tax benefits related to stock-based compensation of \$29 million in 2013, \$30 million in 2012 and \$22 million in 2011.

The Company's equity incentive compensation plan allows for the issuance of various forms of stock-based compensation, including stock options, restricted stock, restricted stock units and performance-based awards. Through December 31, 2013, only stock-based compensation awards, including stock options, restricted stock and restricted stock units, that vest with the passage of time as service is provided have been issued. At December 31, 2013 and 2012, respectively, there were 4,874,542 and 5,307,228 shares available for future grant under the Company's equity incentive compensation plan.

Restricted stock awards

Restricted stock awards are comprised of restricted stock and restricted stock units. Restricted stock awards generally vest over four years. Unrecognized compensation expense associated with restricted stock was \$27 million as of December 31, 2013 and is expected to be recognized over a weighted-average period of 1.5 years. The Company generally will issue restricted shares from treasury stock to the extent available, but may also issue new shares. During 2013, 2012 and 2011, the number of restricted shares issued was 269,755, 453,908 and 451,248, respectively, with a weighted-average grant date fair value of \$27,716,000, \$36,969,000 and \$38,369,000, respectively. Unrecognized compensation expense associated with restricted stock units was \$9 million as of December 31, 2013 and is expected to be recognized over a weighted-average period of 1.4 years. During 2013, 2012 and 2011 the number of restricted stock units issued was 315,316, 278,505 and 242,282, respectively, with a weighted-average grant date fair value of \$32,380,000, \$22,139,000 and \$20,921,000, respectively.

A summary of restricted stock and restricted stock unit activity follows:

	Restricted Stock Units Outstanding	Weighted- Average Grant Price	Restricted Stock Outstanding	Weighted- Average Grant Price
Unvested at January 1, 2013	799,495	\$ 70.28	1,095,631	\$ 71.01
Granted	315,316	102.69	269,755	102.75
Vested	(341,348)	56.43	(446,882)	56.74
Cancelled	(2,633)	96.90	(55,809)	87.05
Unvested at December 31, 2013	770,830	\$ 89.58	862,695	\$ 87.29

Stock option awards

Stock options issued generally vest over four years and are exercisable over terms not exceeding ten years and one day. The Company used an option pricing model to estimate the grant date present value of stock options granted. Stock options granted in 2013, 2012 and 2011 were not significant.

A summary of stock option activity follows:

	Stock Options Outstanding	Weighted-Average Exercise Price	Weighted-Average Life (In Years)	Aggregate Intrinsic Value (In thousands)
Outstanding at January 1, 2013	7,033,359	\$ 103.30		
Granted	100	102.69		

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Exercised	(1,998,841)	95.27		
Expired	(153,857)	138.46		
Outstanding at December 31, 2013	4,880,761	\$ 105.48	2.8	\$ 66,464
Exercisable at December 31, 2013	4,879,148	\$ 105.49	2.8	\$ 66,400

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For 2013, 2012 and 2011, M&T received \$172 million, \$153 million and \$28 million, respectively, in cash and realized tax benefits from the exercise of stock options of \$12 million, \$8 million and \$3 million, respectively. The intrinsic value of stock options exercised during those periods was \$34 million, \$21 million and \$7 million, respectively. As of December 31, 2013, the amount of unrecognized compensation cost related to non-vested stock options was not significant. The total grant date fair value of stock options vested during 2013 was not significant, and for 2012 and 2011 was \$17 million and \$29 million, respectively. Upon the exercise of stock options, the Company generally issues shares from treasury stock to the extent available, but may also issue new shares.

Stock purchase plan

The stock purchase plan provides eligible employees of the Company with the right to purchase shares of M&T common stock at a discount through accumulated payroll deductions. In connection with the employee stock purchase plan, 2,500,000 shares of M&T common stock were authorized for issuance under a plan adopted in 2013, of which no shares have been issued. There were no shares issued in 2013, 151,014 shares issued in 2012 under a previous plan and no shares issued in 2011. For 2012 M&T received \$10,117,000 in cash for shares purchased through the employee stock purchase plan. Compensation expense recognized for the stock purchase plan was not significant in 2013, 2012 or 2011.

