UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1997

or

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

Commission File Number 1-9861

FIRST EMPIRE STATE CORPORATION
(Exact name of registrant as specified in its charter)

New York (State or other jurisdiction of incorporation or organization)	16-0968385 (I.R.S. Employer Identification No.)
One M & T Plaza Buffalo, New York (Address of principal executive offices)	14240 (Zip Code)

(716) 842-5445
(Registrant's telephone number, including area code)

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No

Number of shares of the registrant's Common Stock, $5 par value, outstanding as of the close of business on April 30, 1997: 6,616,932 shares.

FIRST EMPIRE STATE CORPORATION

FORM 10-Q

For the Quarterly Period Ended March 31, 1997

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

FIRST EMPIRE STATE CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET (unaudited)

DOLLARS IN THOUSANDS, EXCEPT PER SHARE		MARCH 31, 1997	DECEMBER 31, 1996
Assets	Cash and due from banks	$ 376,741	324,659
	Money-market assets		
	Interest-bearing deposits at banks	47,713	47,325
	Federal funds sold and agreements to resell securities	20,926	125,326
	Trading account	56,040	37,317
	Total money-market assets	124,679	209,968
	Investment securities		
	Available for sale (cost: $1,558,244 at March 31, 1997; $1,400,976 at December 31, 1996)	1,543,855	1,396,672
	Held to maturity (market value: $94,636 at March 31, 1997; $119,316 at December 31, 1996)	94,224	118,616
	Other (market value: $55,226 at March 31, 1997; $56,410 at December 31, 1996)	55,226	56,410
	Total investment securities	1,693,305	1,571,698
	Loans and leases	11,177,030	11,120,221
	Unearned discount	(374,257)	(398,098)
	Allowance for possible credit losses	(273,573)	(270,466)
	Loans and leases, net	10,529,200	10,451,657
	Premises and equipment	126,646	128,521
	Accrued interest and other assets	271,661	257,412
	Total assets	$ 13,122,232	12,943,915
Liabilities	Noninterest-bearing deposits	$ 1,218,840	1,352,929
	NOW accounts	329,010	334,787
	Savings deposits	3,295,495	3,280,788
	Time deposits	5,464,580	5,352,749
	Deposits at foreign office	225,440	193,236
	Total deposits	10,533,365	10,514,489
	Federal funds purchased and agreements to repurchase securities	866,548	1,015,408
	Other short-term borrowings	273,531	134,779
	Accrued interest and other liabilities	208,645	195,578
	Long-term borrowings	327,960	178,002
	Total liabilities	12,210,049	12,038,256
Stockholders' equity	Preferred stock, $1 par, 1,000,000 shares authorized, none outstanding	--	--
	Common stock, $5 par, 15,000,000 shares authorized, 8,097,472 shares issued	40,487	40,487
	Additional paid-in capital	98,150	96,597
	Retained earnings	972,978	937,072
	Unrealized investment losses, net	(8,486)	(2,485)
	Treasury stock--common, at cost - 1,455,170 shares at March 31, 1997; 1,411,286 shares at December 31, 1996	(190,946)	(166,012)
	Total stockholders' equity	912,183	905,659
	Total liabilities and stockholders' equity	$ 13,122,232	12,943,915

FIRST EMPIRE STATE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME (unaudited)

AMOUNTS IN THOUSANDS, EXCEPT PER SHARE		THREE MONTHS ENDED MARCH 31 1997	1996
Interest income	Loans and leases, including fees	$ 229,575	213,206
	Money-market assets		
	Deposits at banks	709	1,031
	Federal funds sold and agreements to resell securities	405	1,403
	Trading account	221	273
	Investment securities		
	Fully taxable	23,798	27,419
	Exempt from federal taxes	1,058	445
	Total interest income	255,766	243,777
Interest expense	NOW accounts	920	2,773
	Savings deposits	22,248	20,521
	Time deposits	73,757	65,456
	Deposits at foreign office	3,239	2,129
	Short-term borrowings	13,700	19,689
	Long-term borrowings	5,457	3,617
	Total interest expense	119,321	114,185
	Net interest income	136,445	129,592
	Provision for possible credit losses	11,000	9,675
	Net interest income after provision for possible credit losses	125,445	119,917
Other income	Mortgage banking revenues	12,075	10,391
	Service charges on deposit accounts	10,385	9,905
	Trust income	6,903	6,173
	Merchant discount and other credit card fees	5,231	3,055
	Trading account and foreign exchange gains (losses)	1,349	(704)
	Gain (loss) on sales of bank investment securities	(45)	318
	Other revenues from operations	10,025	7,113
	Total other income	45,923	36,251
Other expense	Salaries and employee benefits	55,559	52,128
	Equipment and net occupancy	13,233	13,416
	Printing, postage and supplies	3,351	3,819
	Deposit insurance	486	780
	Other costs of operations	31,655	26,174
	Total other expense	104,284	96,317
	Income before income taxes	67,084	59,851
	Income taxes	25,825	23,698
	Net income	$ 41,259	36,153
	Net income per common share		
	Primary	$ 5.81	5.20
	Fully diluted	5.80	4.96
	Cash dividends per common share	.80	.70
	Average common shares outstanding		
	Primary	7,100	6,778
	Fully diluted	7,114	7,295

CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

IN THOUSANDS		THREE MONTHS ENDED MARCH 31 1997	1996
Cash flows from operating activities	Net income	$ 41,259	36,153
	Adjustments to reconcile net income to net cash provided by operating activities		
	Provision for possible credit losses	11,000	9,675
	Depreciation and amortization of premises and equipment	5,123	4,938
	Amortization of capitalized mortgage servicing rights	3,230	2,507
	Provision for deferred income taxes	(1,017)	(4,479)
	Asset write-downs	216	250
	Net gain on sales of assets	(1,470)	(418)
	Net change in accrued interest receivable, payable	11,749	1,190
	Net change in other accrued income and expense	15,550	18,283
	Net change in loans held for sale	74,695	(15,359)
	Net change in trading account assets and liabilities	(5,061)	(27,777)
	Net cash provided by operating activities	155,274	24,963
Cash flows from investing activities	Proceeds from sales of investment securities Available for sale	120,429	20,531
	Proceeds from maturities of investment securities		
	Available for sale	54,098	81,547
	Held to maturity	29,345	5,069
	Purchases of investment securities		
	Available for sale	(329,941)	(443,763)
	Held to maturity	(4,956)	(7,230)
	Other	(882)	(2,776)
	Net (increase) decrease in interest-bearing deposits at banks	(388)	67,191
	Additions to capitalized mortgage servicing rights	(12,179)	(4,095)
	Net increase in loans and leases	(163,308)	(346,107)
	Capital expenditures, net	(1,961)	(3,744)
	Acquisitions, net of cash acquired	123,043	--
	Other, net	(3,326)	6,082
	Net cash used by investing activities	(190,026)	(627,295)
Cash flows from financing activities	Net increase (decrease) in deposits	(112,376)	248,515
	Net increase (decrease) in short-term borrowings	(23,770)	461,090
	Proceeds from issuance of trust preferred securities	150,000	--
	Payments on long-term borrowings	(68)	(2,382)
	Purchases of treasury stock	(29,529)	(28,360)
	Dividends paid--common	(5,353)	(4,446)
	Dividends paid--preferred	--	(900)
	Other, net	3,530	(9,528)
	Net cash provided (used) by financing activities	(17,566)	663,989
	Net increase (decrease) in cash and cash equivalents	$ (52,318)	61,657
	Cash and cash equivalents at beginning of period	449,985	364,119
	Cash and cash equivalents at end of period	$ 397,667	425,776
Supplemental disclosure of cash flow information	Interest received during the period	$ 262,527	244,530
	Interest paid during the period	115,090	114,943
	Income taxes paid during the period	2,500	3,224
Supplemental schedule of noncash investing and financing activities	Real estate acquired in settlement of loans	$ 1,766	1,945
	Conversion of preferred stock to common stock	--	40,000

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (unaudited)

