M&T BANK CORP
Form 10-K
February 20, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2014

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	**16-0968385**
(State of incorporation)	*(I.R.S. Employer Identification No.)*
One M&T Plaza, Buffalo, New York	**14203**
(Address of principal executive offices)	*(Zip Code)*

Registrant s telephone number, including area code:

716-635-4000

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
6.375% Cumulative Perpetual Preferred Stock,	New York Stock Exchange
Series A, $1,000 liquidation preference per share	
6.375% Cumulative Perpetual Preferred Stock,	New York Stock Exchange

Series C, $1,000 liquidation preference per share	
Warrants to purchase shares of Common Stock (expiring December 23, 2018)	New York Stock Exchange

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 þ 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 þ

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 þ 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 þ 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 þ	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	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 þ

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, 2014: $14,427,352,292.

Number of shares of the Common Stock, $0.50 par value, outstanding as of the close of business on February 13, 2015: 132,912,535 shares.

Documents Incorporated By Reference:

(1) Portions of the Proxy Statement for the 2015 Annual Meeting of Shareholders of M&T Bank Corporation in Parts II and III.

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M&T BANK CORPORATION

Form 10-K for the year ended December 31, 2014

CROSS-REFERENCE SHEET

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PART I

Item 1. ***Business.***

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 M&T are located at One M&T Plaza, Buffalo, New York 14203. M&T was incorporated in November 1969. M&T and its direct and indirect subsidiaries are collectively referred to herein as the Company. As of December 31, 2014 the Company had consolidated total assets of $96.7 billion, deposits of $73.6 billion and shareholders equity of $12.3 billion. The Company had 14,609 full-time and 1,173 part-time employees as of December 31, 2014.

At December 31, 2014, M&T 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, 2014, 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, 2014, M&T Bank had 693 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, 2014, M&T Bank had consolidated total assets of $95.9 billion, deposits of $74.8 billion and shareholder s equity of $11.5 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. 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, 2014, Wilmington Trust, N.A. had total assets of $2.8 billion, deposits of $2.2 billion and shareholder s equity of $436 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, 2014, Wilmington Trust Company had total assets of $1.0 billion and shareholder s equity of $542 million. Revenues of Wilmington Trust Company were $116 million in 2014. 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, 2014, M&T Life Insurance had assets of $17 million and shareholder s equity of $16 million. M&T Life Insurance recorded revenues of $421 thousand during 2014. 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, 2014, M&T Insurance Agency had assets of $29 million and shareholder s equity of $15 million. M&T Insurance Agency recorded revenues of $28 million during 2014. 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, 2014, M&T Reinsurance had assets of $17 million and shareholder s equity of $14 million. M&T Reinsurance recorded approximately $1 million of revenue during 2014. 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, 2014, M&T Real Estate had assets of $19.1 billion, common shareholder s equity of $16.6 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 $769 million of revenue in 2014. 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, 2014, M&T Realty Capital serviced $11.3 billion of commercial mortgage loans for non-affiliates and had assets of $656 million and shareholder s equity of $115 million. M&T Realty Capital recorded revenues of $90 million in 2014. 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, 2014, M&T Securities had assets of $43 million and shareholder s equity of $32 million. M&T Securities recorded $106 million of revenue during 2014. 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, was incorporated as a Maryland corporation on June 30, 1995. WT Investment Advisors, a registered investment advisor under the Investment Advisors Act, serves as an investment advisor to the Wilmington Funds, a family of proprietary mutual funds, and institutional clients. As of December 31, 2014, WT Investment Advisors had assets of $41 million and shareholder s equity of $35 million. WT Investment Advisors recorded revenues of $49 million in 2014. The headquarters of WT

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Investment Advisors are located at 100 East Pratt Street, Baltimore, Maryland 21202.

Wilmington Funds Management Corporation (Wilmington Funds Management) 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 an investment advisor to the Wilmington Funds. Wilmington Funds Management had assets of $13 million and shareholder s equity of $12 million as of December 31, 2014. Wilmington Funds Management recorded revenues of $18 million in 2014. 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, 2014, WTIM has assets of $25 million and shareholder s equity of $25 million. WTIM recorded revenues of $6 million in 2014. WTIM s headquarters is located at Terminus 27th 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, 2014.

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 and trust income. 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 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 financial activity and does not pose a substantial risk to the safety and soundness of

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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. The failure to meet such requirements could result in material restrictions on the activities of M&T and may also adversely affect the Company s ability to enter into certain transactions or obtain necessary approvals in connection therewith, as well as loss of financial holding company status.

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 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. Not all of the rules required or expected to be implemented under the Dodd-Frank Act have been proposed or adopted, and certain of the rules that have been proposed or adopted under the Dodd-Frank Act are subject to phase-in or transitional periods. The ultimate 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.

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;
- 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;

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- 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. The liquidity requirements and risk management requirements became effective as to M&T on 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 became effective on 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 investments to the requirements of the Volcker Rule to July 2016.

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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 Stress Testing and Capital Plan Review, dividends and stock repurchases (net of any new stock issuances as per a capital plan) 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 risk-based capital standards that were applicable to M&T and its subsidiary banks through December 31, 2014 were based on the 1988 Capital Accord, known as Basel I, of the Basel Committee on Banking Supervision (the Basel Committee). However, in July 2013, the Federal Reserve Board, the OCC and the FDIC approved final rules (the New Capital Rules) establishing a new comprehensive capital framework for U.S. banking organizations. These rules went into effect as to M&T and its subsidiary banks on January 1, 2015, subject to phase-in periods for certain components and other provisions.

Basel III and the New Capital Rules. 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 U.S. general risk-based capital rules that were applicable to the Company through December 31, 2014. 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. 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.

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 the previous 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.

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Pursuant to the New Capital Rules, the minimum capital ratios as of January 1, 2015 are 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).

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. 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 risk-based capital rules applicable to the Company through December 31, 2014, 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 were 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 became 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. Management believes that M&T is in compliance with the targeted capital ratios. 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 9.62% as of December 31, 2014, reflecting an 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 in effect through December 31, 2014 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. On September 3, 2014, the Federal Reserve and other banking regulators adopted final rules (Final LCR Rule) implementing a U.S. version of the Basel Committee s Liquidity Coverage Ratio

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requirement (LCR). The LCR is intended to ensure that banks hold sufficient amounts of so-called high quality liquid assets (HQLA) to cover the anticipated net cash outflows during a hypothetical acute 30-day stress scenario. The LCR is the ratio of an institution s amount of HQLA (the numerator) over projected net cash out-flows over the 30-day horizon (the denominator), in each case, as calculated pursuant to the Final LCR Rule. Once fully phased-in, a subject institution must maintain an LCR equal to at least 100% in order to satisfy this regulatory requirement. Only specific classes of assets, including U.S. Treasury securities, other U.S. government obligations and agency mortgaged-backed securities, qualify under the rule as HQLA, with classes of assets deemed relatively less liquid and/or subject to greater degree of credit risk subject to certain haircuts and caps for purposes of calculating the numerator under the Final LCR Rule. The total net cash outflows amount is determined under the rule by applying certain hypothetical outflow and inflow rates, which reflect certain standardized stressed assumptions, against the balances of the banking organization s funding sources, obligations, transactions and assets over the 30-day stress period. Inflows that can be included to offset outflows are limited to 75% of outflows (which effectively means that banking organizations must hold high-quality liquid assets equal to 25% of outflows even if outflows perfectly match inflows over the stress period). The total net cash outflow amount for the modified LCR applicable to M&T is capped at 70% of the outflow rate that applies to the full LCR. The initial compliance date for the modified LCR will be January 2016, with the requirement fully phased-in by January 2017.

The Basel III framework also included a second standard, referred to as the net stable funding ratio (NSFR), which is designed to promote more medium-and long-term funding of the assets and activities of banks over a one-year time horizon. Although the Basel Committee finalized its formulation of the NSFR in 2014, the U.S. banking agencies have not yet proposed an NSFR for application to U.S. banking organizations or addressed the scope of banking organizations to which it will apply. The Basel Committee s final NSFR document states that the NSFR applies to internationally active banks, as did its final LCR document as to that ratio.

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, 2014, 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, 2014. 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. 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 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 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 net income will receive particularly close scrutiny. M&T s most recent CCAR capital plan was filed with the Federal Reserve Board on January 5, 2015.

