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 June 30, 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	16-0968385)
(State or other jurisdiction of incorporation or organization)	(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 July 30, 1997: 6,581,719 shares.

FIRST EMPIRE STATE CORPORATION

FORM 10-Q

For the Quarterly Period Ended June 30, 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		JUNE 30, 1997	DECEMBER 31, 1996
Assets	Cash and due from banks	$ 399,094	324,659
	Money-market assets		
	Interest-bearing deposits at banks	96,116	47,325
	Federal funds sold and agreements to resell securities	46,309	125,326
	Trading account	72,464	37,317
	Total money-market assets	214,889	209,968
	Investment securities		
	Available for sale (cost: $1,555,727 at June 30, 1997; $1,400,976 at December 31, 1996)	1,561,442	1,396,672
	Held to maturity (market value: $89,502 at June 30, 1997; $119,316 at December 31, 1996)	89,010	118,616
	Other (market value: $57,920 at June 30, 1997; $56,410 at December 31,1996)	57,920	56,410
	Total investment securities	1,708,372	1,571,698
	Loans and leases	11,313,318	11,120,221
	Unearned discount	(333,163)	(398,098)
	Allowance for possible credit losses	(271,933)	(270,466)
	Loans and leases, net	10,708,222	10,451,657
	Premises and equipment	124,974	128,521
	Accrued interest and other assets	285,444	257,412
	Total assets	$13,440,995	12,943,915
Liabilities	Noninterest-bearing deposits	$1,453,684	1,352,929
	NOW accounts	308,465	334,787
	Savings deposits	3,344,849	3,280,788
	Time deposits	5,906,621	5,352,749
	Deposits at foreign office	172,576	193,236
	Total deposits	11,186,195	10,514,489
	Federal funds purchased and agreements to repurchase securities	339,492	1,015,408
	Other short-term borrowings	319,474	134,779
	Accrued interest and other liabilities	216,878	195,578
	Long-term borrowings	427,919	178,002
	Total liabilities	12,489,958	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	101,318	96,597
	Retained earnings	1,010,470	937,072
	Unrealized investment gains (losses), net	3,428	(2,485)
	Treasury stock - common, at cost - 1,476,595 shares at June 30, 1997; 1,411,286 shares at December 31, 1996	(204,666)	(166,012)
	Total stockholders' equity	951,037	905,659
	Total liabilities and stockholders' equity	$13,440,995	12,943,915

FIRST EMPIRE STATE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME (unaudited)

AMOUNTS IN THOUSANDS, EXCEPT PER SHARE		THREE MONTHS ENDED JUNE 30 1997	THREE MONTHS ENDED JUNE 30 1996	SIX MONTHS ENDED JUNE 30 1997	SIX MONTHS ENDED JUNE 30 1996
Interest income	Loans and leases, including fees	$ 235,226	217,042	464,801	430,248
	Money-market assets				
	Deposits at banks	816	266	1,525	1,297
	Federal funds sold and agreements to resell securities	860	779	1,265	2,182
	Trading account	410	232	631	505
	Investment securities				
	Fully taxable	25,409	28,646	49,207	56,065
	Exempt from federal taxes	1,220	638	2,278	1,083
	Total interest income	263,941	247,603	519,707	491,380
Interest expense	NOW accounts	835	2,642	1,755	5,415
	Savings deposits	22,495	20,673	44,743	41,194
	Time deposits	82,254	68,920	156,011	134,376
	Deposits at foreign office	2,873	3,534	6,112	5,663
	Short-term borrowings	10,230	15,657	23,930	35,346
	Long-term borrowings	7,047	3,570	12,504	7,187
	Total interest expense	125,734	114,996	245,055	229,181
	Net interest income	138,207	132,607	274,652	262,199
	Provision for possible credit losses	11,000	11,700	22,000	21,375
	Net interest income after provision for possible credit losses	127,207	120,907	252,652	240,824
Other income	Mortgage banking revenues	12,172	11,275	24,247	21,666
	Service charges on deposit accounts	10,726	10,128	21,111	20,033
	Trust income	7,233	7,073	14,136	13,246
	Merchant discount and other credit card fees	4,234	4,220	9,465	7,275
	Trading account and foreign exchange gains	596	858	1,945	154
	Gain (loss) on sales of bank investment securities	(188)	109	(233)	427
	Other revenues from operations	9,210	7,800	19,235	14,913
	Total other income	43,983	41,463	89,906	77,714
Other expense	Salaries and employee benefits	53,561	49,133	109,120	101,261
	Equipment and net occupancy	13,155	12,699	26,388	26,115
	Printing, postage and supplies	3,472	3,863	6,823	7,682
	Deposit insurance	483	778	969	1,558
	Other costs of operations	31,399	31,448	63,054	57,622
	Total other expense	102,070	97,921	206,354	194,238
	Income before income taxes	69,120	64,449	136,204	124,300
	Income taxes	26,329	25,790	52,154	49,488
	Net income	$ 42,791	38,659	84,050	74,812
	Net income per common share				
	Primary	$ 6.17	5.36	11.98	10.56
	Fully diluted	6.15	5.36	11.95	10.32
	Cash dividends per common share	.80	.70	1.60	1.40
	Average common shares outstanding				
	Primary	6,928	7,212	7,014	6,995
	Fully diluted	6,950	7,216	7,032	7,245

CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

DOLLARS IN THOUSANDS		SIX MONTHS ENDED JUNE 30 1997	1996
Cash flows from operating activities	Net income	$ 84,050	74,812
	Adjustments to reconcile net income to net cash provided by operating activities		
	Provision for possible credit losses	22,000	21,375
	Depreciation and amortization of premises and equipment	10,294	9,886
	Amortization of capitalized mortgage servicing rights	6,804	5,065
	Provision for deferred income taxes	(5,123)	(6,216)
	Asset write-downs	619	605
	Net gain on sales of assets	(1,229)	(599)
	Net change in accrued interest receivable, payable	4,668	(7,000)
	Net change in other accrued income and expense	25,758	2,049
	Net change in loans held for sale	39,835	(10,540)
	Net change in trading account assets and liabilities	10,124	(12,018)
	Net cash provided by operating activities	197,800	77,419
Cash flows from investing activities	Proceeds from sales of investment securities		
	Available for sale	200,942	143,235
	Proceeds from maturities of investment securities		
	Available for sale	118,275	269,661
	Held to maturity	46,936	20,349
	Purchases of investment securities		
	Available for sale	(472,516)	(466,126)
	Held to maturity	(17,337)	(29,213)
	Other	(3,576)	(2,776)
	Net (increase) decrease in interest-bearing deposits at banks	(48,791)	111,049
	Additions to capitalized mortgage servicing rights	(12,917)	(6,393)
	Net increase in loans and leases	(318,388)	(577,434)
	Capital expenditures, net	(5,650)	(6,918)
	Acquisitions, net of cash acquired	123,043	--
	Other, net	(3,907)	(6,185)
	Net cash used by investing activities	(393,886)	(550,751)
Cash flows from financing activities	Net increase in deposits	539,565	721,888
	Net decrease in short-term borrowings	(536,492)	(151,830)
	Proceeds from issuance of trust preferred securities	250,000	--
	Payments on long-term borrowings	(86)	(2,638)
	Purchases of treasury stock	(48,702)	(42,899)
	Dividends paid--common	(10,652)	(9,227)
	Dividends paid--preferred	--	(900)
	Other, net	(2,129)	(5,736)
	Net cash provided by financing activities	191,504	508,658
	Net increase (decrease) in cash and cash equivalents	$ (4,582)	35,326
	Cash and cash equivalents at beginning of period	449,985	364,119
	Cash and cash equivalents at end of period	$ 445,403	399,445
Supplemental disclosure of cash flow information	Interest received during the period	$ 511,184	482,499
	Interest paid during the period	233,728	229,783
	Income taxes paid during the period	37,784	54,733
Supplemental schedule of noncash investing and financing activities	Real estate acquired in settlement of loans	$ 3,941	4,097
	Conversion of preferred stock to common stock	--	40,000

FIRST EMPIRE STATE CORPORATION AND SUBSIDIARIES

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 GAINS (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	--	--	--	74,812	--	--	74,812
Preferred stock cash dividends	--	--	--	(900)	--	--	(900)
Common stock cash dividends - $1.40 per share	--	--	--	(9,227)	--	--	(9,227)
Exercise of stock options	--	--	1,009	--	--	2,449	3,458
Purchases of treasury stock	--	--	--	--	--	(42,899)	(42,899)
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	--	--	--	--	(10,474)	--	(10,474)
Balance--June 30, 1996	$ --	40,487	93,132	870,171	(13,629)	(129,138)	$ 861,023
1997							
Balance-- January 1, 1997	$ --	40,487	96,597	937,072	(2,485)	(166,012)	$ 905,659
Net income	--	--	--	84,050	--	--	84,050
Common stock cash dividends - $1.60 per share	--	--	--	(10,652)	--	--	(10,652)
Exercise of stock options	--	--	4,721	--	--	10,048	14,769
Purchases of treasury stock	--	--	--	--	--	(48,702)	(48,702)
Unrealized gains on investment securities available for sale, net	--	--	--	--	5,913	--	5,913
Balance--June 30,1997	$ --	40,487	101,318	1,010,470	3,428	(204,666)	$ 951,037

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

	SIX MONTHS ENDED JUNE 30	
DOLLARS IN THOUSANDS	1997	1996
Beginning balance	$ 270,466	262,344
Provision for possible credit losses	22,000	21,375
Net charge-offs		
Charge-offs	(29,883)	(20,486)
Recoveries	9,350	6,718
Total net charge-offs	(20,533)	(13,768)
Ending balance	$ 271,933	269,951

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 ("Trust I"), a Delaware business trust organized by the Company on January 17, 1997, issued $150 million of 8.234% preferred capital securities. In June 1997, First Empire Capital Trust II ("Trust II" and, together with Trust I, the "Trusts"), a Delaware business trust organized by the Company on May 30, 1997, issued $100 million of 8.277% preferred capital securities.