DOLLARS IN THOUSANDS, EXCEPT PER SHARE	PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	UNREALIZED INVESTMENT LOSSES, NET	TREASURY STOCK	TOTAL
1996							
Balance--January 1, 1996.................	$40,000	40,487	98,657	805,486	(3,155)	(135,222)	$ 846,253
Net income.............	--	--	--	36,153	--	--	36,153
Preferred stock cash dividends............	--	--	--	(900)	--	--	(900)
Common stock cash dividends -$.70 per share................	--	--	--	(4,446)	--	--	(4,446)
Exercise of stock options.............	--	--	663	--	--	2,068	2,731
Purchases of treasury stock................	--	--	--	--	--	(28,360)	(28,360)
Conversion of preferred stock into 506,930 shares of common stock.........	(40,000)	--	(6,534)	--	--	46,534	--
Unrealized losses on investment securities available for sale, net........	--	--	--	--	(4,280)	--	(4,280)
Balance--March 31, 1996.................	$--	40,487	92,786	836,293	(7,435)	(114,980)	$ 847,151
1997							
Balance--January 1, 1997.................	$--	40,487	96,597	937,072	(2,485)	(166,012)	$ 905,659
Net income.............	--	--	--	41,259	--	--	41,259
Common stock cash dividends -$.80 per share................	--	--	--	(5,353)	--	--	(5,353)
Exercise of stock options.............	--	--	1,553	--	--	4,595	6,148
Purchases of treasury stock................	--	--	--	--	--	(29,529)	(29,529)
Unrealized losses on investment securities available for sale, net..................	--	--	--	--	(6,001)	--	(6,001)
Balance--March 31,1997.............	$--	40,487	98,150	972,978	(8,486)	(190,946)	$ 912,183

CONSOLIDATED SUMMARY OF CHANGES IN ALLOWANCE FOR POSSIBLE CREDIT LOSSES (unaudited)

DOLLARS IN THOUSANDS	THREE MONTHS ENDED MARCH 31 1997	1996
Beginning balance..	$ 270,466	262,344
Provision for possible credit losses...................................	11,000	9,675
Net charge-offs		
Charge-offs..	(13,653)	(8,162)
Recoveries...	5,760	3,058
Total net charge-offs..	(7,893)	(5,104)
Ending balance...	$ 273,573	266,915

NOTES TO FINANCIAL STATEMENTS

1. Significant accounting policies

The consolidated financial statements of First Empire State Corporation and subsidiaries ("the Company") were compiled in accordance with the accounting policies set forth on pages 41 and 42 of the Company's 1996 Annual Report. In the opinion of management, all adjustments necessary for a fair presentation have been made and were all of a normal recurring nature.

2. Borrowings

In January 1997, First Empire Capital Trust I ("Issuer Trust"), a Delaware business trust, issued $150 million of 8.234% capital securities ("Capital Securities"). The common securities of the Issuer Trust are wholly owned by First Empire State Corporation ("First Empire"), and such securities are the only class of the Issuer Trust's securities possessing general voting powers. The Capital Securities represent preferred undivided interests in the assets of the Issuer Trust, and are classified in the Company's consolidated balance sheet as long-term borrowings, with distributions on such securities included in interest expense. Under the Federal Reserve Board's current risk-based capital guidelines, the Capital Securities are includable in First Empire's Tier 1 capital. The proceeds from the issuance of the Capital Securities ($150 million) and common securities ($4.64 million) were used by the Issuer Trust to purchase $154.64 million of 8.234% junior subordinated debentures ("Junior Subordinated Debentures") issued by First Empire. The Junior Subordinated Debentures represent the sole asset of the Issuer Trust and payments under the Junior Subordinated Debentures are the Issuer Trust's sole source of cash flow.

Holders of the Capital Securities receive preferential cumulative cash distributions semi-annually each February 1st and August 1st at a rate of 8.234% per annum on the stated liquidation amount ($1,000) per Capital Security unless First Empire exercises its right to extend the payment of interest on the Junior Subordinated Debentures for up to ten semi-annual periods, in which case payment of distributions on the Capital Securities will be deferred for a comparable period. During an extended interest period, First Empire may not pay dividends or distributions on, or repurchase, redeem or acquire any shares of its capital stock. The agreements governing the Capital Securities, in the aggregate, provide a full, irrevocable and unconditional guarantee by First Empire of the payment of distributions on, the redemption of, and any liquidation distribution with respect to the Capital Securities, but only in each case to the extent of funds held by the Issuer Trust. The obligations of First Empire under such guarantee and the Capital Securities are subordinate and junior in right of payment to all senior indebtedness of First Empire.

The Capital Securities are mandatorily redeemable in whole, but not in part, upon repayment at the stated maturity date of the Junior Subordinated Debentures (February 1, 2027) or the earlier redemption of the Junior Subordinated Debentures in whole upon the occurrence of one or more events ("Events") set forth in the indenture relating to the Capital Securities, and in whole or in part at any time after February 1, 2007 contemporaneously with First Empire's optional redemption of the Junior Subordinated Debentures in whole or in part. The Junior Subordinated Debentures are redeemable prior to their stated maturity date at First Empire's option (i) on or after February 1, 2007, in whole at any time or in part from time to time, or (ii) in whole, but not in part, at any time within 90 days following the occurrence and during the continuation of one or more of the Events, in each case subject to possible regulatory approval. The redemption price of the Capital Securities upon their early redemption will be expressed as a percentage of the liquidation amount plus accumulated but unpaid distributions. Such percentage adjusts annually and ranges from 104.117% at February 1, 2007 to 100.412% for the annual period ending January 31, 2017, after which the percentage is 100%, subject to a make-whole amount if the early redemption occurs prior to February 1, 2007.

3. Earnings per share

During the first quarter of 1997, Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share," was issued. SFAS No. 128 establishes standards for computing and presenting earnings per share and applies to entities with publicly held common stock or potential common stock. SFAS No. 128 replaces the presentation of primary earnings per share required by Accounting Principles Board Opinion No. 15, "Earnings Per Share," with a presentation of basic earnings per share. It also requires dual presentation of basic and diluted earnings per share on the face of the income statement for all entities with complex capital structures and requires a reconciliation of the numerator and denominator in the basic earnings per share computation to the numerator and denominator in the diluted earnings per share computation.

Basic earnings per share excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in earnings.

SFAS No. 128 is effective for financial statements for periods ending after December 15, 1997, including interim periods. Earlier application is not permitted, however, after the effective date all prior period earnings per share data presented shall be restated to conform with the provisions of SFAS No. 128.

Pro forma amounts for basic and diluted earnings per share as if SFAS No. 128 was effective January 1, 1996, were $6.17 and $5.81, respectively, for the three months ended March 31, 1997 and $5.51 and $4.97, respectively, for the three months ended March 31, 1996.

4. Contingencies

Information regarding legal proceedings is included in Part II, Item I, ("Legal Proceedings") of this Quarterly Report on Form 10-Q.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

First Empire State Corporation ("First Empire") earned $41.3 million or $5.80 per fully diluted common share in the first quarter of 1997, increases of 14% and 17%, respectively, from the first quarter of 1996 when net income was $36.2 million or $4.96 per common share on a fully diluted basis. Net income was $40.4 million or $5.68 per fully diluted common share in the fourth quarter of 1996. Primary earnings per common share rose 12% to $5.81 in the recent quarter from $5.20 in the first quarter of 1996. Primary earnings per share were $5.70 in 1996's fourth quarter. The annualized rate of return on average assets for First Empire and its consolidated subsidiaries ("the Company") in the first quarter of 1997 was 1.30%, compared with 1.20% in the year-earlier quarter and 1.26% in 1996's last quarter. The annualized return on average common stockholders' equity was 18.24% in the initial 1997 quarter, compared with 17.50% and 18.05% in the first and fourth quarters of 1996, respectively.

On January 31, 1997, First Empire completed an offering of trust preferred securities ("Capital Securities") that raised $150 million of regulatory capital. The 30-year offering of 8.234% fixed-rate cumulative Capital Securities was issued through First Empire Capital Trust I ("the Issuer Trust"), a Delaware business trust that was formed by First Empire to facilitate the transaction. The Capital Securities provide investors with call protection for ten years. The Issuer Trust was formed solely to issue the Capital Securities and advance the proceeds to First Empire by purchasing a like amount of First Empire's 8.234% junior subordinated debentures. The proceeds of the Capital Securities qualify as Tier 1 or core capital for First Empire under the Federal Reserve Board's current risk-based capital guidelines. The Capital Securities are classified as long-term borrowings and distributions on the securities are included in interest expense. Payments on the junior subordinated debt of First Empire, which are in turn passed through the Issuer Trust to the holders of the Capital Securities, are serviced through existing liquidity and cash flow sources of First Empire. Under current federal tax law, First Empire is permitted to deduct interest payments on the junior subordinated debt in computing taxable income.