Deferred bonus plan

The Company provided a deferred bonus plan pursuant to which eligible employees could elect to defer all or a portion of their annual incentive compensation awards and allocate such awards to several investment options, including M&T common stock. Participants could elect the timing of distributions from the plan. Such distributions are payable in cash with the exception of balances allocated to M&T common stock which are distributable in the form of M&T common stock. Shares of M&T common stock distributable pursuant to the terms of the deferred bonus plan were 33,046 and 38,593 at December 31, 2013 and 2012, respectively. The obligation to issue shares is included in common stock issuable in the consolidated balance sheet. Through December 31, 2013, 139,429 shares have been issued in connection with the deferred bonus plan.

Directors stock plan

The Company maintains a compensation plan for non-employee members of the Company's boards of directors and directors advisory councils that allows such members to receive all or a portion of their compensation in shares of M&T common stock. Through December 31, 2013, 197,905 shares had been issued in connection with the directors stock plan.

Through acquisitions, the Company assumed obligations to issue shares of M&T common stock related to deferred directors compensation plans. Shares of common stock issuable under such plans were 14,185 and 18,816 at December 31, 2013 and 2012, respectively. The obligation to issue shares is included in common stock issuable in the consolidated balance sheet.

12. Pension plans and other postretirement benefits

The Company provides pension (defined benefit and defined contribution plans) and other postretirement benefits (including defined benefit health care and life insurance plans) to qualified retired employees. The Company uses a December 31 measurement date for all of its plans.

Net periodic pension expense for defined benefit plans consisted of the following:

	Year Ended December 31		
	2013	2012	2011
	(In thousands)		
Service cost	\$ 24,360	\$ 29,549	\$ 28,828
Interest cost on benefit obligation	60,130	62,037	58,545
Expected return on plan assets	(87,353)	(70,511)	(60,700)
Amortization of prior service credit	(6,556)	(6,559)	(6,559)
Recognized net actuarial loss	41,076	37,386	20,530
Net periodic pension expense	\$ 31,657	\$ 51,902	\$ 40,644

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Net other postretirement benefits expense for defined benefit plans consisted of the following:

	Year Ended December 31		
	2013	2012	2011
	(In thousands)		
Service cost	\$ 742	\$ 668	\$ 535
Interest cost on benefit obligation	2,691	3,737	3,761
Amortization of prior service cost (credit)	(1,359)	21	107
Recognized net actuarial loss	360	530	36
Net other postretirement benefits expense	\$ 2,434	\$ 4,956	\$ 4,439

Data relating to the funding position of the defined benefit plans were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2013	2012	2013	2012
	(In thousands)			
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 1,644,567	\$ 1,496,490	\$ 74,966	\$ 90,104
Service cost	24,360	29,549	742	668
Interest cost	60,130	62,037	2,691	3,737
Plan participants contributions			3,069	3,765
Amendments				(13,313)
Actuarial (gain) loss	(184,181)	116,237	(12,830)	(182)
Settlements/curtailments		(320)		
Medicare Part D reimbursement			509	918
Benefits paid	(60,683)	(59,426)	(8,555)	(10,731)
Benefit obligation at end of year	1,484,193	1,644,567	60,592	74,966
Change in plan assets:				
Fair value of plan assets at beginning of year	1,408,771	1,117,972		
Actual return on plan assets	150,795	143,430		
Employer contributions	7,801	207,115	4,977	6,048
Plan participants contributions			3,069	3,765
Medicare Part D reimbursement			509	918
Settlements		(320)		
Benefits and other payments	(60,683)	(59,426)	(8,555)	(10,731)
Fair value of plan assets at end of year	1,506,684	1,408,771		
Funded status	\$ 22,491	\$ (235,796)	\$ (60,592)	\$ (74,966)
Assets and liabilities recognized in the consolidated balance sheet were:				
Net prepaid asset	\$ 139,576	\$	\$	\$
Accrued liabilities	(117,085)	(235,796)	(60,592)	(74,966)
Amounts recognized in accumulated other comprehensive income (AOCI) were:				
Net loss (gain)	\$ 191,386	\$ 480,084	\$ (1,056)	\$ 12,134
Net prior service cost	(16,899)	(23,455)	(11,814)	(13,173)

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Pre-tax adjustment to AOCI	174,487	456,629	(12,870)	(1,039)
Taxes.	(68,486)	(179,227)	5,051	408
Net adjustment to AOCI.	\$ 106,001	\$ 277,402	\$ (7,819)	\$ (631)

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The Company has an unfunded supplemental pension plan for certain key executives. The projected benefit obligation and accumulated benefit obligation included in the preceding data related to such plan were \$117,085,000 as of December 31, 2013 and \$130,745,000 as of December 31, 2012.