In October 2014, the Federal Reserve Board amended its capital planning and stress testing rules to, among other things, generally limit a BHC s ability to make quarterly capital distributions that is, dividends and share repurchases commencing April 1, 2015 if the amount of the BHC s actual cumulative quarterly capital issuances of instruments that qualify as regulatory capital are less than the BHC had indicated in its submitted capital plan as to which it received a non-objection from the Federal Reserve Board. For example, if the BHC issued a smaller amount of additional common stock than it had stated in its capital plan, it would be required to reduce common dividends and/or the amount of common stock repurchases so that the dollar amount of capital distributions, net of the dollar amount of additional common stock issued (net distributions), is no greater than the dollar amount of net distributions relating to its common stock included in its capital plan, as measured on an aggregate basis beginning in the third quarter of the nine-quarter planning horizon through the end of the then current quarter. However, not raising sufficient amounts of common stock as planned would not affect distributions related to Additional Tier 1 Capital instruments and/ or Tier 2 Capital. These limitations also contain several important qualifications and exceptions, including that scheduled dividend payments on (as opposed to repurchases of) a BHC s Additional Tier 1 Capital and Tier 2 Capital instruments are not restricted if the BHC fails to issue a sufficient amount of such instruments as planned, as well as provisions for certain *de minimis* excess distributions.

In addition, these amendments also revise the timeline for a BHC s annual capital plan and company and supervisory- run stress testing processes generally by pushing back the various deadlines by one quarter beginning with the capital planning cycle commencing such that the Company s annual capital planning submission will be due by April 5 (instead of January 5) and the Federal Reserve will publish the results of its supervisory CCAR review of the Company s capital plan by June 30 (instead of March 31) of each year.

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

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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 FDIC has specified by regulation the relevant capital levels for each category, which are printed below. The Federal Reserve Board and the OCC have specified the same or similar levels for each category.

Well-Capitalized	**Adequately Capitalized**
Leverage Ratio of 5%,	Leverage Ratio of 4%,
Tier 1 Capital ratio of 6%,	Tier 1 Capital ratio of 4%, and
Total Capital ratio of 10%, and	Total Capital ratio of 8%.
Not subject to a written agreement, order, capital directive or regulatory remedy directive requiring a specific capital level.	
Undercapitalized	**Significantly Undercapitalized**
Leverage Ratio less than 4%,	Leverage Ratio less than 3%,
Tier 1 Capital ratio less than 4%, or	Tier 1 Capital ratio less than 3%, or
Total Capital ratio less than 8%.	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

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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.

Effective January 1, 2015, the New Capital Rules revised the prompt corrective action requirements in effect through December 31, 2014 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 former 6%); and (iii) eliminating the provision that provided 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 BHC 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 are 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 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

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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 $69 thousand of such expense in 2014.

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.

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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 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 16, 2014.

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 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 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.

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.

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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.

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 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

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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 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.

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; Employee Complaint Procedures for Accounting and Auditing Matters; and Excessive or Luxury Expenditures Policy. 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.

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Table 1

SELECTED CONSOLIDATED YEAR-END BALANCES

	2014	2013	2012	2011	2010
			(In thousands)		
Interest-bearing deposits at banks	$ 6,470,867	$ 1,651,138	$ 129,945	$ 154,960	$ 101,222
Federal funds sold	83,392	99,573	3,000	2,850	25,000
Trading account	308,175	376,131	488,966	561,834	523,834
Investment securities					
U.S. Treasury and federal agencies	12,042,390	7,770,767	4,007,725	5,200,489	4,177,783
Obligations of states and political subdivisions	157,159	180,495	203,004	228,949	251,544
Other	793,993	845,235	1,863,632	2,243,716	2,721,213
Total investment securities	12,993,542	8,796,497	6,074,361	7,673,154	7,150,540
Loans and leases					
Commercial, financial, leasing, etc.	19,617,253	18,876,166	17,973,140	15,952,105	13,645,600
Real estate construction	5,061,269	4,457,650	3,772,413	4,203,324	4,332,618
Real estate mortgage	31,250,968	30,711,440	33,494,359	28,202,217	22,854,160
Consumer	10,969,879	10,280,527	11,550,274	12,020,229	11,483,564
Total loans and leases	66,899,369	64,325,783	66,790,186	60,377,875	52,315,942
Unearned discount	(230,413)	(252,624)	(219,229)	(281,870)	(325,560)
Loans and leases, net of unearned discount	66,668,956	64,073,159	66,570,957	60,096,005	51,990,382
Allowance for credit losses	(919,562)	(916,676)	(925,860)	(908,290)	(902,941)
Loans and leases, net	65,749,394	63,156,483	65,645,097	59,187,715	51,087,441
Goodwill	3,524,625	3,524,625	3,524,625	3,524,625	3,524,625
Core deposit and other intangible assets	35,027	68,851	115,763	176,394	125,917
Real estate and other assets owned	63,635	66,875	104,279	156,592	220,049
Total assets	96,685,535	85,162,391	83,008,803	77,924,287	68,021,263
Noninterest-bearing deposits	26,947,880	24,661,007	24,240,802	20,017,883	14,557,568
NOW accounts	2,307,815	1,989,441	1,979,619	1,912,226	1,393,349
Savings deposits	41,085,803	36,621,580	33,783,947	31,001,083	26,431,281
Time deposits	3,063,973	3,523,838	4,562,366	6,107,530	5,817,170
Deposits at Cayman Islands office	176,582	322,746	1,044,519	355,927	1,605,916
Total deposits	73,582,053	67,118,612	65,611,253	59,394,649	49,805,284
Short-term borrowings	192,676	260,455	1,074,482	782,082	947,432
Long-term borrowings	9,006,959	5,108,870	4,607,758	6,686,226	7,840,151
Total liabilities	84,349,639	73,856,859	72,806,210	68,653,078	59,663,568
Shareholders equity	12,335,896	11,305,532	10,202,593	9,271,209	8,357,695

Table 2

SHAREHOLDERS, EMPLOYEES AND OFFICES

Number at Year-End	2014	2013	2012	2011	2010
Shareholders	14,551	15,015	15,623	15,959	12,773
Employees	15,782	15,893	14,943	15,666	13,365
Offices	766	796	799	849	778

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Table 3

CONSOLIDATED EARNINGS

	2014	2013	2012 (In thousands)	2011	2010
Interest income					
Loans and leases, including fees	$ 2,596,586	$ 2,734,708	$ 2,704,156	$ 2,522,567	$ 2,394,082
Deposits at banks	13,361	5,201	1,221	2,934	88
Federal funds sold	64	104	21	57	42
Resell agreements		10		132	404
Trading account	1,119	1,265	1,126	1,198	615
Investment securities					
Fully taxable	340,391	209,244	227,116	256,057	324,695
Exempt from federal taxes	5,356	6,802	8,045	9,142	9,869
Total interest income	2,956,877	2,957,334	2,941,685	2,792,087	2,729,795
Interest expense					
NOW accounts	1,404	1,287	1,343	1,145	850
Savings deposits	45,465	54,948	68,011	84,314	85,226
Time deposits	15,515	26,439	46,102	71,014	100,241
Deposits at Cayman Islands office	699	1,018	1,130	962	1,368
Short-term borrowings	101	430	1,286	1,030	3,006
Long-term borrowings	217,247	199,983	225,297	243,866	271,578
Total interest expense	280,431	284,105	343,169	402,331	462,269
Net interest income	2,676,446	2,673,229	2,598,516	2,389,756	2,267,526
Provision for credit losses	124,000	185,000	204,000	270,000	368,000
Net interest income after provision for credit losses	2,552,446	2,488,229	2,394,516	2,119,756	1,899,526
Other income					
Mortgage banking revenues	362,912	331,265	349,064	166,021	184,625
Service charges on deposit accounts	427,956	446,941	446,698	455,095	478,133
Trust income	508,258	496,008	471,852	332,385	122,613
Brokerage services income	67,212	65,647	59,059	56,470	49,669
Trading account and foreign exchange gains	29,874	40,828	35,634	27,224	27,286
Gain on bank investment securities		56,457	9	150,187	2,770
Total other-than-temporary impairment (OTTI) losses		(1,884)	(32,067)	(72,915)	(115,947)
Portion of OTTI losses recognized in other comprehensive income (before taxes)		(7,916)	(15,755)	(4,120)	29,666
Net OTTI losses recognized in earnings		(9,800)	(47,822)	(77,035)	(86,281)
Equity in earnings of Bayview Lending Group LLC	(16,672)	(16,126)	(21,511)	(24,231)	(25,768)
Other revenues from operations	399,733	453,985	374,287	496,796	355,053
Total other income	1,779,273	1,865,205	1,667,270	1,582,912	1,108,100
Other expense					
Salaries and employee benefits	1,404,950	1,355,178	1,314,540	1,203,993	999,709
Equipment and net occupancy	269,299	264,327	257,551	249,514	216,064
Printing, postage and supplies	38,201	39,557	41,929	40,917	33,847

