M&T BANK CORP
Form 10-K
February 25, 2013
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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, 2012

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:

716-842-5445

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.50 par value	New York Stock Exchange
5% Cumulative Perpetual Preferred Stock, Series A, $1,000 liquidation preference per share	New York Stock Exchange
5% 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, 2012: $9,403,393,623.

Number of shares of the Common Stock, $0.50 par value, outstanding as of the close of business on February 20, 2013: 128,727,372 shares.

Documents Incorporated By Reference:

(1) Portions of the Proxy Statement for the 2013 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, 2012

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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 the Registrant are located at One M&T Plaza, Buffalo, New York 14203. The Registrant was incorporated in November 1969. The Registrant and its direct and indirect subsidiaries are collectively referred to herein as the Company. As of December 31, 2012 the Company had consolidated total assets of $83.0 billion, deposits of $65.6 billion and shareholders equity of $10.2 billion. The Company had 13,640 full-time and 1,303 part-time employees as of December 31, 2012.

At December 31, 2012, the Registrant had two wholly owned bank subsidiaries: M&T Bank and Wilmington Trust, National Association (Wilmington Trust, N.A.). The banks collectively offer a wide range of retail and commercial banking, trust and wealth management, and investment services to their customers. At December 31, 2012, 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, 2012, M&T Bank had 725 domestic banking offices located throughout New York State, Pennsylvania, Maryland, Delaware, New Jersey, 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, 2012, M&T Bank had consolidated total assets of $82.1 billion, deposits of $66.4 billion and shareholder s equity of $10.3 billion. The deposit liabilities of M&T Bank are insured by the FDIC through its Deposit Insurance Fund (DIF). As a commercial bank, M&T Bank offers a broad range of financial services to a diverse base of consumers, businesses, professional clients, governmental entities and financial institutions located in its markets. Lending is largely focused on consumers residing in New York State, Pennsylvania, Maryland, Virginia, Delaware and Washington, D.C., and on small and medium-size businesses based in those areas, although loans are originated through lending offices in other states and in Ontario, Canada. In addition, the Company conducts lending activities in various states through other subsidiaries. Trust and other fiduciary services are offered by M&T Bank and through its wholly owned subsidiary, Wilmington Trust Company. M&T Bank and certain of its subsidiaries also offer commercial mortgage loans secured by income producing properties or properties used by borrowers in a trade or business. Additional financial services are provided through other operating subsidiaries of the Company.

Wilmington Trust, N.A., a national banking association and a member of the Federal Reserve System and the FDIC, commenced operations on October 2, 1995. The deposit liabilities of Wilmington Trust, N.A. are insured by the FDIC through the DIF. The main office of Wilmington Trust, N.A. is located at 1100 North Market Street, Wilmington, Delaware, 19890. A second office is located in Oakfield, New York. Wilmington Trust, N.A. offers various trust and wealth management services. Historically, Wilmington Trust, N.A. offered selected deposit and loan products on a nationwide basis, through direct mail, telephone marketing techniques and the Internet. As of December 31, 2012, Wilmington Trust, N.A. had total assets of $1.8 billion, deposits of $1.2 billion and shareholder s equity of $405 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,

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fiduciary and custodial services to its clients. As of December 31, 2012, Wilmington Trust Company had total assets of $1.4 billion and shareholder s equity of $543 million. Revenues of Wilmington Trust Company were $122 million in 2012. 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, 2012, M&T Life Insurance had assets of $17 million and shareholder s equity of $16 million. M&T Life Insurance recorded revenues of $1 million during 2012. 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, 2012, M&T Insurance Agency had assets of $52 million and shareholder s equity of $36 million. M&T Insurance Agency recorded revenues of $27 million during 2012. 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, 2012, M&T Reinsurance had assets of $23 million and shareholder s equity of $14 million. M&T Reinsurance recorded approximately $2 million of revenue during 2012. 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, 2012, M&T Real Estate had assets of $16.6 billion, common shareholder s equity of $15.6 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 $760 million of revenue in 2012. 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, 2012, M&T Realty Capital serviced $10.6 billion of commercial mortgage loans for non-affiliates and had assets of $691 million and shareholder s equity of $101 million. M&T Realty Capital recorded revenues of $98 million in 2012. 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, 2012, M&T Securities had assets of $56 million and shareholder s equity of $36 million. M&T Securities recorded $95 million of revenue during 2012. The headquarters of M&T Securities are located at One M&T Plaza, Buffalo, New York 14203.

Wilmington Trust Investment Advisors, Inc. (WT Investment Advisors), a wholly owned subsidiary of M&T Bank and formerly known as MTB Investment Advisors prior to its name change on January 10, 2012, was incorporated as a Maryland corporation on June 30, 1995. WT Investment Advisors, a registered investment advisor under the Investment Advisors Act, serves as investment advisor to the Wilmington Funds, a family of proprietary mutual funds, and institutional clients. As of December 31, 2012, WT Investment Advisors had assets of $26 million and shareholder s equity of $22 million. WT Investment

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Advisors recorded revenues of $38 million in 2012. The headquarters of WT Investment Advisors are located at 100 East Pratt Street, Baltimore, Maryland 21202.

Wilmington Funds Management Corporation (Wilmington Funds Management), formerly known as Rodney Square Management Corporation, is a wholly owned subsidiary of M&T that was incorporated in September 1981 as a Delaware corporation. Wilmington Funds Management is registered as an investment advisor under the Investment Advisors Act and serves as the investment advisor to the Wilmington Funds. Wilmington Funds Management had assets of $7 million and shareholder s equity of $6 million as of December 31, 2012. Wilmington Funds Management recorded revenues of $19 million in 2012. 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, 2012, WTIM has assets of $22 million and shareholder s equity of $21 million. WTIM recorded revenues of $7 million in 2012. WTIM s headquarters is located at Terminus 27th Floor, 3280 Peachtree Road N.E., Atlanta, Georgia 30305.

On February 21, 2012, the shareholders of the Wilmington Funds approved the reorganization of twelve Wilmington Funds into the surviving MTB Group of Funds, a family of proprietary mutual funds, which were renamed as the Wilmington Funds. Following the reorganization, Rodney Square Management Corporation was renamed Wilmington Funds Management and continued as the investment advisor to the Wilmington Funds, and WT Investment Advisors became the primary sub-advisor to the Wilmington Funds.

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, 2012.

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 fees for providing deposit account services. The amount of income from such sources during those years is set forth on the Company s Consolidated Statement of Income filed herewith in Part II, Item 8, Financial Statements and Supplementary Data.

Supervision and Regulation of the Company

M&T and its subsidiaries are subject to the comprehensive regulatory framework applicable to bank and financial holding companies and their subsidiaries. Regulation of financial institutions such as M&T and its subsidiaries is intended primarily for the protection of depositors, the FDIC s DIF 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. Changes in applicable law or regulation, and in their application by regulatory agencies, cannot be predicted, but they may have a material effect on the business and results of M&T and its subsidiaries.

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Overview

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

In general, the BHCA limits the business of a BHC to banking, managing or controlling banks and other activities that the Federal Reserve Board has determined to be so closely related to banking as to be a proper incident thereto. In addition, bank holding companies that qualify and elect to be financial holding companies may engage in any activity, or acquire and retain the shares of a company engaged in any activity, that is either (i) financial in nature or incidental to such financial activity (as determined by the Federal Reserve Board, by regulation or order, in consultation with the Secretary of the Treasury) or (ii) complementary to a financial activity and does not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally (as solely determined by the Federal Reserve Board). Activities that are financial in nature include securities underwriting and dealing, insurance underwriting and making merchant banking investments.

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

Current federal law also establishes a system of functional regulation under which, in addition to the broad supervisory authority that the Federal Reserve Board has over both the banking and non-banking activities of bank holding companies, the federal banking agencies will 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) will regulate their securities activities, and state insurance regulators will regulate their insurance activities. In addition, the Federal Reserve Board has broad regulatory rules developed by the federal financial institutions regulators that require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent the disclosure of certain personal information to nonaffiliated third parties.

Recent Developments

The events of the past few years have led to numerous new laws in the United States and internationally for financial institutions. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act or Dodd-Frank), which was enacted in July 2010, significantly restructures the financial regulatory regime in the United States and provides for enhanced supervision and prudential standards for, among other things, bank holding companies, like M&T, that have total consolidated assets of $50 billion or more. The implications of the Dodd-Frank Act for the Company s businesses will depend to a large extent on the manner in which rules adopted pursuant to the Dodd-Frank Act are implemented by the primary U.S. financial regulatory agencies as well as potential changes in market practices and structures in response to the requirements of the Dodd-Frank Act and financial reforms in other jurisdictions. Among other things:

- Dodd-Frank 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.
- Dodd-Frank centralized responsibility for consumer financial protection by creating a new agency, the Consumer Financial Protection Bureau (CFPB), and giving it responsibility for regulating consumer financial products and services sold by banks and non-bank companies and supervising

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banks and other insured depository institutions with assets of more than $10 billion and their affiliates for compliance with federal consumer protection laws.

Dodd-Frank provided that debit card interchange fees must be reasonable and proportional to the cost incurred by the issuer with respect to the transaction. This provision is known as the Durbin Amendment. The Federal Reserve Board adopted regulations, which became effective on October 1, 2011, setting the maximum permissible interchange fee as the sum of 21 cents per transaction and 5 basis points multiplied by the value of the transaction, with an additional adjustment of up to one cent per transaction if the issuer implements certain fraud-prevention standards. For more information regarding the impact of the Durbin Amendment on M&T s results of operations, see Part II, Item 7.

Dodd-Frank created a new systemic risk oversight body, the Financial Stability Oversight Council (FSOC), to oversee and coordinate the efforts of the primary U.S. financial regulatory agencies in establishing regulations to address financial stability concerns. Dodd-Frank directs the FSOC to make recommendations to the Federal Reserve Board as to enhanced supervision and prudential standards applicable to large, interconnected financial institutions, including bank holding companies like M&T with total consolidated assets of $50 billion or more (often referred to as systemically important financial institutions), and authorizes the Federal Reserve Board to establish such standards either on its own or upon the recommendations of the FSOC. Dodd-Frank mandates that the requirements applicable to systemically important financial institutions be more stringent than those applicable to other financial companies. In December 2011, the Federal Reserve Board issued for public comment a notice of proposed rulemaking (the Proposed SIFI Rules) establishing enhanced prudential standards responsive to these provisions for:

- risk-based capital requirements and leveraged limits;
- stress testing of capital;
- liquidity requirements;
- overall risk management requirements;
- resolution plan and credit exposure reporting; and
- concentration/credit exposure limits.

The Proposed SIFI Rules address a wide, diverse array of regulatory areas, each of which is highly complex. In some cases they would implement financial regulatory requirements being proposed for the first time, and in others over-lap with other regulatory reforms (including the Basel III capital and liquidity reforms discussed later in this section). The requirements generally will become effective on the first day of the fifth calendar quarter after the effective date of the final rule, although certain requirements have different transition periods. M&T is analyzing the impact of the Proposed SIFI Rules on its businesses. However, the full impact will not be known until the rules, and other regulatory initiatives that overlap with the rules, are finalized and their combined impacts can be understood. In October 2012, the Federal Reserve Board implemented, with revisions, a portion of the Proposed SIFI Rules by issuing a final rule with respect to annual company-run stress test requirements for bank holding companies, like M&T, with total consolidated assets of $50 billion or more.

Dodd-Frank requires various U.S. financial regulatory agencies to implement comprehensive rules governing the supervision, structure, trading and regulation of swap and over-the-counter derivative markets and participants. Dodd-Frank requires a large number of rulemaking in this area, many of which are not yet final. Once these rules are finalized, they could affect the way M&T or its subsidiaries operate, and resulting changes to the markets and participants could impact business models and profitability of M&T or its subsidiaries.

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. In October 2011, federal regulators proposed rules to implement the Volcker Rule. The proposed rules are highly complex, and many aspects of their application remain uncertain. Although the Volcker Rule became effective on July 21, 2012, final rules for its

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implementation have not yet been adopted. In April 2012, the Federal Reserve Board confirmed that banking institutions will have two years from the effective date to conform their activities to the requirements of the Volcker Rule. Based on the proposed rules, M&T does not currently anticipate that the Volcker Rule will have a material effect on the operations of M&T and its subsidiaries. Until a final rule is adopted, the precise financial impact of the rule on M&T, its customers or the financial industry more generally, cannot be determined.

New laws or regulations or changes to existing laws and regulations (including changes in interpretation or enforcement) could materially adversely affect M&T s financial condition or results of operations. As discussed further throughout this section, many aspects of the Dodd-Frank Act are subject to further rulemaking and will take effect over several years, making it difficult to anticipate the overall financial impact on M&T and its subsidiaries or the financial services industry generally.

Dividends

M&T is a legal entity separate and distinct from its banking and other subsidiaries. Historically, the majority of M&T s revenue has been from dividends paid to M&T by its subsidiary banks. M&T Bank and Wilmington Trust, N.A. are subject, under one or more of the banking laws, to restrictions on the amount of dividends they may declare and pay. Future dividend payments to M&T by its subsidiary banks will be dependent on a number of factors, including the earnings and financial condition of each such bank, and are subject to the limitations referred to in note 23 of Notes to Financial Statements filed herewith in Part II, Item 8, Financial Statements and Supplementary Data, and to other statutory powers of bank regulatory agencies.

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

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

Supervision and Regulation of M&T Bank s Subsidiaries

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

Federal Reserve Board s Capital Plan Review

In November 2011, the Federal Reserve Board published a final rule requiring bank holding companies (including M&T) with $50 billion or more of total consolidated assets to submit annual capital plans to the appropriate Federal Reserve Bank. Such bank holding companies will also be required to collect and report certain related data on a quarterly basis to allow the Federal Reserve Board to monitor the companies progress against their annual capital plans. The comprehensive capital plans, which are prepared using Basel I capital guidelines, include a view of capital adequacy under four scenarios a BHC-defined baseline scenario, a baseline scenario provided by the Federal Reserve Board, at least one BHC-defined stress scenario, and a stress scenario provided by the Federal Reserve Board. Covered bank holding companies, including M&T, may pay dividends and repurchase stock only in accordance with a capital plan that has been reviewed by the Federal Reserve Board and as to which the Federal Reserve Board has not objected. The rules provide that the Federal Reserve Board may object to a capital plan if the plan does not show that the covered BHC will meet all minimum regulatory capital ratios and maintain a ratio of Tier 1 common equity to risk-weighted assets 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 require, among other things, 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%. As part of this process, M&T also

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provides the Federal Reserve Board with projections covering the time period it will take M&T to fully comply with Basel III capital guidelines, including the 7% Tier 1 common equity, 8.5% Tier 1 capital and 3% leverage ratios as well as granular components of those elements. M&T s most recent annual capital plan was filed with the Federal Reserve Board on January 7, 2013.

The purpose of the Federal Reserve Board s capital plan review is to ensure that these bank holding companies have robust, forward-looking capital planning processes that account for each BHC s unique risks and that permit continued operations during times of economic and financial stress. The capital plan review rule, consistent with prior Federal Reserve Board guidance, provides that capital plans contemplating dividend payout ratios exceeding 30% of projected after-tax net income will receive particularly close scrutiny.

Capital Requirements

M&T and its subsidiary banks are required to comply with the applicable capital adequacy standards established by the Federal Reserve Board. There are two basic measures of capital adequacy for bank holding companies that have been promulgated by the Federal Reserve Board: a risk-based measure and a leverage measure.

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

The minimum guideline for the ratio of total capital (Total Capital) to risk-weighted assets (including certain off-balance sheet items, such as standby letters of credit) is 8.0%. At least half of the Total Capital must be Tier 1 Capital, which currently consists of qualifying common equity, qualifying perpetual preferred stock (including related surplus), minority interests relating to qualifying common or non-cumulative perpetual preferred stock issued by a consolidated U.S. depository institution or foreign bank subsidiary, and certain restricted core capital elements, as discussed below, less goodwill and certain other intangible assets. Currently, Tier 2 Capital may consist of, among other things, qualifying subordinated debt, mandatorily convertible debt securities, preferred stock and trust preferred securities not included in the definition of Tier 1 Capital, and a limited amount of the allowance for loan losses. Non-cumulative perpetual preferred stock, trust preferred securities and other so-called restricted core capital elements are currently limited to 25% of Tier 1 Capital. Pursuant to the Dodd-Frank Act, trust preferred securities will be phased-out of the definition of Tier 1 Capital of bank holding companies having consolidated assets exceeding $500 million, such as M&T, over a three-year period that began in January 2013.

The minimum guideline to be considered well-capitalized for Tier 1 Capital and Total Capital is 6.0% and 10.0%, respectively. At December 31, 2012, the Registrant s consolidated Tier 1 Capital ratio was 10.22% and its Total Capital ratio was 13.39%. The elements currently comprising Tier 1 Capital and Tier 2 Capital and the minimum Tier 1 Capital and Total Capital ratios may in the future be subject to change, as discussed in greater detail below.

Basel I and II Standards. M&T currently calculates its risk-based capital ratios under guidelines adopted by the Federal Reserve Board based on the 1988 Capital Accord (Basel I) of the Basel Committee on Banking Supervision (the Basel Committee). In 2004, the Basel Committee published a new set of risk-based capital standards (Basel II) in order to update Basel I. Basel II provides two approaches for setting capital standards for credit risk an internal ratings-based approach tailored to individual institutions circumstances and a standardized approach that bases risk-weighting on external credit assessments to a much greater extent than permitted in the existing risk-based capital guidelines. Basel II also would set capital requirements for operational risk and refine the existing capital requirements for market risk exposures. A definitive final rule for implementing the advanced approaches of Basel II in the United States, which applies only to internationally active banking organizations, or core banks (defined as those with consolidated total assets of $250 billion or more or consolidated on-balance sheet foreign exposures of $10 billion or more) became effective on April 1, 2008. Other U.S. banking organizations may elect to adopt the requirements of this rule (if they meet applicable qualification requirements), but are not required to comply. The rule also allows a banking organization s primary federal supervisor to determine that application of the rule would not be appropriate in light of the bank s asset size, level of complexity, risk profile or scope of operations. Neither M&T Bank nor Wilmington Trust, N.A. is currently required to comply with Basel II.

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In July 2008, the U.S. bank regulatory agencies issued a proposed rule that would provide banking organizations that do not use the advanced approaches with the option to implement a new risk-based capital framework. This framework would adopt the standardized approach of Basel II for credit risk, the basic indicator approach of Basel II for operational risk, and related disclosure requirements. Although this proposed rule generally parallels the relevant approaches under Basel II, it diverges where United States markets have unique characteristics and risk profiles, most notably with respect to risk weighting residential mortgage exposures. A definitive final rule has not been issued as of February 2013.

Leverage Requirements. Although neither Basel I nor Basel II includes a leverage requirement as an international standard, the Federal Reserve Board has established minimum leverage ratio guidelines to be considered well-capitalized for bank holding companies. These guidelines provide for a minimum ratio of Tier 1 Capital to average total assets, less goodwill and certain other intangible assets (the Leverage Ratio), of 3.0% for bank holding companies that meet certain specified criteria, including having the highest regulatory rating. All other bank holding companies generally are required to maintain a Leverage Ratio of at least 4%. M&T s Leverage Ratio at December 31, 2012 was 10.07%.

The guidelines also provide that bank holding companies experiencing internal growth or making acquisitions will be expected to maintain strong capital positions substantially above the minimum supervisory levels without significant reliance on intangible assets. Furthermore, the Federal Reserve Board has indicated that it will consider a tangible Tier 1 Capital leverage ratio (deducting all intangibles) and other indicators of capital strength in evaluating proposals for expansion or new activities.

Basel III Standards. In December 2010, the Basel Committee released its final framework for strengthening international capital and liquidity regulation, now officially identified by the Basel Committee as Basel III. Basel III, when implemented by the U.S. bank regulatory agencies as proposed in a joint notice of proposed rulemaking in June 2012 and fully phased-in, will require bank holding companies and their bank subsidiaries to maintain substantially more capital, with a greater emphasis on common equity. The Basel III final capital framework, among other things:

- introduces as a new capital measure Common Equity Tier 1, or CET1, specifies that Tier 1 capital consists of CET1 and Additional Tier 1 capital instruments meeting specified requirements, defines CET1 narrowly by requiring that most deductions or adjustments to regulatory capital measures be made to CET1 and not to the other components of capital, and expands the scope of the deductions or adjustments as compared to existing regulations;
- when fully phased in (which is contemplated to occur by January 1, 2019), requires bank holding companies to maintain:
  - as a newly adopted international standard, a minimum ratio of CET1 to risk-weighted assets of at least 4.5%, plus a 2.5% capital conservation buffer (which is added to the 4.5% CET1 ratio as that buffer is phased in, effectively resulting in a minimum ratio of CET1 to risk-weighted assets of at least 7%);
  - a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the capital conservation buffer (which is added to the 6.0% Tier 1 capital ratio as that buffer is phased in, effectively resulting in a minimum Tier 1 capital ratio of 8.5% upon full implementation);
  - a minimum ratio of Total (that is, Tier 1 plus Tier 2) capital to risk-weighted assets of at least 8.0%, plus the capital conservation buffer (which is added to the 8.0% total capital ratio as that buffer is phased in, effectively resulting in a minimum total capital ratio of 10.5% upon full implementation);
  - as a newly adopted international standard, a minimum leverage ratio of 3%, calculated as the ratio of Tier 1 capital to balance sheet exposures plus certain off-balance sheet exposures (as the average for each quarter of the month-end ratios for the quarter); and
  - provides for a countercyclical capital buffer, generally to be imposed when national regulators determine that excess aggregate credit growth becomes associated with a buildup of systemic risk, that would be a CET1 add-on to the capital conservation buffer in the range of 0% to 2.5% when fully implemented (potentially resulting in total buffers of between 2.5% and 5%).

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 conservation buffer (or below the combined capital conservation buffer and countercyclical capital buffer, when the latter is applied) will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall.

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In July 2011, the Basel Committee introduced a consultative document establishing a requirement for a capital surcharge on certain globally systemically important banks (G-SIBs), and in November 2011, the Basel Committee issued final provisions substantially unchanged from the previous proposal. An indicator-based approach will be used to determine whether a bank is a G-SIB and the appropriate level of the surcharge to be applied. The indicator-based approach consists of five broad categories: size, interconnectedness, lack of substitutability, cross-jurisdictional activity and complexity. Banks found to be G-SIBs will be subject to a progressive CET1 surcharge ranging from 1% to 3.5% over the Basel III 7% CET1 requirement. The surcharge will become fully effective on January 1, 2019.

The implementation of the Basel III final framework was originally contemplated to commence on January 1, 2013, but in November 2012, the U.S. bank regulatory agencies announced that implementation would not take effect on that date. As of February 2013, no new effective date had been announced. Upon effectiveness of the Basel III capital rules, banking institutions will be required to meet the following minimum capital ratios before the application of any buffer:

- 3.5% CET1 to risk-weighted assets;
- 4.5% Tier 1 capital to risk-weighted assets; and
- 8.0% Total capital to risk-weighted assets.

The Basel III final framework provides for a number of new deductions from and adjustments to CET1. These include, for example, the requirement that mortgage servicing rights, deferred tax assets dependent upon future taxable income 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 categories in the aggregate exceed 15% of CET1.

Implementation of the deductions and other adjustments to CET1 are contemplated to begin on January 1, 2014 (which may be subject to delay given the delayed initial implementation of the Basel III framework) and will be phased-in over a five-year period (20% per year). The implementation of the capital conservation buffer will begin on January 1, 2016 (subject to potential delay) at 0.625% and be phased in over a four-year period (increasing by that amount on each subsequent January 1, until it reaches 2.5% on January 1, 2019, subject to potential delay).

In June 2012, the U.S. banking regulators requested comment on three sets of proposed rules that would implement Basel III in the U.S. These proposed rules, among other things, would revise the capital levels at which a banking institution would be subject to the prompt corrective action framework (including the establishment of a new Tier 1 common capital requirement), eliminate or reduce the ability of certain types of capital instruments to count as regulatory capital, eliminate the Tier 1 treatment of trust preferred securities (as required by the Dodd- Frank Act) following a phase-in period beginning in 2013, and require new deductions from capital for investments in unconsolidated financial institutions, mortgage servicing assets and deferred tax assets that exceed specified thresholds. The proposed rules also would establish a new capital conservation buffer and, for large or internationally active banks not currently including M&T, a supplemental leverage capital requirement that would take into account certain off-balance sheet exposures and a countercyclical capital buffer that would initially be set at zero. The proposed rules would also revise the Federal Reserve Board s rules for calculating risk-weighted assets to enhance risk sensitivity.

The Dodd-Frank Act appears to require the Federal Reserve Board to adopt regulations imposing a continuing floor of the Basel I-based capital requirements in cases where the Basel II-based capital requirements and any changes in capital regulations resulting from Basel III otherwise would permit lower requirements. In 2011, the Federal Reserve Board, FDIC and OCC jointly approved a final rule which requires a banking organization operating under the agencies advanced approaches risk-based capital rules to adhere to the higher of the minimum requirements under the general risk-based capital rules and the minimum requirements under the advanced approaches risk-based capital rules.

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

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to increase their holdings of U.S. Treasury securities and other sovereign debt as a component of assets and increase the use of long-term debt as a funding source. The Basel III liquidity framework contemplates that the LCR will be subject to an observation period continuing through mid-2013 and, subject to any revisions resulting from the analyses conducted and data collected during the observation period, implemented as a minimum standard on January 1, 2015. However, in January 2013, the governing body of the Basel Committee endorsed revisions to the LCR which include introducing the LCR as planned on January 1, 2015, but the minimum requirement will begin at 60%, raising in equal annual steps of ten percentage points each contemplated to reach 100% on January 1, 2019. Similarly, the Basel III liquidity framework contemplates that the NSFR will be subject to an observation period through mid-2016 and, subject to any revisions resulting from the analyses conducted and data collected during the observation period, implemented as a minimum standard by January 1, 2018. These new standards are subject to further rulemaking and their terms may well change before implementation. The U.S. bank regulatory agencies have not yet proposed rules to implement Basel III s liquidity requirements.

The Proposed SIFI Rules address liquidity requirements for bank holding companies, including M&T, with $50 billion or more in total consolidated assets. In the release accompanying those rules, the Federal Reserve Board states a general intention to incorporate the Basel III liquidity framework for the bank holding companies covered by the Proposed SIFI Rules or a subset of those bank holding companies. Although these rules do not include prescriptive ratios like the LCR and NSFR, they do include detailed liquidity-related requirements, including requirements for cashflow projections, liquidity stress testing (including, at a minimum, over time horizons that include an overnight time horizon, a 30-day time horizon, a 90-day time horizon and a 1-year time horizon), and a requirement that covered bank holding companies maintain a liquidity buffer of unencumbered highly liquid assets sufficient to meet projected net cash outflows and the projected loss or impairment of existing funding sources for 30 days over a range of liquidity stress scenarios.

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, 2012, 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, 2012. 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.

Given that the Basel III rules are subject to change and the scope and content of capital regulations that U.S. federal banking agencies may adopt under the Dodd-Frank Act is uncertain, M&T cannot be certain of the impact new capital regulations will have on its capital ratios or those of its bank subsidiaries.

Safety and Soundness Standards

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

Regulatory Remedies under the FDIA

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

Well-Capitalized	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 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.

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 to provide it. In addition, any capital loans by a BHC to a subsidiary bank are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary bank. In the event of a bank holding company s bankruptcy, any commitment by the BHC to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to a priority of payment.

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Cross-Guarantee Provisions

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

Since April 1, 2011, the FDIC, as required by the Dodd-Frank Act, has mandated that the deposit insurance assessment be based on a depository institution s average consolidated total assets minus its average tangible equity. Additionally, the FDIC s deposit insurance assessment system has a two scorecard system for large institutions, one for most large institutions that have more than $10 billion in assets, such as M&T Bank, and another for highly complex institutions that have over $50 billion in assets and are fully owned by a parent with over $500 billion in assets. Each scorecard has a performance score and a loss-severity score that is combined to produce a total score, which is translated into an initial assessment rate. In calculating these scores, the FDIC utilizes the bank s capital level and supervisory ratings (its CAMELS ratings) and certain new forward-looking financial measures to assess an institution s ability to withstand asset-related stress and funding-related stress. The FDIC s current assessment rule does not use risk categories and long-term debt issuer ratings for calculating risk-based assessments for institutions having more than $10 billion in assets. The FDIC has the ability to make discretionary adjustments to the total score, up or down, based upon significant risk factors that are not adequately captured in the scorecard. The total score is then translated to an initial base assessment rate on a non-linear, sharply-increasing scale.

For large institutions, including M&T Bank, the initial base assessment rate ranges from 5 to 35 basis points (hundredths of one percent) 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. The potential adjustments to an institution s initial base assessment rate include (i) a potential decrease of up to 5 basis points for certain long-term unsecured debt and (ii) (except for well-capitalized institutions with a CAMELS rating of 1 or 2) a potential increase of up to 10 basis points for brokered deposits in excess of 10% of domestic deposits. As the DIF reserve ratio grows, the rate schedule will be adjusted downward.

Additionally, there is an adjustment for depository institution debt whereby an institution will 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 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.

In November 2010, the FDIC issued a final rule to implement provisions of the Dodd-Frank Act that provide for temporary unlimited coverage for noninterest-bearing transaction accounts. The separate coverage for noninterest-bearing transaction accounts became effective on December 31, 2010 and terminated on December 31, 2012.

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 $70 thousand of such expense in 2012.

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. 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.

U.S. Treasury Capital Purchase Program

Pursuant to the U.S. Treasury s Troubled Asset Relief Program Capital Purchase Program (TARP), on December 23, 2008, M&T issued and sold to the U.S. Treasury in a private offering (i) $600 million of Series A Preferred Stock and (ii) a warrant to purchase 1,218,522 shares of M&T Common Stock at an exercise price of $73.86 per share, subject to certain anti-dilution and other adjustments (the M&T

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Warrant). M&T elected to participate in the capital purchase program at an amount equal to approximately 1% of its risk-weighted assets at the time. On May 18, 2011, M&T redeemed and retired $370 million of the Series A Preferred Stock, on August 21, 2012, the U.S. Treasury completed its public offering of the remaining outstanding shares of Series A Preferred Stock and on December 17, 2012, the U.S. Treasury completed its public offering of the M&T Warrant. In connection with its acquisition of Provident on May 23, 2009, M&T issued $151.5 million of Series C Preferred Stock in exchange for the securities issued by Provident to the U.S. Treasury on November 14, 2008, and assumed a warrant issued by Provident to the U.S. Treasury, which, on a converted basis, provides for the purchase of 407,542 shares of M&T Common Stock at $55.76 per share. On August 21, 2012, the U.S. Treasury completed its public offering of the outstanding shares of Series C Preferred Stock. Following the completion of these public offerings, the U.S. Treasury does not hold any preferred shares of M&T.