The accumulated benefit obligation for all defined benefit pension plans was \$1,460,498,000 and \$1,618,119,000 at December 31, 2013 and 2012, respectively.

GAAP requires an employer to recognize in its balance sheet as an asset or liability the overfunded or underfunded status of a defined benefit postretirement plan, measured as the difference between the fair value of plan assets and the benefit obligation. For a pension plan, the benefit obligation is the projected benefit obligation; for any other postretirement benefit plan, such as a retiree health care plan, the benefit obligation is the accumulated postretirement benefit obligation. Gains or losses and prior service costs or credits that arise during the period, but are not included as components of net periodic benefit expense, are recognized as a component of other comprehensive income. As indicated in the preceding table, as of December 31, 2013 the Company recorded a minimum liability adjustment of \$161,617,000 (\$174,487,000 related to pension plans and \$(12,870,000) related to other postretirement benefits) with a corresponding reduction of shareholders' equity, net of applicable deferred taxes, of \$98,182,000. In aggregate, the benefit plans realized a net gain during 2013 that resulted from actual experience differing from the plan assumptions utilized and from changes in actuarial assumptions. The main factors contributing to that gain were actual investment returns from assets in the qualified defined benefit pension plan that exceeded expected returns and from an increase in the discount rate used in the measurement of the benefit obligations to 4.75% at December 31, 2013 from 3.75% at December 31, 2012. As a result, the Company decreased its minimum liability adjustment from that which was recorded at December 31, 2012 by \$293,973,000 with a corresponding increase to shareholders' equity that, net of applicable deferred taxes, was \$178,589,000. The table below reflects the changes in plan assets and benefit obligations recognized in other comprehensive income related to the Company's postretirement benefit plans.

	Pension Plans	Other Postretirement Benefit Plans (In thousands)	Total
2013			
Net gain	\$ (247,622)	\$ (12,830)	\$ (260,452)
Amortization of prior service credit	6,556	1,359	7,915
Amortization of loss	(41,076)	(360)	(41,436)
Total recognized in other comprehensive income, pre-tax	\$ (282,142)	\$ (11,831)	\$ (293,973)
2012			
Net loss (gain)	\$ 43,318	\$ (182)	\$ 43,136
Prior service credit		(13,313)	(13,313)
Amortization of prior service (cost) credit	6,559	(21)	6,538
Amortization of loss	(37,386)	(530)	(37,916)
Total recognized in other comprehensive income, pre-tax	\$ 12,491	\$ (14,046)	\$ (1,555)

The following table reflects the amortization of amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit expense during 2014:

	Pension Plans	Other Postretirement Benefit Plans (In thousands)
Amortization of net prior service credit	\$ (6,552)	\$ (1,359)
Amortization of net loss	13,460	

The Company also provides a qualified defined contribution pension plan to eligible employees who were not participants in the defined benefit pension plan as of December 31, 2005 and to other employees who have elected to participate in the defined contribution plan. The Company makes contributions to the

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defined contribution plan each year in an amount that is based on an individual participant's total compensation (generally defined as total wages, incentive compensation, commissions and bonuses) and years of service. Participants do not contribute to the defined contribution pension plan. Pension expense recorded in 2013, 2012 and 2011 associated with the defined contribution pension plan was approximately \$21 million, \$17 million and \$13 million, respectively.