On January 24, 1997, the Company acquired two branch offices from GreenPoint Bank, including approximately $131 million in deposits. The branches are located in Westchester County, New York.

Taxable-equivalent Net Interest Income

Taxable-equivalent net interest income rose 5% to $137.7 million in the first quarter of 1997 from $130.5 million in the year-earlier quarter. Growth in average loans and leases was the most significant factor contributing to the rise. Average loans and leases increased $1.0 billion, or 11%, to $10.7 billion in the first quarter of 1997 from $9.7 billion in the year-earlier quarter. While first quarter 1997 average loans and leases were 2% higher than the $10.5 billion averaged in 1996's final quarter, the rate of growth slowed from that experienced in 1996's quarterly periods. The accompanying table summarizes quarterly changes in the major components of the loan and lease portfolio.

AVERAGE LOANS AND LEASES
(net of unearned discount)
Dollars in millions

	1ST QTR. 1997	Percent increase (decrease) from 1ST QTR. 1996	4TH QTR. 1996
Commercial, financial, etc	$ 2,187	10%	6%
Real estate--commercial	4,005	10	3
Real estate--consumer	2,134	6	(2)
Consumer			
Automobile	1,117	25	--
Home equity	636	6	2
Credit cards	300	35	2
Other	336	16	1
Total consumer	2,389	19	1
Total	$ 10,715	11%	2%

Due, in part, to loan growth, average holdings of investment securities in the first quarter of 1997 were decreased from both the first and final quarters of 1996. Average investment securities declined to $1.6 billion in the recent quarter from $1.8 billion in the first quarter of 1996 and $1.7 billion in 1996's fourth quarter. Money-market assets averaged $138 million in 1997's initial quarter, compared with $193 million in the year-earlier quarter and $122 million in the fourth quarter of 1996. In general, the size of the investment securities and money-market assets portfolios are influenced by such factors as demand for loans, which generally yield more than investment securities and money-market assets, ongoing repayments, the levels of deposits, and management of balance sheet size and resulting capital ratios.

As a result of the changes described herein, average earning assets totaled $12.5 billion in the initial 1997 quarter, an increase of $769 million, or 7%, from $11.7 billion in the first quarter of 1996. Average earning assets were $12.3 billion in the fourth quarter of 1996.

Core deposits, which include noninterest-bearing demand deposits, interest-bearing transaction accounts, savings deposits and nonbrokered domestic time deposits under $100,000, represent a significant source of funding to the Company. The Company's New York State branch network is the principal source of core deposits, which generally carry lower interest rates than wholesale funds of comparable maturities. Core deposits include certificates of deposit under $100,000 generated on a nationwide basis by M&T Bank, National Association ("M&T Bank, N.A."), a wholly owned commercial bank subsidiary of First Empire. Average core deposits increased to $8.1 billion in 1997's initial quarter from $7.7 billion in the year earlier quarter, and were essentially equal to the fourth quarter of 1996. Average core deposits of M&T Bank, N.A., which began operations in the fourth quarter of 1995, were $388 million in the recently completed quarter, compared with $87 million in the first quarter of 1996 and $382 million in the fourth quarter of 1996. The accompanying table provides an analysis of quarterly changes in the components of average core deposits.

AVERAGE CORE DEPOSITS
Dollars in millions

	1ST QTR. 1997	Percent increase (decrease) from 1ST QTR. 1996	4TH QTR. 1996
NOW accounts	$ 281	(63)%	(14)%
Savings deposits	3,346	19	2
Time deposits less than $100,000	3,337	11	1
Demand deposits	1,162	3	(4)
Total	$8,126	6 %	- %

In addition to core deposits, the Company obtains funding through domestic time deposits of $100,000 or more, deposits originated through the Company's offshore branch office, and brokered certificates of deposit. Brokered deposits are used to reduce short-term borrowings and lengthen the average maturity of interest-bearing liabilities. Brokered deposits averaged $1.1 billion during the recent quarter and totaled $1.1 billion at March 31, 1997, compared with an average balance of $830 million during the comparable 1996 period and a total balance of $879 million at March 31, 1996. Brokered deposits averaged $1.2 billion in the fourth quarter of 1996. The weighted average remaining term to maturity of brokered deposits at March 31, 1997 was 1.8 years. Additional amounts of brokered deposits may be solicited in the future depending on market conditions and the cost of funds available from alternative sources at the time.

As a supplement to deposits, the Company uses short-term borrowings from banks, securities dealers, the Federal Home Loan Bank of New York ("FHLB") and others as sources of funding. Short-term borrowings averaged $1.1 billion in the recent quarter, compared with $1.5 billion and $881 million in the first and fourth quarters of 1996, respectively. Also providing funding during the first quarter of 1997 was the aforementioned issuance of $150 million of Capital Securities. These securities are included in long-term borrowings, which also include $175 million of subordinated notes issued by Manufacturers and Traders Trust Company ("M&T Bank"), a wholly owned commercial bank subsidiary of First Empire. Long-term borrowings averaged $278 million and $192 million in the first quarter of 1997 and 1996, respectively, and $186 million in the fourth quarter of 1996.

Net interest income is impacted by changes in the composition of the Company's earning assets and interest-bearing liabilities, as well as changes in interest rates and spreads. Net interest spread, or the difference between the taxable-equivalent yield on earning assets and the rate paid on interest-bearing liabilities, was 3.81% in the first quarter of 1997, compared with 3.85% in the year-earlier quarter. The 4 basis point (hundredths of one percent) narrowing of the net interest spread was the result of a 6 basis point decline in the yield on earning assets to 8.36% in the initial 1997 quarter from 8.42% in the first quarter of 1996, partially offset by a 2 basis point decline in the cost of interest-bearing liabilities to 4.55% in the first quarter of 1997 from 4.57% in the corresponding 1996 quarter. The net interest spread was 3.77% in the fourth quarter of 1996 when the yield on earning assets was 8.31% and the rate paid on interest-bearing liabilities was 4.54%.

The contribution to net interest margin of interest-free funds in the first quarter of 1997 was .67%, up from .64% in the comparable quarter of 1996, but down slightly from .69% in 1996's final quarter. The increase from the first quarter of 1996 resulted from a 10% increase in average interest-free funds. Average interest-free funds, consisting largely of non-interest bearing demand deposits and stockholders' equity, totaled $1.8 billion in the first quarter of 1997, up from $1.6 billion a year earlier, but essentially equal to the fourth quarter of 1996.

Management assesses the potential impact of future changes in interest rates and spreads by projecting net interest income under a number of different interest rate scenarios. As part of the management of interest rate risk, the Company utilizes interest rate swap agreements to modify the repricing characteristics of certain portions of the loan and deposit portfolios. Revenue and expense arising from these agreements are reflected in either the yields earned on loans or, as appropriate, rates paid on interest-bearing deposits. The notional amount of interest rate swap agreements used as part of the Company's management of interest rate risk in effect at March 31, 1997 and 1996 was $2.3 billion. In general, under the terms of these swaps, the Company receives payments based on the outstanding notional amount of the swaps at fixed rates of interest and makes payments at variable rates. However, under the terms of a $34 million swap, the Company pays a fixed rate of interest and receives a variable rate. At March 31, 1997 the weighted average rates to be received and paid under interest rate swap agreements were 6.20% and 5.53%, respectively. As of March 31, 1997, the Company had also entered into forward-starting swaps with an aggregate notional amount of $115 million. Such forward-starting swaps had no effect on the Company's net interest income through March 31, 1997. The average notional amounts of interest rate swaps and the related effect on net interest income and margin are presented in the accompanying table.

INTEREST RATE SWAPS
Dollars in thousands

	THREE MONTHS ENDED MARCH 31			
	1997		1996	
	AMOUNT	RATE *	AMOUNT	RATE *
Increase (decrease) in:				
Interest income	$ 177	.01%	$ (39)	-%
Interest expense	(3,208)	(.12)	(3,153)	(.13)
Net interest income/margin	$ 3,385	.11%	$ 3,114	.11%
Average notional amount **	$ 2,287,090		$2,232,907	

- ------------------------
* Computed as an annualized percentage of average earning assets or interest-bearing liabilities.