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 above. 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 in December 2012, the Federal Reserve Board announced that it, along with other federal regulatory agencies, was continuing to work on developing final rules regarding incentive-based payment arrangements. 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

As required by the Dodd-Frank Act, the Federal Reserve Board and FDIC have jointly issued a final rule that requires certain organizations, including bank holding companies with consolidated assets of $50 billion or more, 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 final rule 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. The initial plan of M&T is due on December 31, 2013.

In addition, the FDIC has issued a final rule that requires insured depository institutions with $50 billion or more in total assets, such as M&T Bank, to submit to the FDIC periodic plans for resolution in the event of the institution s failure. The rule requires these insured institutions to submit a resolution plan that will enable the FDIC, as receiver, to resolve the bank in a manner that ensures that depositors receive access to their insured deposits within one business day of the institution s failure, maximizes the net-present-value return from the sale or disposition of its assets, and minimizes the amount of any loss to be realized by the institution s creditors. The final rule also sets specific standards for the resolution plans, including requiring a strategic analysis of the plan s components, a description of the strategies for achieving the least costly resolution, and analyses of the financial company s organization, material entities, interconnections and interdependencies, and management information systems, among other elements. The initial plan of M&T Bank is due on December 31, 2013.

Insolvency of an Insured Depository Institution or a Bank Holding Company

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

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

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

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

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. The FDIC has completed its initial phase of rulemaking under the orderly liquidation authority, but additional rules are under consideration.

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

Depositor Preference

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

Financial Privacy

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

Consumer Protection Laws

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

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

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

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Consumer Financial Protection Bureau Supervision

In July 2011, M&T Bank and Wilmington Trust, N.A. were notified that they will be supervised by the CFPB for certain consumer protection purposes. The CFPB will focus 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.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 implemented a broad range of corporate governance, accounting and reporting measures for companies that have securities registered under the Exchange Act, including publicly-held bank holding companies such as M&T. Specifically, the Sarbanes-Oxley Act of 2002 and the various regulations promulgated thereunder, established, among other things: (i) requirements for audit committees, including independence, expertise, and responsibilities; (ii) responsibilities regarding financial statements for the Chief Executive Officer and Chief Financial Officer of the reporting company; (iii) the forfeiture of bonuses or other incentive-based compensation and profits from the sale of the reporting company s securities by the Chief Executive Officer and Chief Financial Officer in the twelve-month period following the initial publication of any financial statements that later require restatement; (iv) the creation of an independent accounting oversight board; (v) standards for auditors and regulation of audits, including independence provisions that restrict non-audit services that accountants may provide to their audit clients; (vi) disclosure and reporting obligations for the reporting company and their directors and executive officers, including accelerated reporting of stock transactions and a prohibition on trading during pension blackout periods; (vii) a prohibition on personal loans to directors and officers, except certain loans made by insured financial institutions on nonpreferential terms and in compliance with other bank regulatory requirements; and (viii) a range of civil and criminal penalties for fraud and other violations of the securities laws.

Community Reinvestment Act

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

USA Patriot Act

The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the USA Patriot Act) imposes obligations on U.S. financial institutions, including banks and broker/dealer subsidiaries, to implement and maintain appropriate policies, procedures and controls which are reasonably designed to prevent, detect and report instances of money laundering and the financing of terrorism and to verify the identity of their customers. In addition, provisions of the USA Patriot Act require the federal financial institution regulatory agencies to consider the effectiveness of a financial institution s anti-money laundering activities when reviewing bank mergers and BHC acquisitions. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing could have serious legal and reputational consequences for the institution. The Registrant and its impacted subsidiaries have approved policies and procedures that are believed to be compliant with the USA Patriot Act.

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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 Registrant in substantial and unpredictable ways. If enacted, such legislation could increase or decrease the

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cost of doing business, limit or expand permissible activities or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. M&T cannot predict whether any such legislation will be enacted, and, if enacted, the effect that it, or any implementing regulations, would have on the financial condition or results of operations of the Registrant. 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 of the Registrant.

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, 13th 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 and Risk Committee Charter; Financial Reporting and Disclosure Controls and Procedures Policy; Code of Ethics for CEO and Senior Financial Officers; Code of Business Conduct and Ethics; and Employee Complaint Procedures for Accounting and Auditing Matters. Copies of such governance documents are also available, free of charge, to any person who requests them. Such requests may be directed to M&T Bank Corporation, Shareholder Relations Department, One M&T Plaza, 13th 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

	2012	2011	2010	2009	2008
			(In thousands)		
Interest-bearing deposits at banks	$ 129,945	$ 154,960	$ 101,222	$ 133,335	$ 10,284
Federal funds sold	3,000	2,850	25,000	20,119	21,347
Resell agreements					90,000
Trading account	488,966	561,834	523,834	386,984	617,821
Investment securities					
U.S. Treasury and federal agencies	4,007,725	5,200,489	4,177,783	4,006,968	3,909,493
Obligations of states and political subdivisions	203,004	228,949	251,544	266,748	135,585
Other	1,863,632	2,243,716	2,721,213	3,506,893	3,874,129
Total investment securities	6,074,361	7,673,154	7,150,540	7,780,609	7,919,207
Loans and leases					
Commercial, financial, leasing, etc.	17,973,140	15,952,105	13,645,600	13,790,737	14,563,091
Real estate construction	3,772,413	4,203,324	4,332,618	4,726,570	4,568,368
Real estate mortgage	33,494,359	28,202,217	22,854,160	21,747,533	19,224,003
Consumer	11,550,274	12,020,229	11,483,564	12,041,617	11,004,275
Total loans and leases	66,790,186	60,377,875	52,315,942	52,306,457	49,359,737
Unearned discount	(219,229)	(281,870)	(325,560)	(369,771)	(359,274)
Loans and leases, net of unearned discount	66,570,957	60,096,005	51,990,382	51,936,686	49,000,463
Allowance for credit losses	(925,860)	(908,290)	(902,941)	(878,022)	(787,904)
Loans and leases, net	65,645,097	59,187,715	51,087,441	51,058,664	48,212,559
Goodwill	3,524,625	3,524,625	3,524,625	3,524,625	3,192,128
Core deposit and other intangible assets	115,763	176,394	125,917	182,418	183,496
Real estate and other assets owned	104,279	156,592	220,049	94,604	99,617
Total assets	83,008,803	77,924,287	68,021,263	68,880,399	65,815,757
Noninterest-bearing deposits	24,240,802	20,017,883	14,557,568	13,794,636	8,856,114
NOW accounts	1,979,619	1,912,226	1,393,349	1,396,471	1,141,308
Savings deposits	33,783,947	31,001,083	26,431,281	23,676,798	19,488,918
Time deposits	4,562,366	6,107,530	5,817,170	7,531,495	9,046,937
Deposits at Cayman Islands office	1,044,519	355,927	1,605,916	1,050,438	4,047,986
Total deposits	65,611,253	59,394,649	49,805,284	47,449,838	42,581,263
Short-term borrowings	1,074,482	782,082	947,432	2,442,582	3,009,735
Long-term borrowings	4,607,758	6,686,226	7,840,151	10,240,016	12,075,149
Total liabilities	72,806,210	68,653,078	59,663,568	61,127,492	59,031,026
Shareholders equity	10,202,593	9,271,209	8,357,695	7,752,907	6,784,731

Table 2

SHAREHOLDERS, EMPLOYEES AND OFFICES

Number at Year-End	**2012**	**2011**	**2010**	**2009**	**2008**
Shareholders	15,623	15,959	12,773	13,207	11,197
Employees	14,943	15,666	13,365	14,226	13,620

Offices	799	849	778	832	725

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Table 3

CONSOLIDATED EARNINGS

	2012	2011	2010 (In thousands)	2009	2008
Interest income					
Loans and leases, including fees	$ 2,704,156	$ 2,522,567	$ 2,394,082	$ 2,326,748	$ 2,825,587
Deposits at banks	1,221	2,934	88	34	109
Federal funds sold	21	57	42	63	254
Resell agreements		132	404	66	1,817
Trading account	1,126	1,198	615	534	1,469
Investment securities					
Fully taxable	227,116	256,057	324,695	389,268	438,409
Exempt from federal taxes	8,045	9,142	9,869	8,484	9,946
Total interest income	2,941,685	2,792,087	2,729,795	2,725,197	3,277,591
Interest expense					
NOW accounts	1,343	1,145	850	1,122	2,894
Savings deposits	68,011	84,314	85,226	112,550	248,083
Time deposits	46,102	71,014	100,241	206,220	330,389
Deposits at Cayman Islands office	1,130	962	1,368	2,391	84,483
Short-term borrowings	1,286	1,030	3,006	7,129	142,627
Long-term borrowings	225,297	243,866	271,578	340,037	529,319
Total interest expense	343,169	402,331	462,269	669,449	1,337,795
Net interest income	2,598,516	2,389,756	2,267,526	2,055,748	1,939,796
Provision for credit losses	204,000	270,000	368,000	604,000	412,000
Net interest income after provision for credit losses	2,394,516	2,119,756	1,899,526	1,451,748	1,527,796
Other income					
Mortgage banking revenues	349,064	166,021	184,625	207,561	156,012
Service charges on deposit accounts	446,698	455,095	478,133	469,195	430,532
Trust income	471,852	332,385	122,613	128,568	156,149
Brokerage services income	59,059	56,470	49,669	57,611	64,186
Trading account and foreign exchange gains	35,634	27,224	27,286	23,125	17,630
Gain on bank investment securities	9	150,187	2,770	1,165	34,471
Total other-than-temporary impairment (OTTI) losses	(32,067)	(72,915)	(115,947)	(264,363)	(182,222)
Portion of OTTI losses recognized in other comprehensive income (before taxes)	(15,755)	(4,120)	29,666	126,066	
Net OTTI losses recognized in earnings	(47,822)	(77,035)	(86,281)	(138,297)	(182,222)
Equity in earnings of Bayview Lending Group LLC	(21,511)	(24,231)	(25,768)	(25,898)	(37,453)
Other revenues from operations	374,287	496,796	355,053	325,076	299,674
Total other income	1,667,270	1,582,912	1,108,100	1,048,106	938,979
Other expense					
Salaries and employee benefits	1,314,540	1,203,993	999,709	1,001,873	957,086
Equipment and net occupancy	257,551	249,514	216,064	211,391	188,845
Printing, postage and supplies	41,929	40,917	33,847	38,216	35,860

Amortization of core deposit and other intangible assets	60,631	61,617	58,103	64,255	66,646
FDIC assessments	101,110	100,230	79,324	96,519	6,689
Other costs of operations	733,499	821,797	527,790	568,309	471,870
Total other expense	2,509,260	2,478,068	1,914,837	1,980,563	1,726,996
Income before income taxes	1,552,526	1,224,600	1,092,789	519,291	739,779
Income taxes	523,028	365,121	356,628	139,400	183,892
Net income	$ 1,029,498	$ 859,479	$ 736,161	$ 379,891	$ 555,887
Dividends declared					
Common	$ 357,862	$ 350,196	$ 335,502	$ 326,617	$ 308,501
Preferred	53,450	48,203	40,225	31,946	

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Table 4

COMMON SHAREHOLDER DATA

	2012	2011	2010	2009	2008
Per share					
Net income					
Basic	$ 7.57	$ 6.37	$ 5.72	$ 2.90	$ 5.04
Diluted	7.54	6.35	5.69	2.89	5.01
Cash dividends declared	2.80	2.80	2.80	2.80	2.80
Common shareholders equity at year-end	72.73	66.82	63.54	59.31	56.29
Tangible common shareholders equity at year-end	44.61	37.79	33.26	28.27	25.94
Dividend payout ratio	36.98%	44.15%	48.98%	97.36%	55.62%

Table 5

CHANGES IN INTEREST INCOME AND EXPENSE(a)

	2012 Compared with 2011			2011 Compared with 2010		
		Resulting from Changes in:			Resulting from Changes in:	
	Total Change	Volume	Rate	Total Change	Volume	Rate
	(Increase (decrease) in thousands)					
Interest income						
Loans and leases, including fees	$ 182,621	286,590	(103,969)	$ 130,831	221,381	(90,550)
Deposits at banks	(1,713)	(1,499)	(214)	2,846	2,444	402
Federal funds sold and agreements to resell securities	(168)	(346)	178	(257)	(76)	(181)
Trading account	(17)	30	(47)	622	4	618
Investment securities						
U.S. Treasury and federal agencies	(4,839)	13,157	(17,996)	(36,338)	(12,927)	(23,411)
Obligations of states and political subdivisions	(2,066)	(1,312)	(754)	(1,403)	(1,244)	(159)
Other	(23,705)	(16,104)	(7,601)	(32,156)	(23,759)	(8,397)
Total interest income	$ 150,113			$ 64,145		
Interest expense						
Interest-bearing deposits						
NOW accounts	$ 198	134	64	$ 295	230	65
Savings deposits	(16,303)	8,292	(24,595)	(912)	13,025	(13,937)
Time deposits	(24,912)	(11,097)	(13,815)	(29,227)	(1,558)	(27,669)
Deposits at Cayman Islands office	168	(256)	424	(406)	(228)	(178)
Short-term borrowings	256	15	241	(1,976)	(1,361)	(615)
Long-term borrowings	(18,569)	(54,973)	36,404	(27,712)	(72,152)	44,440
Total interest expense	$ (59,162)			$ (59,938)		

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

Item 1A. ***Risk Factors.***

M&T and its subsidiaries could be adversely impacted by various risks and uncertainties which are difficult to predict. As a financial institution, the Company has significant exposure to market risk, including interest-rate risk, liquidity risk and credit risk, among others. Adverse experience with these or other risks could have a material impact on the Company s financial condition and results of operations, as well as on the value of the Company s financial instruments in general, and M&T s common stock, in particular.

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

From late-2007 through mid-2009, the U.S. economy was in recession. Although there has been gradual improvement in the U.S. economy since then, economic growth has been slow and uneven. The housing market remains weak and unemployment levels are high. Local governments and some businesses are in financial difficulty due to lower consumer spending and the lack of liquidity in the credit markets. A slowing of improvement or a return to deteriorating business and economic conditions could have one or more of the following adverse effects on the Company s business:

- A decrease in the demand for loans and other products and services offered by the Company.
- A decrease in net interest income derived from the Company s lending and deposit gathering activities.
- A decrease in the value of the Company s investment securities, loans held for sale or other assets secured by residential or commercial real estate.
- Other-than-temporary impairment of investment securities in the Company s investment securities portfolio.
- A decrease in fees from the Company s brokerage and trust businesses associated with declines or lack of growth in stock market prices.
- Potential higher FDIC assessments due to the DIF falling below minimum required levels.
- An impairment of certain intangible assets, such as goodwill.
- An increase in the number of customers and counterparties who become delinquent, file for protection under bankruptcy laws or default on their loans or other obligations to the Company. An increase in the number of delinquencies, bankruptcies or defaults could result in higher levels of nonperforming assets, net charge-offs, provision for credit losses and valuation adjustments on loans held for sale.

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

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

- Changes in interest rates or interest rate spreads can affect the difference between the interest that the Company earns on assets and the interest that the Company pays on liabilities, which impacts the Company s overall net interest income and profitability.
- Such changes can affect the ability of borrowers to meet obligations under variable or adjustable rate loans and other debt instruments, and can, in turn, affect the Company s loss rates on those assets.
- Such changes may decrease the demand for interest rate based products and services, including loans and deposits.
- Such changes can also affect the Company s ability to hedge various forms of market and interest rate risk and may decrease the profitability or protection or increase the risk or cost associated with such hedges.
- Movements in interest rates also affect mortgage prepayment speeds and could result in the impairment of capitalized mortgage servicing assets, reduce the value of loans held for sale and increase the volatility of mortgage banking revenues, potentially adversely affecting the Company s results of operations.

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

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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, such as that experienced during the recent financial crisis, can be a major contributory factor to overall weak economic conditions, leading to some of the risks discussed herein, including the impaired ability of borrowers and other counterparties to meet obligations to the Company. Financial market volatility also can have some of the following adverse effects on the Company and its business, including adversely affecting the Company s financial condition and results of operations:

- It can affect the value or liquidity of the Company s on-balance sheet and off-balance sheet financial instruments.
- It can affect the value of capitalized servicing assets.
- It can affect M&T s ability to access capital markets to raise funds. Inability to access capital markets if needed, at cost effective rates, could adversely affect the Company s liquidity and results of operations.
- It can affect the value of the assets that the Company manages or otherwise administers or services for others. Although the Company is not directly impacted by changes in the value of such assets, decreases in the value of those assets would affect related fee income and could result in decreased demand for the Company s services.
- In general, it can impact the nature, profitability or risk profile of the financial transactions in which the Company engages.

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

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

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

Risks Relating to the Regulatory Environment

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

The Company is subject to extensive federal and state regulation and supervision. Banking regulations are primarily intended to protect depositors funds, federal deposit insurance funds and the financial system as a whole, not security holders. These regulations affect the Company s lending practices, capital structure, investment practices, dividend policy and growth, among other things. Failure to comply with laws, regulations or policies could result in sanctions by regulatory agencies, civil money penalties and/or reputation damage, which could have a material adverse effect on the Company s business, financial condition and results of operations.

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.

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Many parts of the Dodd-Frank Act are now in effect, while others depend on rules that are in an implementation stage likely to continue for several years. The law requires that regulators, some of which are new regulatory bodies created by the Dodd-Frank Act, draft, review and approve hundreds of implementing regulations and conduct numerous studies that are likely to lead to more regulations. As such, the ultimate impact of the Dodd-Frank Act on the Company currently cannot be fully predicted. For more information about the Dodd-Frank Act, see Recent Developments under Part I, Item I Business and Recent Legislative Developments under Part II, Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations. 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 the Dodd-Frank Act and its implementing 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 resulting from the Dodd-Frank Act and the rules promulgated thereunder 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.

Capital requirements imposed by the Dodd-Frank Act, together with new capital and liquidity standards developed through the Basel Committee and adopted by the U.S. banking regulators, will result in banks and bank holding companies needing to maintain more and higher quality capital and greater liquidity than has historically been the case.

New and evolving capital standards, both as a result of the Dodd-Frank Act and implementation in the U.S. of new capital standards adopted by the Basel Committee, including the so-called Basel III capital accord, will have a significant effect on banks and bank holding companies, including M&T. Basel III, when implemented by the U.S. bank regulatory agencies as proposed in a joint notice of proposed rulemaking in June 2012 and fully phased-in, will require bank holding companies and their bank subsidiaries to maintain substantially more capital, with a greater emphasis on common equity. For additional information, see Capital Requirements under Part I, Item 1 Business. Because implementation of the new Basel III capital and liquidity standards in the U.S., as well as any additional heightened capital or liquidity standards that may be established by the Federal Reserve under the Dodd-Frank Act, remain subject to rulemaking in the U.S. and, in many cases, to extended observation and phase-in periods, the full effect of these standards on M&T s regulatory capital is uncertain at this time.

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 liquidity standards could require the Company to increase its holdings of unencumbered highly liquid short-term investments, thereby reducing the Company s ability to invest in longer-term assets even if deemed more desirable from a balance sheet management perspective. Moreover, although these new requirements are being phased in over time, U.S. federal banking agencies have been taking into account expectations regarding the ability of banks to meet these new requirements, including under stressed conditions, in approving actions that represent uses of capital, such as dividend increases, share repurchases and acquisitions.

Risks Relating to the Company s Business

Deteriorating credit quality could adversely impact the Company.

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

Factors that influence the Company s credit loss experience include overall economic conditions affecting businesses and consumers, generally, but also residential and commercial real estate valuations, in particular, given the size of the Company s real estate loan portfolios. Factors that can influence the Company s credit loss experience include: (i) the impact of residential real estate values on loans to residential real estate builders and developers and other loans secured by residential real estate; (ii) the concentrations of commercial real estate loans in the Company s loan portfolio; (iii) the amount of commercial and industrial loans to businesses in areas of New York State outside of the New York City 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. In recent years, the Company has experienced historically high levels of nonaccrual loans and net charge-offs of residential real estate-related loans, including first and junior lien mortgage loans and loans to builders and developers of residential real estate. The Company has also experienced higher than historical levels of nonaccrual commercial real estate loans since 2009. Commercial real estate valuations can be highly subjective, as they are based upon many assumptions. Such valuations can be significantly affected over relatively short periods of time by changes in business climate, economic conditions, interest rates and, in many cases, the results of operations of businesses and other occupants of the real property. Similarly, residential real estate valuations can be impacted by housing trends, the availability of financing at reasonable interest rates, governmental policy regarding housing and housing finance and general economic conditions affecting consumers.

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

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

The Company must maintain adequate sources of funding and liquidity.

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

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

Other conditions and factors that could materially adversely affect the Company s liquidity and funding include a lack of market or customer confidence in, or negative news about, the Company or the financial services industry generally which also may result in a loss of deposits and/or negatively affect the ability to access the capital markets; the loss of customer deposits to alternative investments; inability to sell or securitize loans or other assets; and downgrades in one or more of the Company s credit ratings. A downgrade in the Company s credit ratings, which could result from general industry-wide or regulatory factors not solely related to the Company, could adversely affect the Company s ability to borrow funds and raise the cost of borrowings substantially and could cause creditors and business counterparties to raise

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collateral requirements or take other actions that could adversely affect M&T s ability to raise capital. Many of the above conditions and factors may be caused by events over which M&T has little or no control. There can be no assurance that significant disruption and volatility in the financial markets will not occur in the future.

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

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 since the financial crisis and has resulted in increased regulatory focus on all aspects of capital planning, including dividends and other distributions to shareholders of banks such as parent bank holding companies. See Item 1. Business Dividends for a discussion of regulatory and other restrictions on dividend declarations. Also, M&T s right to participate in a distribution of assets upon a subsidiary s liquidation or reorganization is subject to the prior claims of that subsidiary s creditors. Limitations on M&T s ability to receive dividends from its subsidiaries could have a material adverse effect on its liquidity and ability to pay dividends on its stock or interest and principal on its debt.

The Company is subject to operational risk.

Like all businesses, the Company is subject to operational risk, which represents the risk of loss resulting from human error, inadequate or failed internal processes and systems, and external events. Operational risk also encompasses reputational risk and compliance and legal risk, which is the risk of loss from violations of, or noncompliance with, laws, rules, regulations, prescribed practices or ethical standards, as well as the risk of noncompliance with contractual and other obligations. The Company is also exposed to operational risk through outsourcing arrangements, and the effect that changes in circumstances or capabilities of its outsourcing vendors can have on the Company s ability to continue to perform operational functions necessary to its business. In addition, along with other participants in the financial services industry, the Company continually and frequently attempts to introduce new technology-driven products and services that are aimed at allowing the Company to better serve customers and to reduce costs. The Company may not be able to effectively implement new technology-driven products and services that allows it to remain competitive or be successful in marketing these products and services to its customers. Although the Company seeks to mitigate operational risk through a system of internal controls which are reviewed and updated, no system of controls, however well designed and maintained, is infallible. Control weaknesses or failures or other operational risks could result in charges, increased operational costs, harm to the Company s reputation or foregone business opportunities.

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

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

M&T s accounting policies and processes are critical to the reporting of the Company s financial condition and results of operations. They require management to make estimates about matters that are uncertain.

Accounting policies and processes are fundamental to the Company s reported financial condition and results of operations. Some of these policies require use of estimates and assumptions that may affect the reported amounts of assets or liabilities and financial results. Several of M&T s accounting policies are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. Pursuant to generally accepted accounting principles (GAAP), management is required to make certain assumptions and estimates in preparing the Company s financial statements. If assumptions or estimates underlying the Company s financial statements are incorrect, the Company may experience material losses.

Management has identified certain accounting policies as being critical because they require management s judgment to ascertain the valuations of assets, liabilities, commitments and contingencies. A variety of factors could affect the ultimate value that is obtained either when earning income, recognizing an expense, recovering an asset, valuing an asset or liability, or recognizing or reducing a liability. M&T has established detailed policies and control procedures that are intended to ensure these critical accounting estimates and judgments are well controlled and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. Because of the uncertainty surrounding judgments and the estimates pertaining to these matters, M&T could be required to adjust accounting policies or restate prior period financial statements if those judgments and estimates prove to be incorrect. For additional information, see Part II, Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, Critical Accounting Estimates and Note 1, Significant Accounting Policies, to the Consolidated Financial Statements in Part II, Item 8.

Difficulties in combining the operations of acquired entities with the Company s own operations may prevent M&T from achieving the expected benefits from its acquisitions.

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

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

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.

In June 2010, the federal banking agencies 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 requires 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 any such rules M&T is unable to attract and retain qualified employees, or do so at rates necessary to maintain its competitive position, or if the compensation costs required to attract and retain employees become more significant, the Company s performance, including its competitive position, could be materially adversely affected.

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

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

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

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

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

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

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

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

M&T relies on other companies to provide key components of the Company s business infrastructure.

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

Detailed discussions of the specific risks outlined above and other risks facing the Company are included within this Annual Report on Form 10-K in Part I, Item 1 Business, and Part II, Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations. Furthermore, in Part II, Item 7 under the heading Forward-Looking Statements is included a description of certain risks, uncertainties and assumptions identified by management that are difficult to predict and that could materially affect the Company s financial condition and results of operations, as well as the value of the Company s financial instruments in general, and M&T common stock, in particular.

In addition, the market price of M&T common stock may fluctuate significantly in response to a number of other factors, including changes in securities analysts estimates of financial performance, volatility of stock market prices and volumes, rumors or erroneous information, changes in market valuations of similar companies and changes in accounting policies or procedures as may be required by the FASB or other regulatory agencies.

Item 1B. ***Unresolved Staff Comments.***

None.

Item 2. ***Properties.***

Both M&T and M&T Bank maintain their executive offices at One M&T Plaza in Buffalo, New York. This twenty-one story headquarters building, containing approximately 300,000 rentable square feet of space, is owned in fee by M&T Bank and was completed in 1967. M&T, M&T Bank and their subsidiaries occupy

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approximately 98% of the building and the remainder is leased to non-affiliated tenants. At December 31, 2012, the cost of this property (including improvements subsequent to the initial construction), net of accumulated depreciation, was $10.4 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, 2012, the cost of this building (including improvements subsequent to acquisition), net of accumulated depreciation, was $9.1 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 $19.4 million at December 31, 2012.

M&T Bank also owns a facility in Syracuse, New York with approximately 160,000 rentable square feet of space. Approximately 46% of this facility is occupied by M&T Bank. At December 31, 2012, the cost of this building (including improvements subsequent to acquisition), net of accumulated depreciation, was $4.4 million.

M&T Bank also owns facilities in Harrisburg, Pennsylvania and Millsboro, Delaware with approximately 215,000 and 325,000 rentable square feet of space, respectively. M&T Bank occupies approximately 34% and 90% of these respective facilities. At December 31, 2012, the cost of these buildings (including improvements subsequent to acquisition), net of accumulated depreciation, was $11.3 million and $6.9 million, respectively.

M&T Bank obtained facilities in connection with the Wilmington Trust acquisition in Wilmington, Delaware, with approximately 340,000 (known as Wilmington Center) and 295,000 (known as Wilmington Plaza) rentable square feet of space, respectively. M&T Bank occupies approximately 89% of Wilmington Center. Wilmington Plaza is 50% occupied by a tenant and unoccupied by M&T Bank. At December 31, 2012, the cost of these buildings, net of accumulated depreciation, was $42.1 million and $13.9 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 727 domestic banking offices of the Registrant s subsidiary banks at December 31, 2012, 302 are owned in fee and 425 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. Management, after consultation with legal counsel, does not anticipate that the aggregate ultimate liability arising out of litigation pending against M&T or its subsidiaries will be material to the Company s consolidated financial position. On an on-going basis the Company assesses its 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.

Item 4. ***Mine Safety Disclosures.***

Not applicable.

Executive Officers of the Registrant

Information concerning the Registrant s executive officers is presented below as of February 22, 2013. 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

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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 78, 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.

Michael P. Pinto, age 57, is a vice chairman (2007) and a director (2003) of the Registrant. Previously, he was an executive vice president of the Registrant (1997). He is a vice chairman and a director (2003) of M&T Bank and is the chairman and chief executive officer of M&T Bank s Mid-Atlantic Division (2005). Prior to April 2005, Mr. Pinto was the chief financial officer of the Registrant (1997) and M&T Bank (1996), and he oversaw the Company s Finance Division, Technology and Banking Operations Division, Corporate Services Group, Treasury Division and General Counsel s Office. He is an executive vice president (1996) and a director (1998) of Wilmington Trust, N.A. Mr. Pinto is chairman of the board and a director of WT Investment Advisors (2006).

Mark J. Czarnecki, age 57, is president and a director (2007) of the Registrant and president and a director (2007) of M&T Bank. Previously, he was an executive vice president of the Registrant (1999) and M&T Bank (1997) and was responsible for the M&T Investment Group and the Company s Retail Banking network. Mr. Czarnecki is a director (1999) of M&T Securities and chairman of the board, president and chief executive officer (2007) and a director (2005) of Wilmington Trust, N.A.

Robert J. Bojdak, age 57, 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 56, is an executive vice president (2004) of the Registrant and M&T Bank, and is in charge of the Company s Human Resources Division. Previously, he was a senior vice president in the M&T Investment Group, where he managed the Private Client Services and Employee Benefits departments. Mr. Braunscheidel has held a number of management positions with M&T Bank since 1978.

William J. Farrell, II, age 55, is an executive vice president of the Registrant and M&T Bank (2011), and is responsible for M&T s Wealth and Institutional Services Division, which includes Wealth Advisory Services, Institutional Client Services, Asset Management, M&T Securities and M&T Insurance Agency. Mr. Farrell joined M&T through the Wilmington Trust acquisition. He joined Wilmington Trust in 1976 and held a number of senior management positions, most recently as executive vice president and head of the Corporate Client Services business. Mr. Farrell is an executive vice president of Wilmington Trust, N.A. (2011).

Richard S. Gold, age 52, is an executive vice president of the Registrant (2007) and M&T Bank (2006) and is responsible for managing the Company s Residential Mortgage and Business Banking Divisions. Mr. Gold served as senior vice president of M&T Bank from 2000 to 2006, most recently responsible for the Retail Banking Division, including M&T Securities. Mr. Gold is an executive vice president of Wilmington Trust, N.A. (2006).