Amortization of core deposit and other intangible assets	33,824	46,912	60,631	61,617	58,103
FDIC assessments	55,531	69,584	101,110	100,230	79,324
Other costs of operations	941,052	860,327	733,499	821,797	527,790
Total other expense	2,742,857	2,635,885	2,509,260	2,478,068	1,914,837
Income before income taxes	1,588,862	1,717,549	1,552,526	1,224,600	1,092,789
Income taxes	522,616	579,069	523,028	365,121	356,628
Net income	$ 1,066,246	$ 1,138,480	$ 1,029,498	$ 859,479	$ 736,161
Dividends declared					
Common	$ 371,137	$ 365,171	$ 357,862	$ 350,196	$ 335,502
Preferred	75,878	53,450	53,450	48,203	40,225

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Table 4

COMMON SHAREHOLDER DATA

	2014	2013	2012	2011	2010
Per share					
Net income					
Basic	$ 7.47	$ 8.26	$ 7.57	$ 6.37	$ 5.72
Diluted	7.42	8.20	7.54	6.35	5.69
Cash dividends declared	2.80	2.80	2.80	2.80	2.80
Common shareholders equity at year-end	83.88	79.81	72.73	66.82	63.54
Tangible common shareholders equity at year-end	57.06	52.45	44.61	37.79	33.26
Dividend payout ratio	37.49%	33.94%	36.98%	44.15%	48.98%

Table 5

CHANGES IN INTEREST INCOME AND EXPENSE(a)

	2014 Compared with 2013			2013 Compared with 2012		
	Total Change	Resulting from Changes in: Volume	Rate	Total Change	Resulting from Changes in: Volume	Rate
	(Increase (decrease) in thousands)					
Interest income						
Loans and leases, including fees	$ (138,676)	(16,282)	(122,394)	$ 29,624	100,052	(70,428)
Deposits at banks	8,160	7,938	222	3,980	3,925	55
Federal funds sold and agreements to resell securities	(50)	(29)	(21)	93	128	(35)
Trading account	(101)	(27)	(74)	88	(298)	386
Investment securities						
U.S. Treasury and federal agencies	138,299	158,630	(20,331)	15,379	19,078	(3,699)
Obligations of states and political subdivisions	(1,884)	(1,395)	(489)	(1,639)	(1,339)	(300)
Other	(7,534)	(19,986)	12,452	(33,296)	(30,940)	(2,356)
Total interest income	$ (1,786)			$ 14,229		
Interest expense						
Interest-bearing deposits						
NOW accounts	$ 117	117		$ (56)	110	(166)
Savings deposits	(9,483)	5,494	(14,977)	(13,063)	5,798	(18,861)
Time deposits	(10,924)	(4,401)	(6,523)	(19,663)	(9,814)	(9,849)
Deposits at Cayman Islands office	(319)	(319)		(112)	(223)	111
Short-term borrowings	(329)	(149)	(180)	(856)	(570)	(286)
Long-term borrowings	17,264	84,315	(67,051)	(25,314)	(23,672)	(1,642)
Total interest expense	$ (3,674)			$ (59,064)		

(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 in the past and may adversely affect the Company in the future.

Poor business and economic conditions in general or specifically in markets served by the Company 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 the Company has no control and which the Company 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 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.

The Company s core banking business is largely 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, amounts of capital, 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 and may also adversely affect the Company s ability to enter into certain transactions or engage in certain activities, or obtain necessary regulatory approvals in connection therewith.

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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.

Not all of the rules required or expected to be implemented under the Dodd-Frank Act have been proposed or adopted, and certain of the rules that have been proposed or adopted under the Dodd-Frank Act are subject to phase-in or transitional periods. 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 capital standards, both as a result of the Dodd-Frank Act and the new U.S. Basel III-based capital rules will have a significant effect on banks and bank holding companies, including M&T. The new U.S. capital rules 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, the new U.S. final Basel III-based liquidity coverage ratio requirement that will come into effect, subject to certain phase-in requirements, in 2016 and the liquidity-related provisions of the Federal Reserve s liquidity-related enhanced prudential supervision requirements adopted pursuant to Section 165 of Dodd-Frank will require the Company to hold increased levels 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.

The effect of resolution plan requirements may have a material adverse impact on M&T.

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. To address effectively any shortcomings in the Company s resolution plan, the Federal Reserve and the FDIC could require the Company to change its business structure or dispose of businesses, which could have a material adverse effect on its liquidity and ability to pay dividends on its stock or interest and principal on its debt.

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 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.

Management 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.

Recent regulatory changes relating to liquidity and risk management may also negatively impact the Company s results of operations and competitive position. These regulations address, among other matters, liquidity stress testing, minimum liquidity requirements and restrictions on short-term debt issued by top-tier holding companies.

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.

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.

M&T s ability to pay dividends on common stock may be adversely affected by market and other factors outside of its control and will depend, in part, on a review of its capital plan by the Federal Reserve.

The Federal Reserve recently amended its capital planning and stress testing rules to, among other things, generally limit a bank holding company s ability to make quarterly capital distributions that is, dividends and share repurchases commencing April 1, 2015 if the amount of actual cumulative quarterly capital issuances of instruments that qualify as regulatory capital are less than the bank holding company had indicated in its submitted capital plan as to which it received a non-objection from the Federal Reserve. Under these new rules, for example, if a bank holding company issued a smaller amount of additional common stock than it had stated in its capital plan, it would be required to reduce common dividends and/or the amount of common stock repurchases so that the dollar amount of capital distributions, net of the dollar amount of additional common stock issued (net distributions), is no greater than the dollar amount of net distributions relating to its common stock included in its capital plan, as measured on an aggregate basis beginning in the third quarter of the nine-quarter planning horizon through the end of the then current quarter. As such, M&T s ability to declare and pay dividends on its common stock, as well as the amount of such dividends, will depend, in part, on its ability to issue stock as per its capital plan or to otherwise remain in compliance with its capital plan, which may be adversely affected by market and other factors outside of M&T s control.

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 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 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 that 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.

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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, of Notes to 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.

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 the Company 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.

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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, including through cyber attacks, to breach data security at financial institutions or with respect to financial transactions. There have been several recent instances involving financial services and consumer-based companies reporting the unauthorized disclosure of client or customer information or the destruction or theft of corporate data. 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 regulatory inquiry, including by bank regulatory agencies, the SEC and law enforcement authorities. The SEC has announced a policy of seeking admissions of liability in certain settled cases, which could adversely impact the defense of private litigation. 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.

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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, 2014, the cost of this property (including improvements subsequent to the initial construction), net of accumulated depreciation, was $12.0 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, 2014, the cost of this building (including improvements subsequent to acquisition), net of accumulated depreciation, was $8.8 million.

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 $18.1 million at December 31, 2014.

M&T Bank also owns a facility in Syracuse, New York with approximately 160,000 rentable square feet of space. Approximately 47% of this facility is occupied by M&T Bank. At December 31, 2014, the cost of this building (including improvements subsequent to acquisition), net of accumulated depreciation, was $2.8 million.

M&T Bank owns facilities 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, 2014, the cost of these buildings (including improvements subsequent to acquisition), net of accumulated depreciation, was $43.0 million and $13.3 million, respectively.

M&T Bank also owns facilities in Harrisburg, Pennsylvania and Millsboro, Delaware with approximately 220,000 and 325,000 rentable square feet of space, respectively. M&T Bank occupies

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approximately 30% and 89% of these respective facilities. At December 31, 2014, the cost of these buildings (including improvements subsequent to acquisition), net of accumulated depreciation, was $10.7 million and $6.9 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 695 domestic banking offices of the Registrant s subsidiary banks at December 31, 2014, 291 are owned in fee and 404 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 $40 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 a governmental investigation arising from actions undertaken by Wilmington Trust prior to M&T s acquisition of Wilmington Trust and its subsidiaries, as set forth below.

DOJ Investigation: Prior to M&T s acquisition of Wilmington Trust, the Department of Justice (DOJ) 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.

This investigation 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. The court issued an order denying Wilmington Trust s motion to dismiss on March 20, 2014. The parties are currently engaged in the discovery phase of the lawsuit.

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, losses from current litigation and regulatory matters which the Company is subject to that are 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.