** Excludes forward-starting interest rate swaps.

The Company estimates that as of March 31, 1997 it would have paid approximately $18 million if all interest rate swap agreements entered into for interest rate risk management purposes had been terminated. This estimated fair value of the interest rate swap portfolio results from the effects of changing interest rates and should be considered in the context of the entire balance sheet and the Company's overall interest rate risk profile. Changes in the estimated fair value of interest rate swaps entered into for interest rate risk management purposes are not reflected in the consolidated financial statements.

Giving consideration to interest rate swaps in place at March 31, 1997 and utilizing a computer model which aids management in assessing the potential impact of future changes in interest rates and spreads, management's assessment is that the variability of net interest income in the next two years may be largely unaffected by changes in interest rates, but that additional interest rate risk management actions may be necessary to counter any detrimental effect which a sustained decrease in interest rates could likely have on net interest income in later years.

As a financial intermediary, the Company is exposed to liquidity risk whenever the maturities of financial instruments included in assets and liabilities differ. Accordingly, a critical element in managing a financial institution is ensuring that sufficient cash flow and liquid assets are available to satisfy demands for loans and deposit withdrawals, to fund operating expenses, and to be used for other corporate purposes. Deposits and borrowings, maturities of money-market assets, repayments of loans and investment securities, and cash generated from operations, such as fees collected for services, provide the Company with other sources of liquidity. Through membership in the FHLB, as well as other available borrowing facilities, First Empire's banking subsidiaries have access to additional funding sources. In addition to the proceeds of the $150 million of junior subordinated debt issued in January 1997, First Empire utilizes dividend payments from its banking subsidiaries, which are subject to various regulatory limitations, to pay dividends, repurchase treasury stock, and fund debt service and other operating expenses. First Empire also maintains a $25 million line of credit with an unaffiliated commercial bank, all of which was available for borrowing at March 31, 1997. Management does not anticipate engaging in any activities, either currently or in the long-term, which would cause a significant strain on liquidity at either First Empire or its subsidiary banks. Furthermore, management closely monitors the Company's liquidity position for compliance with internal policies and believes that available sources of liquidity are adequate to meet anticipated funding needs.

PROVISION FOR POSSIBLE CREDIT LOSSES

The provision for possible credit losses in the first quarter of 1997 was $11.0 million, up from $9.7 million in the first quarter of 1996, but down slightly from $11.5 million in 1996's fourth quarter. Net loan charge-offs in the first three months of 1997 totaled $7.9 million, up from $5.1 million in 1996's first quarter, but down from $11.5 million in last year's fourth quarter. Net charge-offs as an annualized percentage of average loans and leases were .30% in the first quarter of 1997, compared with .21% in the corresponding 1996 quarter and .43% in the fourth quarter of 1996. Net charge-offs of consumer loans in the first quarter of 1997 were $8.8 million, compared with $5.0 million in the year-earlier quarter and $9.5 million in the fourth quarter of 1996. Higher charge-offs of credit card balances and indirect automobile loans were the most significant factors contributing to the increased level of consumer loan charge-offs in the first quarter of 1997 compared with the first quarter of 1996. Net consumer loan charge-offs as an annualized percentage of average consumer loans and leases were 1.50% in the initial 1997 quarter, compared with 1.00% in the first quarter of 1996 and 1.60% in 1996's final quarter.

Nonperforming loans were $97.0 million or .90% of total loans and leases outstanding at March 31, 1997, compared with $82.6 million or .83% at March 31, 1996 and $97.9 million or .91% at December 31, 1996. The increase from the corresponding quarter in 1996 was due mainly to the inclusion in loans past due ninety days but still accruing interest of one-to-four family residential mortgage loans serviced by the Company and repurchased from the Government National Mortgage Association during the second and third quarters of 1996. These loans are covered by guarantees of government agencies. The costs associated with servicing these loans were reduced as a result of the repurchases. Such repurchased loans totaled $13.9 million and $16.3 million at March 31, 1997 and December 31, 1996, respectively. Nonperforming commercial real estate loans totaled $25.6 million at March 31, 1997, $33.7 million at March 31, 1996 and $27.1 million at December 31, 1996. Included in these totals were loans secured by properties located in the New York City metropolitan area of $8.2 million at March 31, 1997, $10.4 million at March 31, 1996 and $10.3 million at December 31, 1996. Nonperforming consumer loans and leases totaled $17.4 million at March 31, 1997, compared with $13.7 million at March 31, 1996 and $17.6 million at December 31, 1996. The increase in nonperforming consumer loans from March 31, 1996 is generally consistent with current industry trends and also reflects growth in the Company's consumer loan portfolio, particularly credit card balances and automobile loans. As a percentage of consumer loan balances outstanding, nonperforming consumer loans and leases were .74% at March 31, 1997 and .66% and .73% at March 31 and December 31, 1996, respectively. The repayment performance of consumer loans continues to be closely monitored by management. Assets taken in foreclosure of defaulted loans were $8.7 million at March 31, 1997, $7.5 million at March 31, 1996 and $8.5 million at December 31, 1996.

A comparative summary of nonperforming assets and certain credit quality ratios is presented in the accompanying table.

NONPERFORMING ASSETS
Dollars in thousands

	1997 FIRST QUARTER	1996 QUARTERS FOURTH	THIRD	SECOND	FIRST
Nonaccrual loans	$ 57,366	58,232	59,517	57,603	67,098
Loans past due 90 days or more	36,857	39,652	36,958	27,406	15,513
Renegotiated loans	2,741	--	--	--	--
Total nonperforming loans	96,964	97,884	96,475	85,009	82,611
Other real estate owned	8,694	8,523	8,467	8,890	7,508
Total nonperforming assets	$ 105,658	106,407	104,942	93,899	90,119
Government guaranteed nonperforming loans*	$ 22,753	25,847	27,475	18,267	6,663
Nonperforming loans to total loans and leases, net of unearned discount	.90%	.91%	.92%	.84%	.83%
Nonperforming assets to total net loans and other real estate owned	.98%	.99%	1.00%	.93%	.91%

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* Included in total nonperforming loans.

The allowance for possible credit losses at March 31, 1997 was $273.6 million, or 2.53% of total loans and leases, compared with $266.9 million or 2.69% a year earlier and $270.5 million or 2.52% at December 31, 1996. The ratio of the allowance for possible credit losses to nonperforming loans was 282% at the most recent quarter-end, compared with 323% at March 31, 1996 and 276% at December 31, 1996.

Management regularly assesses the adequacy of the allowance for possible credit losses and records a provision to replenish or build the allowance to a level necessary to maintain an adequate reserve position. In making such assessment, management performs an ongoing evaluation of the loan and lease portfolio, including 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 and the value of any collateral. Based upon the results of such review, management believes that the allowance for possible credit losses at March 31, 1997 was adequate to absorb credit losses in the loan and lease portfolio.

OTHER INCOME

Other income totaled $45.9 million in the first quarter of 1997, compared with $36.3 million in the year-earlier quarter and $47.6 million in the fourth quarter of 1996.

Mortgage banking revenues were $12.1 million in the recent quarter, compared with $10.4 million in the year-earlier quarter and $11.5 million in the final quarter of 1996. Residential mortgage loan servicing fees totaled $5.8 million in the initial quarter of 1997, up from $5.2 million in the first quarter of 1996 and $5.4 million in the fourth quarter of 1996. Gains from sales of residential mortgage loans and loan servicing rights were $5.6 million in the recently completed quarter, compared with $4.7 million in the year earlier quarter and $5.7 million in 1996's final quarter. Residential mortgage loans serviced for others totaled $6.5 billion and $5.5 billion at March 31, 1997 and 1996, respectively. Capitalized servicing assets were $51 million and $42 million at March 31, 1997 and 1996, respectively.