Brian E. Hickey, age 60, 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 48, is an executive vice president (2006) and chief financial officer (2005) of the Registrant and M&T Bank. 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 a director of M&T Insurance Agency (2007) and M&T Securities (2005).

Darren J. King, age 43, is an executive vice president of the Registrant (2010) and M&T Bank (2009), and is in charge of the Retail Banking Division and Consumer Lending Division. Mr. King previously served

as senior vice president of M&T Bank, most recently responsible for the Business Banking Division, and has held a number of management positions within M&T Bank since 2000. Mr. King is an executive vice president of Wilmington Trust, N.A. (2009).

Kevin J. Pearson, age 51, is an executive vice president (2002) of the Registrant and 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 the non-retail segments in the New York City, Philadelphia, Connecticut, New Jersey, Tarrytown, Greater Washington D.C. and Northern Virginia, Southern Pennsylvania and Delaware markets of M&T Bank, as well as the Company s commercial real estate business, Commercial Marketing and Treasury Management. He is an executive vice president of M&T Real Estate (2003), 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. (2008). Mr. Pearson served as senior vice president of M&T Bank from 2000 to 2002.

Michele D. Trolli, age 51, is an executive vice president and chief information officer of the Registrant and M&T Bank (2005). She is in charge of the Company s Banking Services, Technology, Alternative Banking and Global Sourcing groups. Previously, Ms. Trolli was in charge of the Technology and Banking Operations Division, the Retail Banking Division and the Corporate Services Group of M&T Bank.

Donald K. Truslow, age 54, is an executive vice president and chief risk officer (2013) of the Registrant and M&T Bank. He is responsible for managing the Company s enterprise-wide risk, including operational, compliance and investment risk. Previous to joining M&T, Mr. Truslow served as President, Financial Stability Industry Council of The Financial Services Roundtable, for two years. Prior to that, Mr. Truslow served in several senior management positions at Wachovia Corporation, including eight years as senior executive vice president and chief risk officer.

D. Scott N. Warman, age 47, 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 a director of M&T Securities (2008).

PART II

Item 5. *Market for Registrant s Common Equity, Related Shareholder 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 2012, 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, 2012 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, 2012, 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	2,075,881	$ 96.70	
2005 Incentive Compensation Plan	4,734,534	103.74	3,263,642
2009 Equity Incentive Compensation Plan	3,586	74.27	2,043,586
Equity compensation plans not approved by security holders:			
2008 Directors Stock Plan	3,820	98.47	113,684
Deferred Bonus Plan	38,593	62.92	
Total	6,856,414	$ 101.36	5,420,912

(1) *As of December 31, 2012, a total of 238,174 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 $148.77 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, 2007 and ending on December 31, 2012. 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*

	2007	2008	2009	2010	2011	2012
M&T Bank Corporation	100	73	90	121	110	146
KBW Bank Index	100	59	61	68	51	70
S&P 500 Index	100	63	80	92	94	109

* Assumes a $100 investment on December 31, 2007 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.

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 2012.

During the fourth quarter of 2012 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, 2012	23,772	$ 102.19		2,181,500
November 1 - November 30, 2012	575	104.51		2,181,500
December 1 - December 31, 2012	54,437	100.00		2,181,500

Total	78,784	$ 100.69

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(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 $83.0 billion at December 31, 2012. 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 $82.1 billion at December 31, 2012, is a New York-chartered commercial bank with 725 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 investment advisor to the Wilmington Funds, a family of proprietary mutual funds, and other funds and institutional clients; and M&T Insurance Agency, Inc., an insurance agency.

Wilmington Trust, N.A., with total assets of $1.8 billion at December 31, 2012, 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 will 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 Company s closing price of $98.47 on December 31, 2012 is $4.2 billion.

As of December 31, 2012, Hudson City reported $40.6 billion of assets, including $27.2 billion of loans (predominantly residential real estate loans) and $11.5 billion of investment securities, and $35.9 billion of liabilities, including $23.5 billion of deposits. After the merger is completed, M&T expects to repay approximately $12 billion of Hudson City s long-term borrowings by liquidating its comparably-sized investment securities portfolio. The merger is subject to a number of conditions, including regulatory approvals and approval by common shareholders of M&T and Hudson City, and is expected to be completed by mid-year 2013.

M&T participated in the Troubled Asset Relief Program Capital Purchase Program (TARP) of the U.S. Department of Treasury (U.S. Treasury), which was initiated during 2008, both by issuing preferred shares (Series A) in December 2008 and through the 2009 acquisition of Provident Bankshares Corporation (Provident) by assuming shares (Series C) that had been issued by that corporation in

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November 2008. In August 2012, the U.S. Treasury sold its holdings of M&T s Series A (230,000 shares) and Series C (151,500 shares) Preferred Stock to the public which allowed M&T to exit the TARP. M&T modified certain of the terms of the Series A and Series C Preferred Stock, subject to M&T common shareholder approval. The modifications related to the dividend rate on the preferred shares at the reset dates, which was originally set to change to 9% on November 15, 2013 for the Series C preferred shares and on February 15, 2014 for the Series A preferred shares. In each case, the dividend rate will now change to 6.375% on November 15, 2013 rather than to the 9% in the original terms. The other modification related to M&T agreeing to not redeem the Series A and Series C preferred shares until on or after November 15, 2018, except that if an event occurs such that the shares no longer qualify as Tier 1 Capital, M&T may redeem all of the shares within 90 days following that occurrence.

On May 16, 2011, M&T acquired all of the outstanding common stock of Wilmington Trust Corporation (Wilmington Trust), headquartered in Wilmington, Delaware, in a stock-for-stock transaction. Wilmington Trust operated 55 banking offices in Delaware and Pennsylvania at the date of acquisition. The results of operations acquired in the Wilmington Trust transaction have been included in the Company s financial results since the acquisition date. Wilmington Trust shareholders received .051372 shares of M&T common stock in exchange for each share of Wilmington Trust common stock, resulting in M&T issuing a total of 4,694,486 common shares with an acquisition date fair value of $406 million.

The Wilmington Trust transaction was accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed and consideration exchanged were recorded at estimated fair value on the acquisition date. Assets acquired totaled approximately $10.8 billion, including $6.4 billion of loans and leases (including approximately $3.2 billion of commercial real estate loans, $1.4 billion of commercial loans and leases, $1.1 billion of consumer loans and $680 million of residential real estate loans). Liabilities assumed aggregated $10.0 billion, including $8.9 billion of deposits. The common stock issued in the transaction added $406 million to M&T s common shareholders equity. Immediately prior to the closing of the Wilmington Trust transaction, M&T redeemed the $330 million of preferred stock issued by Wilmington Trust as part of the TARP of the U.S. Treasury. In connection with the acquisition, the Company recorded $112 million of core deposit and other intangible assets. The core deposit and other intangible assets are generally being amortized over periods of 5 to 7 years using accelerated methods. There was no goodwill recorded as a result of the transaction; however, in accordance with generally accepted accounting principles (GAAP), a non-taxable gain of $65 million was realized, which represented the excess of the fair value of assets acquired less liabilities assumed over consideration exchanged. The acquisition of Wilmington Trust added to M&T s market-leading position in the Mid-Atlantic region by giving M&T a leading deposit market share in Delaware.

On November 5, 2010, M&T Bank entered into a purchase and assumption agreement with the Federal Deposit Insurance Corporation (FDIC) to assume all of the deposits, except certain brokered deposits, and acquire certain assets of K Bank, based in Randallstown, Maryland. As part of the transaction, M&T Bank entered into a loss-share arrangement with the FDIC whereby M&T Bank will be reimbursed by the FDIC for most losses it incurs on the acquired loan portfolio. The transaction was accounted for using the acquisition method of accounting and, accordingly, assets acquired and liabilities assumed were recorded at estimated fair value on the acquisition date. Assets acquired in the transaction totaled approximately $556 million, including $154 million of loans and $186 million in cash, and liabilities assumed aggregated $528 million, including $491 million of deposits. There was no goodwill or other intangible assets recorded in connection with this transaction; however, in accordance with GAAP, M&T Bank recorded an after-tax gain on the transaction of $17 million ($28 million before taxes). The gain reflects the amount of financial support and indemnification against loan losses that M&T Bank obtained from the FDIC. The operations obtained in the K Bank acquisition transaction did not have a material impact on the Company s consolidated financial position or results of operations.

Net acquisition and integration-related gains and expenses (included herein as merger-related expenses) associated with the Wilmington Trust acquisition incurred during 2012 totaled $6 million after tax-effect, or $.05 of diluted earnings per common share. Net merger-related expenses incurred during 2011 totaled to a net gain of $13 million after tax-effect, or $.10 of diluted earnings per common share. Reflected in that amount are the $65 million non-taxable gain ($.52 of diluted earnings per common share) on the Wilmington Trust acquisition and $84 million of expenses ($52 million after tax-effect, or $.42 of diluted earnings per common share) associated with the acquisition of Wilmington Trust and to a much lesser extent, the K Bank transaction. Net merger-related expenses incurred during 2010 totaled to a net gain of $27 million ($16 million after tax-effect, or $.14 of diluted earnings per common share). Reflected in that amount are the

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$28 million gain ($17 million after tax-effect, or $.14 of diluted earnings per common share) on the K Bank transaction and $771 thousand ($469 thousand after tax-effect) of expenses. The expenses in 2012, 2011 and 2010 related to systems conversions and other costs of integrating and conforming acquired operations with and into the Company. These expenses consisted largely of professional services and other temporary help fees associated with the 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.

The condition of the domestic and global economy over the last several years has significantly impacted the financial services industry as a whole, and specifically, the financial results of the Company. In particular, high unemployment levels and significantly depressed residential real estate valuations have led to increased loan charge-offs experienced by financial institutions throughout that time period. Since the official end of the recession in the United States sometime in the latter half of 2009, the recovery of the economy has been very slow. As a result, many financial institutions, including the Company, experienced loan charge-offs at higher than historical levels and unrealized losses related to investment securities backed by residential and commercial real estate due to a lack of liquidity in the financial markets and anticipated credit losses that led to the recognition of other-than-temporary impairment charges. Also negatively impacting the financial results of financial institutions during 2011 and 2012, including the Company, has been a series of new regulations, resulting in higher assessments by the FDIC and lower fee income.

Recent Legislative Developments

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) was signed into law on July 21, 2010. That law 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. The Dodd-Frank Act could have a material adverse impact on the financial services industry as a whole, as well as on M&T s business, results of operations, financial condition and liquidity.

The Dodd-Frank Act broadened the base for FDIC insurance assessments. Beginning in the second quarter of 2011, assessments are based on average consolidated total assets less average Tier 1 capital and certain allowable deductions of a financial institution. The Dodd-Frank Act also permanently increased the maximum amount of deposit insurance for banks, savings institutions and credit unions to $250,000 per depositor, retroactive to January 1, 2009. Noninterest-bearing transaction accounts had unlimited deposit insurance through December 31, 2012, when that coverage expired.

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 with broad powers to supervise and enforce consumer protection laws. The Bureau of Consumer Financial Protection 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 Bureau of Consumer Financial Protection 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 which, among other things, will, after a three-year phase-in period which began January 1, 2013, remove trust preferred securities as a permitted component of a holding company s Tier 1 capital;

- 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.

Many aspects of the Dodd-Frank Act still remain subject to rulemaking and will take effect over several years, making it difficult to anticipate the overall financial impact on M&T, its customers or the financial industry more generally. Provisions in the legislation that affect deposit insurance assessments, payment of interest on demand deposits and interchange fees directly impact the net income of financial institutions. Provisions in the legislation that revoke the Tier 1 capital treatment of trust preferred securities and otherwise require revisions to the capital requirements of M&T and M&T Bank could require M&T and M&T Bank to further seek other sources of capital in the future.

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

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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, privately issued mortgage-backed securities, 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; value ascribed to stock-based compensation; 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, 11, 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 2012 of $1.03 billion or $7.54 of diluted earnings per common share, up 20% and 19%, respectively, from $859 million or $6.35 of diluted earnings per common share in 2011. Basic earnings per common share increased 19% to $7.57 in 2012 from $6.37 in 2011. Net income in 2010 totaled $736 million, while diluted and basic earnings per common share were $5.69 and $5.72, respectively. The after-tax impact of net merger-related gains and expenses associated with the acquisition transactions previously described totaled to expenses of $6 million ($10 million pre-tax) or $.05 of basic and diluted earnings per common share in 2012, compared with net gains of $13 million (net expenses of $19 million pre-tax) or $.10 of basic and diluted earnings per common share in 2011 and $16 million ($27 million pre-tax) or $.14 of basic and diluted earnings per common share in 2010. Expressed as a rate of return on average assets, net income in 2012 was 1.29%, compared with 1.16% in 2011 and 1.08% in 2010. The return on average common shareholders equity was 10.96% in 2012, 9.67% in 2011 and 9.30% in 2010.

The Company s improved financial performance in 2012 as compared with 2011 resulted from an increase in net interest income, lower credit costs and significantly higher mortgage banking revenues and trust income, partially offset by net investment securities losses in 2012, compared with net gains on investment securities in 2011. Results for 2012 reflect the full-year impact of the operations obtained from the acquisition of Wilmington Trust on May 16, 2011. The improved performance in 2011 as compared with 2010 was largely attributable to higher net interest income, lower credit costs and gains from the sale of investment securities available for sale.

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Net interest income on a taxable-equivalent basis rose 9% to $2.62 billion in 2012 from $2.42 billion in 2011. That improvement resulted from growth in average loans and leases of $6.5 billion or 12%. The net interest margin, or taxable-equivalent net interest income divided by average earning assets, was 3.73% in 2012, unchanged from the year earlier. Taxable-equivalent net interest income increased $124 million or 5% in 2011 as compared with 2010, resulting from a $5.0 billion, or 8%, increase in average earning assets, partially offset by an 11 basis point (hundredths of one percent) narrowing of the net interest margin. The higher average earning assets and the decline in the net interest margin were each largely attributable to the May 2011 acquisition of Wilmington Trust.

The provision for credit losses in 2012 declined 24% to $204 million from $270 million in the prior year. Net charge-offs of $186 million in 2012 were down from $265 million in 2011. Net charge-offs as a percentage of average loans and leases were .30% and .47% in 2012 and 2011, respectively. The Company experienced improvement in credit quality during 2012, although real estate valuations continued to be depressed. The provision for credit losses in 2011 was $98 million or 27% below $368 million in 2010. Net charge-offs in 2011 declined $81 million from $346 million, or .67% of average loans and leases, in 2010.

Other income aggregated $1.67 billion in 2012, 5% above $1.58 billion in 2011. That improvement was led by mortgage banking revenues, which rose $183 million or 110%, and trust income, which increased $139 million or 42%, from 2011. Gains and losses on bank investment securities totaled to net losses of $48 million in 2012, compared with net gains of $73 million in 2011. Reflected in those gains or losses were other-than-temporary impairment charges of $48 million and $77 million in 2012 and 2011, respectively, on certain privately issued collateralized mortgage obligations (CMOs) backed by residential and commercial real estate loans, and gains of $150 million in 2011 from the sale of investment securities available for sale. Those sold securities were predominantly mortgage-backed securities guaranteed by government-sponsored entities that were sold in connection with the Wilmington Trust acquisition in order to manage the Company s balance sheet composition and resultant capital ratios. Also reflected in other income in 2011 was $55 million of cash received in full settlement of a lawsuit initiated by M&T in 2008 under which M&T sought damages arising from a 2007 investment in collateralized debt obligations (CDOs) and alleged that the quality of the investment was not as represented. The $65 million non-taxable gain associated with the acquisition of Wilmington Trust was also included in other income in 2011. Other income rose 43% or $475 million in 2011 from $1.11 billion in 2010. In addition to the gains from the sale of investment securities, the CDO litigation settlement and the merger-related gain from the Wilmington Trust transaction (all recorded in 2011), a $210 million rise in trust income associated with the Wilmington Trust acquisition was the predominant factor in the growth in other income from 2010 to 2011. Also contributing to the higher level of other income in 2011 were increased revenues from letter of credit and credit-related fees and merchant discount and credit card fees. Partially offsetting the favorable factors noted were declines in mortgage banking revenues and service charges on deposit accounts, and the $28 million gain recorded in 2010 associated with the K Bank acquisition transaction.

Other expense increased 1% to $2.51 billion in 2012 from $2.48 billion in 2011. Other expense totaled $1.91 billion in 2010. 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 $61 million, $62 million and $58 million in 2012, 2011 and 2010, respectively, and merger-related expenses of $10 million in 2012, $84 million in 2011 and $771 thousand in 2010. Exclusive of those nonoperating expenses, noninterest operating expenses aggregated $2.44 billion in 2012, compared with $2.33 billion in 2011 and $1.86 billion in 2010. Reflected in 2011 s noninterest operating expenses were a $79 million other-than-temporary impairment charge related to M&T s 20% investment in Bayview Lending Group LLC (BLG) and a $30 million tax-deductible cash contribution to The M&T Charitable Foundation in the fourth quarter. After considering those items, the increase in noninterest operating expenses from 2011 to 2012 was largely the result of the full-year impact of the operations obtained in the May 2011 acquisition of Wilmington Trust. In addition to the two items noted above that impacted 2011 expenses, contributing to the rise in noninterest operating expenses from 2010 to 2011 were the impact of the operations obtained in the Wilmington Trust acquisition and higher FDIC assessments.

The efficiency ratio expresses the relationship of operating expenses to revenues. The Company s efficiency ratio, or noninterest operating expenses (as previously defined) divided by the sum of taxable-equivalent net interest income and noninterest income (exclusive of gains and losses from bank investment securities and gains on merger transactions), was 56.2% in 2012, compared with 60.4% in 2011 and 53.7% in 2010. 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
2011 to 2012		2010 to 2011									Growth Rate 5 Years 2007 to
Amount	%	Amount	%		2012	2011	2010	2009	2008		2012
$ 150.1	5	$ 64.1	2	Interest income(b)	$ 2,968.1	2,817.9	2,753.8	2,747.0	3,299.5		(4)%
(59.2)	(15)	(60.0)	(13)	Interest expense	343.2	402.3	462.3	669.4	1,337.8		(27)
209.3	9	124.1	5	Net interest income(b)	2,624.9	2,415.6	2,291.5	2,077.6	1,961.7		7
(66.0)	(24)	(98.0)	(27)	Less: provision for credit losses	204.0	270.0	368.0	604.0	412.0		1
(121.0)		156.7		Gain (loss) on bank investment securities(c)	(47.8)	73.2	(83.5)	(137.1)	(147.8)		
205.3	14	318.2	27	Other income	1,715.1	1,509.8	1,191.6	1,185.2	1,086.7		10
				Less:							
110.6	9	204.3	20	Salaries and employee benefits	1,314.6	1,204.0	999.7	1,001.9	957.1		8
(79.4)	(6)	359.0	39	Other expense	1,194.7	1,274.1	915.1	978.7	769.9		11
328.4	26	133.7	12	Income before income taxes	1,578.9	1,250.5	1,116.8	541.1	761.6		10
				Less:							
.5	2	1.9	8	Taxable-equivalent adjustment(b)	26.4	25.9	24.0	21.8	21.8		5
157.9	43	8.5	2	Income taxes	523.0	365.1	356.6	139.4	183.9		11
$ 170.0	20	$ 123.3	17	Net income	$ 1,029.5	859.5	736.2	379.9	555.9		9%

(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 December 31, 2012, compared with $3.7 billion at each of December 31, 2011 and 2010. 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 $37 million, $38 million and $35 million during 2012, 2011 and 2010, 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. Although net operating income as defined by M&T is not a GAAP measure, M&T s management believes that this information helps investors understand the effect of acquisition activity in reported results.

Net operating income totaled $1.07 billion in 2012, up 21% from $884 million in 2011. Diluted net operating earnings per common share in 2012 rose 20% to $7.88 from $6.55 in 2011. Net operating income and diluted net operating earnings per common share were $755 million and $5.84, respectively, in 2010.

Expressed as a rate of return on average tangible assets, net operating income was 1.40% in 2012, compared with 1.26% in 2011 and 1.17% in 2010. Net operating return on average tangible common equity was 19.42% in 2012, compared with 17.96% and 18.95% in 2011 and 2010, respectively.

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

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Table 2

RECONCILIATION OF GAAP TO NON-GAAP MEASURES

	2012	2011	2010
Income statement data			
In thousands, except per share			
Net income			
Net income	$ 1,029,498	$ 859,479	$ 736,161
Amortization of core deposit and other intangible assets(a)	37,011	37,550	35,265
Merger-related gains(a)		(64,930)	(16,730)
Merger-related expenses(a)	6,001	52,154	469
Net operating income	$ 1,072,510	$ 884,253	$ 755,165
Earnings per common share			
Diluted earnings per common share	$ 7.54	$ 6.35	$ 5.69
Amortization of core deposit and other intangible assets(a)	.29	.30	.29
Merger-related gains(a)		(.52)	(.14)
Merger-related expenses(a)	.05	.42	
Diluted net operating earnings per common share	$ 7.88	$ 6.55	$ 5.84
Other expense			
Other expense	$ 2,509,260	$ 2,478,068	$ 1,914,837
Amortization of core deposit and other intangible assets	(60,631)	(61,617)	(58,103)
Merger-related expenses	(9,879)	(83,687)	(771)
Noninterest operating expense	$ 2,438,750	$ 2,332,764	$ 1,855,963
Merger-related expenses			
Salaries and employee benefits	$ 4,997	$ 16,131	$ 7
Equipment and net occupancy	15	412	44
Printing, postage and supplies		2,663	74
Other costs of operations	4,867	64,481	646
Total	$ 9,879	$ 83,687	$ 771
Efficiency ratio			
Noninterest operating expense (numerator)	$ 2,438,750	$ 2,332,764	$ 1,855,963
Taxable-equivalent net interest income	2,624,907	2,415,632	2,291,549
Other income	1,667,270	1,582,912	1,108,100
Less: Gain on bank investment securities	9	150,187	2,770
Net OTTI losses recognized in earnings	(47,822)	(77,035)	(86,281)
Merger-related gains		64,930	27,539
Denominator	$ 4,339,990	$ 3,860,462	$ 3,455,621
Efficiency ratio	56.19%	60.43%	53.71%
Balance sheet data			
In millions			
Average assets			
Average assets	$ 79,983	$ 73,977	$ 68,380
Goodwill	(3,525)	(3,525)	(3,525)
Core deposit and other intangible assets	(144)	(168)	(153)

Deferred taxes	42	43	29
Average tangible assets	$ 76,356	$ 70,327	$ 64,731
Average common equity			
Average total equity	$ 9,703	$ 9,004	$ 8,103
Preferred stock	(869)	(797)	(736)
Average common equity	8,834	8,207	7,367
Goodwill	(3,525)	(3,525)	(3,525)
Core deposit and other intangible assets	(144)	(168)	(153)
Deferred taxes	42	43	29
Average tangible common equity	$ 5,207	$ 4,557	$ 3,718
At end of year			
Total assets			
Total assets	$ 83,009	$ 77,924	$ 68,021
Goodwill	(3,525)	(3,525)	(3,525)
Core deposit and other intangible assets	(116)	(176)	(126)
Deferred taxes	34	51	23
Total tangible assets	$ 79,402	$ 74,274	$ 64,393
Total common equity			
Total equity	$ 10,203	$ 9,271	$ 8,358
Preferred stock	(873)	(865)	(741)
Undeclared dividends preferred stock	(3)	(3)	(6)
Common equity, net of undeclared preferred dividends	9,327	8,403	7,611
Goodwill	(3,525)	(3,525)	(3,525)
Core deposit and other intangible assets	(116)	(176)	(126)
Deferred taxes	34	51	23
Total tangible common equity	$ 5,720	$ 4,753	$ 3,983

(a) After any related tax effect.

Net Interest Income/Lending and Funding Activities

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

Average balances of loans and leases increased $6.5 billion or 12% to $62.7 billion in 2012 from $56.2 billion in 2011. Commercial loans and leases averaged $16.3 billion in 2012, up $1.7 billion or 11% from 2011. Average commercial real estate loans increased $2.0 billion or 9% to $24.9 billion in 2012 from $22.9 billion in the prior year. The growth in commercial loans and commercial real estate loans reflects higher loan demand by customers. Residential real estate loan balances rose $2.9 billion or 43% to $9.7 billion in 2012 from $6.8 billion in 2011, predominantly the result of the Company s decision to retain for portfolio a higher proportion of originated loans during most of the year rather than selling them. Consumer loans averaged $11.7 billion in 2012, down $132 million or 1% from $11.9 billion in 2011. Average loans and leases in 2012 reflect the full-year impact of loans obtained in the Wilmington Trust acquisition.

Net interest income on a taxable-equivalent basis rose 5% to $2.42 billion in 2011 from $2.29 billion in 2010. Growth in average earning assets was the major factor for that increase, partially offset by a narrowing of the net interest margin. Average earning assets were $64.7 billion in 2011, up 8% from $59.7 billion in 2010, predominantly the result of earning assets obtained in the acquisition of Wilmington Trust, which at the May 16, 2011 acquisition date totaled approximately $9.6 billion. The Company s net interest margin declined to 3.73% in 2011 from 3.84% in 2010, partially attributable to the Wilmington Trust acquisition. Also contributing to that narrowing were significantly higher cash balances on deposit with the Federal Reserve Bank of New York.

Average loans and leases rose $4.9 billion or 10% in 2011 from $51.3 billion in 2010, due predominantly to loans obtained in the acquisition of Wilmington Trust. Loans associated with Wilmington Trust totaled $6.4 billion on the acquisition date, consisting of approximately $1.4 billion of commercial loans and leases, $3.2 billion of commercial real estate loans, $1.1 billion of consumer loans and $680 million of residential real estate loans. Including the impact of the acquired loan balances, average commercial loans and leases were $14.7 billion in 2011, up $1.6 billion or 12% from $13.1 billion in 2010. Average balances of commercial real estate loans increased 11% to $22.9 billion in 2011 from $20.7 billion in 2010. Residential real estate loans averaged $6.8 billion in 2011, up 18% from $5.7 billion in 2010. In addition to the impact of Wilmington Trust, higher amounts of loans originated to be held in portfolio contributed to that increase. Consumer loans in 2011 averaged $11.9 billion, up 1% from $11.7 billion in 2010. Largely offsetting the impact of consumer loans obtained in the Wilmington Trust transaction were declines in average automobile and home equity loans.

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Table 3

AVERAGE BALANCE SHEETS AND TAXABLE-EQUIVALENT RATES

	2012			2011			2010			2009			2008		
	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.	$ 16,336	$ 606,495	3.71%	14,655	564,787	3.85%	13,092	521,747	3.99%	13,855	524,609	3.79%	13,802	723,851	
te cial	24,907	1,138,723	4.50	22,901	1,051,772	4.59	20,714	974,047	4.70	20,085	894,691	4.45	18,428	1,072,178	
te r	9,727	421,516	4.33	6,778	334,421	4.93	5,746	303,262	5.28	5,297	288,474	5.45	5,465	329,574	
er	11,732	559,253	4.77	11,865	592,386	4.99	11,745	613,479	5.22	11,722	636,074	5.43	11,150	716,678	
ns and et	62,702	2,725,987	4.35	56,199	2,543,366	4.53	51,297	2,412,535	4.70	50,959	2,343,848	4.60	48,845	2,842,281	
bearing at banks	528	1,221	.23	1,195	2,934	.25	102	88	.09	50	34	.07	10	109	
unds sold ements to eurities	4	21	.55	180	189	.11	221	446	.20	52	129	.25	109	2,071	
account	96	1,394	1.45	94	1,411	1.50	94	789	.84	87	640	.74	79	1,546	
ent s(b)															
asury and gencies	4,538	150,500	3.32	4,165	155,339	3.73	4,483	191,677	4.28	3,805	182,163	4.79	3,740	181,098	
ons of d political ions	220	11,638	5.29	244	13,704	5.61	266	15,107	5.67	221	13,143	5.94	136	9,243	
	2,211	77,315	3.50	2,655	101,020	3.80	3,269	133,176	4.07	4,377	207,069	4.73	5,097	263,104	
estment s	6,969	239,453	3.44	7,064	270,063	3.82	8,018	339,960	4.24	8,403	402,375	4.79	8,973	453,445	
rning	70,299	2,968,076	4.22	64,732	2,817,963	4.35	59,732	2,753,818	4.61	59,551	2,747,026	4.61	58,016	3,299,452	
ce for sses	(922)			(916)			(906)			(864)			(791)		
due from	1,384			1,207			1,099			1,121			1,224		
sets	9,222			8,954			8,455			7,664			6,683		
ets	$ 79,983			73,977			68,380			67,472			65,132		
es and lders															
bearing s															

bearing														
counts	$ 856	1,343	.16	753	1,145	.15	601	850	.14	543	1,122	.21	502	2,894
deposits	33,398	68,011	.20	30,403	84,314	.28	26,190	85,226	.33	22,832	112,550	.49	18,170	248,083
posits	5,347	46,102	.86	6,480	71,014	1.10	6,583	100,241	1.52	8,782	206,220	2.35	9,583	330,389
at Islands	605	1,130	.19	779	962	.12	953	1,368	.14	1,665	2,391	.14	3,986	84,483
bearing	40,206	116,586	.29	38,415	157,435	.41	34,327	187,685	.55	33,822	322,283	.95	32,241	665,849
m gs	839	1,286	.15	827	1,030	.12	1,854	3,006	.16	2,911	7,129	.24	6,086	142,627
m gs	5,527	225,297	4.08	6,959	243,866	3.50	9,169	271,578	2.96	11,092	340,037	3.07	11,605	529,319
bearing s	46,572	343,169	.74	46,201	402,331	.87	45,350	462,269	1.02	47,825	669,449	1.40	49,932	1,337,795
est-bearing	21,761			17,273			13,709			11,054			7,674	
bilities	1,947			1,499			1,218			1,311			1,089	
bilities	70,280			64,973			60,277			60,190			58,695	
ders equity	9,703			9,004			8,103			7,282			6,437	
bilities and ders equity	$ 79,983			73,977			68,380			67,472			65,132	
est spread			3.48			3.48			3.59			3.21		
tion of free funds			.25			.25			.25			.28		
est margin on assets		$ 2,624,907	3.73%		2,415,632	3.73%		2,291,549	3.84%		2,077,577	3.49%		1,961,657

(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 2012 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)

	2012 (In millions)	Percent Increase (Decrease) from 2011 to 2012	2010 to 2011
Commercial, financial, etc.	$ 16,336	11%	12%
Real estate commercial	24,907	9	11
Real estate consumer	9,727	43	18
Consumer			
Automobile	2,572	(6)	(3)
Home equity lines	5,930		2
Home equity loans	562	(22)	(17)
Other	2,668	8	11
Total consumer	11,732	(1)	1
Total	$ 62,702	12%	10%

Commercial loans and leases, excluding loans secured by real estate, totaled $17.8 billion at December 31, 2012, representing 27% of total loans and leases. Table 5 presents information on commercial loans and leases as of December 31, 2012 relating to geographic area, size, borrower industry and whether the loans are secured by collateral or unsecured. Of the $17.8 billion of commercial loans and leases outstanding at the end of 2012, approximately $15.2 billion, or 85%, were secured, while 44%, 25% and 19% 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, 2012 aggregated $1.3 billion, of which 50% were secured by collateral located in New York State, 14% were secured by collateral in Pennsylvania and another 13% 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, 2012

	New York	Pennsylvania	Mid-Atlantic	Other	Total	Percent of Total
			(Dollars in millions)			
Manufacturing	$ 1,566	$ 1,062	$ 372	$ 376	$ 3,376	19%
Services	1,124	553	859	347	2,883	16
Automobile dealerships	1,149	710	311	655	2,825	16
Wholesale	818	324	345	132	1,619	9
Financial and insurance	635	193	240	32	1,100	6
Real estate investors	644	157	138	125	1,064	6
Transportation, communications, utilities	313	294	201	229	1,037	6
Health services	427	135	268	77	907	5
Construction	379	261	182	42	864	5
Public administration	224	234	69	16	543	3
Retail	219	220	71	31	541	3
Agriculture, forestry, fishing, mining, etc.	41	54	31	2	128	1
Other	388	264	216	22	890	5
Total	$ 7,927	$ 4,461	$ 3,303	$ 2,086	$ 17,777	100%
Percent of total	44%	25%	19%	12%	100%	
Percent of dollars outstanding						
Secured	80%	77%	77%	77%	78%	
Unsecured	12	19	18	9	15	
Leases	8	4	5	14	7	
Total	100%	100%	100%	100%	100%	
Percent of dollars outstanding by size of loan						
Less than $1 million	26%	20%	30%	13%	23%	
$1 million to $5 million	23	26	24	26	24	
$5 million to $10 million	16	17	15	23	17	
$10 million to $20 million	13	18	15	17	15	
$20 million to $30 million	10	9	9	12	10	
$30 million to $50 million	8	6	4	9	7	
Greater than $50 million	4	4	3		4	
Total	100%	100%	100%	100%	100%	

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International loans included in commercial loans and leases totaled $138 million and $122 million at December 31, 2012 and 2011, respectively. Included in such loans were $128 million and $108 million, respectively, of loans at M&T Bank s commercial branch in Ontario, Canada, which opened in the second quarter of 2010. The Company participates in the insurance and guarantee programs of the Export-Import Bank of the United States. These programs provide U.S. government repayment coverage of 90% to 100% on loans supporting foreign borrowers purchases of U.S. goods and services and coverage of 90% on loans to U.S. exporters of goods and services to foreign buyers. The loans generally range up to $10 million. The outstanding balances of loans under those programs at December 31, 2012 and 2011 were $5 million and $9 million, respectively.