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Executive Officers of the Registrant

Information concerning the Registrant s executive officers is presented below as of February 20, 2015. 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 80, 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 59, 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 chairman of the board, president and chief executive officer (2007) and a director (2005) of Wilmington Trust, N.A.

Robert J. Bojdak, age 59, 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 58, is an executive vice president (2004) of the Registrant and M&T Bank, and is in charge of the Company s Human Resources Division. Mr. Braunscheidel previously served as senior vice president of M&T Bank and has held a number of management positions within M&T Bank since 1978.

William J. Farrell II, age 57, is an executive vice president (2011) of the Registrant and M&T Bank, and is responsible for managing 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 (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 54, is an executive vice president (2007) and chief risk officer (2014) of the Registrant. He is a vice chairman and chief risk officer of M&T Bank (2014). Mr. Gold is responsible for managing the Company s enterprise-wide risk, including operational, compliance and investment risk. He is also responsible for the Office of Regulatory Projects. Previously, Mr. Gold was responsible for managing the Company s Residential Mortgage and Business Banking Divisions. 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 (2006) and chief risk officer (2014) of Wilmington Trust, N.A.

Brian E. Hickey, age 62, 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 50, 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

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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 chairman of the board (2014), chief financial officer (2012) and a director (2014) of Wilmington Trust Company.

Darren J. King, age 45, 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, the Business Banking Division and the Marketing and Communications Division. Mr. King previously served as senior vice president of M&T Bank 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 49, 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, and an executive vice president of M&T Real Estate. 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 53, 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 (2003) and a trustee (2014) of M&T Real Estate, chairman of the board (2009) and a director (2003) of M&T Realty Capital, and an executive vice president and a director of Wilmington Trust, N.A. (2014). Mr. Pearson served as senior vice president of M&T Bank from 2000 to 2002.

Michele D. Trolli, age 53, 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.

D. Scott N. Warman, age 49, 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 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), 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 2014, 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, 2014 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.

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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, 2014, 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	149,452	$ 101.78	
2005 Incentive Compensation Plan	3,215,487	104.92	3,374,586
2009 Equity Incentive Compensation Plan	3,500	72.89	1,023,910
Equity compensation plans not approved by security holders:			
2008 Directors Stock Plan	3,384	125.62	84,898
Deferred Bonus Plan	29,297	65.45	
Total	3,401,120	$ 104.42	4,483,394

(1) *As of December 31, 2014, a total of 76,464 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 $129.04 per common share.*

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.

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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, 2009 and ending on December 31, 2014. 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*

	2009	2010	2011	2012	2013	2014
M&T Bank Corporation	100	135	122	163	198	218
KBW Bank Index	100	123	95	126	174	190
S&P 500 Index	100	115	117	136	180	205

* Assumes a $100 investment on December 31, 2009 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.

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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 2014.

During the fourth quarter of 2014, 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, 2014	586	$ 121.57		2,181,500
November 1 - November 30, 2014	3,819	124.83		2,181,500
December 1 - December 31, 2014	9,276	127.03		2,181,500
Total	13,681	$ 126.19		

(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 $96.7 billion at December 31, 2014. 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 $95.9 billion at December 31, 2014, is a New York-chartered commercial bank with 693 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 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 an 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.

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Wilmington Trust, N.A., with total assets of $2.8 billion at December 31, 2014, 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.

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 $125.62 on December 31, 2014 was $5.4 billion.

As of December 31, 2014, Hudson City reported $36.6 billion of assets, including $21.7 billion of loans (predominantly residential real estate loans) and $7.9 billion of investment securities, and $31.8 billion of liabilities, including $19.4 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. Under the terms of the agreement, M&T and M&T Bank are required to submit to the Federal Reserve Bank of New York 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, M&T and Hudson City have extended the date after which either party may elect to terminate the merger agreement if the merger has not yet been completed to April 30, 2015. Nevertheless, M&T s pending acquisition of Hudson City remains subject to regulatory approval, including approval by the Federal Reserve, and certain other closing conditions and, as a result, there can be no assurances that the merger will be completed by that date.

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. Not all of the rules required or expected to be implemented under the Dodd-Frank Act have been proposed or adopted, and certain of the rules that have been proposed or adopted under the Dodd-Frank Act are subject to phase-in or transitional periods. The implications of the Dodd-Frank Act for the Company s businesses continue to depend to a large extent on the implementation of the legislation by the Federal Reserve and other agencies. A discussion of the provisions of the Dodd-Frank Act is included in Part I, Item 1 of this Form 10-K.

In July 2013, the Federal Reserve, 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. These rules went into effect as to M&T on January 1, 2015. The New Capital Rules generally implement the Basel Committee on Banking Supervision s (the Basel Committee) December 2010 final capital framework for strengthening international capital standards (referred to as Basel III) and are intended to ensure that banking organizations have adequate capital levels given the risk levels of assets and off-balance sheet obligations. 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 U.S. general risk-based capital rules that were applicable to M&T and M&T Bank through December 31, 2014.

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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 and thereafter, 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 redeemed $350 million of 8.50% junior subordinated debentures associated with the trust preferred capital securities of M&T Capital Trust IV and issued a like amount of 6.45% preferred stock that qualifies as Tier 1 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.

Management believes that the Company is in compliance with the revised capital adequacy requirements. 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 9.62% as of December 31, 2014, reflecting an 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 in effect through December 31, 2014 are presented in note 23 of Notes to Financial Statements.

On December 10, 2013, the Federal Reserve, 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 the Dodd-Frank Act. The Volcker Rule is intended to 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. Under the Volcker Rule, the Company was required to be in compliance with the prohibition on proprietary trading and the requirement to develop an extensive compliance program by July 2015; however, in December 2014, the Federal Reserve extended the compliance period to July 2016 for investments in and relationships with covered funds that were in place prior to December 31, 2013. The Federal Reserve has indicated that it intends to further extend the compliance period to July 2017.

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 material 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 Volker Rule.

On September 3, 2014, the Federal Reserve and other banking regulators adopted final rules (Final LCR Rule) implementing a U.S. version of the Basel Committee s Liquidity Coverage Ratio requirement (LCR) including the modified version applicable to bank holding companies, such as M&T, with $50 billion in total consolidated assets that are not advanced approaches institutions. The LCR is intended to ensure that banks hold a sufficient amount of so-called high quality liquid assets (HQLA) to cover the anticipated net cash outflows during a hypothetical acute 30-day stress scenario. The LCR is the ratio of an institution s amount of HQLA (the numerator) over projected net cash out-flows over the 30-day horizon (the denominator), in each case, as calculated pursuant to the Final LCR Rule. Once fully phased-in, a subject institution must maintain an LCR equal to at least 100% in order to satisfy this regulatory requirement. Only specific classes of assets, including U.S. Treasury securities, other U.S. government obligations and agency mortgaged-backed securities, qualify under the rule as HQLA, with classes of assets deemed relatively less liquid and/or subject to greater degree of credit risk subject to certain haircuts and caps for purposes of calculating the numerator under the Final LCR Rule.

The initial compliance date for the modified LCR is January 2016, with the requirement fully phased-in by January 2017. The Company intends to comply with the LCR when it becomes effective. A detailed discussion of the LCR and its requirements is included in Part I, Item 1 of this Form 10-K under the heading Liquidity Ratios under Basel III.

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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 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

The Company recorded net income during 2014 of $1.07 billion or $7.42 of diluted earnings per common share, down 6% and 10%, respectively, from $1.14 billion or $8.20 of diluted earnings per common share in 2013. Basic earnings per common share decreased 10% to $7.47 in 2014 from $8.26 in 2013. Net income in 2012 totaled $1.03 billion, while diluted and basic earnings per common share were $7.54 and $7.57, respectively. The after-tax impact of merger-related expenses associated with acquisition transactions was $8 million ($12 million pre-tax) or $.06 of basic and diluted earnings per common share in 2013, compared with $6 million ($10 million pre-tax) or $.05 of basic and diluted earnings per common share in 2012. The 2013 merger-related expenses were associated with the pending acquisition of Hudson City and the 2012 expenses related to the May 16, 2011 acquisition of Wilmington Trust Corporation (Wilmington Trust). There were no merger-related expenses in 2014. Expressed as a rate of return on average assets, net income in 2014 was 1.16%, compared with 1.36% in 2013 and 1.29% in 2012. The return on average common shareholders equity was 9.08% in 2014, 10.93% in 2013 and 10.96% in 2012.