Service charges on deposit accounts totaled $10.4 million in the first quarter of 1997, an increase of 5% from $9.9 million in the corresponding quarter of the previous year and essentially equal to the fourth quarter of

1996. Trust income was $6.9 million in the first quarter of 1997, compared with $6.2 million in last year's first quarter and $7.8 million in the fourth quarter of 1996. Merchant discount and other credit card fees were $5.2 million in the recent quarter, compared with $3.1 million and $5.8 million in the first and fourth quarters of 1996, respectively. The increase over the year-earlier period resulted from previous expansion of the Company's co-branded credit card business. Effective March 28, 1997, M&T Bank, N.A. terminated the co-branded credit card program that had been initiated in May 1996 with Giant of Maryland, Inc. Approximately $1.5 million of merchant discount and other credit card fees for the first quarter of 1997 were related to this program. Trading account and foreign exchange activity resulted in gains of $1.3 million in the first 1997 quarter and the last quarter of 1996, compared with losses of $704 thousand in the first quarter of 1996. Other revenue from operations totaled $10.0 million in 1997's initial quarter, up $2.9 million from the comparable quarter of 1996, largely due to a $1.5 million gain realized upon termination of a lease for one of the Company's branch offices and higher fees earned from the sales of mutual funds and annuities. Other revenue from operations totaled $11.2 million in the fourth quarter of 1996 when $2.8 million of gains were realized from sales of venture capital investments of the Company.

Other Expense

Other expense totaled $104.3 million in the first quarter of 1997, compared with $96.3 million in the first quarter of 1996 and $107.1 million in the fourth quarter of 1996.

Salaries and employee benefits expense was $55.6 million in the recent quarter, an increase of 7% from $52.1 million in the corresponding 1996 quarter and 2% from $54.6 million in the fourth quarter of 1996. Factors contributing to the higher expenses were merit salary increases and higher costs associated with incentive-based compensation arrangements and employee benefits.

Nonpersonnel expense totaled $48.7 million in the first quarter of 1997, compared with $44.2 million in the year-earlier quarter. The increase was largely the result of expansion of the Company's credit card and mortgage banking businesses. Rebate and other operating expenses based on card usage directly attributable to the recently terminated co-branded credit card program were approximately $2.2 million in the first quarter of 1997. Nonpersonnel expense in the recent quarter declined $3.8 million from $52.5 million in the fourth quarter of 1996 due largely to lower advertising expenses.

Capital

Stockholders' equity at March 31, 1997 of $912 million was equal to 6.95% of total assets, compared with $847 million or 6.69% of total assets a year earlier and $906 million or 7.00% at December 31, 1996. On a per share basis, stockholders' equity was $137.33 at March 31, 1997, up from $123.76 and $135.45 at March 31 and December 31, 1996, respectively.

Stockholders' equity at March 31, 1997 was reduced by $8.5 million, or $1.28 per common share, for the net after-tax impact of unrealized losses on investment securities classified as available for sale, compared with $7.4 million or $1.09 per common share at March 31, 1996 and $2.5 million or $.37 per common share at December 31, 1996. Such unrealized losses represent the amount by which amortized cost exceeded the fair value of investment securities classified as available for sale, net of applicable income taxes. The market evaluation of investment securities should be considered in the context of the entire balance sheet of the Company. With the exception of investment securities classified as available for sale, trading account assets and liabilities, and residential mortgage loans held for sale, the carrying values of financial instruments in the balance sheet are generally not adjusted for appreciation or depreciation in market value resulting from changes in interest rates.

Federal regulators generally require banking institutions to maintain "core 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. The January 1997 issuance of Capital Securities enhanced the Company's capital ratios. Under regulatory guidelines, core capital includes the Capital Securities and total capital also includes subordinated notes issued by M&T Bank. Unrealized gains or losses on investment securities classified as available for sale are not recognized in determining regulatory capital. The capital ratios of the Company and its banking subsidiaries, M&T Bank, The East New York Savings Bank ("East New York") and M&T Bank, N.A., as of March 31, 1997 are presented in the accompanying table.

REGULATORY CAPITAL RATIOS
March 31, 1997

	FIRST EMPIRE (CONSOLIDATED)	M&T BANK	EAST NEW YORK	M&T BANK, N.A.
Core capital................	9.76%	7.47%	12.80%	14.78%
Total capital...............	12.66%	10.59%	14.06%	16.04%
Leverage....................	8.15%	6.45%	7.65%	6.64%

The Company has historically maintained capital ratios in excess of minimum regulatory guidelines largely through a high rate of internal capital generation. The rate of internal capital generation, or net income less dividends paid expressed as an annualized percentage of average total stockholders' equity, was 15.88% during the first quarter of 1997, compared with 14.60% and 15.96% in the first and fourth quarters of 1996, respectively.

During the first quarter of 1997, First Empire acquired 29,062 shares pursuant to and thereby completing the program announced in November 1995 to repurchase up to 380,582 shares of its common stock to be held as treasury stock for reissuance at the time of stock option exercises. The 380,582 shares repurchased under that plan were acquired at an average cost of $243.72 per share.

In February 1997, another plan was announced to repurchase and hold as treasury stock up to 303,317 additional shares, also for reissuance upon the possible future exercise of outstanding stock options. As of March 31, 1997, First Empire had repurchased 63,361 common shares pursuant to the new plan at an average cost of $328.59 per share.

Forward-Looking Statements

Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this quarterly 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. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," variations of such words and similar expressions are intended to identify such forward-looking statements. 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. First Empire undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Future Factors include changes in interest rates, spreads on earning assets and interest-bearing liabilities, and interest rate sensitivity; credit losses; sources of liquidity; regulatory supervision and oversight, including required capital levels; 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, including environmental regulations; 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; continued availability of financing; and financial resources in the amounts, at the times and on the terms required to support the Company's future businesses. 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 conditions, including interest rate and currency exchange rate fluctuations, and other Future Factors.

QUARTERLY TRENDS

TAXABLE-EQUIVALENT BASIS	1997 FIRST QUARTER	1996 QUARTERS FOURTH	THIRD	SECOND	FIRST
EARNINGS AND DIVIDENDS					
AMOUNTS IN THOUSANDS, EXCEPT PER SHARE					
Interest income	$ 257,029	257,196	251,336	248,673	244,714
Interest expense	119,321	119,343	117,884	114,996	114,185
Net interest income	137,708	137,853	133,452	133,677	130,529
Less: provision for possible credit losses	11,000	11,475	10,475	11,700	9,675
Other income	45,923	47,641	44,893	41,463	36,251
Less: other expense	104,284	107,082	107,658	97,921	96,317
Income before income taxes	68,347	66,937	60,212	65,519	60,788
Applicable income taxes	25,825	25,288	23,090	25,790	23,698
Taxable-equivalent adjustment	1,263	1,229	1,251	1,070	937
Net income	$ 41,259	40,420	35,871	38,659	36,153
Cash dividends on preferred stock	$ --	--	--	--	900
Per common share data					
Net income					
Primary	5.81	5.70	5.05	5.36	5.20
Fully diluted	5.80	5.68	5.05	5.36	4.96
Net income, excluding securities transactions					
Primary	5.81	5.73	5.05	5.36	5.17
Fully diluted	5.80	5.71	5.05	5.36	4.93
Cash dividends	$ .80	.70	.70	.70	.70
Average common shares outstanding					
Primary	7,100	7,098	7,104	7,212	6,778
Fully diluted	7,114	7,121	7,106	7,216	7,295
Balance sheet data					
Dollars in millions, except per share					
Average balances					
Total assets	$ 12,866	12,728	12,556	12,486	12,141
Earning assets	12,464	12,308	12,124	12,044	11,695
Investment securities	1,611	1,659	1,798	1,939	1,830
Loans and leases, net of unearned discount	10,715	10,527	10,253	9,997	9,672
Deposits	10,454	10,609	10,459	10,069	9,496
Stockholders' equity	917	891	857	855	849
At end of quarter					
Total assets	$ 13,122	12,944	12,821	12,542	12,671
Earning assets	12,621	12,504	12,282	12,015	12,129
Investment securities	1,693	1,572	1,753	1,817	2,108
Loans and leases, net of unearned discount	10,803	10,722	10,437	10,129	9,912
Deposits	10,533	10,514	10,554	10,193	9,719
Stockholders' equity	912	906	878	861	847
Equity per common share	137.33	135.45	130.58	126.70	123.76
Performance ratios, annualized					
Return on					
Average assets	1.30%	1.26%	1.14%	1.25%	1.20%
Average common stockholders' equity	18.24%	18.05%	16.64%	18.18%	17.50%
Net interest margin on average earning assets	4.48%	4.46%	4.38%	4.46%	4.49%
Nonperforming assets to total assets, at end of quarter	.81%	.82%	.82%	.75%	.71%
Market price per common share					
High	$ 336	289 5/8	258	247	247 3/4
Low	281	250	239	232	209
Closing	320	288	249	241	246