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 66% of the loan and lease portfolio during 2012, compared with 65% in each of 2011 and 2010. At December 31, 2012, the Company held approximately $26.0 billion of commercial real estate loans, $11.2 billion of consumer real estate loans secured by one-to-four family residential properties (including $1.2 billion of loans held for sale) and $6.3 billion of outstanding balances of home equity loans and lines of credit, compared with $24.4 billion, $7.9 billion and $6.7 billion, respectively, at December 31, 2011. Included in total loans and leases were amounts due from builders and developers of residential real estate aggregating $1.2 billion and $1.6 billion at December 31, 2012 and 2011, 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. Excluding construction and development loans made to investors, adjustable-rate commercial real estate loans represented approximately 60% of the commercial real estate loan portfolio at the 2012 year-end. Table 6 presents commercial real estate loans by geographic area, type of collateral and size of the loans outstanding at December 31, 2012. New York City metropolitan area commercial real estate loans totaled $8.7 billion at December 31, 2012. The $7.0 billion of investor-owned commercial real estate loans in the New York City metropolitan area were largely secured by multifamily residential properties, retail space, and office space. The Company s experience has been that office, retail and service-related properties tend to demonstrate more volatile fluctuations in value through economic cycles and changing economic conditions than do multifamily residential properties. Approximately 48% of the aggregate dollar amount of New York City-area loans were for loans with outstanding balances of $10 million or less, while loans of more than $50 million made up approximately 11% of the total.

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Table 6

COMMERCIAL REAL ESTATE LOANS, NET OF UNEARNED DISCOUNT

December 31, 2012

	Metropolitan New York City	Other New York State	Pennsylvania	Mid-Atlantic (Dollars in millions)	Other	Total	Percent of Total
Investor-owned							
Permanent finance by property type							
Retail	$ 2,262	$ 477	$ 412	$ 1,021	$ 522	$ 4,694	18%
Apartments/Multifamily	1,805	476	192	378	376	3,227	12
Office	1,127	671	368	616	241	3,023	12
Hotel	598	345	230	357	327	1,857	7
Industrial/Warehouse	189	151	172	396	144	1,052	4
Health facilities	24	167	49	115	37	392	1
Other	165	44	56	73	79	417	2
Total permanent	6,170	2,331	1,479	2,956	1,726	14,662	56%
Construction/Development							
Commercial							
Construction	457	281	203	663	198	1,802	7%
Land/Land development	189	20	57	180	14	460	2
Residential builder and developer							
Construction	120	15	84	150	116	485	2
Land/Land development	67	22	126	435	55	705	3
Total construction/development	833	338	470	1,428	383	3,452	14%
Total investor-owned	7,003	2,669	1,949	4,384	2,109	18,114	70%
Owner-occupied by industry(a)							
Health services	728	593	293	443	202	2,259	9%
Other services	224	308	272	513	36	1,353	5
Retail	147	198	213	275	91	924	4
Manufacturing	98	154	162	119	103	636	2
Real estate investors	106	205	151	116	30	608	2
Automobile dealerships	98	59	202	203	37	599	2
Wholesale	104	109	78	145	10	446	2
Other	145	183	264	433	30	1,055	4
Total owner-occupied	1,650	1,809	1,635	2,247	539	7,880	30%
Total commercial real estate	$ 8,653	$ 4,478	$ 3,584	$ 6,631	$ 2,648	$ 25,994	100%
Percent of total	33%	17%	14%	26%	10%	100%	
Percent of dollars outstanding by size of loan							
Less than $1 million	5%	23%	22%	17%	7%	14%	

$1 million to $5 million	24	40	35	34	19	30
$5 million to $10 million	19	17	18	17	15	17
$10 million to $30 million	31	17	21	18	36	25
$30 million to $50 million	10	2	4	9	9	7
$50 million to $100 million	7	1		5	8	5
Greater than $100 million	4				6	2
Total	100%	100%	100%	100%	100%	100%

(a) *Includes $269 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 80% 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 75% and 68%, 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 10% of total commercial real estate loans as of December 31, 2012.

Commercial real estate construction and development loans made to investors presented in table 6 totaled $3.5 billion at December 31, 2012, or 5% of total loans and leases. Approximately 95% of those construction loans had adjustable interest rates. Included in such loans at the 2012 year-end were $1.2 billion of loans to developers of residential real estate properties. Information about the credit performance of the Company s loans to builders and developers of residential real estate properties is included herein under the heading Provision For Credit Losses. The remainder of the commercial real estate construction loan portfolio was comprised of loans made for various purposes, including the construction of office buildings, multifamily residential housing, retail space and other commercial development.

M&T Realty Capital Corporation, a commercial real estate lending subsidiary of M&T Bank, participates in the Delegated Underwriting and Servicing (DUS) program of the Federal National Mortgage Association (Fannie Mae), pursuant to which commercial real estate loans are originated in accordance with terms and conditions specified by Fannie Mae and sold. Under this program, loans are sold with partial credit recourse to M&T Realty Capital Corporation. The amount of recourse is generally limited to one-third of any credit loss incurred by the purchaser on an individual loan, although in some cases the recourse amount is less than one-third of the outstanding principal balance. The Company s maximum credit risk for recourse associated with sold commercial real estate loans was approximately $2.0 billion and $1.8 billion at December 31, 2012 and 2011, 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, 2012 and 2011 aggregated $200 million and $161 million, respectively. At December 31, 2012 and 2011, commercial real estate loans serviced for other investors by the Company were $10.6 billion and $9.0 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 $11.2 billion at December 31, 2012, including approximately 38% secured by properties located in New York State, 13% secured by properties located in Pennsylvania and 23% secured by properties located in the Mid-Atlantic area. At December 31, 2012, $1.2 billion of residential real estate loans were held for sale, compared with $210 million at December 31, 2011. The significant increase in residential real estate loans held for sale at December 31, 2012 as compared with December 31, 2011 reflected the Company s decision to originate for sale the majority of such loans originated after August 31, 2012 due to the significant growth in the residential real estate loan portfolio and the pending Hudson City acquisition. Prior thereto, the Company had been retaining more loans for its portfolio. The Company s portfolio of alternative (Alt-A) residential real estate loans held for investment at December 31, 2012 declined to $462 million from $542 million at December 31, 2011. 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 $39 million at December 31, 2012 and $43 million at December 31, 2011, 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 19% and 21% of the average loan portfolio during 2012 and 2011, respectively. The two largest components of the consumer loan portfolio are outstanding balances of home equity lines of credit and automobile loans. Average balances of home equity lines of credit outstanding represented approximately 9% and 11% of average loans outstanding in 2012 and 2011, respectively. Automobile loans represented approximately 4% of the Company s average loan portfolio during 2012, compared with 5% in 2011. No other consumer loan product represented more than 3% of average loans outstanding in 2012. Approximately 40% of home equity lines of credit outstanding at December 31, 2012 were secured by properties in New York State, and 21% and 37% were secured by properties in Pennsylvania and the Mid-Atlantic area, respectively. Average outstanding balances of home equity lines of credit were approximately $5.9 billion in each of 2012 and 2011. At December 31, 2012, 35% and 25% of the automobile loan portfolio were to customers residing in New York State and Pennsylvania, respectively. Although automobile loans have generally been originated through dealers, all applications submitted through dealers are subject to the Company s normal underwriting and loan approval procedures. Outstanding automobile loan balances were $2.5 billion and $2.7 billion at December 31, 2012 and 2011, respectively.

Table 7 presents the composition of the Company s loan and lease portfolio at the end of 2012, including outstanding balances to businesses and consumers in New York State, Pennsylvania, the Mid-Atlantic area and other states. Approximately 44% of total loans and leases at December 31, 2012 were to New York State customers, while 18% and 24% were to Pennsylvania and the Mid-Atlantic area customers, respectively.

Table 7

LOANS AND LEASES, NET OF UNEARNED DISCOUNT

December 31, 2012

		Percent of Dollars Outstanding			
	Outstandings (In millions)	**New York State**	**Pennsylvania**	**Mid-Atlantic**	**Other**
Real estate					
Residential	$ 11,241	38%	13%	23%	26%
Commercial	25,994	50(a)	14	26	10
Total real estate	37,235	47%	13%	25%	15%
Commercial, financial, etc.	16,489	44%	26%	19%	11%
Consumer					
Home equity lines	5,845	40%	21%	37%	2%
Home equity loans	477	13	32	50	5
Automobile	2,508	35	25	20	20
Other secured or guaranteed	2,059	27	15	17	41
Other unsecured	670	39	23	34	4
Total consumer	11,559	36%	21%	30%	13%
Total loans	65,283	44%	18%	24%	14%
Commercial leases	1,288	50%	14%	13%	23%
Total loans and leases	$ 66,571	44%	18%	24%	14%

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

Balances of investment securities averaged $7.0 billion in 2012, compared with $7.1 billion and $8.0 billion in 2011 and 2010, respectively. The slight decline in such balances in 2012 as compared with 2011 reflects the impact of maturities and paydowns of mortgage-backed securities, partially offset by purchases of $250 million of residential mortgage-backed securities guaranteed by the Federal Home Loan Mortgage Corporation (Freddie Mac) during the second quarter of 2012 and the full-year impact of purchases of residential mortgage-backed securities guaranteed by Fannie Mae, Freddie Mac and the

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Government National Mortgage Association (Ginnie Mae) during 2011. The 12% decline in average investment securities balances from 2010 to 2011 reflects the impact of sales of investment securities in 2011, as well as maturities and paydowns of mortgage-backed securities. During 2011, the Company realized gains of $150 million from the sale of investment securities available for sale, predominantly residential mortgage-backed securities guaranteed by Fannie Mae and Freddie Mac, collateralized debt obligations and trust preferred securities, having an amortized cost of $1.7 billion. The Company sold the securities in connection with the acquisition of Wilmington Trust in order to manage its balance sheet size and composition and resultant capital ratios. Partially offsetting those factors were purchases of residential mortgage-backed securities guaranteed by Fannie Mae, Freddie Mac and Ginnie Mae aggregating approximately $3.3 billion. The Wilmington Trust acquisition added approximately $510 million to the investment securities portfolio on the May 16, 2011 acquisition date.

The investment securities portfolio is largely comprised of residential mortgage-backed securities and CMOs, debt securities issued by municipalities, trust preferred securities issued by certain financial institutions, and shorter-term U.S. Treasury and federal agency notes. When purchasing investment securities, the Company considers its overall interest-rate risk 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.

The Company regularly reviews its investment securities for declines in value below amortized cost that might be characterized as other than temporary. Other-than-temporary impairment charges of $48 million (pre-tax) and $77 million (pre-tax) were recognized during 2012 and 2011, respectively, related to certain privately issued CMOs backed by residential and commercial real estate loans. Other-than-temporary impairment charges of $86 million (pre-tax) were recognized during 2010. Approximately $68 million of those charges related to privately issued CMOs backed by residential and commercial real estate loans, $6 million related to CDOs backed by trust preferred securities issued by financial institutions and $12 million related to American Depositary Shares (ADSs) of Allied Irish Banks, p.l.c. (AIB). The AIB ADSs were obtained in the 2003 acquisition of a subsidiary of AIB and were held to satisfy options to purchase such shares granted by that subsidiary to certain employees. Factors contributing to the impairment charge included mounting credit and other losses incurred by AIB and ongoing Irish government support that diluted AIB common shareholders. Persistently high unemployment, depressed real estate values that have been slow to recover and the resulting increased loan delinquencies and foreclosures that have 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 CMOs and CDOs. Based on management s assessment of future cash flows associated with individual investment securities, as of December 31, 2012, the Company concluded that the remaining declines associated with the rest of the investment securities portfolio were temporary in nature. A further discussion of fair values of investment securities is included herein under the heading Capital. Additional information about the investment securities portfolio is included in notes 3 and 20 of Notes to Financial Statements.

Other earning assets include interest-earning 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 $628 million in 2012, $1.5 billion in 2011 and $417 million in 2010. Interest-bearing deposits at banks averaged $528 million in 2012, compared with $1.2 billion and $102 million in 2011 and 2010, respectively. The significantly higher balances in 2012 and 2011 as compared with 2010 were due to increased deposits at the Federal Reserve Bank of New York resulting largely from the businesses obtained in the Wilmington Trust acquisition. Also reflected in other earning assets were purchases of investment securities under agreements to resell, which averaged $168 million and $214 million during 2011 and 2010, respectively. There were no agreements to resell securities outstanding during 2012. Agreements to resell securities, of which there were none outstanding at the 2012, 2011 and 2010 year-ends, are accounted for similar to collateralized loans, with changes in market value of the collateral monitored by the Company to ensure sufficient coverage. 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 balance sheet size and resulting capital ratios.

The most significant source of funding for the Company is core deposits. A provision of the Dodd-Frank Act that was signed into law in 2010 permanently increased the maximum amount of FDIC deposit insurance for financial institutions to $250,000 per depositor from the previous limit of $100,000. Thus, beginning in 2011, the Company defines core deposits as noninterest-bearing deposits, interest-bearing transaction accounts, savings deposits and time deposits of $250,000 or less as core deposits. Prior to December 31, 2010 time deposits of $100,000 or less were considered to be 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. Certificates of deposit of $250,000 or less generated on a nationwide basis by Wilmington Trust, N.A. were also included in core deposits. Average core deposits totaled $59.1 billion in 2012, up from $52.0 billion in 2011 and $43.6 billion in 2010. The change in the Company s definition of core deposits to include time deposits from $100,000 to $250,000 increased average core deposits by approximately $964 million in 2011. The Wilmington Trust acquisition added approximately $6.6 billion of core deposits on May 16, 2011. The K Bank acquisition transaction added $491 million of core deposits on November 5, 2010. Average core deposits of Wilmington Trust, N.A. were $1.2 billion in 2012, $630 million in 2011 and $217 million in 2010. Excluding the impact of the December 31, 2010 change in the Company s definition of core deposits and deposits obtained in acquisition transactions, the growth in core deposits from 2010 to 2012 was due, in part, to the lack of attractive alternative investments available to the Company s customers resulting from lower interest rates and from the economic environment in the U.S. and higher balances held on behalf of trust customers. The low interest rate environment has resulted in a shift in customer savings trends, as average time deposits have continued to decline, while average noninterest-bearing deposits and savings deposits have generally increased. Funding provided by core deposits represented 84% of average earning assets in 2012, compared with 80% and 73% in 2011 and 2010, respectively. Table 8 summarizes average core deposits in 2012 and percentage changes in the components of such deposits over the past two years. Core deposits aggregated $62.7 billion and $56.4 billion at December 31, 2012 and 2011, respectively.

Table 8

AVERAGE CORE DEPOSITS

		Percentage Increase (Decrease) from	
	2012	**2011 to 2012**	**2010 to 2011**
	(In millions)		
NOW accounts	$ 832	15%	25%
Savings deposits	32,354	11	16
Time deposits (a)	4,196	(14)	14
Noninterest-bearing deposits	21,761	26	26
Total	$ 59,143	14%	19%

(a) *Average time deposits considered core deposits in 2012 and 2011 represented time deposits of $250,000 or less. In 2010, average time deposits considered core deposits were those with balances less than $100,000.*

Additional funding sources for the Company included branch-related time deposits over $250,000, deposits associated with the Company s Cayman Islands office, and brokered deposits. Time deposits over $250,000, excluding brokered certificates of deposit, averaged $410 million in 2012 and $491 million in 2011. Similar time deposits over $100,000 averaged $1.7 billion 2010. Cayman Islands office deposits averaged $605 million in 2012, $779 million in 2011 and $1.0 billion in 2010. Average brokered time deposits totaled $741 million in 2012, compared with $1.1 billion in 2011 and $642 million in 2010, and at December 31, 2012 and 2011 totaled $462 million and $1.0 billion, respectively. Brokered time deposits obtained in the acquisition of Wilmington Trust totaled $1.4 billion as of May 16, 2011. The Company also had brokered NOW and brokered money-market deposit accounts, which in the aggregate averaged $1.1 billion, $1.3 billion and $1.2 billion in 2012, 2011 and 2010, respectively. The levels of brokered NOW and brokered money-market deposit accounts reflect the demand for such deposits, largely resulting from continued uncertain economic markets and the desire of brokerage firms to earn reasonable yields while ensuring that customer deposits are fully insured. The level of Cayman Islands office deposits and brokered deposits are also reflective of customer demand. Additional amounts of such deposits may be added in the future depending on market conditions, including demand by customers and other investors for those deposits, and the cost of funds available from alternative sources at the time.

The Company also uses borrowings from banks, securities dealers, various Federal Home Loan Banks, the Federal Reserve Bank and others as sources of funding. Short-term borrowings averaged $839 million in 2012, $827 million in 2011 and $1.9 billion in 2010. Included in short-term borrowings were unsecured federal funds borrowings, which generally mature on the next business day, that averaged $669 million, $593 million and $1.7 billion in 2012, 2011 and 2010, respectively. Overnight federal funds borrowings represented the largest component of average short-term borrowings and totaled $939 million at December 31, 2012 and $590 million at December 31, 2011.

Long-term borrowings averaged $5.5 billion in 2012, $7.0 billion in 2011 and $9.2 billion in 2010. Included in average long-term borrowings were amounts borrowed from FHLBs of $768 million in 2012, $1.9 billion in 2011 and $4.2 billion in 2010, and subordinated capital notes of $2.0 billion in each of 2012 and 2011 and $1.8 billion in 2010. 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. Subordinated capital notes assumed in connection with the Wilmington Trust acquisition totaled $450 million at May 16, 2011. The Company has utilized interest rate swap agreements to modify the repricing characteristics of certain components of long-term debt. As of December 31, 2012, interest rate swap agreements were used to hedge approximately $900 million of fixed rate subordinated notes. Further information on interest rate swap agreements is provided in note 18 of Notes to Financial Statements. Junior subordinated debentures associated with trust preferred securities that were included in average long-term borrowings were $1.2 billion in each of 2012, 2011 and 2010. 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 2012, $1.5 billion during 2011 and $1.6 billion during 2010. The agreements have various repurchase dates through 2017, however, the contractual maturities of the underlying securities extend beyond such repurchase dates.

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 3.48% in each of 2012 and 2011, compared with 3.59% in 2010. The yield on the Company s earning assets decreased 13 basis points to 4.22% in 2012 from 4.35% in 2011, while the rate paid on interest-bearing liabilities also declined 13 basis points to .74% in 2012 from .87% in 2011. The yield on earning assets during 2011 declined 26 basis points from 4.61% in 2010, while the rate paid on interest-bearing liabilities decreased 15 basis points from 1.02% in 2010. The Federal Open Market Committee (FOMC) noted in January 2013 that a highly accommodative stance on monetary policy will remain appropriate for a considerable time after its asset purchase program ends and the economic recovery strengthens. In particular, the FOMC decided to keep the target range for the federal funds rate at 0% to .25% and currently anticipates that this exceptionally low range for the federal funds rate will be appropriate as long as the unemployment rate remains above 6.5%, inflation between one and two years ahead is projected to be no more than a half percentage point above the FOMC s two percent longer-run goal, and longer-term inflation expectations continue to be well anchored.

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 $23.7 billion in 2012, compared with $18.5 billion in 2011 and $14.4 billion in 2010. The significant increases in average net interest-free funds in 2012 and 2011 were largely the result of higher balances of noninterest-bearing deposits, which averaged $21.8 billion in 2012, $17.3 billion in 2011 and $13.7 billion in 2010. In connection with the Wilmington Trust acquisition, the Company added noninterest-bearing deposits totaling $2.0 billion at the acquisition date. Goodwill and core deposit and other intangible assets averaged $3.7 billion in each of 2012, 2011 and 2010. Core deposit and other intangible assets added from the Wilmington Trust acquisition were $112 million on May 16, 2011. The cash surrender value of bank owned life insurance averaged $1.6 billion in 2012 and $1.5 billion in each of 2011 and 2010. 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 .25% in each of 2012, 2011 and 2010.

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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 3.73% in each of 2012 and 2011, compared with 3.84% in 2010. Future changes in market interest rates or spreads, as well as changes in the composition of the Company s portfolios of earning assets and interest-bearing liabilities that result in reductions in spreads, could adversely impact the Company s net interest income and net interest margin. In particular, the relatively low interest rate environment continues to exert downward pressure on yields on loans, investment securities and other earning assets.

Management assesses the potential impact of future changes in interest rates and spreads by projecting net interest income under several interest rate scenarios. In managing interest rate risk, the Company has utilized interest rate swap agreements to modify the repricing characteristics of certain portions of its portfolios of earning assets and interest-bearing liabilities. Periodic settlement amounts arising from these agreements are generally reflected in either the yields earned on assets or the rates paid on interest-bearing liabilities. The notional amount of interest rate swap agreements entered into for interest rate risk management purposes was $900 million at each of December 31, 2012 and 2011. 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. In a cash flow hedge, unlike in a fair value hedge, the effective portion of the derivative s gain or loss is initially reported as a component of other comprehensive income and subsequently reclassified into earnings when the forecasted transaction affects earnings. The ineffective portion of the gain or loss is reported in other revenues from operations immediately. The amounts of hedge ineffectiveness recognized in 2012, 2011 and 2010 were not material to the Company s results of operations. The estimated aggregate fair value of interest rate swap agreements designated as fair value hedges represented gains of approximately $143 million at December 31, 2012 and $147 million at December 31, 2011. 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, 2012 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 $69 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.

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Table 9

INTEREST RATE SWAP AGREEMENTS

	Year Ended December 31					
	2012		2011		2010	
	Amount	Rate(a)	Amount	Rate(a)	Amount	Rate(a)
	(Dollars in thousands)					
Increase (decrease) in:						
Interest income	$	%	$	%	$	%
Interest expense	(36,368)	(.08)	(37,709)	(.08)	(41,885)	(.09)
Net interest income/margin	$ 36,368	.05%	$ 37,709	.06%	$ 41,885	.07%
Average notional amount	$ 900,000		$ 900,000		$ 1,012,786	
Rate received(b)		6.07%		6.07%		6.27%
Rate paid(b)		2.03%		1.88%		2.14%

(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 $204 million in 2012, compared with $270 million in 2011 and $368 million in 2010. Net loan charge-offs aggregated $186 million in 2012, $265 million in 2011 and $346 million in 2010. Net loan charge-offs as a percentage of average loans outstanding were .30% in 2012, compared with .47% in 2011 and .67% in 2010. While the Company has experienced improvement in its credit quality metrics during the past few years, sluggish economic activity, relatively high unemployment rates, generally depressed real estate valuations and higher than normal levels of delinquencies and charge-offs have significantly affected the credit performance of the Company s loan portfolios. In particular, the Company s Alt-A residential real estate loan portfolio and its residential real estate builder and developer loan portfolio experienced the majority of the credit problems related to the turmoil in the residential real estate market place. The Company also experienced higher levels of commercial loan and consumer loan charge-offs over the past five years as compared with years preceding the economic downturn in 2008. 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

	2012	2011	2010	2009	2008
			(Dollars in thousands)		
Allowance for credit losses beginning balance	$ 908,290	$ 902,941	$ 878,022	$ 787,904	$ 759,439
Charge-offs during year					
Commercial, financial, leasing, etc.	41,148	55,021	91,650	180,119	102,092
Real estate construction	27,687	63,529	86,603	127,728	105,940
Real estate mortgage	58,572	81,691	108,500	95,109	73,485
Consumer	103,348	109,246	125,593	153,506	139,138
Total charge-offs	230,755	309,487	412,346	556,462	420,655
Recoveries during year					
Commercial, financial, leasing, etc.	11,375	10,224	26,621	7,999	8,587
Real estate construction	3,693	5,930	4,975	2,623	369
Real estate mortgage	8,847	10,444	10,954	6,917	4,069
Consumer	20,410	18,238	23,963	25,041	24,620
Total recoveries	44,325	44,836	66,513	42,580	37,645
Net charge-offs	186,430	264,651	345,833	513,882	383,010
Provision for credit losses	204,000	270,000	368,000	604,000	412,000
Allowance related to loans sold or securitized					(525)
Consolidation of loan securitization trusts			2,752		
Allowance for credit losses ending balance	$ 925,860	$ 908,290	$ 902,941	$ 878,022	$ 787,904
Net charge-offs as a percent of:					
Provision for credit losses	91.39%	98.02%	93.98%	85.08%	92.96%
Average loans and leases, net of unearned discount	.30%	.47%	.67%	1.01%	.78%
Allowance for credit losses as a percent of loans and leases, net of unearned discount, at year-end	1.39%	1.51%	1.74%	1.69%	1.61%

Loans acquired in connection with acquisition transactions subsequent to 2008 were recorded at fair value with no carry-over of any previously recorded allowance for credit losses. Determining the fair value of the acquired loans required estimating cash flows expected to be collected on the loans and discounting those cash flows at then-current interest rates. The excess of cash flows expected at acquisition over the estimated fair value is being recognized as interest income over the lives of the loans. The difference between contractually required payments and the cash flows expected to be collected is referred to as the nonaccretable balance and is not recorded on the consolidated balance sheet. The nonaccretable balance reflects estimated future credit losses and other contractually required payments that the Company does not expect to collect. The Company regularly evaluates the reasonableness of its cash flow projections. Any decreases to the expected cash flows require the Company to evaluate the need for an additional allowance for credit losses and could lead to charge-offs of acquired loan balances. Any significant increases in expected cash flows result in additional interest income to be recognized over the then-remaining lives of the loans. The carrying amount of loans obtained in acquisitions subsequent to 2008 was $5.8 billion and $8.2 billion at December 31, 2012 and 2011, respectively. The portion of the nonaccretable balance related to remaining principal losses as well as life-to-date principal losses charged against the nonaccretable balance as of December 31, 2012 and 2011 are presented in table 11.

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Table 11

NONACCRETABLE BALANCE   PRINCIPAL

	Remaining Balance		Life-to-date Charges	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
	(In thousands)			
Commercial, financing, leasing, etc	$ 40,198	$ 56,059	$ 63,190	$ 55,086
Commercial real estate	285,681	470,788	262,062	208,770
Residential real estate	36,471	66,424	46,842	29,983
Consumer	50,856	93,734	63,132	42,424
Total	$ 413,206	$ 687,005	$ 435,226	$ 336,263

The Company regularly reviews its cash flow projections for acquired loans, including its estimates of lifetime principal losses. In general, based on stabilizing economic conditions and the Company s success at restructuring several large acquired loans, the estimates of cash flows expected to be generated by acquired loans increased by approximately 2%, or $178 million, in 2012. That improvement reflected a lowering of estimated principal losses by approximately $175 million, largely driven by a $132 million decrease in expected principal losses in the acquired commercial real estate portfolios. The increases in projected cash flows, including both the $175 million of principal referred to above and interest payments related thereto, resulted in a $200 million transfer from the nonaccretable balance to the accretable yield. Approximately $45 million of that transfer was recognized as interest income in 2012. The remainder will be recognized as interest income in subsequent years.