The Company s financial performance in 2014 as compared with 2013 reflected a significantly lower provision for credit losses and higher mortgage banking revenues, offset by lower net gains from investment securities and loan securitization transactions and higher operating expenses largely resulting from increased costs for professional services and salaries. During 2013, the Company sold the majority of its privately issued mortgage-backed securities 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 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. Also 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 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. As compared with 2012, the positive impact of the 2013 securities transactions and gains on securitization activities were partially offset by higher operating expenses largely attributable to increased costs for professional services and salaries.

Taxable-equivalent net interest income totaled $2.70 billion in each of 2014 and 2013. Average earning assets grew $7.7 billion, or 10%, in 2014 due to higher balances of investment securities and interest-bearing deposits at banks. Offsetting the impact of higher earning assets was a 34 basis point (hundredths of one percent) narrowing of the net interest margin, or taxable-equivalent net interest income divided by average earning assets, from 3.65% in 2013 to 3.31% in 2014. Taxable-equivalent net interest income rose $73 million or 3% in 2013 as compared with 2012, resulting from a $2.4 billion, or 4%, increase in average loans and leases. The net interest margin in 2013 was 8 basis points lower than in 2012.

The provision for credit losses in 2014 declined 33% to $124 million from $185 million in 2013. The Company experienced significant improvement in credit quality during 2014. Net charge-offs of $121 million in 2014 were down from $183 million in the prior year. Net charge-offs as a percentage of average loans and leases were .19% and .28% in 2014 and 2013, respectively. The provision for credit losses in 2013 was $19 million or 9% lower than $204 million in 2012. Net charge-offs in 2012 were $186 million, or .30% of average loans and leases.

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Other income aggregated $1.78 billion in 2014, compared with $1.87 billion in 2013 and $1.67 billion in 2012. Included in other income in 2013 were net gains on investment securities of $47 million, compared with net losses on investment securities of $48 million in 2012. There were no gains or losses on investment securities in 2014. Excluding gains and losses on investment securities and the previously noted $63 million of gains from loan securitization transactions in 2013, other income in 2014 was up $24 million from $1.76 billion in 2013. Higher mortgage banking revenues and trust income in 2014 were partially offset by a decline in service charges on deposit accounts. After excluding investment securities gains and losses and the loan securitization transactions, other income in 2013 was $40 million or 2% above $1.72 billion in 2012. In that comparison, higher trust, brokerage services and credit card interchange income in 2013 were partially offset by lower mortgage banking revenues. 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).

Other expense increased 4% to $2.74 billion in 2014 from $2.64 billion in 2013. During 2012, other expense totaled $2.51 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 $34 million, $47 million and $61 million in 2014, 2013 and 2012, respectively, and merger-related expenses of $12 million and $10 million in 2013 and 2012, respectively. Exclusive of those nonoperating expenses, noninterest operating expenses aggregated $2.71 billion in 2014, compared with $2.58 billion in 2013 and $2.44 billion in 2012. The increase in such expenses in 2014 as compared with 2013 was largely attributable to higher costs for professional services and salaries associated with BSA/AML activities, compliance, capital planning and stress testing, and risk management activities. The rise in noninterest operating expenses from 2012 to 2013 was largely attributable to higher costs for professional services and salaries, partially offset by lower FDIC assessments. In addition, the Company reached a legal settlement of a previously disclosed lawsuit related to issues that were alleged to occur at Wilmington Trust prior to its acquisition by M&T that led to a $40 million loss accrual as of December 31, 2013. That accrual was partially offset by the reversal of an accrual for a contingent compensation obligation assumed in the May 2011 acquisition of Wilmington Trust that expired, resulting in a $26 million reduction of other costs of operations in 2013.

The efficiency ratio measures 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), was 60.5% in 2014, compared with 57.0% and 56.2% in 2013 and 2012, respectively. The calculations of the efficiency ratio are presented in table 2.

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Table 1

EARNINGS SUMMARY

Dollars in millions

Increase (Decrease)(a)										Compound
2013 to 2014		2012 to 2013								Growth Rate 5 Years 2009 to
Amount	**%**	**Amount**	**%**		**2014**	**2013**	**2012**	**2011**	**2010**	**2014**
$ (1.8)		$ 14.2		Interest income(b)	$ 2,980.5	2,982.3	2,968.1	2,817.9	2,753.8	2%
(3.7)	(1)	(59.1)	(17)	Interest expense	280.4	284.1	343.2	402.3	462.3	(16)
1.9		73.3	3	Net interest income(b)	2,700.1	2,698.2	2,624.9	2,415.6	2,291.5	5
(61.0)	(33)	(19.0)	(9)	Less: provision for credit losses	124.0	185.0	204.0	270.0	368.0	(27)
(46.7)		94.5		Gain (loss) on bank investment securities(c)		46.7	(47.8)	73.2	(83.5)	
(39.2)	(2)	103.4	6	Other income	1,779.3	1,818.5	1,715.1	1,509.8	1,191.6	8
				Less:						
49.8	4	40.6	3	Salaries and employee benefits	1,405.0	1,355.2	1,314.6	1,204.0	999.7	7
57.2	4	86.0	7	Other expense	1,337.9	1,280.7	1,194.7	1,274.1	915.1	6
(130.0)	(7)	163.6	10	Income before income taxes	1,612.5	1,742.5	1,578.9	1,250.5	1,116.8	24
				Less:						
(1.3)	(5)	(1.4)	(5)	Taxable-equivalent adjustment(b)	23.7	25.0	26.4	25.9	24.0	2
(56.4)	(10)	56.0	11	Income taxes	522.6	579.0	523.0	365.1	356.6	30
$ (72.3)	(6)	$ 109.0	11	Net income	$ 1,066.2	1,138.5	1,029.5	859.5	736.2	23%

(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, 2014, 2013 and 2012. 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 $21 million, $29 million and $37 million during 2014, 2013 and 2012, respectively.

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 was $1.09 billion in 2014, compared with $1.17 billion in 2013. Diluted net operating earnings per common share in 2014 were $7.57, compared with $8.48 in 2013. Net operating income and diluted net operating earnings per common share were $1.07 billion and $7.88, respectively, in 2012.

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Table 2

RECONCILIATION OF GAAP TO NON-GAAP MEASURES

	2014	2013	2012
Income statement data			
In thousands, except per share			
Net income			
Net income	$ 1,066,246	$ 1,138,480	$ 1,029,498
Amortization of core deposit and other intangible assets(a)	20,657	28,644	37,011
Merger-related expenses(a)		7,511	6,001
Net operating income	$ 1,086,903	$ 1,174,635	$ 1,072,510
Earnings per common share			
Diluted earnings per common share	$ 7.42	$ 8.20	$ 7.54
Amortization of core deposit and other intangible assets(a)	.15	.22	.29
Merger-related expenses(a)		.06	.05
Diluted net operating earnings per common share	$ 7.57	$ 8.48	$ 7.88
Other expense			
Other expense	$ 2,742,857	$ 2,635,885	$ 2,509,260
Amortization of core deposit and other intangible assets	(33,824)	(46,912)	(60,631)
Merger-related expenses		(12,364)	(9,879)
Noninterest operating expense	$ 2,709,033	$ 2,576,609	$ 2,438,750
Merger-related expenses			
Salaries and employee benefits	$	$ 836	$ 4,997
Equipment and net occupancy		690	15
Printing, postage and supplies		1,825	
Other costs of operations		9,013	4,867
Total	$	$ 12,364	$ 9,879
Efficiency ratio			
Noninterest operating expense (numerator)	$ 2,709,033	$ 2,576,609	$ 2,438,750
Taxable-equivalent net interest income	2,700,088	2,698,200	2,624,907
Other income	1,779,273	1,865,205	1,667,270
Less: Gain on bank investment securities		56,457	9
Net OTTI losses recognized in earnings		(9,800)	(47,822)
Denominator	$ 4,479,361	$ 4,516,748	$ 4,339,990
Efficiency ratio	60.48%	57.05%	56.19%
Balance sheet data			
In millions			
Average assets			
Average assets	$ 92,143	$ 83,662	$ 79,983
Goodwill	(3,525)	(3,525)	(3,525)
Core deposit and other intangible assets	(50)	(90)	(144)
Deferred taxes	15	27	42
Average tangible assets	$ 88,583	$ 80,074	$ 76,356

Average common equity			
Average total equity	$ 12,097	$ 10,722	$ 9,703
Preferred stock	(1,192)	(878)	(869)
Average common equity	10,905	9,844	8,834
Goodwill	(3,525)	(3,525)	(3,525)
Core deposit and other intangible assets	(50)	(90)	(144)
Deferred taxes	15	27	42
Average tangible common equity	$ 7,345	$ 6,256	$ 5,207
At end of year			
Total assets			
Total assets	$ 96,686	$ 85,162	$ 83,009
Goodwill	(3,525)	(3,525)	(3,525)
Core deposit and other intangible assets	(35)	(69)	(116)
Deferred taxes	11	21	34
Total tangible assets	$ 93,137	$ 81,589	$ 79,402
Total common equity			
Total equity	$ 12,336	$ 11,306	$ 10,203
Preferred stock	(1,231)	(882)	(873)
Undeclared dividends cumulative preferred stock	(3)	(3)	(3)
Common equity, net of undeclared cumulative preferred dividends	11,102	10,421	9,327
Goodwill	(3,525)	(3,525)	(3,525)
Core deposit and other intangible assets	(35)	(69)	(116)
Deferred taxes	11	21	34
Total tangible common equity	$ 7,553	$ 6,848	$ 5,720

(a) After any related tax effect.