AVERAGE BALANCE SHEETS AND ANNUALIZED TAXABLE-EQUIVALENT RATES

AVERAGE BALANCE IN MILLIONS; INTEREST IN THOUSANDS	1997 FIRST QUARTER AVERAGE BALANCE	1997 FIRST QUARTER INTEREST	1997 FIRST QUARTER AVERAGE RATE	1996 FOURTH QUARTER AVERAGE BALANCE	1996 FOURTH QUARTER INTEREST	1996 FOURTH QUARTER AVERAGE RATE
Assets						
Earning assets						
Loans and leases, net of unearned discount*						
Commercial, financial, etc................	$ 2,187	$ 44,623	8.27%	2,072	42,480	8.16%
Real estate..............................	6,139	131,135	8.54	6,082	131,894	8.67
Consumer.................................	2,389	54,311	9.22	2,373	55,118	9.24
Total loans and leases, net............	10,715	230,069	8.71	10,527	229,492	8.67
Money-market assets						
Interest-bearing deposits at banks........	48	709	6.01	50	762	6.03
Federal funds sold and agreements to resell securities.......................	32	405	5.22	37	492	5.32
Trading account..........................	58	255	1.78	35	283	3.21
Total money-market assets...............	138	1,369	4.04	122	1,537	5.01
Investment securities**						
U.S. Treasury and federal agencies........	1,064	16,679	6.36	1,097	17,069	6.19
Obligations of states and political subdivisions...........................	41	677	6.66	41	682	6.54
Other....................................	506	8,235	6.61	521	8,416	6.43
Total investment securities............	1,611	25,591	6.44	1,659	26,167	6.27
Total earning assets...................	12,464	257,029	8.36	12,308	257,196	8.31
Allowance for possible credit losses........	(272)			(271)		
Cash and due from banks.....................	298			325		
Other assets................................	376			366		
Total assets...........................	$ 12,866			12,728		
Liabilities and stockholders' equity						
Interest-bearing liabilities						
Interest-bearing deposits						
NOW accounts.............................	$ 281	920	1.33	327	1,247	1.52
Savings deposits.........................	3,346	22,248	2.70	3,291	22,458	2.71
Time deposits............................	5,410	73,757	5.53	5,516	77,006	5.55
Deposits at foreign office...............	255	3,239	5.16	258	3,354	5.16
Total interest-bearing deposits.........	9,292	100,164	4.37	9,392	104,065	4.41
Short-term borrowings.......................	1,075	13,700	5.17	881	11,785	5.32
Long-term borrowings........................	278	5,457	7.96	186	3,493	7.47
Total interest-bearing liabilities......	10,645	119,321	4.55	10,459	119,343	4.54
Demand deposits.............................	1,162			1,217		
Other liabilities...........................	142			161		
Total liabilities......................	11,949			11,837		
Stockholders' equity........................	917			891		
Total liabilities and stockholders' equity................................	$ 12,866			12,728		
Net interest spread.........................			3.81			3.77
Contribution of interest-free funds.........			.67			.69
Net interest income/margin on earning assets....................................		$137,708	4.48%		137,853	4.46%

AVERAGE BALANCE IN MILLIONS; INTEREST IN THOUSANDS	1996 THIRD QUARTER AVERAGE BALANCE	1996 THIRD QUARTER INTEREST	1996 THIRD QUARTER AVERAGE RATE
Assets			
Earning assets			

Loans and leases, net of unearned discount*			
Commercial, financial, etc	2,023	41,322	8.12%
Real estate	5,972	128,704	8.62
Consumer	2,258	52,268	9.21
Total loans and leases, net	10,253	222,294	8.62
Money-market assets			
Interest-bearing deposits at banks	24	354	5.98
Federal funds sold and agreements to resell securities	23	311	5.46
Trading account	26	247	3.73
Total money-market assets	73	912	5.00
Investment securities**			
U.S. Treasury and federal agencies	1,208	18,719	6.16
Obligations of states and political subdivisions	44	711	6.43
Other	546	8,700	6.34
Total investment securities	1,798	28,130	6.23
Total earning assets	12,124	251,336	8.25
Allowance for possible credit losses	(271)		
Cash and due from banks	345		
Other assets	358		
Total assets	12,556		
Liabilities and stockholders' equity			
Interest-bearing liabilities			
Interest-bearing deposits			
NOW accounts	794	2,768	1.39
Savings deposits	2,854	21,170	2.95
Time deposits	5,359	74,706	5.55
Deposits at foreign office	257	3,382	5.23
Total interest-bearing deposits	9,264	102,026	4.38
Short-term borrowings	928	12,311	5.28
Long-term borrowings	188	3,547	7.48
Total interest-bearing liabilities	10,380	117,884	4.52
Demand deposits	1,195		
Other liabilities	124		
Total liabilities	11,699		
Stockholders' equity	857		
Total liabilities and stockholders' equity	12,556		
Net interest spread			3.73
Contribution of interest-free funds			.65
Net interest income/margin on earning assets		133,452	4.38%

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*   Includes nonaccrual loans.
** Includes available for sale securities at amortized cost.

(continued)

FIRST EMPIRE STATE CORPORATION AND SUBSIDIARIES

AVERAGE BALANCE SHEETS AND ANNUALIZED TAXABLE-EQUIVALENT RATES (continued)

AVERAGE BALANCE IN MILLIONS; INTEREST IN THOUSANDS	1996 SECOND QUARTER AVERAGE BALANCE	INTEREST	AVERAGE RATE	1996 FIRST QUARTER AVERAGE BALANCE	INTEREST
Assets					
Earning assets					
Loans and leases, net of unearned discount*					
Commercial, financial, etc....................................	$ 2,032	$ 41,682	8.25%	1,995	40,538
Real estate..	5,846	126,747	8.67	5,672	124,924
Consumer...	2,119	49,160	9.33	2,005	48,285
Total loans and leases, net................................	9,997	217,589	8.75	9,672	213,747
Money-market assets					
Interest-bearing deposits at banks...........................	18	266	6.14	62	1,031
Federal funds sold and agreements to resell securities........	58	779	5.38	102	1,403
Trading account..	32	264	3.33	29	306
Total money-market assets..................................	108	1,309	4.89	193	2,740
Investment securities**					
U.S. Treasury and federal agencies...........................	1,324	20,248	6.15	1,173	17,987
Obligations of states and political subdivisions.............	41	668	6.50	36	617
Other..	574	8,859	6.21	621	9,623
Total investment securities................................	1,939	29,775	6.17	1,830	28,227
Total earning assets.......................................	12,044	248,673	8.30	11,695	244,714
Allowance for possible credit losses...........................	(269)			(266)	
Cash and due from banks..	331			335	
Other assets...	380			377	
Total assets...	$ 12,486			12,141	
Liabilities and stockholders' equity					
Interest-bearing liabilities					
Interest-bearing deposits					
NOW accounts...	$ 760	2,642	1.40	759	2,773
Savings deposits...	2,872	20,673	2.90	2,803	20,521
Time deposits..	5,026	68,920	5.51	4,642	65,456
Deposits at foreign office...................................	273	3,534	5.20	166	2,129
Total interest-bearing deposits............................	8,931	95,769	4.31	8,370	90,879
Short-term borrowings..	1,243	15,657	5.07	1,484	19,689
Long-term borrowings...	190	3,570	7.55	192	3,617
Total interest-bearing liabilities.........................	10,364	114,996	4.46	10,046	114,185
Demand deposits..	1,138			1,126	
Other liabilities..	129			120	
Total liabilities..	11,631			11,292	
Stockholders' equity...	855			849	
Total liabilities and stockholders' equity.................	$ 12,486			12,141	
Net interest spread..			3.84		
Contribution of interest-free funds............................			.62		
Net interest income/margin on earning assets...................		$ 133,677	4.46%		130,529

* Includes nonaccrual loans.
**Includes available for sale securities at amortized cost.