Nonaccrual loans totaled $1.01 billion or 1.52% of outstanding loans and leases at December 31, 2012, compared with $1.10 billion or 1.83% at December 31, 2011 and $1.14 billion or 2.19% at December 31, 2010. Additions to nonaccrual loans during 2012 were more than offset by the impact on such loans from payments received and charge-offs. During the fourth quarter of 2012, a relationship with a long-time customer with loans of $64 million was placed on nonaccrual status. The loans were secured by residential real estate and deemed well-collateralized by the Company as of December 31, 2012. The largest relationship that was added to nonaccrual loans in 2011 was a $20 million loan to a builder and developer of residential real estate properties in the Mid-Atlantic area. Softness in the residential real estate marketplace has resulted in depressed real estate values and high levels of delinquencies, both for loans to consumers and loans to builders and developers of residential real estate. Conditions in the U.S. economy have resulted in generally higher levels of nonaccrual loans than historically experienced by the Company.

Accruing loans past due 90 days or more (excluding acquired loans) were $358 million or .54% of total loans and leases at December 31, 2012, compared with $288 million or .48% at December 31, 2011 and $251 million or .48% at December 31, 2010. Those loans included loans guaranteed by government-related entities of $316 million, $253 million and $207 million at December 31, 2012, 2011 and 2010, respectively. Such guaranteed loans included one-to-four family residential mortgage loans serviced by the Company that were repurchased to reduce servicing costs, including a requirement to advance principal and interest payments that had not been received from individual mortgagors. Despite the loans being purchased by the Company, the insurance or guarantee by the applicable government-related entity remains in force. The outstanding principal balances of the repurchased loans are fully guaranteed by government-related entities and totaled $294 million at December 31, 2012, $241 million at December 31, 2011 and $191 million at December 31, 2010. A summary of nonperforming assets and certain past due, renegotiated and impaired loan data and credit quality ratios is presented in table 12.

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Table 12

NONPERFORMING ASSET AND PAST DUE, RENEGOTIATED AND IMPAIRED LOAN DATA

December 31	2012	2011	2010	2009	2008
			(Dollars in thousands)		
Nonaccrual loans	$ 1,013,176	$ 1,097,581	$ 1,139,740	$ 1,255,552	$ 755,397
Real estate and other foreclosed assets	104,279	156,592	220,049	94,604	99,617
Total nonperforming assets	$ 1,117,455	$ 1,254,173	$ 1,359,789	$ 1,350,156	$ 855,014
Accruing loans past due 90 days or more(a)	$ 358,397	$ 287,876	$ 250,705	$ 205,172	$ 158,991
Government guaranteed loans included in totals above:					
Nonaccrual loans	$ 57,420	$ 40,529	$ 39,883	$ 37,658	$ 32,506
Accruing loans past due 90 days or more	316,403	252,503	207,243	193,495	114,183
Renegotiated loans	$ 271,971	$ 214,379	$ 233,342	$ 212,548	$ 91,575
Acquired accruing loans past due 90 days or more(b)	$ 166,554	$ 163,738	$ 91,022	$ 55,638	$
Purchased impaired loans(c):					
Outstanding customer balance	$ 828,571	$ 1,267,762	$ 219,477	$ 172,772	
Carrying amount	447,114	653,362	97,019	88,170	
Nonaccrual loans to total loans and leases, net of unearned discount	1.52%	1.83%	2.19%	2.42%	1.54%
Nonperforming assets to total net loans and leases and real estate and other foreclosed assets	1.68%	2.08%	2.60%	2.59%	1.74%
Accruing loans past due 90 days or more(a) to total loans and leases, net of unearned discount	.54%	.48%	.48%	.40%	.32%

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

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

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

Purchased impaired loans are loans obtained in acquisition transactions subsequent to 2008 that as of the acquisition date were specifically identified as displaying signs of credit deterioration and for which the Company did not expect to collect all outstanding principal and contractually required interest payments. Those loans were impaired at the date of acquisition, were recorded at estimated fair value and were generally delinquent in payments, but, in accordance with GAAP, the Company continues to accrue interest income on such loans based on the estimated expected cash flows associated with the loans. The carrying amount of such loans was $447 million at December 31, 2012, or less than 1% of total loans. Of that amount, $416 million related to the Wilmington Trust acquisition. Purchased impaired loans totaled $653 million at

December 31, 2011. The decline in such loans during 2012 was predominantly the result of payments recovered from customers.

Acquired accruing loans past due 90 days or more are loans that could not be specifically identified as impaired as of the acquisition date, but were recorded at estimated fair value as of such date. Such loans totaled to $167 million at December 31, 2012, compared with $164 million at December 31, 2011.

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

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Residential real estate loans modified under specified loss mitigation programs prescribed by government guarantors have not been included in renegotiated loans because the loan guarantee remains in full force and, accordingly, the Company has not granted a concession with respect to the ultimate collection of the original loan balance. Such loans aggregated $167 million and $143 million at December 31, 2012 and December 31, 2011, respectively.

Charge-offs of commercial loans and leases, net of recoveries, were $30 million in 2012, $45 million in 2011 and $65 million in 2010. Commercial loans and leases in nonaccrual status were $152 million at December 31, 2012, $164 million at December 31, 2011 and $173 million at December 31, 2010.

Net charge-offs of commercial real estate loans during 2012, 2011 and 2010 aggregated $36 million, $77 million and $118 million, respectively. Reflected in 2012 s charge-offs were $23 million of loans to residential real estate builders and developers, compared with $55 million and $71 million in 2011 and 2010, respectively. Commercial real estate loans classified as nonaccrual totaled $412 million at December 31, 2012, compared with $559 million at December 31, 2011 and $617 million at December 31, 2010. The decline in such loans from the 2011 year end to December 31, 2012 was largely attributable to the impact of a payoff in 2012 s second quarter of a $58 million construction loan to an owner/operator of retirement and assisted living facilities, other payments received, and, to a lesser extent, charge-offs of commercial real estate loans. The decline in commercial real estate loans in nonaccrual status from the 2010 year-end to December 31, 2011 resulted largely from a $35 million decrease in such loans to homebuilders and developers, charge-offs of other commercial real estate loans classified as nonaccrual and payments received. At December 31, 2012 and 2011, commercial real estate loans to residential homebuilders and developers classified as nonaccrual aggregated $182 million and $281 million, respectively, compared with $317 million at December 31, 2010. Information about the location of nonaccrual and charged-off loans to residential real estate builders and developers as of and for the year ended December 31, 2012 is presented in table 13.

Table 13

RESIDENTIAL BUILDER AND DEVELOPER LOANS, NET OF UNEARNED DISCOUNT

	December 31, 2012			Year Ended December 31, 2012	
		Nonaccrual		Net Charge-offs (Recoveries)	
	Outstanding Balances(a)	Balances	Percent of Outstanding Balances	Balances	Percent of Average Outstanding Balances
	(Dollars in thousands)				
New York	$ 186,564	$ 10,005	5.36%	$ 1,134	.69%
Pennsylvania	205,992	73,615	35.74	1,322	.53
Mid-Atlantic	649,479	91,798	14.13	21,365	2.76
Other	190,146	9,448	4.97	(334)	(.16)
Total	$ 1,232,181	$ 184,866	15.00%	$ 23,487	1.69%

(a) Includes approximately $42 million of loans not secured by real estate, of which approximately $3 million are in nonaccrual status.

Net charge-offs of residential real estate loans were $38 million in 2012, $52 million in 2011 and $61 million in 2010. Nonaccrual residential real estate loans at the end of 2012 totaled $345 million, compared with $278 million and $268 million at December 31, 2011 and 2010, respectively. The increase in residential real estate loans classified as nonaccrual from December 31, 2011 to December 31, 2012 was predominantly related to the addition of $64 million of loans to one customer that are secured by residential real estate. Depressed real estate values and high levels of delinquencies have contributed to the higher than historical levels of residential real estate loans classified as nonaccrual at the three most recent year-ends and to the elevated levels of charge-offs. Net charge-offs of Alt-A loans were $20 million in 2012, $32 million in 2011 and $34 million in 2010. Nonaccrual Alt-A loans aggregated $96 million at December 31, 2012, compared with $105 million and $106 million at December 31, 2011 and 2010, respectively. Residential real estate loans past due 90 days or more and accruing interest (excluding acquired loans) totaled $313 million, $250 million and $192 million at December 31, 2012, 2011 and 2010, respectively. A substantial portion of such amounts related to guaranteed loans repurchased from government-related entities. Information about

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the location of nonaccrual and charged-off residential real estate loans as of and for the year ended December 31, 2012 is presented in table 14.

Consumer loan net charge-offs during 2012 totaled $83 million, compared with $91 million in 2011 and $102 million in 2010. Net charge-offs of consumer loans included: automobile loans of $14 million during 2012, $22 million during 2011 and $32 million during 2010; recreational vehicle loans of $18 million, $21 million and $23 million during 2012, 2011 and 2010, respectively; and home equity loans and lines of credit secured by one-to-four family residential properties of $31 million during 2012 and 2010, compared with $33 million during 2011. Nonaccrual consumer loans were $104 million at December 31, 2012, compared with $97 million and $80 million at December 31, 2011 and 2010, respectively. Included in nonaccrual consumer loans and leases at the 2012, 2011 and 2010 year-ends were: automobile loans of $25 million, $27 million and $32 million, respectively; recreational vehicle loans of $10 million, $13 million and $12 million; and outstanding balances of home equity loans and lines of credit, including junior lien Alt-A loans, of $58 million, $47 million and $33 million, respectively. Information about the location of nonaccrual and charged-off home equity loans and lines of credit as of and for the year ended December 31, 2012 is presented in table 14.

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Table 14

SELECTED RESIDENTIAL REAL ESTATE-RELATED LOAN DATA

	December 31, 2012	Nonaccrual		Year Ended December 31, 2012 Net Charge-offs	
	Outstanding Balances	Balances	Percent of Outstanding Balances	Balances	Percent of Average Outstanding Balances
			(Dollars in thousands)		
Residential mortgages					
New York	$ 4,175,829	$ 63,871	1.53%	$ 3,006	.08%
Pennsylvania	1,463,595	17,826	1.22	3,211	.25
Mid-Atlantic	2,446,519	36,963	1.51	4,077	.19
Other	2,669,467	128,448	4.81	6,971	.33
Total	$ 10,755,410	$ 247,108	2.30%	$ 17,265	.19%
Residential construction loans					
New York	$ 5,203	$ 624	11.99%	$ 449	7.92%
Pennsylvania	2,459	260	10.57	78	3.19
Mid-Atlantic	9,138	148	1.62		
Other	22,106	1,174	5.31	471	2.38
Total	$ 38,906	$ 2,206	5.67%	$ 998	2.53%
Alt-A first mortgages					
New York	$ 72,020	$ 19,566	27.17%	$ 2,639	3.45%
Pennsylvania	14,474	2,368	16.36	553	3.41
Mid-Atlantic	85,620	15,224	17.78	1,998	2.19
Other	274,407	58,650	21.37	14,519	4.87
Total	$ 446,521	$ 95,808	21.46%	$ 19,709	4.09%
Alt-A junior lien					
New York	$ 1,906	$ 197	10.34%	$ 185	8.92%
Pennsylvania	518	36	6.95	28	4.90
Mid-Atlantic	3,501	91	2.60	299	8.00
Other	9,839	587	5.97	2,084	18.91
Total	$ 15,764	$ 911	5.78%	$ 2,596	14.92%
First lien home equity loans					
New York	$ 19,423	$ 811	4.18%	$ 92	.40%
Pennsylvania	99,932	3,355	3.36	695	.57
Mid-Atlantic	91,491	723	.79	592	.57
Other.	876	66	7.53	33	3.67
Total	$ 211,722	$ 4,955	2.34%	$ 1,412	.56%
First lien home equity lines					
New York	$ 942,795	$ 3,914	.42%	$ 593	.06%
Pennsylvania	650,373	3,492	.54	842	.13
Mid-Atlantic	563,878	1,769	.31	703	.13

Other	19,146	1,163	6.07	2	.01
Total	$ 2,176,192	$ 10,338	.48%	$ 2,140	.10%
Junior lien home equity loans					
New York	$ 42,029	$ 3,366	8.01%	$ 829	1.63%
Pennsylvania	49,224	1,110	2.25	510	.85
Mid-Atlantic	143,972	1,589	1.10	699	.41
Other	13,863	105	.76	234	1.47
Total	$ 249,088	$ 6,170	2.48%	$ 2,272	.77%
Junior lien home equity lines					
New York	$ 1,431,453	$ 25,934	1.81%	$ 14,234	.95%
Pennsylvania	559,059	2,725	.49	2,363	.40
Mid-Atlantic	1,586,129	4,583	.29	5,129	.31
Other	92,543	2,455	2.65	921	.90
Total	$ 3,669,184	$ 35,697	.97%	$ 22,647	.59%

Information about past due and nonaccrual loans as of December 31, 2012 is also included in note 4 of Notes to Financial Statements.

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

Management cautiously and conservatively evaluated the allowance for credit losses as of December 31, 2012 in light of: (i) residential real estate values and the level of delinquencies of loans secured by residential real estate loans; (ii) economic conditions in the markets served by the Company; (iii) continuing weakness in industrial employment in upstate New York and central Pennsylvania; (iv) the significant subjectivity involved in commercial real estate valuations for properties located in areas with stagnant or low growth economies; and (v) the amount of loan growth experienced by the Company. While there has been general improvement in economic conditions, concerns continue to exist about the strength of such improvement in both national and international markets; the level and volatility of energy prices; the slowly strengthening but still depressed housing market; the troubled state of financial and credit markets; Federal Reserve positioning of monetary policy; high levels of unemployment; continued stagnant population growth in the upstate New York and central Pennsylvania regions; and continued uncertainty about possible responses to state and local government budget deficits. Although the U.S. economy experienced recession and weak economic conditions during recent years, the impact of those conditions was not as pronounced on borrowers in the traditionally slower growth regions of upstate New York and central Pennsylvania. Approximately 60% of the Company s loans are to customers in New York State and Pennsylvania. Home prices in upstate New York and central Pennsylvania were relatively stable in recent years, in contrast to declines in values in many other regions of the country. Therefore, despite the conditions, as previously described, the most severe credit issues experienced by the Company during the recent financial downturn were centered around residential real estate, including loans to builders and developers of residential real estate, in areas other than New York State and Pennsylvania.

The Company utilizes a loan grading system which is applied to all commercial and commercial real estate loans. Loan grades are utilized to differentiate risk within the portfolio and consider the expectations of default for each loan. Commercial loans and commercial real estate loans with a lower expectation of default are assigned one of ten possible pass loan grades and are generally ascribed lower loss factors when determining the allowance for credit losses. Loans with an elevated level of credit risk are classified as criticized and are ascribed a higher loss factor when determining the allowance for credit losses. Criticized loans may be classified as nonaccrual if the Company no longer expects to collect all amounts according to the contractual terms of the loan agreement or the loan is delinquent 90 days or more. Reflecting more stable economic conditions in the regions served by the Company and continued workouts of problem credits, criticized commercial loans and commercial real estate loans were $2.4 billion at December 31, 2012, compared with $2.8 billion at December 31, 2011. Loan officers with the support of loan review personnel in different geographic locations are responsible to continuously review and reassign loan grades to pass and criticized loans based on their detailed knowledge of individual borrowers and their judgment of the impact on such borrowers resulting from changing conditions in their respective geographic regions. On a quarterly basis, the Company s centralized loan review department reviews all criticized commercial and commercial real estate loans greater than $1 million to determine the appropriateness of the assigned loan grade, including whether the loan should be reported as accruing or nonaccruing. For criticized nonaccrual loans, additional meetings are held with loan officers and their managers, workout specialists and senior management to discuss each of the relationships. In analyzing criticized loans, borrower-specific information is reviewed, including operating results, expected cash flows, recent developments and the borrower s outlook, and other pertinent data. The timing and extent of potential losses, considering collateral valuation and other factors, and the Company s potential courses of action are reviewed. To the extent that these loans are collateral-dependent, they are evaluated based on the fair value of the loan s collateral as estimated at or near the financial statement date. As the quality of a loan deteriorates to the point of classifying the loan as criticized, the process of obtaining updated collateral valuation information is usually initiated, unless it is not considered warranted given factors such as the relative size of the loan, the characteristics of the collateral or the age of the last valuation. In those cases where current appraisals may not yet be available, prior appraisals are utilized with adjustments, as deemed necessary, for estimates of subsequent declines in value as determined by line of business and/or loan workout personnel in the respective geographic regions. Those adjustments are reviewed and assessed for reasonableness by the Company s loan review department. Accordingly, for real estate collateral securing larger commercial and commercial real estate loans, estimated collateral values are based on current appraisals and estimates of value. For non-real estate loans, collateral is assigned a discounted estimated liquidation value and, depending on the nature of the collateral, is verified through field exams or other procedures. In assessing collateral, real estate and non-real estate values are reduced by an estimate of selling costs. With regard to residential real estate loans, the Company expanded its collections and loan workout staff and further refined its loss identification and estimation techniques by reference to loan performance and house price depreciation data in specific areas of the country where collateral that was securing the Company s residential real estate loans was located. For residential real estate-related loans, including home equity loans and lines of credit, the excess of the loan balance over the net realizable value of the property collateralizing the loan is charged-off when the loan becomes 150 days delinquent. That charge-off is based on recent indications of value from external parties that are generally obtained shortly after a loan becomes nonaccrual. At December 31, 2012 approximately 38% of the Company s home equity portfolio consisted of first lien loans. Of the remaining junior lien loans in the portfolio, approximately 83% (or approximately 53% of the aggregate home equity portfolio) consisted of junior lien loans that were behind a first lien mortgage loan that was not owned or serviced by the Company. For the junior lien loans where an entity other than the Company held a first lien mortgage, the Company cannot precisely determine whether there is a delinquency on such first lien mortgage. As a result, the Company typically only has knowledge of the exact stage of delinquency for that portion of the portfolio where the first lien is owned or serviced by the Company. The Company s nonaccrual policy for junior lien home equity loans and lines of credit does consider the payment status of the senior lien loan in cases where the Company has knowledge about the payment status of such loan. To the extent known by the Company, if the senior lien loan, for payment delinquency or other reasons, would be on nonaccrual status, the Company similarly places the junior lien loan or line on nonaccrual status. At December 31, 2012, the balance of junior lien loans and lines that were in nonaccrual status solely as a result of first lien loan performance was $7 million and contributed to the increase in nonaccrual home equity loans and lines of credit, including junior lien Alt-A loans, from $47 million or .71% of such loans at December 31, 2011 to $58 million or .92% at 2012 s year end. The Company expects further increases in nonaccrual junior lien loans and lines as a result of ongoing efforts to obtain better information on first lien performance on its junior lien loans that were behind a first mortgage loan that was not owned or serviced by the Company. In monitoring the credit quality of its home equity portfolio for purposes of determining the allowance for credit losses, the Company reviews delinquency and nonaccrual information and considers recent charge-off experience as presented in tables 10 and 14. Additionally, the Company generally evaluates home equity loans and lines of credit that are more than 150 days past due for collectibility on a loan-by-loan basis and the excess of the loan balance over the net realizable value of the property collateralizing the loan is charged-off at that time. In determining the amount of such charge-offs, if the Company does not know the precise amount of the remaining first lien mortgage loan (typically because the Company does not own or service the first lien loan), the Company assumes that the first lien mortgage loan has had no principal amortization since the origination of the junior lien loan. Similarly, data used in estimating incurred losses for purposes of determining the allowance for credit losses also assumes no reductions in outstanding principal of first lien loans since the origination of the junior lien loan. Home equity line of credit terms vary but such lines are generally originated with an open draw period of ten years followed by an amortization period of up to twenty years. At December 31,

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2012, approximately 96% of all outstanding balances of home equity lines of credit related to lines that were still in the draw period, the weighted-average remaining draw periods were approximately five years, and approximately 22% were making contractually allowed payments that do not include any repayment of principal.

Factors that influence the Company s credit loss experience include overall economic conditions affecting businesses and consumers, generally, but also residential and commercial real estate valuations, in particular, given the size of the Company s real estate loan portfolios. Reflecting the factors and conditions as described herein, the Company has experienced historically high levels of nonaccrual loans and net charge-offs of residential real estate-related loans, including first and junior lien Alt-A mortgage loans and loans to builders and developers of residential real estate. The Company has also experienced higher than historical levels of nonaccrual commercial real estate loans since 2009. Commercial real estate valuations can be highly subjective, as they are based upon many assumptions. Such valuations can be significantly affected over relatively short periods of time by changes in business climate, economic conditions, interest rates, and, in many cases, the results of operations of businesses and other occupants of the real property. Similarly, residential real estate valuations can be impacted by housing trends, the availability of financing at reasonable interest rates, and general economic conditions affecting consumers.

In determining the allowance for credit losses, the Company estimates losses attributable to specific troubled credits identified through both normal and detailed or intensified credit review processes and also estimates losses inherent in other loans and leases. In quantifying incurred losses, the Company considers the factors and uses the techniques described herein and in note 5 of Notes to Financial Statements. For purposes of determining the level of the allowance for credit losses, the Company segments its loan and lease portfolio by loan type. The amount of specific loss components in the Company s loan and lease portfolios is determined through a loan by loan analysis of commercial loans and commercial real estate loans in nonaccrual status. Measurement of the specific loss components is typically based on expected future cash flows, collateral values or other factors that may impact the borrower s ability to pay. Losses associated with loans secured by residential real estate and other consumer loans are generally determined by reference to recent charge-off history and are evaluated (and adjusted if deemed appropriate) through consideration of other factors including near-term forecasted loss estimates developed by the Company s credit department. These forecasts give consideration to overall borrower repayment performance and current geographic region changes in collateral values using third party published historical price indices or automated valuation methodologies. With regard to collateral values, the realizability of such values by the Company contemplates repayment of any first lien position prior to recovering amounts on a junior lien position. Approximately 62% of the Company s home equity portfolio consists of junior lien loans and lines of credit. The Company generally evaluates residential real estate loans and home equity loans and lines of credit that are more than 150 days past due for collectibility on a loan-by-loan basis and the excess of the loan balance over the net realizable value of the property collateralizing the loan is charged-off at that time. Except for consumer loans and residential real estate loans that are considered smaller balance homogeneous loans and are evaluated collectively and loans obtained in acquisition transactions, the Company considers a loan to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts according to the contractual terms of the loan agreement or the loan is delinquent 90 days or more and has been placed in nonaccrual status. Those impaired loans are evaluated for specific loss components. Modified loans, including smaller balance homogenous loans, that are considered to be troubled debt restructurings are evaluated for impairment giving consideration to the impact of the modified loan terms on the present value of the loan s expected cash flows. Loans less than 90 days delinquent are deemed to have a minimal delay in payment and are generally not considered to be impaired. Loans acquired in connection with acquisition transactions subsequent to 2008 were recorded at fair value with no carry-over of any previously recorded allowance for credit losses. Determining the fair value of the acquired loans required estimating cash flows expected to be collected on the loans and discounting those cash flows at then-current interest rates. The impact of estimated future credit losses represents the predominant difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition. Subsequent decreases to those expected cash flows require the Company to evaluate the need for an additional allowance for credit losses and could lead to charge-offs of acquired loan balances.

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

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

In evaluating collateral, the Company relies extensively on internally and externally prepared valuations. In recent years, valuations of residential real estate, which are usually based on sales of comparable properties, declined significantly in many regions across the United States. Commercial real estate valuations also refer to sales of comparable properties but oftentimes are based on calculations that utilize many assumptions and, as a result, can be highly subjective. Specifically, commercial real estate values can be significantly affected over relatively short periods of time by changes in business climate, economic conditions and interest rates, and, in many cases, the results of operations of businesses and other occupants of the real property. Additionally, management is aware that there is oftentimes a delay in the recognition of credit quality changes in loans and, as a result, in changes to assigned loan grades due to time delays in the manifestation and reporting of underlying events that impact credit quality. Accordingly, loss estimates derived from the inherent base level loss component computation are adjusted for current national and local economic conditions and trends. Economic indicators in the most significant market regions served by the Company continued to improve modestly in 2012 but remained generally below pre-recession levels. For example, during 2012, private sector employment in most market areas served by the Company rose by 1.5%, trailing the 1.8% U.S. average. Private sector employment in 2012 increased 1.0% in upstate New York, 1.5% in areas of Pennsylvania served by the Company, 1.5% in Maryland, 1.4% in Greater Washington D.C. and 0.5% in the State of Delaware. In New York City, private sector employment increased by 2.4% in 2012, however, unemployment rates there remain elevated and are expected to continue at above historical levels during 2013. At the end of 2012 there remained significant concerns about the pace of national economic recovery from the recession, high unemployment, real estate valuations, high levels of consumer indebtedness, volatile energy prices, state and local government budget deficits, federal fiscal policy and sovereign debt issues in Europe that weigh on the global economic outlook. Those factors are expected to act as significant headwinds for the national economy in 2013.

The specific loss components and the inherent base level loss components together comprise the total base level or allocated allowance for credit losses. Such allocated portion of the allowance represents management s assessment of losses existing in specific larger balance loans that are reviewed in detail by management and pools of other loans that are not individually analyzed. In addition, the Company has always provided an inherent unallocated portion of the allowance that is intended to recognize probable losses that are not otherwise identifiable. The inherent unallocated allowance includes management s

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subjective determination of amounts necessary for such things as the possible use of imprecise estimates in determining the allocated portion of the allowance and other risks associated with the Company s loan portfolio which may not be specifically allocable.

A comparative allocation of the allowance for credit losses for each of the past five year-ends is presented in table 15. Amounts were allocated to specific loan categories based on information available to management at the time of each year-end assessment and using the methodology described herein. Variations in the allocation of the allowance by loan category as a percentage of those loans reflect changes in management s estimate of specific loss components and inherent base level loss components, including the impact of delinquencies and nonaccrual loans. As described in note 5 of Notes to Financial Statements, loans considered impaired were $1.1 billion at each of December 31, 2012 and December 31, 2011. The allocated portion of the allowance for credit losses related to impaired loans totaled $133 million at December 31, 2012 and $168 million at December 31, 2011. The unallocated portion of the allowance for credit losses was equal to .11% and .12% of gross loans outstanding at December 31, 2012 and 2011, respectively. Given the inherent imprecision in the many estimates used in the determination of the allocated portion of the allowance, management deliberately remained cautious and conservative in establishing the overall allowance for credit losses. Given the Company s high concentration of real estate loans and considering the other factors already discussed herein, management considers the allocated and unallocated portions of the allowance for credit losses to be prudent and reasonable. Furthermore, the Company s allowance is general in nature and is available to absorb losses from any loan or lease category. Additional information about the allowance for credit losses is included in note 5 of Notes to Financial Statements.

Table 15

ALLOCATION OF THE ALLOWANCE FOR CREDIT LOSSES TO LOAN CATEGORIES

December 31	**2012**	**2011**	**2010**	**2009**	**2008**
			(Dollars in thousands)		
Commercial, financial, leasing, etc.	$ 246,759	$ 234,022	$ 212,579	$ 219,170	$ 231,993
Real estate	425,908	459,552	486,913	451,352	340,588
Consumer	179,418	143,121	133,067	137,124	140,571
Unallocated	73,775	71,595	70,382	70,376	74,752
Total	$ 925,860	$ 908,290	$ 902,941	$ 878,022	$ 787,904
As a Percentage of Gross Loans and Leases Outstanding					
Commercial, financial, leasing, etc.	1.37%	1.47%	1.56%	1.59%	1.59%
Real estate	1.14	1.42	1.79	1.70	1.43
Consumer	1.55	1.19	1.16	1.14	1.28

Management believes that the allowance for credit losses at December 31, 2012 appropriately reflected credit losses inherent in the portfolio as of that date. The allowance for credit losses was $926 million or 1.39% of total loans and leases at December 31, 2012, compared with $908 million or 1.51% at December 31, 2011 and $903 million or 1.74% at December 31, 2010. The ratio of the allowance to total loans and leases at each respective year-end reflects the impact of loans obtained in acquisition transactions subsequent to 2008 that have been recorded at estimated fair value based on estimated future cash flows expected to be received on those loans. Those cash flows reflect the impact of expected defaults on customer repayment performance. As noted earlier, GAAP prohibits any carry-over of an allowance for credit losses for acquired loans recorded at fair value. The decline in the ratio of the allowance to total loans and leases from December 31, 2011 to the 2012 year end reflects the impact of newly originated loans for which significant losses have not been incurred as well as improvement in the levels of criticized and nonaccrual loans. The decline in that ratio from December 31, 2010 to December 31, 2011 reflects the impact of $5.5 billion of loans obtained in the acquisition of Wilmington Trust. The level of the allowance reflects management s evaluation of the loan and lease portfolio using the methodology and considering the factors as described herein. Should the various credit factors considered by management in establishing the allowance for credit losses change and should management s assessment of losses inherent in the loan portfolios also change, the level of the allowance as a percentage of loans could increase or decrease in future periods. The ratio of the allowance to nonaccrual loans at the end of 2012, 2011 and 2010 was 91%, 83% and 79%, respectively. Given the Company s position as a secured lender and its practice of charging off loan balances when collection is deemed doubtful, that ratio and changes in that ratio are generally not an indicative measure of the adequacy of the Company s allowance for credit losses, nor does management rely upon that ratio in assessing the adequacy of the allowance. The level of the allowance reflects management s evaluation of the loan and lease portfolio as of each respective date.

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

- For consumer loans and leases considered smaller balance homogenous loans and evaluated collectively, a 40 basis point increase in loss factors;
- For residential real estate loans and home equity loans and lines of credit, also considered smaller balance homogenous loans and evaluated collectively, a 15% increase in estimated inherent losses; and
- For commercial loans and commercial real estate loans, a migration of loans to lower-ranked risk grades resulting in a 20% increase in the balance of classified credits in each risk grade.

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

- For consumer loans and leases, a 20 basis point decrease in loss factors;
- For residential real estate loans and home equity loans and lines of credit, a 5% decrease in estimated inherent losses; and
- For commercial loans and commercial real estate loans, a migration of loans to higher-ranked risk grades resulting in a 5% decrease in the balance of classified credits in each risk grade.

The scenario analyses resulted in an additional $72 million that could be identifiable under the assumptions for credit deterioration, whereas under the assumptions for credit improvement a $24 million reduction could occur. These examples are only a few of numerous reasonably possible scenarios that could be utilized in assessing the sensitivity of the allowance for credit losses based on changes in assumptions and other factors.

Investor-owned commercial real estate loans secured by retail properties in the New York City metropolitan area represented 3% of loans outstanding at December 31, 2012. The Company had no concentrations of credit extended to any specific industry that exceeded 10% of total loans at December 31, 2012. Outstanding loans to foreign borrowers were $149 million at December 31, 2012, or .2% of total loans and leases.