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Net operating income expressed as a rate of return on average tangible assets was 1.23% in 2014, compared with 1.47% in 2013 and 1.40% in 2012. Net operating income represented a return on average tangible common equity of 13.76% in 2014, compared with 17.79% and 19.42% in 2013 and 2012, respectively.

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

Net Interest Income/Lending and Funding Activities

Taxable-equivalent net interest income aggregated $2.70 billion in each of 2014 and 2013. Growth in average earning assets in 2014 was offset by a narrowing of the net interest margin. Average earning assets rose 10% to $81.7 billion in 2014 from $74.0 billion in 2013, the result of higher average balances of investment securities and interest-bearing deposits at the Federal Reserve Bank of New York. The net interest margin narrowed to 3.31% in 2014 from 3.65% in 2013. Contributing to that decline was a 19 basis point reduction in the average yield on loans and leases and the lower yielding cash balances on deposit with the Federal Reserve Bank of New York.

Average loans and leases declined $388 million or 1% to $64.7 billion in 2014 from $65.1 billion in 2013. Commercial loans and leases averaged $18.9 billion in 2014, $1.1 billion or 6% higher than in the prior year. That growth reflected increased demand by customers. Average balances of commercial real estate loans increased 1% or $379 million to $26.5 billion in 2014 from $26.1 billion in 2013. Average residential real estate balances declined to $8.7 billion in 2014 from $10.1 billion in the preceding year. Included in that portfolio were loans originated for sale, which averaged $403 million in 2014 and $909 million in 2013. Excluding loans held for sale, average residential real estate loans decreased $911 million from 2013 to 2014, resulting largely from the full-year impact of the securitizations during mid-2013 of $1.3 billion of loans held in the loan portfolio. Average consumer loans totaled $10.6 billion in 2014, down $480 million or 4% from $11.1 billion in 2013 due to the full-year impact of the $1.4 billion automobile loan securitization transaction completed during the third quarter of 2013.

Net interest income on a taxable-equivalent basis increased $73 million or 3% in 2013 from $2.62 billion in 2012. That improvement resulted from a 5% rise in average earning assets, to $74.0 billion in 2013 from $70.3 billion in 2012. The increase in average earning assets was the result of higher average loans and leases and interest-bearing deposits held at the Federal Reserve Bank of New York. The net interest margin declined 8 basis points in 2013 from 3.73% in 2012. That narrowing was largely due to an 11 basis point reduction in the average yield on loans and leases and the lower yielding cash balances on deposit at the Federal Reserve Bank of New York.

Average balances of loans and leases increased $2.4 billion or 4% in 2013 from $62.7 billion in 2012. Commercial loans and leases averaged $17.7 billion in 2013, up $1.4 billion or 9% from $16.3 billion in 2012. Average commercial real estate loans increased $1.2 billion or 5% to $26.1 billion in 2013 from $24.9 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 $409 million or 4% to $10.1 billion in 2013 from $9.7 billion in 2012, 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 mid-2013 securitizations noted earlier. Consumer loans averaged $11.1 billion in 2013, down $635 million or 5% from $11.7 billion in 2012 due, in part, to the impact of the third quarter 2013 automobile loan securitization transaction.

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Table 3

AVERAGE BALANCE SHEETS AND TAXABLE-EQUIVALENT RATES

	2014			**2013**			**2012**			**2011**			**2010**		
	Average Balance	**Interest**	**Average Rate**	**Average Balance**	**Interest**	**Average Rate**	**Average Balance**	**Interest**	**Average Rate**	**Average Balance**	**Interest**	**Average Rate**	**Average Balance**	**Interest**	**A**
						(Average balance in millions; interest in thousands)									
assets															
d leases, earned (a)															
cial, , etc.	$ 18,867	$ 624,487	3.31%	17,736	628,154	3.54%	16,336	606,495	3.71%	14,655	564,787	3.85%	13,092	521,747	
te cial	26,461	1,142,939	4.26	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	
te r	8,719	368,632	4.23	10,136	418,095	4.12	9,727	421,516	4.33	6,778	334,421	4.93	5,746	303,262	
er	10,618	480,877	4.53	11,098	510,962	4.60	11,732	559,253	4.77	11,865	592,386	4.99	11,745	613,479	
ns and et	64,665	2,616,935	4.05	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	
bearing at banks	5,342	13,361	.25	2,139	5,201	.24	528	1,221	.23	1,195	2,934	.25	102	88	
unds sold ements to curities	89	64	.07	128	114	.09	4	21	.55	180	189	.11	221	446	
account	76	1,381	1.81	78	1,482	1.91	96	1,394	1.45	94	1,411	1.50	94	789	
ent s(b)															
asury and gencies	10,543	304,178	2.88	5,123	165,879	3.24	4,538	150,500	3.32	4,165	155,339	3.73	4,483	191,677	
ons of d political ons	166	8,115	4.89	194	9,999	5.15	220	11,638	5.29	244	13,704	5.61	266	15,107	
	800	36,485	4.56	1,298	44,019	3.39	2,211	77,315	3.50	2,655	101,020	3.80	3,269	133,176	
estment s	11,509	348,778	3.03	6,615	219,897	3.32	6,969	239,453	3.44	7,064	270,063	3.82	8,018	339,960	
rning	81,681	2,980,519	3.65	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	
ce for sses	(923)			(932)			(922)			(916)			(906)		
l due from	1,277			1,380			1,384			1,207			1,099		
sets	10,108			9,201			9,222			8,954			8,455		
ets	$ 92,143			83,662			79,983			73,977			68,380		
es and lders															
bearing s															

bearing														
counts	$ 1,034	1,404	.14	923	1,287	.14	856	1,343	.16	753	1,145	.15	601	850
deposits	40,474	45,465	.11	36,739	54,948	.15	33,398	68,011	.20	30,403	84,314	.28	26,190	85,226
posits	3,290	15,515	.47	4,045	26,439	.65	5,347	46,102	.86	6,480	71,014	1.10	6,583	100,241
at Islands	327	699	.21	496	1,018	.21	605	1,130	.19	779	962	.12	953	1,368
bearing	45,125	63,083	.14	42,203	83,692	.20	40,206	116,586	.29	38,415	157,435	.41	34,327	187,685
m gs	215	101	.05	390	430	.11	839	1,286	.15	827	1,030	.12	1,854	3,006
m gs	7,492	217,247	2.90	4,941	199,983	4.05	5,527	225,297	4.08	6,959	243,866	3.50	9,169	271,578
bearing s	52,832	280,431	.53	47,534	284,105	.60	46,572	343,169	.74	46,201	402,331	.87	45,350	462,269
est-bearing	25,715			23,721			21,761			17,273			13,709	
bilities	1,499			1,685			1,947			1,499			1,218	
bilities	80,046			72,940			70,280			64,973			60,277	
ders equity	12,097			10,722			9,703			9,004			8,103	
bilities and ders equity	$ 92,143			83,662			79,983			73,977			68,380	
est spread			3.12			3.43			3.48			3.48		
tion of free funds			.19			.22			.25			.25		
est margin on assets		$ 2,700,088	3.31%		2,698,200	3.65%		2,624,907	3.73%		2,415,632	3.73%		2,291,549

(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 2014 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)

	2014 (In millions)	Percent Increase (Decrease) from 2013 to 2014	2012 to 2013
Commercial, financial, etc.	$ 18,867	6 %	9%
Real estate commercial	26,461	1	5
Real estate consumer	8,719	(14)	4
Consumer			
Automobile	1,675	(23)	(16)
Home equity lines	5,747		(3)
Home equity loans	314	(24)	(27)
Other	2,882	5	3
Total consumer	10,618	(4)	(5)
Total	$ 64,665	(1)%	4%

Commercial loans and leases, excluding loans secured by real estate, aggregated $19.5 billion at December 31, 2014, representing 29% of total loans and leases. Table 5 presents information on commercial loans and leases as of December 31, 2014 relating to geographic area, size, borrower industry and whether the loans are secured by collateral or unsecured. Of the $19.5 billion of commercial loans and leases outstanding at the end of 2014, approximately $17.0 billion, or 87%, were secured, while 44%, 25% 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, 2014 aggregated $1.2 billion, of which 50% were secured by collateral located in New York State, 17% were secured by collateral in Pennsylvania and another 12% were secured by collateral in the Mid-Atlantic area.