Assumptions

The assumed weighted-average rates used to determine benefit obligations at December 31 were:

	Pension Benefits		Other Postretirement Benefits	
	2013	2012	2013	2012
Discount rate	4.75%	3.75%	4.75%	3.75%
Rate of increase in future compensation levels	4.42%	4.50%		

The assumed weighted-average rates used to determine net benefit expense for the years ended December 31 were:

	Pension Benefits			Other Postretirement Benefits		
	2013	2012	2011	2013	2012	2011
Discount rate	3.75%	4.25%	5.25%	3.75%	4.25%	5.25%
Long-term rate of return on plan assets	6.50%	6.50%	6.50%			
Rate of increase in future compensation levels	4.50%	4.50%	4.50%			

The expected long-term rate of return assumption as of each measurement date was developed through analysis of historical market returns, current market conditions, anticipated future asset allocations, the funds' past experience, and expectations on potential future market returns. The expected rate of return assumption represents a long-term average view of the performance of the plan assets, a return that may or may not be achieved during any one calendar year.

For measurement of other postretirement benefits, a 7.50% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2014. The rate was assumed to decrease to 5.0% over 30 years. A one-percentage point change in assumed health care cost trend rates would have had the following effects:

	+1%	-1%
	(In thousands)	
Increase (decrease) in:		
Service and interest cost	\$ 100	\$ (91)
Accumulated postretirement benefit obligation	2,147	(1,947)

Plan Assets

The Company's policy is to invest the pension plan assets in a prudent manner for the purpose of providing benefit payments to participants and mitigating reasonable expenses of administration. The Company's investment strategy is designed to provide a total return that, over the long-term, places a strong emphasis on the preservation of capital. The strategy attempts to maximize investment returns on assets at a level of risk deemed appropriate by the Company while complying with applicable regulations and laws. The investment strategy utilizes asset diversification as a principal determinant for establishing an appropriate risk profile while emphasizing total return realized from capital appreciation, dividends and interest income. The target allocations for plan assets are generally 45 to 80 percent equity securities, 5 to 40 percent debt securities, and 3 to 30 percent money-market funds/cash equivalents and other investments, although holdings could be more or less than these general guidelines based on market conditions at the time and actions taken or recommended by the investment managers providing advice to the Company. Equity securities include investments in large-cap and mid-cap companies located in the United States and equity mutual funds with domestic and international investments, and, to a lesser extent, direct investments in

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foreign-based companies. Debt securities include corporate bonds of companies from diversified industries, mortgage-backed securities guaranteed by government agencies, U.S. Treasury securities, and mutual funds that invest in debt securities. Additionally, the Company's defined benefit pension plan held \$168,040,000 (11.2% of total assets) of real estate, private equity and other investments at December 31, 2013. Returns on invested assets are periodically compared with target market indices for each asset type to aid management in evaluating such returns. Furthermore, management regularly reviews the investment policy and may, if deemed appropriate, make changes to the target allocations noted above.

The fair values of the Company's pension plan assets at December 31, 2013, by asset category, were as follows:

	Fair Value Measurement of Plan Assets At December 31, 2013			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
Asset category:				
Money-market funds	\$ 37,952	\$ 37,952	\$	\$
Equity securities:				
M&T	142,955	142,955		
Domestic(a)	271,203	271,203		
International	24,053	24,053		
Mutual funds:				
Domestic	194,099	194,099		
International	413,685	413,685		
	1,045,995	1,045,995		
Debt securities:				
Corporate(b)	63,196		63,196	
Government	75,043		75,043	
International	2,443		2,443	
Mutual funds:				
Domestic(c)	68,280	68,280		
International	43,742	43,742		
	252,704	112,022	140,682	
Other:				
Diversified mutual fund	93,055	93,055		
Private real estate	3,123			3,123
Private equity	6,199			6,199
Hedge funds	65,663	41,489		24,174
	168,040	134,544		33,496
Total(d)	\$ 1,504,691	\$ 1,330,513	\$ 140,682	\$ 33,496

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The fair values of the Company's pension plan assets at December 31, 2012, by asset category, were as follows:

	Fair Value Measurement of Plan Assets At December 31, 2012			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1) (In thousands)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset category:				
Money-market funds	\$ 46,657	\$ 46,657	\$	\$
Equity securities:				
M&T	120,914	120,914		
Domestic(a)	147,382	147,382		
International	8,561	8,561		
Mutual funds:				
Domestic	188,950	188,950		
International	208,696	208,696		
	674,503	674,503		
Debt securities:				
Corporate(b)	307,712		307,712	
Government	141,224		141,224	
International	10,230		10,230	
Mutual funds:				
Domestic(c)	107,576	107,576		
International	54,362	54,362		
	621,104	161,938	459,166	
Other:				
Diversified mutual fund	10,415	10,415		
Private real estate	4,603			4,603
Private equity	5,347			5,347
Hedge funds	41,509	10,000		31,509
	61,874	20,415		41,459
Total(d)	\$ 1,404,138	\$ 903,513	\$ 459,166	\$ 41,459

(a) This category is comprised of equities of companies primarily within the mid-cap and large-cap sector of the U.S. economy and range across diverse industries.