Real estate and other foreclosed assets totaled $104 million at December 31, 2012, compared with $157 million at December 31, 2011 and $220 million at December 31, 2010. The decrease from December 31, 2011 to December 31, 2012 reflects sales of such assets. The decline in real estate and other foreclosed assets at December 31, 2011 as compared with the 2010 year-end reflects the sale during the second quarter of 2011 of a commercial real estate property located in New York City with a carrying value of $98 million. At December 31, 2012, the Company s holding of residential real estate-related properties comprised approximately 60% of foreclosed assets.

Other Income

Other income aggregated $1.67 billion in 2012, up 5% from $1.58 billion in 2011. Reflected in such income were net gains and losses on investment securities (including other-than-temporary impairment losses), which totaled to a net loss of $48 million in 2012 and to a net gain of $73 million in 2011. Also reflected in noninterest income in 2011 were the $55 million CDO litigation settlement and the $65 million gain recognized on the Wilmington Trust acquisition. Excluding the specific items mentioned above, noninterest income was $1.72 billion in 2012, up $325 million from $1.39 billion in 2011. The predominant contributors to that rise in noninterest income were higher levels of mortgage banking revenues and trust income, the latter reflecting the full-year impact of the acquisition of Wilmington Trust.

Other income in 2011 was 43% higher than the $1.11 billion earned in 2010. As noted above, reflected in other income in 2011 were net gains from bank investment securities of $73 million, compared with net losses of $84 million in 2010. Excluding the impact of securities gains and losses from both years, the CDO litigation settlement and the $65 million gain on the acquisition of Wilmington Trust in 2011, and the $28 million gain associated with the K Bank acquisition transaction in 2010, other income of $1.39 billion in 2011 was up $226 million from $1.16 billion in 2010. The predominant contributor to that rise in noninterest income was higher trust income resulting from the Wilmington Trust acquisition. Higher revenues in 2011 from credit-related fees and merchant discount and credit card fees were offset by lower income from residential mortgage banking and service charges on deposit accounts.

Mortgage banking revenues aggregated $349 million in 2012, $166 million in 2011 and $185 million in 2010. Mortgage banking revenues are comprised of both residential and commercial mortgage banking activities. The Company s involvement in commercial mortgage banking activities includes the origination, sales and servicing of loans under the multi-family loan programs of Fannie Mae, Freddie Mac and the U.S. Department of Housing and Urban Development.

Residential mortgage banking revenues, consisting of realized gains from sales of residential mortgage loans and loan servicing rights, unrealized gains and losses on residential mortgage loans held for sale and related commitments, residential mortgage loan servicing fees, and other residential mortgage loan-related fees and income, were $264 million in 2012, $103 million in 2011 and $127 million in 2010. The significantly higher level of residential mortgage banking revenues in 2012 as compared with 2011 was due to increased volumes of loans originated for sale and wider margins related to such loans. Those higher volumes reflect increased refinancing activities by consumers in light of the low interest rate environment and include the impact of the Company s involvement in the U.S. government s Home Affordable Refinance Program (HARP 2.0), which allows homeowners to refinance their Fannie Mae or Freddie Mac mortgages when the value of their home has fallen such that they have little or no equity. The HARP 2.0 program will remain available to borrowers through December 31, 2013. The lower revenue in 2011 as compared with 2010 was largely attributable to lower volumes of loans originated for sale, which reflects the Company retaining for portfolio during most of 2011 a large portion of residential real estate loans originated.

New commitments to originate residential mortgage loans to be sold were approximately $5.1 billion in 2012, compared with $1.9 billion in 2011 and $4.1 billion in 2010. Included in those commitments to originate residential mortgage loans to be sold were HARP 2.0 commitments of $1.8 billion in 2012. The HARP 2.0 program began in December 2011. Realized gains from sales of residential mortgage loans and loan servicing rights (net of the impact of costs associated with obligations to repurchase mortgage loans originated for sale) and recognized net unrealized gains or losses attributable to residential mortgage loans held for sale, commitments to originate loans for sale and commitments to sell loans totaled to a gain of $157 million in 2012, compared with gains of $17 million in 2011 and $43 million in 2010.

The Company is contractually obligated to repurchase previously sold loans that do not ultimately meet investor sale criteria related to underwriting procedures or loan documentation. When required to do so, the Company may reimburse loan purchasers for losses incurred or may repurchase certain loans. The Company reduces residential mortgage banking revenues for losses related to its obligations to loan purchasers. The amount of those charges varies based on the volume of loans sold, the level of reimbursement requests received from loan purchasers and estimates of losses that may be associated with previously sold loans. Residential mortgage banking revenues during 2012, 2011 and 2010 were reduced by approximately $28 million, $23 million and $30 million, respectively, related to the actual or anticipated settlement of repurchase obligations.

Late in the third quarter of 2010, the Company began to originate certain residential real estate loans to be held in its loan portfolio, rather than continuing to sell such loans. The retained loans conform to Fannie Mae and Freddie Mac underwriting guidelines. Retaining those residential real estate loans offset the impact of the declining investment securities portfolio resulting from maturities and pay-downs of residential mortgage-backed securities while providing high quality assets earning a reasonable yield. From March through June 2011, the Company resumed originating for sale the majority of new residential real estate loans. However, beginning in July 2011, the Company resumed originating the majority of residential real estate loans to be held in its loan portfolio. The decision to retain for portfolio the majority of such loans originated rather than selling them resulted in a reduction of residential mortgage banking revenues of approximately $53 million, $27 million and $11 million in 2012, 2011 and 2010, respectively. Due to the significant growth in the Company s residential real estate loan portfolio and the pending Hudson City acquisition, beginning in September 2012 the majority of the Company s commitments are to originate residential real estate loans for sale to third parties.

Loans held for sale that are secured by residential real estate totaled $1.2 billion and $210 million at December 31, 2012 and 2011, respectively. Commitments to sell residential mortgage loans and commitments to originate residential mortgage loans for sale at pre-determined rates were $2.3 billion and

$1.6 billion, respectively, at December 31, 2012, $296 million and $182 million, respectively, at December 31, 2011 and $458 million and $162 million, respectively, at December 31, 2010. Net unrealized gains on residential mortgage loans held for sale, commitments to sell loans, and commitments to originate loans for sale were $83 million and $6 million at December 31, 2012 and 2011, respectively, and $11 million at December 31, 2010. Changes in such net unrealized gains and losses are recorded in mortgage banking revenues and resulted in a net increase in revenue of $77 million in 2012 and net decreases in revenue of $4 million and $5 million in 2011 and 2010, respectively.

Revenues from servicing residential mortgage loans for others were $100 million in 2012, up from $83 million in 2011 and $80 million in 2010. Included in such servicing revenues were amounts related to purchased servicing rights associated with small balance commercial mortgage loans totaling $20 million in 2012, $23 million in 2011 and $27 million in 2010. Residential mortgage loans serviced for others totaled $35.9 billion at December 31, 2012, $40.7 billion a year earlier and $21.1 billion at December 31, 2010, including the small balance commercial mortgage loans noted above of approximately $3.8 billion, $4.4 billion and $5.2 billion at December 31, 2012, 2011 and 2010, respectively. Reflected in residential mortgage loans serviced for others were loans sub-serviced for others of $12.5 billion and $14.3 billion at December 31, 2012 and 2011, respectively. On September 30, 2011, the Company purchased servicing rights associated with residential mortgage loans having an outstanding principal balance of approximately $6.7 billion. The outstanding balances of such loans as of December 31, 2012 and 2011 were $5.2 billion and $6.4 billion, respectively. Approximately $19 million and $5 million of servicing fees related to that portfolio of loans were included in mortgage banking revenues during 2012 and 2011, respectively. Capitalized residential mortgage loan servicing assets, net of any applicable valuation allowance for possible impairment, totaled $108 million at December 31, 2012, compared with $145 million and $118 million at December 31, 2011 and 2010, respectively. The valuation allowance for possible impairment of capitalized residential mortgage servicing assets totaled $5 million and $2 million at the 2012 and 2011 year-ends, respectively. There was no similar valuation allowance at December 31, 2010. Included in capitalized residential mortgage servicing assets were purchased servicing rights associated with the small balance commercial mortgage loans noted above of $8 million, $16 million and $26 million at December 31, 2012, 2011 and 2010, respectively. Servicing rights for the small balance commercial mortgage loans were purchased from BLG or its affiliates. In addition, at December 31, 2012 and 2011 capitalized servicing rights included $2 million and $5 million, respectively, of servicing rights for $2.7 billion and $3.1 billion, respectively, of residential real estate loans that were purchased from affiliates of BLG. Additional information about the Company s relationship with BLG and its affiliates is provided in note 24 of Notes to Financial Statements. Additional information about the Company s capitalized residential mortgage loan servicing assets, including information about the calculation of estimated fair value, is presented in note 7 of Notes to Financial Statements.

Commercial mortgage banking revenues totaled $85 million in 2012, $63 million in 2011 and $58 million in 2010. Included in such amounts were revenues from loan origination and sales activities of $59 million in 2012, $41 million in 2011 and $40 million in 2010. Commercial mortgage loans originated for sale to other investors totaled approximately $2.5 billion in 2012, compared with $1.5 billion in 2011 and $1.6 billion in 2010. Loan servicing revenues totaled $26 million in 2012, $22 million in 2011 and $18 million in 2010. Capitalized commercial mortgage loan servicing assets aggregated $60 million at December 31, 2012, $51 million at December 31, 2011 and $43 million at December 31, 2010. Commercial mortgage loans serviced for other investors totaled $10.6 billion, $9.0 billion and $8.1 billion at December 31, 2012, 2011 and 2010, respectively, and included $2.0 billion, $1.8 billion and $1.6 billion, respectively, of loan balances for which investors had recourse to the Company if such balances are ultimately uncollectible. Commitments to sell commercial mortgage loans and commitments to originate commercial mortgage loans for sale were $340 million and $140 million, respectively, at December 31, 2012, $339 million and $178 million, respectively, at December 31, 2011 and $276 million and $73 million, respectively, at December 31, 2010. Commercial mortgage loans held for sale totaled $200 million, $161 million and $204 million at December 31, 2012, 2011 and 2010, respectively.

Service charges on deposit accounts declined 2% to $447 million in 2012 from $455 million in 2011. That decline reflects new regulations that were enacted as part of the Dodd-Frank Act related to limiting debit card interchange fees that financial institutions are able to assess. Those regulations were effective October 1, 2011. Partially offsetting the impact of those new regulations was the full-year impact of service charges on deposit accounts obtained in the Wilmington Trust acquisition. Deposit account service charges in 2010 were $478 million. The decline from 2010 to 2011 resulted from regulatory changes that went into

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effect during the third quarter of 2010 and in the fourth quarter of 2011. The 2010 change related to regulations promulgated by the Federal Reserve and other bank regulators that requires consumers to elect to be subject to fees for overdraft and certain deposit account transactions before a financial institution may charge such fees. The Company estimates that the impact of such regulations was to reduce service charges on deposit accounts by approximately $68 million and $35 million in 2011 and 2010, respectively. The regulatory changes that were effective October 1, 2011, as noted above, were part of the Dodd-Frank Act. The Company estimates that the impact of that change resulted in a reduction of service charges on deposit accounts of approximately $75 million and $17 million in 2012 and 2011, respectively. Partially offsetting the impact of the new regulations were service charges on deposit accounts obtained in the Wilmington Trust acquisition, which totaled approximately $18 million in 2011.

Trust income includes fees for trust and custody services provided to personal, corporate and institutional customers, and investment management and advisory fees that are often based on a percentage of the market value of assets under management. Trust income rose 42% in 2012 to $472 million from $332 million in 2011. During 2010, trust income aggregated $123 million. The Wilmington Trust acquisition contributed $366 million and $217 million to trust income in 2012 and 2011, respectively. That acquisition brought with it two significant sources of trust income. The Institutional Client Services (ICS) business provides a variety of trustee, agency, investment management and administrative services for corporations and institutions, investment bankers, corporate tax, finance and legal executives, and other institutional clients who: (i) use capital markets financing structures; (ii) use independent trustees to hold retirement plan and other assets; and (iii) need investment and cash management services. Many ICS clients are multinational corporations and institutions. The Wealth Advisory Services (WAS) business helps high net worth clients grow their wealth, protect it, and transfer it to their heirs. A comprehensive array of wealth management services are offered, including asset management, fiduciary services and family office services. Trust income in 2012 reflects ICS and WAS revenues of $193 million and $153 million, respectively. In 2011, revenues contributed by acquired ICS and WAS activities were $119 million and $87 million, respectively. Adversely impacting trust income in 2012, 2011 and 2010 were fee waivers by the Company in order to enable proprietary money-market funds to pay customers a yield on their investments in such funds. Those waived fees were approximately $57 million in 2012, $33 million in 2011 and $18 million in 2010. Total trust assets, which include assets under management and assets under administration, aggregated $255.9 billion at December 31, 2012, compared with $261.9 billion at December 31, 2011. Trust assets under management were $61.5 billion and $52.7 billion at December 31, 2012 and 2011, respectively. In addition to the asset amounts noted above, trust assets under management of affiliates totaled $15.4 billion and $14.3 billion at December 31, 2012 and 2011, respectively. Furthermore, the Company s proprietary mutual funds had assets of $13.9 billion and $13.8 billion at December 31, 2012 and 2011, respectively.

Brokerage services income, which includes revenues from the sale of mutual funds and annuities and securities brokerage fees, aggregated $59 million in 2012, $56 million in 2011 and $50 million in 2010. The improvement from 2011 to 2012 was due to higher revenues earned from the sale of mutual funds while the rise from 2010 to 2011 reflects higher sales of annuity products. Trading account and foreign exchange activity resulted in gains of $36 million in 2012 and $27 million in each of 2011 and 2010. The higher gains in 2012 as compared with 2010 and 2011 were due to increased market values of trading account assets held in connection with deferred compensation arrangements and to higher new volumes of interest rate swap agreement transactions executed on behalf of commercial customers. The Company enters into interest rate and foreign exchange contracts with customers who need such services and concomitantly enters into offsetting trading positions with third parties to minimize the risks involved with these types of transactions. Information about the notional amount of interest rate, foreign exchange and other contracts entered into by the Company for trading account purposes is included in note 18 of Notes to Financial Statements and herein under the heading Liquidity, Market Risk, and Interest Rate Sensitivity.

Including other-than-temporary impairment losses, the Company recognized net losses on investment securities of $48 million and $84 million during 2012 and 2010, respectively, compared with net gains of $73 million in 2011. During 2011, the Company realized gains of $150 million from the sale of investment securities available for sale, predominantly residential mortgage-backed securities guaranteed by Fannie Mae and Freddie Mac, collateralized debt obligations and trust preferred securities, having an amortized cost of $1.75 billion. Realized gains and losses from sales of investment securities were not significant in 2012 or 2010. Other-than-temporary impairment charges of $48 million, $77 million and $86 million were recorded in 2012, 2011 and 2010, respectively. The charges recorded in 2012 and 2011 related to certain privately issued CMOs backed by residential and commercial real estate loans. During

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2010, the Company recognized impairment charges of $68 million related to certain privately issued CMOs backed by residential and commercial real estate loans, $6 million related to CDOs backed by trust preferred securities issued by financial institutions, and a $12 million write-down of AIB ADSs. The AIB ADSs were obtained in a prior acquisition of a subsidiary of AIB and were held to satisfy options to purchase such shares granted by that subsidiary to certain of its employees. Each reporting period the Company reviews its investment securities for other-than-temporary impairment. For equity securities, the Company considers various factors to determine if the decline in value is other than temporary, including the duration and extent of the decline in value, the factors contributing to the decline in fair value, including the financial condition of the issuer as well as the conditions of the industry in which it operates, and the prospects for a recovery in fair value of the equity security. For debt securities, the Company analyzes the creditworthiness of the issuer or reviews the credit performance of the underlying collateral supporting the bond. For debt securities backed by pools of loans, such as privately issued mortgage-backed securities, the Company estimates the cash flows of the underlying loan collateral using forward-looking assumptions of default rates, loss severities and prepayment speeds. Estimated collateral cash flows are then utilized to estimate bond-specific cash flows to determine the ultimate collectibility of the bond. If the present value of the cash flows indicates that the Company should not expect to recover the entire amortized cost basis of a bond or if the Company intends to sell the bond or it more likely than not will be required to sell the bond before recovery of its amortized cost basis, an other-than-temporary impairment loss is recognized. If an other-than-temporary impairment loss is deemed to have occurred, the investment security s cost basis is adjusted, as appropriate for the circumstances. Additional information about other-than-temporary impairment losses is included herein under the heading Capital.

M&T s share of the operating losses of BLG was $22 million in 2012, compared with $24 million and $26 million in 2011 and 2010, respectively. The operating losses of BLG in the respective years resulted from disruptions in the residential and commercial real estate markets and reflected provisions for losses associated with securitized loans and other loans held by BLG and loan servicing and other administrative costs. Under GAAP, such losses are required to be recognized by BLG despite the fact that many of the securitized loan losses will ultimately be borne by the underlying third party bond-holders. As these loan losses are realized through later foreclosure and still later sale of real estate collateral, the underlying bonds will be charged-down resulting in BLG s future recognition of debt extinguishment gains. The timing of such debt extinguishment is largely dependent on the timing of loan workouts and collateral liquidations and, given ongoing loan loss provisioning, it is difficult to project when BLG will return to profitability. As a result of credit and liquidity disruptions, BLG ceased its originations of small-balance commercial real estate loans in 2008. As a result of past securitization activities, BLG is still entitled to cash flows from mortgage assets that it owns or that are owned by its affiliates and is also entitled to receive distributions from affiliates that provide asset management and other services. Accordingly, the Company believes that BLG is capable of realizing positive cash flows that could be available for distribution to its owners, including M&T, despite a lack of positive GAAP-earnings from its core mortgage origination and securitization activities. To this point, BLG s affiliates have reinvested their earnings to generate additional servicing and asset management activities, further contributing to the value of those affiliates that inures to the benefit of BLG and, ultimately, M&T. In 2011 s final quarter the Company recognized a $79 million other-than-temporary impairment charge related to M&T s 20% investment in BLG. While the small business commercial real estate securitization market that BLG previously operated in continues to be stagnant, its affiliated asset management and loan servicing operations continue to grow and perform well. BLG is entitled to receive, if and when made, cash distributions from affiliates, a portion of which is contractually required to be distributed to M&T. Nevertheless, in consideration of the passage of time since M&T s original investment in BLG in 2007, the prospects of ongoing loan losses at BLG and the inability to accurately predict the timing of potential distributions to M&T, management concluded that the investment was other-than-temporarily impaired and wrote it down to its estimated fair value of $115 million. The impairment charge of $79 million was recorded in other costs of operations in 2011. The Company believes that the value of its investment in BLG as of December 31, 2012 has not changed significantly from that of a year earlier when the impairment charge was recognized. Information about the Company s relationship with BLG and its affiliates is included in note 24 of Notes to Financial Statements.

Other revenues from operations totaled $374 million in 2012, compared with $497 million in 2011. Reflected in such revenues in 2011 were the $65 million gain realized on the acquisition of Wilmington Trust and the $55 million CDO litigation settlement. Excluding those two items, other revenues from operations were little changed in 2012 as compared with 2011, but nevertheless reflected higher merchant discount and credit card fees in 2012 offset by a decline in gains from the sale of previously leased equipment. Other revenues from operations were $355 million in 2010. In addition to the gain on the acquisition of Wilmington Trust and the CDO litigation settlement, contributing to the improvement in other revenues from operations in 2011 as compared with 2010 were increases in revenues from letter of credit and credit-related fees, merchant discount and credit card fees, and gains from the sale of previously leased equipment. Reflected in other revenues from operations in 2010 was the merger-related gain of $28 million related to the K Bank transaction.

Included in other revenues from operations were the following significant components. Letter of credit and other credit-related fees totaled $127 million, $130 million and $112 million in 2012, 2011 and 2010, respectively. The increase in such fees from 2010 to 2011 was due largely to higher income from providing letter of credit and loan syndication services. Tax-exempt income earned from bank owned life insurance aggregated $51 million in each of 2012 and 2011 and $50 million in 2010. Such income includes increases in cash surrender value of life insurance policies and benefits received. Revenues from merchant discount and credit card fees were $77 million in 2012, $60 million in 2011 and $46 million in 2010. The increased revenues in 2012 as compared with 2011 and in 2011 as compared with 2010 were largely attributable to higher transaction volumes related to merchant activity and usage of the Company s credit card products. Insurance-related sales commissions and other revenues totaled $44 million in 2012, compared with $40 million in each of 2011 and 2010. Automated teller machine usage fees aggregated $19 million in each of 2012 and 2011 and $18 million in 2010.

Other Expense

Other expense totaled $2.51 billion in 2012, compared with $2.48 billion in 2011 and $1.91 billion in 2010. Included in such amounts are expenses considered to be nonoperating in nature consisting of amortization of core deposit and other intangible assets of $61 million, $62 million and $58 million in 2012, 2011 and 2010, respectively, and merger-related expenses of $10 million in 2012, $84 million in 2011 and $771 thousand in 2010. Exclusive of those nonoperating expenses, noninterest operating expenses were $2.44 billion in 2012, $2.33 billion in 2011 and $1.86 billion in 2010. The increase in such expenses in 2012 as compared with 2011 was largely attributable to the full-year impact of the operations obtained in the Wilmington Trust acquisition. Reflected in 2011 noninterest operating expenses were the previously discussed $79 million impairment charge related to BLG and the $30 million fourth quarter charitable contribution. The increase in noninterest operating expenses in 2011 as compared with 2010 was largely the result of the impact of the operations obtained in the Wilmington Trust acquisition, the impairment charge related to BLG, higher charitable contributions and higher FDIC assessments.

Salaries and employee benefits expense totaled $1.31 billion in 2012, compared with $1.20 billion and $1.00 billion in 2011 and 2010, respectively. The rise in such expenses in 2012 from 2011 reflects the full-year impact of the operations obtained in the acquisition of Wilmington Trust. Also contributing to the higher expense level in 2012 were increased incentive compensation costs and expenses related to pension and postretirement benefits. The higher expense levels in 2011 as compared with 2010 were predominantly due to the operations obtained in the Wilmington Trust acquisition, but also reflect $16 million of merger-related salaries and employee benefits expenses comprised predominantly of severance for Wilmington Trust employees. Stock-based compensation totaled $57 million in 2012, $56 million in 2011 and $54 million in 2010. The number of full-time equivalent employees was 14,404 at December 31, 2012, compared with 15,072 and 12,802 at December 31, 2011 and 2010, respectively.

The Company provides pension and other postretirement benefits (including a retirement savings plan) for its employees. Expenses related to such benefits totaled $105 million in 2012, $86 million in 2011 and $66 million in 2010. The Company sponsors both defined benefit and defined contribution pension plans. Pension benefit expense for those plans was $69 million in 2012, $53 million in 2011 and $38 million in 2010. Included in those amounts are $17 million in 2012, $13 million in 2011 and $14 million in 2010 for a defined contribution pension plan that the Company began on January 1, 2006. The rise in pension and other postretirement benefits expense in 2012 as compared with 2011 was largely reflective of a $17 million increase in amortization of actuarial losses accumulated in the defined benefit pension plans. The increase in expense in 2011 from 2010 was predominantly due to the impact of the Wilmington Trust acquisition and an increase in amortization of actuarial losses of approximately $7 million. The determination of pension expense and the recognition of net pension assets and liabilities for defined benefit pension plans requires management to make various assumptions that can significantly impact the actuarial calculations related thereto. Those assumptions include the expected long-term rate of return on plan assets, the rate of increase

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in future compensation levels and the discount rate. Changes in any of those assumptions will impact the Company s pension expense. The expected long-term rate of return assumption is determined by taking into consideration asset allocations, historical returns on the types of assets held and current economic factors. Returns on invested assets are periodically compared with target market indices for each asset type to aid management in evaluating such returns. The discount rate used by the Company to determine the present value of the Company s future benefit obligations reflects specific market yields for a hypothetical portfolio of highly rated corporate bonds that would produce cash flows similar to the Company s benefit plan obligations and the level of market interest rates in general as of the year-end. Other factors used to estimate the projected benefit obligations include actuarial assumptions for mortality rate, turnover rate, retirement rate and disability rate. Those other factors do not tend to change significantly over time. The Company reviews its pension plan assumptions annually to ensure that such assumptions are reasonable and adjusts those assumptions, as necessary, to reflect changes in future expectations. The Company utilizes actuaries and others to aid in that assessment.

The Company s 2012 pension expense for its defined benefit plans was determined using the following assumptions: a long-term rate of return on assets of 6.50%; a rate of future compensation increase of 4.50%; and a discount rate of 4.25%. To demonstrate the sensitivity of pension expense to changes in the Company s pension plan assumptions, 25 basis point increases in: the rate of return on plan assets would have resulted in a decrease in pension expense of $3 million; the rate of increase in compensation would have resulted in an increase in pension expense of $.4 million; and the discount rate would have resulted in a decrease in pension expense of $5 million. Decreases of 25 basis points in those assumptions would have resulted in similar changes in amount, but in the opposite direction from the changes presented in the preceding sentence. The accounting guidance for defined benefit pension plans reflects the long-term nature of benefit obligations and the investment horizon of plan assets, and has the effect of reducing expense volatility related to short-term changes in interest rates and market valuations. Actuarial gains and losses include the impact of plan amendments, in addition to various gains and losses resulting from changes in assumptions and investment returns which are different from that which was assumed. As of December 31, 2012, the Company had cumulative unrecognized actuarial losses of approximately $480 million that could result in an increase in the Company s future pension expense depending on several factors, including whether such losses at each measurement date exceed ten percent of the greater of the projected benefit obligation or the market-related value of plan assets. In accordance with GAAP, net unrecognized gains or losses that exceed that threshold are required to be amortized over the expected service period of active employees, and are included as a component of net pension cost. Amortization of these net unrealized losses had the effect of increasing the Company s pension expense by approximately $37 million in 2012, $21 million in 2011 and $14 million in 2010.

GAAP requires an employer to recognize in its balance sheet as an asset or liability the overfunded or underfunded status of a defined benefit postretirement plan, measured as the difference between the fair value of plan assets and the benefit obligation. For a pension plan, the benefit obligation is the projected benefit obligation; for any other postretirement benefit plan, such as a retiree health care plan, the benefit obligation is the accumulated postretirement benefit obligation. Gains or losses and prior service costs or credits that arise during the period, but are not included as components of net periodic benefit cost, are to be recognized as a component of other comprehensive income. As of December 31, 2012, the combined benefit obligations of the Company s defined benefit postretirement plans exceeded the fair value of the assets of such plans by approximately $311 million. Of that amount, $105 million was related to qualified defined benefit plans that are periodically funded by the Company and $206 million related to non-qualified pension and other postretirement benefit plans that are generally not funded until benefits are paid. The Company was required to have a net pension and postretirement benefit liability for those plans that was at least equal to $311 million at December 31, 2012. Accordingly, as of December 31, 2012 the Company recorded an additional postretirement benefit liability of $455 million. After applicable tax effect, that additional liability reduced accumulated other comprehensive income (and thereby shareholders equity) by $277 million. The result of this was a year-over-year decrease of $2 million to the additional minimum postretirement benefit liability from the $457 million recorded at December 31, 2011. After applicable tax effect, the $2 million decrease in the additional required liability increased accumulated other comprehensive income in 2012 by $945 thousand from the prior year-end amount of $278 million. The rather insignificant change in the minimum liability from December 31, 2011 represents the net impact of actual experience during 2012 that differed from the actuarial assumptions used and from changes in those assumptions. Notably, gains from higher than expected investment returns earned in 2012 were offset by net losses in the remeasurement of the benefit obligations that resulted from a lowering of the discount rate used in that measurement. In determining the benefit obligation for defined benefit postretirement plans the Company used a discount rate of 3.75% at December 31, 2012 and 4.25% at December 31, 2011. A 25 basis point decrease in the assumed discount rate as of December 31, 2012 to 3.50% would have resulted in increases in the combined benefit obligations of all defined benefit postretirement plans (including pension and other plans) of $67 million. Under that scenario, the minimum postretirement liability adjustment at December 31, 2012 would have been $522 million, rather than the $455 million that was actually recorded, and the corresponding after tax-effect charge to accumulated other comprehensive income at December 31, 2012 would have been $317 million, rather than the $277 million that was actually recorded. A 25 basis point increase in the assumed discount rate to 4.00% would have decreased the combined benefit obligations of all defined benefit postretirement plans by $61 million. Under this latter scenario, the aggregate minimum liability adjustment at December 31, 2012 would have been $394 million rather than the $455 million actually recorded and the corresponding after tax-effect charge to accumulated other comprehensive income would have been $239 million rather than $277 million. The Company was not required to make any contributions to its qualified defined benefit pension plan in 2012, 2011 or 2010. However, during 2012 and 2011 the Company elected to make cash contributions of $200 million and $70 million, respectively. The Company did not make any contributions to its qualified defined benefit pension plan in 2010. Information about the Company s pension plans, including significant assumptions utilized in completing actuarial calculations for the plans, is included in note 12 of Notes to Financial Statements.

The Company also provides a retirement savings plan (RSP) that is a defined contribution plan in which eligible employees of the Company may defer up to 50% of qualified compensation via contributions to the plan. The Company makes an employer matching contribution in an amount equal to 75% of an employee s contribution, up to 4.5% of the employee s qualified compensation. RSP expense totaled $31 million in 2012, $28 million in 2011 and $25 million in 2010.

Expenses associated with the defined benefit and defined contribution pension plans and the RSP totaled $100 million in 2012, $81 million in 2011 and $62 million in 2010. Expense associated with providing medical and other postretirement benefits was $5 million in 2012 and $4 million in each of 2011 and 2010.

Excluding the nonoperating expense items already noted, nonpersonnel operating expenses totaled $1.13 billion in 2012, compared with $1.14 billion in 2011. Higher expenses in 2012 related to the full-year impact of the operations obtained in the acquisition of Wilmington Trust and professional services were predominantly offset by the impairment charge related to BLG and the Company s charitable contributions, both reflected in 2011. Nonpersonnel operating expenses were $856 million in 2010. The increase in such expenses from 2010 to 2011 was largely attributable to the impact of the operations obtained in the Wilmington Trust acquisition, the impairment charge related to BLG, the $30 million charitable contribution in 2011 s fourth quarter and higher FDIC assessments.