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Table 5

COMMERCIAL LOANS AND LEASES, NET OF UNEARNED DISCOUNT

(Excludes Loans Secured by Real Estate)

December 31, 2014

	New York	Pennsylvania	Mid-Atlantic	Other	Total	Percent of Total
			(Dollars in millions)			
Automobile dealerships	$ 1,518	$ 792	$ 363	$ 817	$ 3,490	18%
Services	1,109	682	914	377	3,082	16
Manufacturing	1,475	855	283	454	3,067	16
Wholesale	887	444	414	253	1,998	10
Financial and insurance	754	228	357	40	1,379	7
Transportation, communications, utilities	427	404	167	255	1,253	6
Real estate investors	673	207	163	101	1,144	6
Health services	515	168	329	45	1,057	5
Construction	394	279	159	56	888	5
Retail	208	231	88	115	642	3
Public administration	160	84	46	1	291	2
Agriculture, forestry, fishing, mining, etc.	26	127	32	2	187	1
Other	425	284	247	27	983	5
Total	$ 8,571	$ 4,785	$ 3,562	$ 2,543	$ 19,461	100%
Percent of total	44%	25%	18%	13%	100%	
Percent of dollars outstanding						
Secured	82%	79%	83%	81%	81%	
Unsecured	11	17	13	9	13	
Leases	7	4	4	10	6	
Total	100%	100%	100%	100%	100%	
Percent of dollars outstanding by size of loan						
Less than $1 million	22%	19%	29%	11%	21%	
$1 million to $5 million	21	24	20	22	22	
$5 million to $10 million	15	19	14	26	17	
$10 million to $20 million	16	23	19	23	19	
$20 million to $30 million	10	13	7	10	10	
$30 million to $50 million	11	1	8	8	8	
Greater than $50 million	5	1	3		3	
Total	100%	100%	100%	100%	100%	

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International loans included in commercial loans and leases totaled $167 million and $170 million at December 31, 2014 and 2013, respectively. Included in such loans were $61 million and $72 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 64% of the loan and lease portfolio during 2014, compared with 65% in 2013 and 66% in 2012. At December 31, 2014, the Company held approximately $27.6 billion of commercial real estate loans, $8.7 billion of consumer real estate loans secured by one-to-four family residential properties (including $435 million of loans originated for sale) and $6.0 billion of outstanding balances of home equity loans and lines of credit, compared with $26.1 billion, $8.9 billion and $6.1 billion, respectively, at December 31, 2013. Included in total loans and leases were amounts due from builders and developers of residential real estate aggregating $1.5 billion and $1.3 billion at December 31, 2014 and 2013, 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 65% of the commercial real estate loan portfolio at the 2014 year-end. Table 6 presents commercial real estate loans by geographic area, type of collateral and size of the loans outstanding at December 31, 2014. New York City metropolitan area commercial real estate loans totaled $9.2 billion at December 31, 2014. The $7.1 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 44% 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 11% of the total.

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Table 6

COMMERCIAL REAL ESTATE LOANS, NET OF UNEARNED DISCOUNT

December 31, 2014

	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/Service	$ 1,488	$ 508	$ 407	$ 869	$ 659	$ 3,931	14%
Office	1,229	828	471	868	346	3,742	14
Apartments/Multifamily	1,533	591	289	524	507	3,444	12
Hotel	737	356	304	347	366	2,110	8
Industrial/Warehouse	286	203	216	275	206	1,186	4
Health facilities	48	41	21	19	10	139	1
Other	112	16	12	30	20	190	1
Total permanent	5,433	2,543	1,720	2,932	2,114	14,742	54%
Construction/Development							
Commercial							
Construction	608	529	290	695	228	2,350	9%
Land/Land development	512	24	45	122	64	767	3
Residential builder and developer							
Construction	569	2	64	126	190	951	3
Land/Land development	11	21	67	277	138	514	2
Total construction/development	1,700	576	466	1,220	620	4,582	17%
Total investor-owned	7,133	3,119	2,186	4,152	2,734	19,324	71%
Owner-occupied by industry(a)							
Health services	866	521	319	568	319	2,593	9%
Other services	264	335	256	497	40	1,392	5
Retail	166	177	218	285	61	907	3
Wholesale	122	185	225	155	131	818	3
Manufacturing	156	200	162	90	32	640	2
Real estate investors	126	66	155	140	50	537	2
Automobile dealerships	87	85	61	125	4	362	1
Other	283	177	217	302	16	995	4
Total owner-occupied	2,070	1,746	1,613	2,162	653	8,244	29%
Total commercial real estate	$ 9,203	$ 4,865	$ 3,799	$ 6,314	$ 3,387	$ 27,568	100%
Percent of total	33%	18%	14%	23%	12%	100%	
Percent of dollars outstanding by size of loan							
Less than $1 million	5%	21%	19%	15%	7%	12%	
$1 million to $5 million	22	36	32	27	18	26	

$5 million to $10 million	17	20	18	16	15	18
$10 million to $30 million	34	21	26	21	32	27
$30 million to $50 million	11	2	3	11	10	8
$50 million to $100 million	9		2	10	18	8
Greater than $100 million	2					1
Total	100%	100%	100%	100%	100%	100%

(a) Includes $428 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 77% 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 69% and 58%, 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 12% of total commercial real estate loans as of December 31, 2014.

Commercial real estate construction and development loans made to investors presented in table 6 totaled $4.6 billion at December 31, 2014, or 7% of total loans and leases. Approximately 95% of those construction loans had adjustable interest rates. Included in such loans at the 2014 year-end were $1.5 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 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 $2.4 billion and $2.3 billion at December 31, 2014 and 2013, 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, 2014 and 2013 aggregated $308 million and $68 million, respectively. At December 31, 2014 and 2013, commercial real estate loans serviced for other investors by the Company were $11.3 billion and $11.4 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 $8.7 billion at December 31, 2014, including approximately 41% secured by properties located in New York State, 13% secured by properties located in Pennsylvania and 25% secured by properties located in the Mid-Atlantic area. At December 31, 2014, $435 million of residential real estate loans had been originated for sale, compared with $401 million at December 31, 2013. The Company s portfolio of alternative (Alt-A) residential real estate loans held for investment at December 31, 2014 declined to $351 million from $396 million at December 31, 2013. 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 $35 million at December 31, 2014 and $34 million at December 31, 2013, 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% of total loans and leases at each of December 31, 2014 and 2013. 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, 2014 and 2013. No other consumer loan product represented at least 4% of loans outstanding at December 31, 2014. Approximately 41% of home equity lines of credit outstanding at December 31, 2014 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 rose to nearly $2.0 billion at December 31, 2014 from $1.4 billion at December 31, 2013. That increase reflects higher consumer demand for motor vehicles.

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Table 7 presents the composition of the Company s loan and lease portfolio at the end of 2014, 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, 2014 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, 2014

		Percent of Dollars Outstanding			
	Outstandings (In millions)	New York State	Pennsylvania	Mid-Atlantic	Other
Real estate					
Residential	$ 8,657	41%	13%	25%	21%
Commercial	27,568	51(a)	14	23	12
Total real estate	36,225	49%	14%	23%	14%
Commercial, financial, etc.	18,272	44%	25%	19%	12%
Consumer					
Home equity lines	5,747	41%	21%	36%	2%
Home equity loans	275	13	28	53	6
Automobile	1,979	31	23	23	23
Other secured or guaranteed	2,263	24	14	17	45
Other unsecured	719	40	23	34	3
Total consumer	10,983	34%	21%	30%	15%
Total loans	65,480	45%	18%	23%	14%
Commercial leases	1,189	49%	17%	12%	22%
Total loans and leases	$ 66,669	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 $11.5 billion in 2014, up from $6.6 billion and $7.0 billion in 2013 and 2012, respectively. The significant rise in such balances in 2014 reflects the net effect of purchases of mortgage-backed securities during 2013 and 2014 and the impact of investment securities sales and securitizations in 2013 as described below. 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 guaranteed by the Federal Housing Authority (FHA) that were held in its loan portfolio. 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 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, and another $4.6 billion of Fannie Mae securities and

$602 million of Ginnie Mae securities were purchased during 2014. The Company has increased its holdings of investment securities in response to changing regulatory requirements.