AVERAGE BALANCE IN MILLIONS; INTEREST IN THOUSANDS	AVERAGE RATE
Assets	
Earning assets	
Loans and leases, net of unearned discount*	
Commercial, financial, etc....................................	8.17%
Real estate..	8.81
Consumer...	9.68
Total loans and leases, net................................	8.89

Money-market assets	
Interest-bearing deposits at banks	6.68
Federal funds sold and agreements to resell securities	5.53
Trading account	4.34
Total money-market assets	5.73
Investment securities**	
U.S. Treasury and federal agencies	6.17
Obligations of states and political subdivisions	6.85
Other	6.23
Total investment securities	6.20
Total earning assets	8.42
Allowance for possible credit losses	
Cash and due from banks	
Other assets	
Total assets	
Liabilities and stockholders' equity	
Interest-bearing liabilities	
Interest-bearing deposits	
NOW accounts	1.47
Savings deposits	2.94
Time deposits	5.67
Deposits at foreign office	5.16
Total interest-bearing deposits	4.37
Short-term borrowings	5.34
Long-term borrowings	7.57
Total interest-bearing liabilities	4.57
Demand deposits	
Other liabilities	
Total liabilities	
Stockholders' equity	
Total liabilities and stockholders' equity	
Net interest spread	3.85
Contribution of interest-free funds	.64
Net interest income/margin on earning assets	4.49%

*Includes nonaccrual loans.
**Includes available for sale securities at amortized cost.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

M&T Bank, N.A. and Giant of Maryland, Inc. ("Giant") are arbitrating the rights and liabilities of the parties to each other in connection with the termination of their co-branded credit card agreement. The resolution of this matter has been submitted to arbitration under the auspices of the American Arbitration Association following the termination of legal proceedings between the parties that were formerly pending in the United States District Court for the District of Maryland. M&T Bank, N.A. initiated the arbitration proceeding. Giant alleges in the arbitration proceeding that M&T Bank, N.A. breached the co-branded credit card agreement by seeking to terminate the agreement and negligently misrepresenting certain information provided to Giant, and seeks damages in excess of $37 million, plus interest, costs, attorneys fees and other unspecified relief. M&T Bank, N.A. has denied Giant's allegations in the arbitration proceeding, and is pursuing its own claims against Giant in the same proceeding. Management believes that M&T Bank, N.A. has meritorious defenses to Giant's claims and is vigorously defending against them while pursuing relief under M&T Bank, N.A.'s claims against Giant.

First Empire and its subsidiaries are subject in the normal course of business to various other 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, if any, arising out of litigation pending against First Empire or its subsidiaries will be material to First Empire's consolidated financial position, but at the present time is not in a position to determine whether such litigation will have a material adverse effect on First Empire's consolidated results of operations in any future reporting period.

Item 2. Changes in Securities.

(a) (Not applicable)

(b) In January 1997, the Issuer Trust, a Delaware business trust, issued $150 million of 8.234% Capital Securities. The common securities of the Issuer Trust are wholly owned by First Empire, and the Capital Securities represent preferred undivided interests in the assets of the Issuer Trust. The proceeds from the issuance of the Capital Securities ($150 million) and common securities ($4.64 million) were used by the Issuer Trust to purchase $154.64 million of 8.234% junior subordinated debentures ("Junior Subordinated Debentures") issued by First Empire. The Junior Subordinated Debentures represent the sole asset of the Issuer Trust and payments under the Junior Subordinated Debentures are the Issuer Trust's sole source of cash flow.

Holders of the Capital Securities receive preferential cumulative cash distributions semi-annually each February 1st and August 1st at a rate of 8.234% per annum on the stated liquidation amount ($1,000) per Capital Security unless First Empire exercises its right to extend the payment of interest on the Junior Subordinated Debentures for up to ten semi-annual periods, in which case payment of distributions on the Capital Securities will be deferred for a comparable period. During an extended interest period, First Empire may not pay dividends or distributions on, or repurchase, redeem or acquire any shares of its capital stock.

Item 3. Defaults Upon Senior Securities.

(Not applicable.)

Item 4. Submission of Matters to a Vote of Security Holders.

The 1997 Annual Meeting of Stockholders of First Empire was held on April 15, 1997. At the 1997 Annual Meeting, stockholders elected seventeen (17) directors, all of whom were then serving as directors of First Empire, for terms of one (1) year and until their successors are elected and qualified. The following table reflects the tabulation of the votes with respect to each director who was elected at the 1997 Annual Meeting.

	NUMBER OF VOTES	
NOMINEE	FOR	WITHHELD
Brent D. Baird	6,104,990	7,076
John H. Benisch	6,105,034	7,032
C. Angela Bontempo	6,096,827	15,239
Robert T. Brady	6,097,534	14,532
Patrick J. Callan	6,105,034	7,032
Richard E. Garman	6,102,368	9,698
James V. Glynn	6,105,034	7,032
Roy M. Goodman	5,659,634	452,432
Patrick W.E. Hodgson	6,105,034	7,032
Samuel T. Hubbard, Jr	6,097,734	14,332
Lambros J. Lambros	6,105,008	7,058
Wilfred J. Larson	6,102,394	9,672
Jorge G. Pereira	5,664,858	447,208
Raymond D. Stevens, Jr	6,101,872	10,194
Herbert L. Washington	5,661,083	450,983
John L. Wehle, Jr	6,097,734	14,332
Robert G. Wilmers	6,104,926	7,140

Item 5. Other Information. (None.)

Item 6. Exhibits and Reports on Form 8-K.

(a) The following exhibits are filed as a part of this report:

Exhibit No.	
3.1	Restated Certificate of Incorporation of First Empire State Corporation dated May 7, 1997, filed by the Secretary of State of New York on May 8, 1997. Filed herewith.
11.1	Statement re: Computation of Earnings Per Common Share. Filed herewith.
27.1	Financial Data Schedule. Filed herewith.

(b) Reports on Form 8-K. First Empire filed the following Current Reports on Form 8-K during the fiscal quarter ended March 31, 1997, all of which only reported Other Events disclosed under Item 5 of Form 8-K:

On January 2, 1997, First Empire filed a Current Report on Form 8-K dated December 27, 1996, reporting on its December 27, 1996 public announcement of the intended merger of East New York with and into M&T Bank.

On January 23, 1997, First Empire filed a Current Report on Form 8-K dated January 9, 1997, announcing its results of operations for the quarter and fiscal year ended December 31, 1996 and other matters.

On February 11, 1997, a Current Report on Form 8-K dated January 31, 1997 was filed to announce First Empire's completion of a $150 million offering of trust preferred securities.

On February 21, 1997, First Empire filed a Current Report on Form 8-K dated February 19, 1997, concerning the public announcement of a new program to repurchase up to 303,317 shares of First Empire's common stock and other matters.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

First Empire State Corporation

Date: May 14, 1997

By: /s/ Michael P. Pinto

Michael P. Pinto
Executive Vice President
and Chief Financial Officer

EXHIBIT INDEX

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27.1	Financial Data Schedule. Filed herewith.

Exhibit No. 3.1

RESTATED CERTIFICATE OF INCORPORATION

OF

FIRST EMPIRE STATE CORPORATION

UNDER SECTION 807 OF THE BUSINESS CORPORATION LAW

The undersigned, being the Chairman of the Board, President and Chief Executive Officer and the Senior Vice President, General Counsel and Secretary of First Empire State Corporation, pursuant to Section 807 of the Business Corporation Law of the State of New York, do hereby restate, certify and set forth:

(1) The name of the corporation is FIRST EMPIRE STATE CORPORATION.

(2) The certificate of incorporation was filed by the Department of State on the 6th day of November, 1969. A first restated certificate of incorporation was filed by the Department of State on the 19th day of December, 1969; a second restated certificate of incorporation was filed by the Department of State on the 28th day of April, 1986; and a third restated certificate of incorporation was filed by the Department of State on the 20th day of April, 1989.

(3) Thereafter, an amendment to the restated certificate of incorporation was filed by the Department of State on the 14th day of March, 1991 which designated a series of 9% convertible preferred shares of the Corporation. All of the shares of the 9%

convertible preferred shares of the Corporation authorized by that designation were issued on March 15, 1991, and on March 29, 1996 all of such preferred shares were converted into shares of the common stock of the Corporation and thereupon canceled.