Income Taxes

The provision for income taxes was $523 million in 2012, compared with $365 million in 2011 and $357 million in 2010. The effective tax rates were 33.7%, 29.8% and 32.6% in 2012, 2011 and 2010, respectively. The effective tax rate is affected by the level of income earned that is exempt from tax relative to the overall level of pre-tax income, the level of income allocated to the various state and local jurisdictions where the Company operates, because tax rates differ among such jurisdictions, and the impact of any large but infrequently occurring items. For example, the recognition of the non-taxable gain of $65 million on the Wilmington Trust acquisition served to lower the effective tax rate in 2011. Income taxes in 2011 also reflect the resolution of previously uncertain tax positions that allowed the Company to reduce its accrual for income taxes in total by $12 million. Excluding the impact of (i) the non-taxable gain of $65 million on the Wilmington Trust acquisition and (ii) the $12 million accrual reversal related to the resolution with taxing authorities of previously uncertain tax positions, the Company s effective tax rate for 2011 would have been 32.5%.

The Company s effective tax rate in future periods will be affected by the results of operations allocated to the various tax jurisdictions within which the Company operates, any change in income tax laws or regulations within those jurisdictions, and interpretations of income tax regulations that differ from the Company s interpretations by any of various tax authorities that may examine tax returns filed by M&T or any of its subsidiaries. Information about amounts accrued for uncertain tax positions and a reconciliation of income tax expense to the amount computed by applying the statutory federal income tax rate to pre-tax income is provided in note 13 of Notes to Financial Statements.

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International Activities

The Company s net investment in international assets aggregated $179 million at December 31, 2012 and $160 million at December 31, 2011. Such assets included $149 million and $128 million, respectively, of loans to foreign borrowers. Deposits in the Company s office in the Cayman Islands totaled $1.0 billion at December 31, 2012 and $356 million at December 31, 2011. The Company uses such deposits to facilitate customer demand and as an alternative to short-term borrowings when the costs of such deposits seem reasonable. M&T Bank opened a full-service commercial branch in Ontario, Canada during the second quarter of 2010. Loans and deposits at that branch as of December 31, 2012 were $139 million and $22 million, respectively, compared with $116 million and $14 million, respectively, at December 31, 2011. As a result of the Wilmington Trust acquisition, the Company offers trust-related services in Europe and the Cayman Islands. Revenues from providing such services during 2012 and 2011 were approximately $24 million and $15 million, respectively.

Liquidity, Market Risk, and Interest Rate Sensitivity

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

The most significant source of funding for the Company is core deposits, which are generated from a large base of consumer, corporate and institutional customers. That customer base has, over the past several years, become more geographically diverse as a result of acquisitions and expansion of the Company s businesses. Nevertheless, the Company faces competition in offering products and services from a large array of financial market participants, including banks, thrifts, mutual funds, securities dealers and others. Core deposits financed 86% of the Company s earning assets at December 31, 2012, compared with 83% and 77% at December 31, 2011 and 2010, respectively. The increases in the amount of earning assets financed by core deposits at the 2012 and 2011 year-ends as compared with December 31, 2010 reflect higher levels of core deposits, largely due to higher noninterest-bearing deposits, that have allowed the Company to reduce short-term and long-term borrowings.

The Company supplements funding provided through core deposits with various short-term and long-term wholesale borrowings, including federal funds purchased and securities sold under agreements to repurchase, brokered certificates of deposit, Cayman Islands office deposits and borrowings from the FHLBs and others. At December 31, 2012, M&T Bank had short-term and long-term credit facilities with the FHLBs aggregating $9.8 billion. Outstanding borrowings under FHLB credit facilities totaled $30 million and $1.4 billion at December 31, 2012 and 2011, respectively. Such borrowings were secured by loans and investment securities. M&T Bank and Wilmington Trust, N.A. had available lines of credit with the Federal Reserve Bank of New York that totaled approximately $11.7 billion at December 31, 2012. The amounts of those lines are dependent upon the balances of loans and securities pledged as collateral. There were no borrowings outstanding under such lines of credit at December 31, 2012 or December 31, 2011.

The Company has, from time to time, issued subordinated capital notes and junior subordinated debentures associated with preferred capital securities to provide liquidity and enhance regulatory capital ratios. Such notes qualify for inclusion in the Company s capital as defined by Federal regulators. However, pursuant to the Dodd-Frank Act, junior subordinated debentures associated with trust preferred securities will be phased-out of the definition of Tier 1 capital over a three-year period which began January 1, 2013. Information about the Company s borrowings is included in note 9 of Notes to Financial Statements.

The Company has informal and sometimes reciprocal sources of funding available through various arrangements for unsecured short-term borrowings from a wide group of banks and other financial institutions. Short-term federal funds borrowings were $939 million and $590 million at December 31, 2012 and 2011, respectively. In general, those borrowings were unsecured and matured on the next business day. As previously noted, Cayman Islands office deposits and brokered certificates of deposit have been used by the Company as an alternative to short-term borrowings. Cayman Islands office deposits also generally mature on the next business day and totaled $1.0 billion and $356 million at December 31, 2012 and 2011, respectively. Outstanding brokered time deposits at December 31, 2012 and December 31, 2011 were $462 million and $1.0 billion, respectively. Brokered time deposits assumed in the Wilmington Trust transaction aggregated $1.4 billion at the acquisition date. At December 31, 2012, the weighted-average remaining term to maturity of brokered time deposits was 7 months. Certain of these brokered deposits

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have provisions that allow for early redemption. The Company also has brokered NOW and brokered money-market deposit accounts which aggregated $1.1 billion at each of December 31, 2012 and 2011.

The Company s ability to obtain funding from these or other sources could be negatively impacted should the Company experience a substantial deterioration in its financial condition or its debt ratings, or should the availability of short-term funding become restricted due to a disruption in the financial markets. The Company attempts to quantify such credit-event risk by modeling scenarios that estimate the liquidity impact resulting from a short-term ratings downgrade over various grading levels. Such impact is estimated by attempting to measure the effect on available unsecured lines of credit, available capacity from secured borrowing sources and securitizable assets. Information about the credit ratings of M&T and M&T Bank is presented in table 16. Additional information regarding the terms and maturities of all of the Company s short-term and long-term borrowings is provided in note 9 of Notes to Financial Statements. In addition to deposits and borrowings, other sources of liquidity include maturities of investment securities and other earning assets, repayments of loans and investment securities, and cash generated from operations, such as fees collected for services.

Table 16

DEBT RATINGS

	Moody s	Standard and Poor s	Fitch
M&T Bank Corporation			
Senior debt	A3	A	A
Subordinated debt	Baa1	BBB+	BBB+
M&T Bank			
Short-term deposits	Prime-1	A-1	F1
Long-term deposits	A2	A	A
Senior debt	A2	A	A
Subordinated debt	A3	A	BBB+

Certain customers of the Company obtain financing through the issuance of variable rate demand bonds (VRDBs). The VRDBs are generally enhanced by letters of credit provided by M&T Bank. M&T Bank oftentimes acts as remarketing agent for the VRDBs and, at its discretion, may from time-to-time own some of the VRDBs while such instruments are remarketed. When this occurs, the VRDBs are classified as trading assets in the Company s consolidated balance sheet. Nevertheless, M&T Bank is not contractually obligated to purchase the VRDBs. The value of VRDBs in the Company s trading account totaled $7 million and $40 million at December 31, 2012 and 2011, respectively. At each of December 31, 2012 and 2011, the VRDBs outstanding backed by M&T Bank letters of credit totaled $1.9 billion. M&T Bank also serves as remarketing agent for most of those bonds.

Table 17

MATURITY DISTRIBUTION OF SELECTED LOANS(a)

December 31, 2012	Demand	2013	2014-2017	After 2017
		(In thousands)		
Commercial, financial, etc.	$ 6,580,590	$ 2,467,660	$ 6,524,710	$ 782,662
Real estate construction	189,213	1,393,666	1,668,723	299,693
Total	$ 6,769,803	$ 3,861,326	$ 8,193,433	$ 1,082,355
Floating or adjustable interest rates			$ 6,489,840	$ 637,604
Fixed or predetermined interest rates			1,703,593	444,751
Total			$ 8,193,433	$ 1,082,355

(a) The data do not include nonaccrual loans.

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The Company enters into contractual obligations in the normal course of business which require future cash payments. The contractual amounts and timing of those payments as of December 31, 2012 are summarized in table 18. Off-balance sheet commitments to customers may impact liquidity, including commitments to extend credit, standby letters of credit, commercial letters of credit, financial guarantees and indemnification contracts, and commitments to sell real estate loans. Because many of these commitments or contracts expire without being funded in whole or in part, the contract amounts are not necessarily indicative of future cash flows. Further discussion of these commitments is provided in note 21 of Notes to Financial Statements. Table 18 summarizes the Company s other commitments as of December 31, 2012 and the timing of the expiration of such commitments.

Table 18

CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

December 31, 2012	Less Than One Year	One to Three Years	Three to Five Years (In thousands)	Over Five Years	Total
Payments due for contractual obligations					
Time deposits	$ 3,575,766	$ 739,495	$ 234,165	$ 12,940	$ 4,562,366
Deposits at Cayman Islands office	1,044,519				1,044,519
Federal funds purchased and agreements to repurchase securities	1,074,482				1,074,482
Long-term borrowings	258,102	28,220	1,864,845	2,456,591	4,607,758
Operating leases	76,772	144,729	95,804	142,520	459,825
Other	56,765	25,557	14,748	5,952	103,022
Total	$ 6,086,406	$ 938,001	$ 2,209,562	$ 2,618,003	$ 11,851,972
Other commitments					
Commitments to extend credit	$ 9,111,575	$ 5,817,504	$ 4,108,807	$ 3,270,420	$ 22,308,306
Standby letters of credit	1,857,771	1,533,932	547,619	86,007	4,025,329
Commercial letters of credit	18,877	34,324			53,201
Financial guarantees and indemnification contracts	145,761	260,508	307,188	1,406,904	2,120,361
Commitments to sell real estate loans	2,617,751	7,657			2,625,408
Total	$ 13,751,735	$ 7,653,925	$ 4,963,614	$ 4,763,331	$ 31,132,605

M&T s primary source of funds to pay for operating expenses, shareholder dividends and treasury stock repurchases has historically been the receipt of dividends from its banking subsidiaries, which are subject to various regulatory limitations. Dividends from any banking subsidiary to M&T are limited by the amount of earnings of the banking subsidiary in the current year and the two preceding years. For purposes of that test, at December 31, 2012 approximately $944 million was available for payment of dividends to M&T from banking subsidiaries. These historic sources of cash flow have been augmented in the past by the issuance of trust preferred securities and senior notes payable. Information regarding trust preferred securities and the related junior subordinated debentures is included in note 9 of Notes to Financial Statements. The $300 million of 5.375% senior notes of M&T that were issued in 2007 matured and were repaid in 2012. M&T also maintains a $30 million line of credit with an unaffiliated commercial bank, of which there were no borrowings outstanding at December 31, 2012. A similar $30 million line of credit was entirely available for borrowing at December 31, 2011.

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Table 19

MATURITY AND TAXABLE-EQUIVALENT YIELD OF INVESTMENT SECURITIES

December 31, 2012	One Year or Less	One to Five Years	Five to Ten Years	Over Ten Years	Total
			(Dollars in thousands)		
Investment securities available for sale(a)					
U.S. Treasury and federal agencies					
Carrying value	$ 2,047	$ 35,505	$ 1,792	$	$ 39,344
Yield	1.64%	1.71%	2.04%		1.72%
Obligations of states and political subdivisions					
Carrying value	1,653	3,473	5,653	10,122	20,901
Yield	6.12%	5.71%	4.01%	1.68%	3.33%
Mortgage-backed securities(b)					
Government issued or guaranteed					
Carrying value	131,173	551,105	641,397	2,047,366	3,371,041
Yield	3.25%	3.24%	3.25%	3.26%	3.25%
Privately issued					
Carrying value	27,930	132,035	175,309	688,612	1,023,886
Yield	3.24%	3.21%	3.18%	3.19%	3.19%
Other debt securities					
Carrying value	1,252	4,161	2,772	165,634	173,819
Yield	1.41%	3.88%	4.42%	4.00%	3.99%
Equity securities					
Carrying value					110,446
Yield					1.06%
Total investment securities available for sale					
Carrying value	164,055	726,279	826,923	2,911,734	4,739,437
Yield	3.24%	3.17%	3.24%	3.28%	3.20%
Investment securities held to maturity					
Obligations of states and political subdivisions					
Carrying value	26,716	50,310	104,901	176	182,103
Yield	4.15%	5.17%	5.59%	6.71%	5.26%
Mortgage-backed securities(b)					
Government issued or guaranteed					
Carrying value	30,376	135,669	206,530	224,765	597,340
Yield	2.94%	2.94%	2.94%	2.94%	2.94%
Privately issued					
Carrying value	7,388	30,261	39,788	164,941	242,378
Yield	2.66%	2.68%	2.72%	2.91%	2.84%
Other debt securities					
Carrying value				10,455	10,455
Yield				5.48%	5.48%
Total investment securities held to maturity					
Carrying value	64,480	216,240	351,219	400,337	1,032,276
Yield	3.41%	3.42%	3.71%	3.00%	3.35%
Other investment securities					302,648
Total investment securities					
Carrying value	$ 228,535	$ 942,519	$ 1,178,142	$ 3,312,071	$ 6,074,361
Yield	3.29%	3.23%	3.38%	3.25%	3.07%

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

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

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Management closely monitors the Company s liquidity position on an ongoing basis for compliance with internal policies and believes that available sources of liquidity are adequate to meet funding needs anticipated in the normal course of business. Management does not anticipate engaging in any activities, either currently or in the long-term, for which adequate funding would not be available and would therefore result in a significant strain on liquidity at either M&T or its subsidiary banks.

Market risk is the risk of loss from adverse changes in the market prices and/or interest rates of the Company s financial instruments. The primary market risk the Company is exposed to is interest rate risk. Interest rate risk arises from the Company s core banking activities of lending and deposit-taking, because assets and liabilities reprice at different times and by different amounts as interest rates change. As a result, net interest income earned by the Company is subject to the effects of changing interest rates. The Company measures interest rate risk by calculating the variability of net interest income in future periods under various interest rate scenarios using projected balances for earning assets, interest-bearing liabilities and derivatives used to hedge interest rate risk. Management s philosophy toward interest rate risk management is to limit the variability of net interest income. The balances of financial instruments used in the projections are based on expected growth from forecasted business opportunities, anticipated prepayments of loans and investment securities, and expected maturities of investment securities, loans and deposits. Management uses a value of equity model to supplement the modeling technique described above. Those supplemental analyses are based on discounted cash flows associated with on- and off-balance sheet financial instruments. Such analyses are modeled to reflect changes in interest rates and provide management with a long-term interest rate risk metric. The Company has entered into interest rate swap agreements to help manage exposure to interest rate risk. At December 31, 2012, the aggregate notional amount of interest rate swap agreements entered into for interest rate risk management purposes was $900 million. Information about interest rate swap agreements entered into for interest rate risk management purposes is included herein under the heading Net Interest Income/Lending and Funding Activities and in note 18 of Notes to Financial Statements.

Table 20

MATURITY OF DOMESTIC CERTIFICATES OF DEPOSIT AND TIME DEPOSITS

WITH BALANCES OF $100,000 OR MORE

	December 31, 2012 (In thousands)
Under 3 months	$ 312,801
3 to 6 months	183,149
6 to 12 months	292,644
Over 12 months	241,334
Total	$ 1,029,928

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

Table 21 displays as of December 31, 2012 and 2011 the estimated impact on net interest income from non-trading financial instruments in the base scenario described above resulting from parallel changes in interest rates across repricing categories during the first modeling year.

Table 21

SENSITIVITY OF NET INTEREST INCOME TO CHANGES IN INTEREST RATES

	Calculated Increase (Decrease) in Projected Net Interest Income December 31	
Changes in Interest Rates	**2012**	**2011**
	(In thousands)	
+ 200 basis points	$ 210,030	$ 117,826
+ 100 basis points	117,198	64,103
100 basis points	(69,687)	(62,055)
200 basis points	(90,333)	(83,369)

The Company utilized many assumptions to calculate the impact that changes in interest rates may have on net interest income. The more significant of those assumptions included the rate of prepayments of mortgage-related assets, cash flows from derivative and other financial instruments held for non-trading purposes, loan and deposit volumes and pricing, and deposit maturities. In the scenarios presented, the Company also assumed gradual changes in rates during a twelve-month period of 100 and 200 basis points, as compared with the assumed base scenario. In the event that a 100 or 200 basis point rate change cannot be achieved, the applicable rate changes are limited to lesser amounts such that interest rates cannot be less than zero. The assumptions used in interest rate sensitivity modeling are inherently uncertain and, as a result, the Company cannot precisely predict the impact of changes in interest rates on net interest income. Actual results may differ significantly from those presented due to the timing, magnitude and frequency of changes in interest rates and changes in market conditions and interest rate differentials (spreads) between maturity/repricing categories, as well as any actions, such as those previously described, which management may take to counter such changes. The change in interest rate sensitivity to rising interest rates at December 31, 2012 as compared with December 31, 2011 reflects a higher percentage of funding coming from core deposits, including noninterest-bearing deposits, a greater mix of variable rate commercial loans, and updated projected deposit pricing assumptions. Partially offsetting those changes was the growth in fixed rate residential real estate loans.

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

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Table 22

CONTRACTUAL REPRICING DATA

December 31, 2012	Three Months or Less	Four to Twelve Months	One to Five Years	After Five Years	Total
			(Dollars in thousands)		
Loans and leases, net	$ 37,537,333	$ 4,997,380	$ 12,184,498	$ 11,851,746	$ 66,570,957
Investment securities	1,329,877	70,369	188,949	4,485,166	6,074,361
Other earning assets	212,523	600	100		213,223
Total earning assets	39,079,733	5,068,349	12,373,547	16,336,912	72,858,541
NOW accounts	1,979,619				1,979,619
Savings deposits	33,783,947				33,783,947
Time deposits	1,261,129	2,319,586	968,711	12,940	4,562,366
Deposits at Cayman Islands office	1,044,519				1,044,519
Total interest-bearing deposits	38,069,214	2,319,586	968,711	12,940	41,370,451
Short-term borrowings	1,074,482				1,074,482
Long-term borrowings	648,989	255,865	1,833,935	1,868,969	4,607,758
Total interest-bearing liabilities	39,792,685	2,575,451	2,802,646	1,881,909	47,052,691
Interest rate swaps	(900,000)		900,000		
Periodic gap	$ (1,612,952)	$ 2,492,898	$ 10,470,901	$ 14,455,003	
Cumulative gap	(1,612,952)	879,946	11,350,847	25,805,850	
Cumulative gap as a % of total earning assets	(2.2)%	1.2%	15.6%	35.4%	

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

The Company engages in trading activities to meet the financial needs of customers, to fund the Company s obligations under certain deferred compensation plans and, to a limited extent, to profit from perceived market opportunities. Financial instruments utilized in trading activities consist predominantly of interest rate contracts, such as swap agreements, and forward and futures contracts related to foreign currencies, but have also included investments in U.S. Treasury and other government securities, mutual funds and, as previously described, a limited number of VRDBs. The Company generally mitigates the foreign currency and interest rate risk associated with trading activities by entering into offsetting trading positions. The fair values of the offsetting trading positions associated with interest rate contracts and foreign currency and other option and futures contracts is presented in note 18 of Notes to Financial Statements. The amounts of gross and net trading positions, as well as the type of trading activities conducted by the Company, are subject to a well-defined series of potential loss exposure limits established by management and approved by M&T s Board of Directors. However, as with any non-government guaranteed financial instrument, the Company is exposed to credit risk associated with counterparties to the Company s trading activities.

The notional amounts of interest rate contracts entered into for trading purposes aggregated $15.5 billion at December 31, 2012 and $13.9 billion at December 31, 2011. The notional amounts of foreign currency and other option and futures contracts entered into for trading purposes totaled $869 million and $1.4 billion at December 31, 2012 and 2011, respectively. Although the notional amounts of these trading contracts are not recorded in the consolidated balance sheet, the fair values of all financial instruments used for trading activities are recorded in the consolidated balance sheet. The fair values of trading account assets and liabilities were $489 million and $374 million, respectively, at December 31, 2012 and $562 million and $435 million, respectively, at December 31, 2011. Included in trading account assets at December 31, 2012 and 2011 were $36 million and $34 million, respectively, of assets related to deferred compensation plans.

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Changes in the fair value of such assets are recorded as trading account and foreign exchange gains in the consolidated statement of income. Included in other liabilities in the consolidated balance sheet at December 31, 2012 and 2011 were $30 million and $32 million, respectively, of liabilities related to deferred compensation plans. Changes in the balances of such liabilities due to the valuation of allocated investment options to which the liabilities are indexed are recorded in other costs of operations in the consolidated statement of income.

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

Capital

Shareholders equity was $10.2 billion at December 31, 2012 and represented 12.29% of total assets, compared with $9.3 billion or 11.90% at December 31, 2011 and $8.4 billion or 12.29% at December 31, 2010.

Included in shareholders equity was preferred stock with financial statement carrying values of $873 million at December 31, 2012 and $865 million at December 31, 2011. As discussed earlier, the U.S. Treasury completed a public offering of its holding of M&T Series A and Series C preferred stock in August 2012, resulting in M&T s exit from the TARP. At December 31, 2012 and 2011, preferred stock included $373 million and $365 million, respectively, for Series A and Series C Fixed Rate Cumulative Perpetual Preferred Stock. The redemption value of those series of stock was $381.5 million at each of December 31, 2012 and 2011. The Series A preferred stock and warrants to issue M&T common stock were issued in 2008 for $600 million. During the second quarter of 2011, M&T redeemed $370 million of the Series A preferred stock. The financial statement value of the outstanding Series A preferred stock was $227 million and $224 million at December 31, 2012 and 2011, respectively. The Series C preferred stock originally represented a $151.5 million issuance in 2008 to the U.S. Treasury by Provident that was converted into M&T preferred stock and warrants to purchase M&T common stock upon M&T s acquisition of Provident on May 23, 2009. The financial statement carrying value of the Series C preferred stock was $146 million and $140 million at December 31, 2012 and 2011, respectively. In conjunction with the U.S. Treasury s public offering of its holding of M&T Series A and Series C preferred stock, M&T modified certain of the terms of the Series A and Series C Preferred Stock, with such modifications being subject to M&T common shareholder approval. The modifications related to the dividend rate on the preferred shares at the reset dates, which was originally set to change to 9% on November 15, 2013 for the Series C preferred shares and on February 15, 2014 for the Series A preferred shares. In each case, the dividend rate will now change to 6.375% on November 15, 2013 rather than to the 9% in the original terms. The other modification related to M&T agreeing to not redeem the Series A and Series C preferred shares until on or after November 15, 2018, except that if an event occurs such that the shares no longer qualify as Tier 1 capital, M&T may redeem all of the shares within 90 days following that occurrence. On May 31, 2011, M&T issued 50,000 shares of Series D Perpetual 6.875% Non-Cumulative Preferred Stock, par value $1.00 per share and liquidation preference of $10,000 per share. Holders of Series D preferred stock are entitled to receive, only when, as and if declared by the Board of Directors, non-cumulative cash dividends at an annual rate of 6.875%, payable semi-annually in arrears. The Series D preferred stock is redeemable on or after June 15, 2016 in whole or in part at par plus any declared but unpaid dividends. Notwithstanding the redemption provisions noted and subject to regulatory approval, M&T may redeem all of the outstanding shares of Series D preferred stock if a regulatory capital treatment event takes place whereby the full liquidation value of the shares no longer qualifies as Tier 1 capital. In accordance with their terms, on April 1, 2011, the 26,500 shares of Series B preferred stock converted into 433,144 shares of M&T common stock. The Series B preferred stock had paid quarterly dividends at a rate of 10% per annum. Further information concerning M&T s preferred stock can be found in note 10 of Notes to Financial Statements.

Common shareholders equity was $9.3 billion, or $72.73 per share, at December 31, 2012, compared with $8.4 billion, or $66.82 per share, at December 31, 2011 and $7.6 billion, or $63.54 per share, at December 31, 2010. Tangible equity per common share, which excludes goodwill and core deposit and other intangible assets and applicable deferred tax balances, was $44.61 at December 31, 2012, compared with $37.79 and $33.26 at December 31, 2011 and 2010, respectively. The Company s ratio of tangible common equity to tangible assets was 7.20% at December 31, 2012, compared with 6.40% and 6.19% at December 31, 2011 and December 31, 2010, respectively. Reconciliations of total common shareholders equity and tangible common equity and total assets and tangible assets as of December 31, 2012, 2011 and 2010 are presented in table 2. During 2012, 2011 and 2010, the ratio of average total shareholders equity to average total assets was 12.13%, 12.17% and 11.85%, respectively. The ratio of average common shareholders equity to average total assets was 11.04%, 11.09% and 10.77% in 2012, 2011 and 2010, respectively.

Shareholders equity reflects accumulated other comprehensive income or loss, which includes the net after-tax impact of unrealized gains or losses on investment securities classified as available for sale, unrealized losses on held-to-maturity securities for which an other-than-temporary impairment charge has been recognized, gains or losses associated with interest rate swap agreements designated as cash flow hedges, foreign currency translation adjustments and adjustments to reflect the funded status of defined benefit pension and other postretirement plans. Net unrealized gains on available-for-sale investment securities, net of applicable tax effect, were $37 million, or $.29 per common share, at December 31, 2012, compared with net unrealized losses of $78 million, or $.62 per common share, at December 31, 2011, and $85 million, or $.71 per common share, at December 31, 2010. Such unrealized gains and losses represent the difference, net of applicable income tax effect, between the estimated fair value and amortized cost of investment securities classified as available for sale, including the remaining unamortized unrealized losses on investment securities that have been transferred to held-to-maturity classification. Information about unrealized gains and losses as of December 31, 2012 and 2011 is included in note 3 of Notes to Financial Statements.

Reflected in net unrealized gains at December 31, 2012 were pre tax-effect unrealized losses of $157 million on available-for-sale investment securities with an amortized cost of $1.2 billion and pre-tax effect unrealized gains of $254 million on securities with an amortized cost of $3.5 billion. The pre-tax effect unrealized losses reflect $126 million of losses on privately issued residential mortgage-backed securities with an amortized cost of $1.0 billion and an estimated fair value of $895 million (considered Level 3 valuations) and $27 million of losses on trust preferred securities issued by financial institutions having an amortized cost of $123 million and an estimated fair value of $96 million (generally considered Level 2 valuations).

The Company s privately issued residential mortgage-backed securities classified as available for sale are generally collateralized by prime and Alt-A residential mortgage loans as depicted in table 23. Information in the table is as of December 31, 2012. As with any accounting estimate or other data, changes in fair values and investment ratings may occur at any time.

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Table 23

PRIVATELY ISSUED MORTGAGE-BACKED SECURITIES (a)

Collateral Type	Amortized Cost	Fair Value	Net Unrealized Gains (Losses)	As a Percentage of Fair Value: Investment Grade	As a Percentage of Fair Value: Senior Tranche	Credit Enhance-ment (b)	Current Payment Status (c): Bonds with OTTI	Current Payment Status (c): Bonds without OTTI
	(Dollars in thousands)							
Investment securities available for sale:								
Residential mortgage loans								
Prime fixed	$ 38,021	$ 41,514	$ 3,493	60%	99%	6%	%(d)	100%
Prime hybrid ARMs.	971,752	873,775	(97,977)	23	97	6	21	100
Alt-A hybrid ARMs.	111,831	86,710	(25,121)	13	91	9	35	100
Other	12,035	10,887	(1,148)		66	21	(d)	100
Subtotal	1,133,639	1,012,886	(120,753)	24%	96%	6%	22%	100%
Commercial mortgage loans	8,648	11,000	2,352	%	100%	100%	%(d)	100%
Total investment securities available for sale	1,142,287	1,023,886	(118,401)	24%	96%	7%	22%	100%
Investment securities held to maturity:								
Residential and commercial mortgage loans	242,378	147,638	(94,740)	36%	92%	23%	%	100%
Total	$ 1,384,665	$ 1,171,524	$ (213,141)	25%	96%	10%	22%	100%

(a) *All information is as of December 31, 2012.*

(b) *Weighted-average credit enhancement is calculated by dividing the remaining unpaid principal balance of bonds subordinate to the bonds owned by the Company plus any overcollateralization remaining in the securitization structure by the remaining unpaid principal balance of all bonds in the securitization structure.*

(c) *Represents percentage of amortized cost related to bonds for which contractually required principal and interest payments expected at acquisition continue to be received.*

(d) *There are no bonds in this category.*

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In estimating values for privately issued mortgage-backed securities, the Company was restricted in the level of market observable assumptions used in the valuation of such securities. Because of reduced trading activity and lack of observable valuation inputs, the Company considers the estimated fair value associated with its holdings of privately issued mortgage-backed securities to be Level 3 valuations. To assist in the determination of fair value for its privately issued mortgage-backed securities, the Company engaged two independent pricing sources at December 31, 2012 and 2011. GAAP provides guidance for estimating fair value when the volume and level of trading activity for an asset or liability have significantly decreased. In consideration of that guidance, the Company performed internal modeling to estimate the cash flows and fair value of privately issued residential mortgage-backed securities with an amortized cost basis of $1.1 billion at December 31, 2012 and $1.3 billion at December 31, 2011. The Company s internal modeling techniques included discounting estimated bond-specific cash flows using assumptions about cash flows associated with loans underlying each of the bonds. In estimating those cash flows, the Company used conservative assumptions as to default and loss rates in order to mitigate exposure that might be attributable to the risk that actual future credit losses could exceed assumed credit losses. Differences between internal model valuations and external pricing indications were generally considered to be reflective of the lack of liquidity in the market for privately issued mortgage-backed securities. To determine the most representative fair value for those bonds under current market conditions, the Company averaged the internal model valuations and the indications obtained from the two independent pricing sources resulting in a one-third weighting on the internal model valuation and a two-thirds weighting on valuations provided by the independent sources. Further information concerning the Company s valuations of privately issued mortgage-backed securities can be found in note 20 of Notes to Financial Statements.