(b) This category represents investment grade bonds of U.S. issuers from diverse industries.

(c)

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Approximately 35% of the mutual funds were invested in investment grade bonds of U.S. issuers and 65% in high-yielding bonds at December 31, 2013. Approximately 40% of the mutual funds were invested in investment grade bonds of U.S. issuers and 60% in high-yielding bonds at December 31, 2012. The holdings within the funds are spread across diverse industries.

(d) Excludes dividends and interest receivable totaling \$1,993,000 and \$4,633,000 at December 31, 2013 and 2012, respectively.

Pension plan assets included common stock of M&T with a fair value of \$142,955,000 (9.5% of total plan assets) at December 31, 2013 and \$120,914,000 (8.6% of total plan assets) at December 31, 2012. No investment in securities of a non-U.S. Government or government agency issuer exceeded ten percent of plan assets at December 31, 2013. Assets subject to Level 3 valuations did not constitute a significant portion of plan assets at December 31, 2013 or December 31, 2012.

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The changes in Level 3 pension plan assets measured at estimated fair value on a recurring basis during the year ended December 31, 2013 were as follows:

	Balance January 1, 2013	Sales/ Purchases	Total Realized/ Unrealized Gains (Losses)	Balance December 31, 2013
	(In thousands)			
Other				
Private real estate	\$ 4,603	\$ (308)	\$ (1,172)	\$ 3,123
Private equity	5,347	165	687	6,199
Hedge funds	31,509	(9,873)	2,538	24,174
Total	\$ 41,459	\$ (10,016)	\$ 2,053	\$ 33,496

The Company makes contributions to its funded qualified defined benefit pension plan as required by government regulation or as deemed appropriate by management after considering factors such as the fair value of plan assets, expected returns on such assets, and the present value of benefit obligations of the plan. Subject to the impact of actual events and circumstances that may occur in 2014, the Company may make contributions to the qualified defined benefit pension plan in 2014, but the amount of any such contribution has not yet been determined. The Company made cash contributions of \$200 million and \$70 million to the qualified defined benefit pension plan in 2012 and 2011, respectively. The Company did not make any contributions to the plan in 2013. The Company regularly funds the payment of benefit obligations for the supplemental defined benefit pension and postretirement benefit plans because such plans do not hold assets for investment. Payments made by the Company for supplemental pension benefits were \$7,801,000 and \$7,115,000 in 2013 and 2012, respectively. Payments made by the Company for postretirement benefits were \$4,977,000 and \$6,048,000 in 2013 and 2012, respectively. Payments for supplemental pension and other postretirement benefits for 2014 are not expected to differ from those made in 2013 by an amount that will be material to the Company's consolidated financial position.

Estimated benefits expected to be paid in future years related to the Company's defined benefit pension and other postretirement benefits plans are as follows:

	Pension Benefits	Other Postretirement Benefits
	(In thousands)	
Year ending December 31:		
2014	\$ 65,970	\$ 6,780
2015	67,993	6,503
2016	73,628	6,283
2017	77,180	5,995
2018	80,380	5,741
2019 through 2023	461,397	25,172

The Company has a retirement savings plan (RSP) that is a defined contribution plan in which eligible employees of the Company may defer up to 50% of qualified compensation via contributions to the plan. The Company makes an employer matching contribution in an amount equal to 75% of an employee's contribution, up to 4.5% of the employee's qualified compensation. Employees' accounts, including employee contributions, employer matching contributions and accumulated earnings thereon, are at all times fully vested and nonforfeitable. Employee benefits expense resulting from the Company's contributions to the RSP totaled \$31,797,000, \$31,305,000 and \$27,738,000 in 2013, 2012 and 2011, respectively.