(4) The restated certificate of incorporation, as amended, is hereby further amended to effect an amendment authorized by the Business Corporation Law, to repeal the amendment to the third restated certificate of incorporation and thereby delete from Article FOURTH the provisions that established the series of 9% convertible preferred shares of the Corporation. Article FIFTH, relating to the service of process address, is also hereby amended.

(5) The text of the certificate of incorporation, as amended heretofore, is hereby restated as amended to read as hereinafter set forth in full:

CERTIFICATE OF INCORPORATION
of
FIRST EMPIRE STATE CORPORATION

FIRST: The name of the Corporation is FIRST EMPIRE STATE CORPORATION.

SECOND: The purpose or purposes for which it is formed are:

(1) To engage in the business of a bank holding company.

(2) To acquire by purchase, subscription or otherwise, and to own and hold and exercise all the powers and privileges of ownership and to sell, exchange, or otherwise dispose of and deal in and with shares, bonds, and other securities, interests or obligations issued by any person, corporation, firm, or other entity, domestic or foreign.

(3) To the extent permitted by law to cause to be organized, merged or consolidated, any corporation, firm or other entity, domestic or foreign.

(4) To the extent permitted by law to render services, assistance, and advice to, and to act as representative or agent in any capacity of, any person, corporation, firm, or other entity, domestic or foreign.

(5) To arrange for, finance, pay or cause to be paid the compensation of the directors, officers or employees of any corporation, firm, or other entity in the business affairs of which the Corporation shall have any interest and to adopt, alter or amend any plan or plans for additional compensation to such directors, officers or employees.

(6) To purchase, lease, or otherwise acquire, and to own, improve, mortgage or otherwise encumber, real and personal property, or any interest therein wherever situated.

The foregoing purposes shall be construed in furtherance and not in limitation of powers now or hereafter conferred by the laws of the State of New York.

THIRD: The office of the Corporation is to be located in the City of Buffalo, County of Erie, and State of New York.

FOURTH: 1. The aggregate number of shares of stock which the Corporation shall have authority to issue is sixteen million (16,000,000) shares, divided into two classes, namely, preferred shares and common shares. The number of preferred shares authorized is one million (1,000,000) shares of the par value of one dollar ($1.00) per share. The number of common shares authorized is fifteen million (15,000,000) shares of the par value of five dollars ($5.00) per share.

2. Authority is hereby granted to the Board of Directors at any time and from time to time to issue the preferred shares in one or more series and for such consideration, not less than the par value thereof, as may be fixed from time to time by the Board of Directors, and, before the issuance of any shares of a particular series to fix the designation of such series, the number of shares to comprise such series, the dividend rate or rates payable with respect to the shares of such series, the redemption price or prices, the voting rights, and any other relative rights, preferences and limitations pertaining to such series. In lieu of issuing a new series, the Board of Directors may increase the number of shares of a series already outstanding. Before the issue of any shares of a series established by the Board of Directors, the Board shall cause to be delivered to the Department of State the necessary certificate of amendment under the Business Corporation Law of the State of New York as now in effect or hereafter amended.

3. The description of the common shares and of their relative rights and limitations are as follows:

(a) Out of the assets of the Corporation which are by law available for the payment of dividends remaining after all dividends to which any preferred shares then outstanding shall be entitled shall have been declared and paid or set apart for payment for all past dividend periods, dividends may be declared and paid upon the common shares to the exclusion of the holders of preferred shares.

(b) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of record of any preferred shares then outstanding shall be entitled to be paid the amount which the Board of Directors prior to issuance of such preferred shares fixed to be paid for each such share upon such liquidation, dissolution or winding up as set forth in the necessary certificate of amendment, as required by Article FOURTH, Paragraph 2 above plus accumulated dividends on such shares up to the date of such liquidation, dissolution or winding up of the Corporation and no more. After payment to the holders of any preferred shares then outstanding of the amount payable to them as aforesaid, the remaining assets of the Corporation shall be payable to and distributed ratably among the holders of record of the common shares.

(c) The holders of the common shares shall vote share for share, together with the holders of any series of the preferred shares entitled to have voting rights except as may be provided by the Board of Directors with respect to any other series of the preferred shares.

FIFTH: The Secretary of State is designated as the agent of the Corporation upon whom process against the Corporation may be served. The post office address to which the Secretary of State shall mail a copy of any process against the Corporation served upon him is Executive Offices, 19th Floor, One M&T Plaza, Buffalo, New York 14240.

SIXTH: No holder of shares of the Corporation of any class, now or hereafter authorized, shall have any preferential or preemptive right to subscribe for, purchase or receive any shares of the Corporation of any class, now or hereafter authorized, or any options or warrants for such shares, or any rights to subscribe to or purchase such shares, or any securities convertible into or exchangeable for such shares, which may at any time be issued, sold or offered for sale by the Corporation.

SEVENTH: As to any act or omission occurring after the adoption of this provision, a director of the Corporation shall, to the maximum extent permitted by the laws of the State of New York, have no personal liability to the Corporation or any of its stockholders for damages for any breach of duty as a director, provided that this Article SEVENTH shall not eliminate or reduce the liability of a director in any case where such elimination or reduction is not permitted by law.

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(6) This restatement of the certificate of incorporation of FIRST EMPIRE STATE CORPORATION was authorized by the Board of Directors of the Corporation at a meeting thereof duly convened and held on April 15, 1997.

IN WITNESS WHEREOF, the undersigned have executed, signed and verified this certificate this 7th day of May, 1997.

FIRST EMPIRE STATE CORPORATION

By: /s/ Robert G. Wilmers

Chairman of the Board,
President and
Chief Operating Officer

By: /s/ Richard A. Lammert

Senior Vice President,
General Counsel and Secretary

STATE OF NEW YORK)
)   SS.:
COUNTY OF ERIE   )

Robert G. Wilmers and Richard A. Lammert, being first duly sworn, depose and say that they are respectively, the Chairman of the Board, President and Chief Executive Officer and the Senior Vice President, General Counsel and Secretary of FIRST EMPIRE STATE CORPORATION, that they have read the foregoing certificate and know the contents thereof and that the statements therein contained are true.

/s/ Robert G. Wilmers

/s/ Richard A. Lammert

Sworn to before me
this 7th day of
May, 1997.

/s/ Timothy G. McEvoy

Notary Public

RESTATED CERTIFICATE OF INCORPORATION

OF

FIRST EMPIRE STATE CORPORATION

UNDER SECTION 807 OF THE BUSINESS CORPORATION LAW

Dated:	May 7, 1997
Filer:	Richard A. Lammert, Esq. Senior Vice President, General Counsel and Secretary First Empire State Corporation One M & T Plaza Buffalo, New York 14240

Exhibit No. 11.1

FIRST EMPIRE STATE CORPORATION AND SUBSIDIARIES

COMPUTATION OF EARNINGS PER COMMON SHARE AMOUNTS IN THOUSANDS, EXCEPT PER SHARE		THREE MONTHS ENDED MARCH 31 1997	 1996
Primary	Average common shares outstanding......................	6,685	6,399
	Common stock equivalents *.............................	415	379
	Primary common shares outstanding......................	7,100	6,778
	Net income...	$41,259	36,153
	Less: Cash dividends on preferred stock................	--	900
	Net income available to common shareholders...........	$41,259	35,253
	Earnings per common share--primary.....................	$5.81	5.20
Fully diluted	Average common shares outstanding......................	6,685	6,399
	Common stock equivalents *.............................	429	406
	Assumed conversion of 9% convertible preferred stock.......................................	--	490
	Fully diluted average common shares outstanding.....	7,114	7,295
	Net income....................................	$41,259	36,153
	Earnings per common share--fully diluted.......	$5.80	4.96

* Represents shares of First Empire's common stock issuable upon the assumed exercise of outstanding stock options granted pursuant to the First Empire State Corporation 1983 Stock Option Plan under the "treasury stock" method of accounting.

3-MOS
DEC-31-1997
MAR-31-1997
376,741
47,713
20,926
56,040
1,543,855
149,450
149,862
11,177,030
273,573
13,122,232
10,533,365
1,140,079
208,645
327,960
0
0
40,487
871,696
13,122,232
229,575
24,856
1,335
255,766
100,164
119,321
136,445
11,000
(45)
104,284
67,084
41,259
0
0
41,259
5.81
5.80
4.48
57,366
36,857
2,741
0
270,466
13,653
5,760
273,573
144,574
0
128,999