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

For privately issued residential mortgage-backed securities, the modeling for other-than-temporary impairment utilized assumptions about the expected underlying performance of the mortgage loan collateral considering recent collateral performance and future assumptions regarding default and loss severity. At December 31, 2012, projected model default percentages on the underlying mortgage loan collateral ranged from 2% to 27% and loss severities ranged from 21% to 78%. For bonds in which the Company has recognized an other-than-temporary impairment charge, the weighted-average percentage of default collateral was 18% and the weighted-average loss severity was 48%. For bonds without other-than-temporary impairment losses, the weighted-average default percentage and loss severity were 10% and 37%, respectively. Underlying mortgage loan collateral cash flows, after considering the impact of estimated credit losses, were distributed by the model to the various securities within the securitization structure to determine the timing and extent of losses at the bond-level, if any. Despite continuing high levels of delinquencies and losses in the underlying residential mortgage loan collateral, given credit enhancements resulting from the structures of individual bonds, the Company has concluded that as of December 31, 2012 its remaining privately issued mortgage-backed securities were not other-than-temporarily impaired. Nevertheless, given recent market conditions, it is possible that adverse changes in repayment performance and fair value could occur in 2013 and later years that could impact the Company s conclusions. For example, a 20% increase in the estimated default rate assumption and a 20% increase in the severity rate assumption would have increased the other-than-temporary impairment charge recognized by the Company for the year ended December 31, 2012 by $32 million. Information comparing the amortized cost and fair value of investment securities is included in note 3 of Notes to Financial Statements. The Company s model as described above uses projected default and loss severity assumptions. Information on the current credit enhancement and current payment status of privately issued mortgage-backed securities at December 31, 2012 is included in table 23.

Similar to its evaluation of available-for-sale privately issued mortgage-backed securities, the Company assesses impairment losses on privately issued CMOs in the held-to-maturity portfolio by performing internal modeling to estimate bond-specific cash flows, that reflect the placement of the bond in the overall securitization structure and the remaining subordination levels. As a result, the Company recognized $5 million of other-than-temporary impairment losses related to CMOs in the held-to-maturity portfolio during 2012. In total, at December 31, 2012 and 2011, the Company had in its held-to-maturity portfolio CMOs with an amortized cost basis of $242 million and $269 million (after impairment charges), respectively, and a fair value of $148 million and $170 million, respectively.

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At December 31, 2012, the Company also had pre-tax unrealized losses of $28 million on $130 million of trust preferred securities issued by financial institutions, securities backed by trust preferred securities, and other debt securities (reflecting $1 million of unrealized losses on $7 million of securities using a Level 3 valuation). Pre-tax unrealized losses of $47 million existed on $201 million of such securities at December 31, 2011. After evaluating the expected repayment performance of those bonds, the Company did not recognize any other-than-temporary impairment losses related to those securities during 2012.

During 2011 the Company recognized $77 million (pre-tax) of other-than-temporary losses related to privately issued mortgage-backed securities. During 2010 the Company recognized $86 million (pre-tax) of other-than-temporary losses, including $68 million related to privately issued mortgage-backed securities, $6 million related to securities backed largely by trust preferred securities issued by financial institutions and $12 million related to AIB ADSs.

As of December 31, 2012, based on a review of each of the remaining securities in the investment securities portfolio, the Company concluded that the declines in the values of those securities were temporary and that any additional other-than-temporary impairment charges were not appropriate. As of that date, the Company did not intend to sell nor is it anticipated that it would be required to sell any of its impaired securities, that is, where fair value is less than the cost basis of the security. The Company intends to continue to closely monitor the performance of the privately issued mortgage-backed securities and other securities because changes in their underlying credit performance or other events could cause the cost basis of those securities to become other-than-temporarily impaired. However, because the unrealized losses on available-for-sale investment securities have generally already been reflected in the financial statement values for investment securities and shareholders equity, any recognition of an other-than-temporary decline in value of those investment securities would not have a material effect on the Company s consolidated financial condition. Any other-than-temporary impairment charge related to held-to-maturity securities would result in reductions in the financial statement values for investment securities and shareholders equity. Additional information concerning fair value measurements and the Company s approach to the classification of such measurements is included in note 20 of the Notes to Financial Statements.

Adjustments to reflect the funded status of defined benefit pension and other postretirement plans, net of applicable tax effect, reduced accumulated other comprehensive income by $277 million, or $2.16 per common share, at December 31, 2012, $278 million, or $2.21 per common share, at December 31, 2011, and $121 million, or $1.01 per common share, at December 31, 2010. The increase in such adjustment at December 31, 2011 as compared with December 31, 2010 was predominantly the result of a 100 basis point reduction in the discount rate used to measure the benefit obligations of the defined benefit plans at December 31, 2011 as compared with a year earlier, in addition to actual investment returns in the qualified defined benefit pension plan that were less than expected returns. During the third quarters of 2012 and 2011, the Company contributed $200 million and $70 million, respectively, to the Company s qualified defined benefit pension plan. Information about the funded status of the Company s pension and other postretirement benefit plans is included in note 12 of Notes to Financial Statements.

Cash dividends declared on M&T s common stock totaled $358 million in 2012, compared with $350 million and $336 million in 2011 and 2010, respectively. Dividends per common share totaled $2.80 in each of 2012, 2011 and 2010. Cash dividends of $53 million in 2012, $48 million in 2011 and $40 million in 2010 were declared and paid on preferred stock in accordance with the terms of each series.

The Company did not repurchase any shares of its common stock in 2012, 2011 or 2010.

Federal regulators generally require banking institutions to maintain Tier 1 capital and total capital ratios of at least 4% and 8%, respectively, of risk-adjusted total assets. In addition to the risk-based measures, Federal bank regulators have also implemented a minimum leverage ratio guideline of 3% of the quarterly average of total assets. At December 31, 2012, Tier 1 capital included $1.2 billion of trust preferred securities as described in note 9 of Notes to Financial Statements and total capital further included $1.5 billion of subordinated capital notes. Pursuant to the Dodd-Frank Act, trust preferred securities will be phased-out of the definition of Tier 1 capital of bank holding companies. The capital ratios of the Company and its banking subsidiaries as of December 31, 2012 and 2011 are presented in note 23 of Notes to Financial Statements.

Fourth Quarter Results

Net income during the final quarter of 2012 rose 100% to $296 million from $148 million in the year-earlier quarter. Diluted and basic earnings per common share were $2.16 and $2.18, respectively, in the fourth quarter of 2012, up 108% and 110% from $1.04 of diluted and basic earnings per common share in the similar 2011 quarter. On an annualized basis, the rates of return on average assets and average common shareholders equity for the recent quarter were 1.45% and 12.10%, respectively, compared with .75% and 6.12%, respectively, in the fourth quarter of 2011.

Net operating income totaled $305 million in the recently completed quarter, compared with $168 million in the year-earlier quarter. Diluted net operating earnings per common share were $2.23 and $1.20 in the fourth quarters of 2012 and 2011, respectively. The annualized net operating returns on average tangible assets and average tangible common equity in the fourth quarter of 2012 were 1.56% and 20.46%, respectively, compared with .89% and 12.36%, respectively, in the corresponding quarter of 2011. Core deposit and other intangible asset amortization, after tax effect, totaled $8 million and $10 million in the fourth quarters of 2012 and 2011 ($.07 and $.08 per diluted common share), respectively. The after-tax impact of merger-related expenses associated with the Wilmington Trust acquisition was $10 million ($16 million pre-tax) or $.08 of diluted earnings per common share in the fourth quarter of 2011. There were no merger-related expenses in the fourth quarter of 2012. Reconciliations of GAAP results with non-GAAP results for the quarterly periods of 2012 and 2011 are provided in table 25.

Taxable-equivalent net interest income increased 8% to $674 million in the recent quarter from $625 million in the final quarter of 2011. That growth reflects a $2.9 billion or 4% rise in average earning assets and a 14 basis point widening of the Company s net interest margin. Average earning assets in the fourth quarter of 2012 totaled $71.7 billion, up from $68.8 billion in the year-earlier quarter. That growth resulted from higher average loans and leases, which rose $5.9 billion or 10% to $65.0 billion in the recent quarter from $59.1 billion in the year-earlier quarter. That loan growth replaced lower yielding investment securities and interest-bearing deposits at banks whose average balances declined by $1.3 billion and $1.7 billion, respectively. Average commercial loan and lease balances were $17.0 billion in the recent quarter, up $1.6 billion or 10% from $15.4 billion in the fourth quarter of 2011. Commercial real estate loans averaged $25.3 billion in the fourth quarter of 2012, up $1.2 billion from $24.1 billion in the similar quarter of 2011. The growth in commercial loans and commercial real estate loans reflects higher loan demand by customers. Average residential real estate loans outstanding rose 48% or $3.6 billion to $11.1 billion in the recent quarter from $7.5 billion in the final quarter of 2011. Included in the residential real estate loan portfolio were loans held for sale, which averaged $997 million and $233 million in the fourth quarters of 2012 and 2011, respectively. Contributing to the rise in average residential real estate loans was the impact of the Company retaining for portfolio a large portion of loans originated since October 1, 2010. Consumer loans averaged $11.6 billion in the recent quarter, down $500 million, or 4%, from $12.1 billion in the fourth 2011 quarter. Total loans increased $2.5 billion to $66.6 billion at December 31, 2012 from $64.1 billion at September 30, 2012. That growth was largely attributable to increases in commercial loans, commercial real estate loans and residential real estate loans. The yield on earning assets was 4.17% in each of the fourth quarters of 2012 and 2011. The rate paid on interest-bearing liabilities declined 15 basis points to .67% in the recently completed quarter from .82% in the corresponding 2011 quarter. The resulting net interest spread was 3.50% in the fourth quarter of 2012, up 15 basis points from 3.35% in the year-earlier quarter. That improvement was largely due to the changed mix in earning assets described above and a $2.1 billion reduction in average long-term borrowings upon which the Company pays higher rates of interest than on deposits. As compared to the fourth quarter of 2011, average interest-bearing and noninterest-bearing deposits increased by $1.1 billion and $3.2 billion, respectively, in the recent quarter. The contribution of net interest-free funds to the Company s net interest margin was .24% in the recent quarter, compared with .25% in the year-earlier quarter. As a result, the Company s net interest margin widened to 3.74% in the fourth quarter of 2012 from 3.60% in the similar 2011 quarter.

The provision for credit losses was $49 million in the three-month period ended December 31, 2012, compared with $74 million in the year-earlier period. Net charge-offs of loans were $44 million in the final quarter of 2012, representing an annualized .27% of average loans and leases outstanding, compared with $74 million or .50% during the final quarter of 2011. Net charge-offs included: residential real estate loans of $10 million in the recently completed quarter, compared with $13 million in 2011 s final quarter; loans to builders and developers of residential real estate properties of $8 million, compared with $25 million in the fourth quarter of 2011; other commercial real estate loans of $1 million, compared with $2 million a year earlier; commercial loans of $3 million, compared with $11 million in 2011; and consumer loans of $22 million, compared with $23 million in the prior year s fourth quarter.

Other income aggregated $453 million in the recent quarter, up 14% from $398 million in the year-earlier quarter. Net losses on investment securities (including other-than-temporary impairment charges) were $14 million during the fourth quarter of 2012, compared with $25 million in the final 2011 quarter. The losses were due to other-than-temporary impairment charges related to certain of the Company s

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privately issued mortgage-backed securities. Other income in the fourth quarter of 2011 included the $55 million litigation settlement related to the Company s purchase of certain CDOs during 2007. Excluding net losses on investment securities and the CDO litigation settlement, other income was $468 million during 2012 s fourth quarter, up 27% from $368 million in the year-earlier quarter. That rise in other income was predominantly due to significantly higher residential mortgage banking revenues, which rose $72 million to $96 million in the recent quarter from $24 million in the year-earlier quarter. Also contributing to the improvement were higher service charges on deposit accounts.

Other expense in the fourth quarter of 2012 aggregated $626 million, compared with $740 million in the year-earlier quarter. Included in such amounts are expenses considered to be nonoperating in nature consisting of amortization of core deposit and other intangible assets of $14 million and $17 million in the fourth quarters of 2012 and 2011, respectively, and merger-related expenses of $16 million in the three-month period ended December 31, 2011. There were no merger-related expenses in the fourth quarter of 2012. Exclusive of those nonoperating expenses, noninterest operating expenses were $612 million in the fourth quarter of 2012, compared with $706 million in the corresponding quarter of 2011. The higher operating expenses in the final quarter of 2011 reflect the previously noted $79 million impairment charge related to BLG and the $30 million charitable contribution. The Company s efficiency ratio during the fourth quarter of 2012 and 2011 was 53.6% and 67.4%, respectively. Table 25 includes a reconciliation of other expense to noninterest operating expense and the calculation of the efficiency ratio for each of the quarters of 2012 and 2011.

Segment Information

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

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

The Business Banking segment provides a wide range of services to small businesses and professionals within markets served by the Company through the Company s branch network, business banking centers and other delivery channels such as telephone banking, Internet banking and automated teller machines. Services and products offered by this segment include various business loans and leases, including loans guaranteed by the Small Business Administration, business credit cards, deposit products, and financial services such as cash management, payroll and direct deposit, merchant credit card and letters of credit. Net income for the Business Banking segment improved 20% to $147 million in 2012 from $123 million in 2011. That increase reflects a $23 million decline in the provision for credit losses, higher net interest income of $12 million and increased merchant discount and credit card revenues of $5 million. The higher net interest income reflects a $1.0 billion increase in average outstanding deposit balances (predominantly noninterest-bearing), offset, in part, by a 9 basis point narrowing of the net interest margin on deposits. Net income contributed by the Business Banking segment totaled $99 million in 2010. The 24% increase in net income in 2011 as compared with 2010 reflects a $29 million decline in the provision for credit losses and higher net interest income of $19 million that resulted from increases of $1.1 billion and $358 million in the average balances of deposits and loans, respectively, reflecting the impact of the May 2011 Wilmington Trust acquisition. The effect of those higher average balances was offset, in part, by a 39 basis point narrowing of the net interest margin on deposits.

The Commercial Banking segment provides a wide range of credit products and banking services for middle-market and large commercial customers, mainly within the markets served by the Company. Services provided by this segment include commercial lending and leasing, letters of credit, deposit products, and cash management services. The Commercial Banking segment earned $431 million in 2012, up 17% from $369 million in 2011. The improved performance reflects a $98 million rise in net interest income, largely due to higher average loan and deposit balances of $2.3 billion and $1.2 billion, respectively, and a $14 million decline in the provision for credit losses. In 2010, net income for the Commercial Banking segment was $314 million. The 18% increase in net income in 2011 as compared with 2010 reflects a $73 million rise in net interest income largely due to higher average outstanding loan and deposit balances of $2.2 billion and $1.7 billion, respectively, (including the impact of the Wilmington Trust acquisition) partially offset by a 19 basis point narrowing of the net interest margin on deposit balances. Also contributing to the improvement were an $18 million decline in the provision for credit losses and higher credit-related fees of $15 million, including fees earned for providing loan syndication services. Partially offsetting those favorable factors were increased personnel costs of $8 million and higher FDIC assessments of $6 million.

The Commercial Real Estate segment provides credit and deposit services to its customers. Real estate securing loans in this segment is generally located in the New York City metropolitan area, upstate New York, Pennsylvania, Maryland, the District of Columbia, Delaware, Virginia, West Virginia, and the northwestern portion of the United States. Commercial real estate loans may be secured by apartment/multifamily buildings; office, retail and industrial space; or other types of collateral. Activities of this segment also include the origination, sales and servicing of commercial real estate loans through the Fannie Mae DUS program and other programs. Net income for the Commercial Real Estate segment aggregated $309 million in 2012, up 29% from $240 million in 2011. Factors contributing to the higher net income include: a $64 million rise in net interest income resulting primarily from the growth of average loan and deposit balances of $1.4 billion and $486 million, respectively, and a 9 basis point widening of the net interest margin on loans; a $54 million reduction in the provision for credit losses; and a $22 million increase in mortgage banking revenues. Those favorable factors were offset, in part, by increased FDIC assessments, personnel costs and other operating expenses. Net income for the Commercial Real Estate segment in 2011 increased 18% from $203 million in 2010. That improvement reflects higher net interest income of $84 million, due to increases of $1.8 billion and $488 million of average outstanding loan and deposit balances, respectively, (including the impact of the Wilmington Trust acquisition) and a 22 basis point widening of the net interest margin on loans, as well as a $16 million decline in net foreclosed real estate-related expenses. Partially offsetting those favorable factors were higher FDIC assessments of $23 million, a $13 million increase in the provision for credit losses, and increased personnel costs of $8 million.

The Discretionary Portfolio segment includes investment and trading securities, residential mortgage loans and other assets; short-term and long-term borrowed funds; brokered certificates of deposit and interest rate swap agreements related thereto; and Cayman Islands office deposits. This segment also provides foreign exchange services to customers. Included in the assets of the Discretionary Portfolio segment are most of the investment securities for which the Company has recognized other-than-temporary impairment charges in each of the last three years and the portfolio of Alt-A mortgage loans. The Discretionary Portfolio segment incurred net losses of $33 million in 2012 and $39 million in 2010, compared with net income of $59 million in 2011. The most significant contributor to the favorable performance in 2011 was the impact of $149 million of net realized gains on the sale of investment securities recorded in 2011, predominantly comprised of residential mortgage-backed securities guaranteed by Fannie Mae and Freddie Mac, CDOs and trust preferred securities. Also reflected in securities gains or losses were other-than-temporary impairment charges, predominantly related to privately issued CMOs, of $48 million in 2012, $77 million in 2011 and $74 million in 2010. Excluding securities gains and losses, this segment incurred a net loss of $5 million in 2012, compared with net income of $16 million in 2011 and $5 million in 2010. The unfavorable performance in 2012 as compared with 2011 reflects a $48 million rise in intersegment costs related to a higher proportion of residential real estate loans being retained for portfolio rather than being sold, offset, in part, by a $15 million decrease in the provision for credit losses. The favorable performance in 2011 as compared with 2010 can be attributed to a $40 million rise in net interest income, mainly due to a 39 basis point expansion of the net interest margin on investment securities, offset, in part, by a $12 million increase in intersegment costs related to a higher proportion of residential real estate loans being retained for portfolio in 2011 rather than being sold.

The Residential Mortgage Banking segment originates and services residential mortgage loans and sells substantially all of those loans in the secondary market to investors or to the Discretionary Portfolio segment. This segment had also originated and serviced loans to developers of residential real estate properties, although that origination activity has been significantly curtailed. In addition to the geographic regions served by or contiguous with the Company s branch network, the Company maintains mortgage loan origination offices in several states throughout the western United States. The Company also periodically purchases the rights to service mortgage loans. Residential mortgage loans held for sale are included in this segment. The Residential Mortgage Banking segment recorded net income of $135 million in 2012, up significantly from $13 million in 2011. That improvement was primarily due to a $177 million increase in revenues from residential mortgage origination and sales activities (including intersegment revenues), due to higher origination volumes and wider margins on loans originated for sale, and a $25 million rise in revenues from servicing residential real estate loans. Also contributing to the increase in net income were a $19 million decline in the provision for credit losses and a $14 million rise in net interest income, the result of an increase in average loan balances of $445 million. Those positive factors were offset, in part, by an increase in personnel costs of $23 million. Net income for this segment totaled $11 million in 2010. The 18% improvement in 2011 s results as compared with 2010 was attributable to a $13 million decline in the provision for credit losses, partially offset by an $8 million decline in net interest income, the result of a $181 million decrease in average loan balances.

The Retail Banking segment offers a variety of services to consumers through several delivery channels which include branch offices, automated teller machines, telephone banking and Internet banking. The Company has branch offices in New York State, Pennsylvania, Maryland, Virginia, the District of Columbia, West Virginia, and Delaware. The Retail Banking segment also offered certain deposit products on a nationwide basis through the delivery channels of Wilmington Trust, N.A. Credit services offered by this segment include consumer installment loans, automobile loans (originated both directly and indirectly through dealers), home equity loans and lines of credit and credit cards. The segment also offers to its customers deposit products, including demand, savings and time accounts; investment products, including mutual funds and annuities; and other services. The Retail Banking segment s net income rose 10% to $221 million in 2012 from $200 million in 2011. Contributing to the current year s favorable performance were a $52 million increase in net interest income, due largely to a $1.8 billion increase in average outstanding deposit balances and an 8 basis point widening of the net interest margin on deposits; a $6 million decrease in the provision for credit losses; and a $5 million rise in merchant discount and credit card revenues. Those favorable factors were offset, in part, by a $24 million decrease in fees earned for providing deposit account services and a $6 million increase in other operating expenses. Net income for this segment declined 11% in 2011 from $225 million in 2010. The most significant factors contributing to the decline were lower fees earned for providing deposit account services of $25 million (reflecting the previously described regulatory changes in 2010 and 2011 offset, in part, by fees of $13 million from deposits associated with the Wilmington Trust acquisition), higher personnel-related costs of $20 million (also reflecting the Wilmington Trust acquisition), and increased other noninterest expenses totaling $15 million (including higher credit card, merchant and transaction processing-related costs, each due, in part, to the Wilmington Trust acquisition), partially offset by net interest income related to the Wilmington Trust acquisition.

The All Other category reflects other activities of the Company that are not directly attributable to the reported segments. Reflected in this category are the amortization of core deposit and other intangible assets resulting from the acquisitions of financial institutions, M&T s share of the operating losses of BLG, merger-related gains and expenses resulting from acquisitions and the net impact of the Company s allocation methodologies for internal transfers for funding charges and credits associated with the earning assets and interest-bearing liabilities of the Company s reportable segments and the provision for credit losses. The All Other category also includes the ICS and WAS activities obtained in the acquisition of Wilmington Trust on May 16, 2011 and the pre-acquisition trust activities of the Company. Revenues for ICS, WAS and the trust activities not Wilmington Trust-related were $193 million, $153 million and $126 million, respectively, for the year ended December 31, 2012 and $119 million, $87 million and $116 million, respectively, for the year ended December 31, 2011. Individually and combined the net income of those activities did not exceed 10% of the Company s net income. The various components of the All Other category resulted in net losses of $181 million, $145 million and $78 million in 2012, 2011 and 2010, respectively. The most significant contributors to the higher net loss in 2012 as compared with 2011 were: higher personnel-related expenses and professional services costs of $84 million and $57 million, respectively (due, in part, to the full-year impact of the Wilmington Trust acquisition); the impact on 2011 s results of the $65 million non-taxable gain on the Wilmington Trust acquisition and the $55 million of income from the CDO litigation settlement; and the impact from the Company s allocation methodologies for internal transfers for funding charges and credits associated with the earning assets and interest-bearing liabilities of the Company s reportable segments and the provision for credit losses. Partially offsetting those factors were: increases in trust revenue of $139 million (reflecting the full-year impact of the acquisition of Wilmington Trust); the $79 million other-than-temporary impairment charge related to M&T s 20% investment in BLG and cash contributions made to The M&T Charitable Foundation, each of which was recorded in 2011; and merger-related expenses of $10 million in 2012, compared with $84 million in 2011. In addition to the items recorded in 2011 noted above, contributing to the unfavorable performance in 2011 as compared with 2010 were: a $150 million rise in personnel costs ($148 million related to the Wilmington Trust acquisition); increased equipment and net occupancy expenses of $25 million (predominantly related to the Wilmington Trust acquisition); and the unfavorable impact from the Company s allocation methodologies for internal transfers for funding charges and credits associated with the earning assets and interest-bearing liabilities of the Company s reportable segments and the provision for credit losses. Those unfavorable factors were offset, in part, by higher trust revenues of $210 million (reflecting the Wilmington Trust acquisition), the previously mentioned $65 million non-taxable gain on the Wilmington Trust acquisition and the $55 million CDO litigation settlement received and recorded in 2011.

Recent Accounting Developments

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

In July 2012, the FASB issued amended accounting guidance relating to testing indefinite-lived intangible assets for impairment. The amendments are similar to the accounting guidance provided in September 2011 relating to the testing of goodwill for impairment. The amendments provide the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, an entity determines it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying amount. The optional guidance is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. The Company does not expect the guidance to have a material impact on its financial position or results of operations.

In December 2011, the FASB issued amended disclosure guidance relating to offsetting assets and liabilities. The amendments require disclosure of gross and net information about instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. The scope of this guidance includes derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. The guidance is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The new required disclosures should be applied retrospectively for all comparable periods presented. The Company intends to comply with the new disclosure guidance.

In September 2011, the FASB issued amended accounting guidance relating to testing goodwill for impairment. The amendments provide the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. The optional guidance was able to be applied for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The Company did not recognize any impairment of goodwill in 2012 or 2011.

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

In May 2011, the FASB issued amended accounting and disclosure guidance relating to fair value measurements. The amendments were the result of the FASB and the International Accounting Standards Board developing common requirements for measuring fair value and for disclosing information about fair value measurements. The amendments change the wording used to describe several of the requirements for measuring fair value and for disclosing information about fair value measurements, but generally do not result in a change in the application of the existing guidance. The guidance was effective for interim and annual periods beginning after December 15, 2011 and was to be applied prospectively. The Company has complied with the amended accounting and disclosure guidance. The adoption of this guidance did not have a significant impact on any of the Company s fair value measurements. The disclosures relating to fair value measurements can be found in note 20 of Notes to Financial Statements.

In April 2011, the FASB issued amended accounting guidance relating to the assessment of effective control for repurchase agreements. The amendments remove from the assessment of effective control the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee. The amendments also remove the collateral maintenance implementation guidance related to that criterion. The guidance was effective for the first interim or annual period beginning on or after December 15, 2011 and was to be applied prospectively to transactions or modifications of existing transactions that occur on or after the effective date. The adoption of this guidance did not have a significant effect on the Company s financial position or results of operations.

Forward-Looking Statements

Management s Discussion and Analysis of Financial Condition and Results of Operations and other sections of this Annual Report contain forward-looking statements that are based on current expectations, estimates and projections about the Company s business, management s beliefs and assumptions made by management. Forward-looking statements are typically identified by words such as believe, expect, anticipate, intend, target, estimate, continue, positions, prospects or potential, by future conditional verbs such as will, would, should, could, or variations of such words or by similar expressions. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions (Future Factors) which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Forward-looking statements speak only as of the date they are made and the Company assumes no duty to update forward-looking statements.

Future Factors include changes in interest rates, spreads on earning assets and interest-bearing liabilities, and interest rate sensitivity; prepayment speeds, loan originations, credit losses and market values of loans, collateral securing loans and other assets; sources of liquidity; common shares outstanding; common stock price volatility; fair value of and number of stock-based compensation awards to be issued in future periods; the impact of changes in market values on trust-related revenues; legislation and/or regulation affecting the financial services industry as a whole, and M&T and its subsidiaries individually or

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collectively, including tax legislation or regulation; regulatory supervision and oversight, including monetary policy and capital requirements; changes in accounting policies or procedures as may be required by the FASB or other regulatory agencies; increasing price and product/service competition by competitors, including new entrants; rapid technological developments and changes; the ability to continue to introduce competitive new products and services on a timely, cost-effective basis; the mix of products/services; containing costs and expenses; governmental and public policy changes; protection and validity of intellectual property rights; reliance on large customers; technological, implementation and cost/financial risks in large, multi-year contracts; the outcome of pending and future litigation and governmental proceedings, including tax-related examinations and other matters; continued availability of financing; financial resources in the amounts, at the times and on the terms required to support M&T and its subsidiaries future businesses; and material differences in the actual financial results of merger, acquisition and investment activities compared with M&T s initial expectations, including the full realization of anticipated cost savings and revenue enhancements.

These are representative of the Future Factors that could affect the outcome of the forward-looking statements. In addition, such statements could be affected by general industry and market conditions and growth rates, general economic and political conditions, either nationally or in the states in which M&T and its subsidiaries do business, including interest rate and currency exchange rate fluctuations, changes and trends in the securities markets, and other Future Factors.

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QUARTERLY TRENDS

	2012 Quarters				2011 Quarters			
Earnings and dividends	**Fourth**	**Third**	**Second**	**First**	**Fourth**	**Third**	**Second**	**First**
Amounts in thousands, except per share								
Interest income (taxable-equivalent basis)	$ 751,860	$ 751,385	$ 744,031	$ 720,800	$ 722,535	$ 726,897	$ 694,721	$ 673,810
Interest expense	77,931	82,129	89,403	93,706	97,969	103,632	102,051	98,679
Net interest income	673,929	669,256	654,628	627,094	624,566	623,265	592,670	575,131
Less: provision for credit losses	49,000	46,000	60,000	49,000	74,000	58,000	63,000	75,000
Other income	453,164	445,733	391,650	376,723	398,454	368,382	501,656	314,420
Less: other expense	626,146	616,027	627,392	639,695	739,583	662,019	576,895	499,571
Income before income taxes	451,947	452,962	358,886	315,122	209,437	271,628	454,431	314,980
Applicable income taxes	149,247	152,966	118,861	101,954	55,162	81,974	125,605	102,380
Taxable-equivalent adjustment	6,507	6,534	6,645	6,705	6,535	6,546	6,468	6,327
Net income	$ 296,193	$ 293,462	$ 233,380	$ 206,463	$ 147,740	$ 183,108	$ 322,358	$ 206,273
Net income available to common shareholders-diluted	$ 276,605	$ 273,896	$ 214,716	$ 188,241	$ 129,804	$ 164,671	$ 297,179	$ 190,121
Per common share data								
Basic earnings	$ 2.18	$ 2.18	$ 1.71	$ 1.50	$ 1.04	$ 1.32	$ 2.43	$ 1.59
Diluted earnings	2.16	2.17	1.71	1.50	1.04	1.32	2.42	1.59
Cash dividends	$ .70	$ .70	$ .70	$ .70	$ .70	$ .70	$ .70	$ .70
Average common shares outstanding								
Basic	126,918	125,819	125,488	125,220	124,615	124,575	122,181	119,201
Diluted	127,800	126,292	125,897	125,616	124,736	124,860	122,796	119,852
Performance ratios, annualized								
Return on								
Average assets	1.45%	1.45%	1.17%	1.06%	.75%	.94%	1.78%	1.23%
Average common shareholders equity	12.10%	12.40%	10.12%	9.04%	6.12%	7.84%	14.94%	10.16%
Net interest margin on average earning assets (taxable-equivalent basis)	3.74%	3.77%	3.74%	3.69%	3.60%	3.68%	3.75%	3.92%
Nonaccrual loans to total loans and leases, net of unearned discount	1.52%	1.44%	1.54%	1.75%	1.83%	1.91%	1.91%	2.08%
Net operating (tangible) results(a)								
Net operating income (in thousands)	$ 304,657	$ 302,060	$ 247,433	$ 218,360	$ 168,410	$ 209,996	$ 289,487	$ 216,360
Diluted net operating income per common share	2.23	2.24	1.82	1.59	1.20	1.53	2.16	1.67
Annualized return on								