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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 liquidity position and its overall interest-rate risk profile 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. Nevertheless, there were no other-than-temporary impairment charges recognized in 2014. Pre-tax other-than-temporary impairment charges of $10 million and $48 million were recognized during 2013 and 2012, respectively, related to certain privately issued mortgage-backed securities. 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 those 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 2013 and 2012 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, 2014, the Company concluded that declines in value below amortized cost associated with 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 of New York and other banks, trading account assets, federal funds sold and agreements to resell securities. Those other earning assets in the aggregate averaged $5.5 billion in 2014, $2.3 billion in 2013 and $628 million in 2012. Interest-bearing deposits at banks averaged $5.3 billion in 2014, compared with $2.1 billion and $528 million in 2013 and 2012, respectively. The higher levels of average interest-bearing deposits at banks in 2014 and 2013 were due, in part, to higher 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 $69.1 billion in 2014, up from $63.8 billion in 2013 and $59.1 billion in 2012. The growth in core deposits from 2012 to 2014 was due, in part, to higher deposits of trust customers and 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. 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 85% of average earning assets in 2014, compared with 86% and 84% in 2013 and 2012, respectively. Table 8 summarizes average core deposits in 2014 and percentage changes in the components of such deposits over the past two years. Core deposits aggregated $72.0 billion and $65.4 billion at December 31, 2014 and 2013, respectively.

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Table 8

AVERAGE CORE DEPOSITS

	2014	Percentage Increase (Decrease) from 2013 to 2014	2012 to 2013
	(In millions)		
NOW accounts	$ 1,010	12%	8%
Savings deposits	39,440	10	10
Time deposits	2,921	(15)	(18)
Noninterest-bearing deposits	25,715	8	9
Total	$ 69,086	8%	8%

The Company has additional funding sources, including 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 $366 million in 2014, $325 million in 2013 and $410 million in 2012. Cayman Islands office deposits averaged $327 million in 2014, $496 million in 2013 and $605 million in 2012. Brokered time deposits averaged $4 million in 2014, compared with $279 million in 2013 and $741 million in 2012. There were no brokered time deposits outstanding at December 31, 2014. At December 31, 2013, such deposits totaled $26 million. The Company also had brokered NOW and brokered money-market deposit accounts, which in the aggregate averaged $1.1 billion in each of 2014, 2013 and 2012. 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 are also reflective of customer demand. Additional amounts of Cayman Islands office deposits or brokered 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, the Federal Reserve Bank of New York and others as sources of funding. Average short-term borrowings totaled $215 million in 2014, $390 million in 2013 and $839 million in 2012. Included in short-term borrowings were unsecured federal funds borrowings, which generally mature on the next business day, that averaged $156 million, $284 million and $669 million in 2014, 2013 and 2012, respectively. Overnight federal funds borrowings represented the largest component of average short-term borrowings and totaled $135 million at December 31, 2014 and $169 million at December 31, 2013.

Long-term borrowings averaged $7.5 billion in 2014, $4.9 billion in 2013 and $5.5 billion in 2012. During the first quarter of 2013, M&T Bank initiated a Bank Note Program whereby M&T Bank may offer unsecured senior and subordinated notes. Average balances of notes issued under that program were $2.9 billion in 2014 and $657 million in 2013. During March 2013, $300 million of three-year floating rate senior notes and $500 million of fixed rate senior notes were issued. During 2014, M&T Bank issued $550 million of three-year floating rate, $1.25 billion of three-year fixed rate and $1.4 billion of five-year fixed rate senior notes. The proceeds of the issuances have been predominantly utilized to purchase additional liquid investments that will meet the regulatory liquidity requirements. In addition, in February 2015 M&T Bank issued $1.5 billion of senior notes of which $750 million mature in 2020 and $750 million mature in 2025. Also included in average long-term borrowings were amounts borrowed from the Federal Home Loan Banks of New York, Atlanta and Pittsburgh of $692 million in 2014, $30 million in 2013 and $768 million in 2012, and subordinated capital notes of $1.6 billion in each of 2014 and 2013 and $2.0 billion in 2012. During the second quarter of 2014, M&T Bank borrowed approximately $1.1 billion from the Federal Home Loan Bank (FHLB) of New York. Those borrowings were split between three-year and five-year terms at fixed rates of interest. On November 1, 2014, M&T Bank redeemed $50 million of 9.50% subordinated notes that were due to mature in 2018. 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 $889 million in 2014 and

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$1.2 billion in each of 2013 and 2012. M&T redeemed $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 2014, 2013 and 2012. The agreements have various repurchase dates through 2017, however, the contractual maturities of the underlying securities extend beyond such repurchase dates. The Company has utilized interest rate swap agreements to modify the repricing characteristics of certain components of long-term debt. As of December 31, 2014, interest rate swap agreements were used to hedge approximately $1.4 billion of outstanding fixed rate long-term borrowings. 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 3.12% in 2014, compared with 3.43% in 2013 and 3.48% in 2012. The yield on the Company s earning assets declined 38 basis points to 3.65% in 2014 from 4.03% in 2013, while the rate paid on interest-bearing liabilities decreased 7 basis points to .53% in 2014 from .60% in 2013. The yield on earning assets during 2013 decreased 19 basis points from 4.22% in 2012, while the rate paid on interest-bearing liabilities declined 14 basis points from .74% in 2012. 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 $28.8 billion in 2014, compared with $26.5 billion in 2013 and $23.7 billion in 2012. The significant increases in average net interest-free funds in 2014 and 2013 were largely the result of higher balances of noninterest-bearing deposits, which averaged $25.7 billion in 2014, $23.7 billion in 2013 and $21.8 billion in 2012. Goodwill and core deposit and other intangible assets averaged $3.6 billion in each of 2014 and 2013 and $3.7 billion in 2012. The cash surrender value of bank owned life insurance averaged $1.7 billion in 2014 and $1.6 billion in each of 2013 and 2012. 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 .19% in 2014, .22% in 2013 and .25% in 2012.

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 3.31% in 2014, 3.65% in 2013 and 3.73% in 2012. 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 interest-bearing liabilities. Periodic settlement amounts arising from these agreements are reflected in 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 at each of December 31, 2014 and 2013. 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 2014, 2013 and 2012 were not material to the Company s results of operations. The estimated aggregate fair value of interest rate swap agreements designated as fair value

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hedges represented gains of approximately $73 million at December 31, 2014 and $103 million at December 31, 2013. 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 hedged items primarily result from the effects of changing interest rates and spreads. The Company s credit exposure as of December 31, 2014 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 $49 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

	Year Ended December 31					
	2014		2013		2012	
	Amount	Rate(a)	Amount	Rate(a)	Amount	Rate(a)
	(Dollars in thousands)					
Increase (decrease) in:						
Interest income	$	%	$	%	$	%
Interest expense	(44,996)	(.09)	(41,326)	(.09)	(36,368)	(.08)
Net interest income/margin	$ 44,996	.06%	$ 41,326	.06%	$ 36,368	.05%
Average notional amount	$ 1,400,000		$ 1,160,274		$ 900,000	
Rate received(b)		4.42%		5.03%		6.07%
Rate paid(b)		1.19%		1.47%		2.03%

(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 $124 million in 2014, compared with $185 million in 2013 and $204 million in 2012. Net loan charge-offs aggregated $121 million in 2014, $183 million in 2013 and $186 million in 2012. Net loan charge-offs as a percentage of average loans outstanding were .19% in 2014, compared with .28% in 2013 and .30% in 2012. 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.

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Table 10

LOAN CHARGE-OFFS, PROVISION AND ALLOWANCE FOR CREDIT LOSSES

	2014	2013	2012	2011	2010
			(Dollars in thousands)		
Allowance for credit losses beginning balance	$ 916,676	$ 925,860	$ 908,290	$ 902,941	$ 878,022
Charge-offs during year					
Commercial, financial, leasing, etc.	58,943	109,329	41,148	55,021	91,650
Real estate construction	1,882	9,137	27,687	63,529	86,603
Real estate mortgage	33,527	49,079	58,572		