Table of Contents**13. Income taxes**

The components of income tax expense (benefit) were as follows:

	Year Ended December 31		
	2013	2012	2011
	(In thousands)		
Current			
Federal	\$ 371,249	\$ 309,156	\$ 277,631
State and city	68,035	82,014	53,566
Total current	439,284	391,170	331,197
Deferred			
Federal	106,537	117,229	34,325
State and city	33,248	14,629	(401)
Total deferred	139,785	131,858	33,924
Total income taxes applicable to pre-tax income	\$ 579,069	\$ 523,028	\$ 365,121

The Company files a consolidated federal income tax return reflecting taxable income earned by all domestic subsidiaries. In prior years, applicable federal tax law allowed certain financial institutions the option of deducting as bad debt expense for tax purposes amounts in excess of actual losses. In accordance with GAAP, such financial institutions were not required to provide deferred income taxes on such excess. Recapture of the excess tax bad debt reserve established under the previously allowed method will result in taxable income if M&T Bank fails to maintain bank status as defined in the Internal Revenue Code or charges are made to the reserve for other than bad debt losses. At December 31, 2013, M&T Bank's tax bad debt reserve for which no federal income taxes have been provided was \$79,121,000. No actions are planned that would cause this reserve to become wholly or partially taxable.

Income taxes attributable to gains or losses on bank investment securities were expenses of \$18,313,000 in 2013 and \$28,712,000 in 2011 and a benefit of \$18,766,000 in 2012. No alternative minimum tax expense was recognized in 2013, 2012 or 2011.

Total income taxes differed from the amount computed by applying the statutory federal income tax rate to pre-tax income as follows:

	Year Ended December 31		
	2013	2012	2011
	(In thousands)		
Income taxes at statutory federal income tax rate	\$ 601,142	\$ 543,384	\$ 428,610
Increase (decrease) in taxes:			
Tax-exempt income	(34,747)	(33,890)	(33,799)
State and city income taxes, net of federal income tax effect	65,834	62,818	34,557
Low income housing and other credits	(49,206)	(42,074)	(40,763)
Non-taxable gain on acquisition			(22,725)
Other	(3,954)	(7,210)	(759)
	\$ 579,069	\$ 523,028	\$ 365,121

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Deferred tax assets (liabilities) were comprised of the following at December 31:

	2013	2012 (In thousands)	2011
Losses on loans and other assets	\$ 645,713	\$ 809,033	\$ 896,219
Postretirement and other employee benefits	30,023	34,517	39,992
Incentive compensation plans	37,772	50,067	49,183
Interest on loans	100,725	72,278	46,965
Retirement benefits		91,980	147,997
Stock-based compensation	63,101	69,874	78,014
Unrealized investment losses			50,528
Depreciation and amortization	1,404	12,130	9,563
Other	121,561	103,027	99,012
Gross deferred tax assets	1,000,299	1,242,906	1,417,473
Leasing transactions	(284,370)	(291,524)	(294,150)
Unrealized investment gains	(21,779)	(23,574)	
Capitalized servicing rights	(46,041)	(20,348)	(17,603)
Interest on subordinated note exchange	(6,075)	(8,794)	(11,275)
Retirement benefits	(9,397)		
Other	(49,450)	(61,410)	(48,803)
Gross deferred tax liabilities	(417,112)	(405,650)	(371,831)
Net deferred tax asset	\$ 583,187	\$ 837,256	\$ 1,045,642

The Company believes that it is more likely than not that the deferred tax assets will be realized through taxable earnings or alternative tax strategies.

The income tax credits shown in the statement of income of M&T in note 25 arise principally from operating losses before dividends from subsidiaries.

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A reconciliation of the beginning and ending amount of unrecognized tax benefits follows:

	Federal, State and Local Tax	Accrued Interest (In thousands)	Unrecognized Income Tax Benefits
Gross unrecognized tax benefits at January 1, 2011	\$ 24,853	\$ 20,696	\$ 45,549
Increases in unrecognized tax benefits as a result of tax positions taken during 2011	4,659		4,659
Decreases in unrecognized tax benefits as a result of settlements with taxing authorities	(9,742)	(5,497)	(15,239)