Other than the following payment terms (and the redemption terms described below), the preferred capital securities issued by the Trusts ("Capital Securities") are identical in all material respects:

TRUST	DISTRIBUTION RATE	DISTRIBUTION DATES
Trust I..............	8.234%	February 1 and August 1
Trust II.............	8.277%	June 1 and December 1

The common securities of each Trust ("Common Securities") are wholly owned by First Empire, and such securities are the only class of each Trust's securities possessing general voting powers. The Capital Securities represent preferred undivided interests in the assets of the corresponding Trust, and are classified in the Company's consolidated balance sheet as long-term borrowings, with accumulated 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 issuances of the Capital Securities and Common Securities were used by the Trusts to purchase the following amounts of junior subordinated deferrable interest debentures ("Junior Subordinated Debentures") issued by First Empire:

TRUST	CAPITAL SECURITIES	COMMON SECURITIES	JUNIOR SUBORDINATED DEBENTURES
Trust I	$150 million	$4.64 million	$154.64 million aggregate liquidation amount of 8.234% Junior Subordinated Debentures due February 1, 2027.
Trust II	$100 million	$3.09 million	$103.09 million aggregate liquidation amount of 8.277% Junior Subordinated Debentures due June 1, 2027.

The Junior Subordinated Debentures represent the sole assets of each Trust and payments under the Junior Subordinated Debentures are the sole source of cash flow for each Trust.

Holders of the Capital Securities receive preferential cumulative cash distributions semi-annually on each distribution date at the stated distribution rate 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. 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 dates of the Junior Subordinated Debentures or the earlier redemption of the Junior Subordinated Debentures in whole upon the occurrence of one or more events ("Events") set forth in the indentures relating to the Capital Securities, and in whole or in part at any time after the stated optional redemption dates (February 1, 2007 in the case of Trust I and June 1, 2007 in the case of Trust II) contemporaneously with First Empire's optional redemption of the related Junior Subordinated Debentures in whole or in part. The Junior Subordinated Debentures are redeemable prior to their stated maturity dates at First Empire's option (i) on or after the stated optional redemption dates, 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. In the case of Trust I, 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. In the case of Trust II, such percentage adjusts annually and ranges from 104.139% at June 1, 2007 to 100.414% for the annual period ending May 31, 2017, after which the percentage is 100%, subject to a make-whole amount if the early redemption occurs prior to June 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 $6.46 and $6.17, respectively, for the three months ended June 30, 1997 and $5.66 and $5.36, respectively, for the three months ended June 30, 1996. Pro forma amounts for basic and diluted earnings per share for the six months ended June 30, 1997 were $12.63 and $11.98, respectively, and for the six months ended June 30, 1996 were $11.17 and $10.33, respectively.

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

Net income of First Empire State Corporation ("First Empire") was $42.8 million or $6.15 per fully diluted common share in the second quarter of 1997, increases of 11% and 15%, respectively, from $38.7 million or $5.36 per common share on a fully diluted basis in the second quarter of 1996. Net income was $41.3 million or $5.80 per fully diluted common share in the first quarter of 1997. Primary earnings per share increased to $6.17 in the recent quarter from $5.36 in the year-earlier quarter and $5.81 in the first quarter of 1997. For the six months ended June 30, 1997, net income was $84.1 million or $11.95 per fully diluted common share, up 12% and 16%, respectively, from $74.8 million or $10.32 per share during the comparable 1996 period. Primary earnings per share rose 13% to $11.98 for the first half of 1997 from $10.56 for the corresponding period in 1996. The annualized rate of return on average assets for First Empire and its consolidated subsidiaries ("the Company") in the second quarter of 1997 was 1.31%, up from 1.25% in the year-earlier quarter and 1.30% in 1997's initial quarter. The annualized return on average common stockholders' equity was 18.55% in the recent quarter, up from 18.18% in the second quarter of 1996 and 18.24% in the first quarter of 1997. During the first six months of 1997, the annualized rates of return on average assets and average common stockholders' equity were 1.30% and 18.40%, respectively, compared with 1.22% and 17.85%, respectively, in the corresponding 1996 period.

On June 6, 1997, First Empire completed an offering of trust preferred securities that raised $100 million of regulatory capital. The 30-year offering of 8.277% fixed-rate cumulative preferred securities was issued through First Empire Capital Trust II ("Trust II"), a Delaware business trust that was formed by First Empire to facilitate the transaction. The preferred securities provide investors with call protection for ten years. Trust II was formed solely to issue the preferred securities and advance the proceeds to First Empire by purchasing a like amount of First Empire's 8.277% junior subordinated debentures. A similar offering of trust preferred securities was completed on January 31, 1997, raising $150 million of regulatory capital. Such offering of 8.234% fixed-rate cumulative preferred securities was sold through First Empire Capital Trust I ("Trust I"), also a Delaware business trust. The proceeds of the two trust preferred securities issuances qualify as Tier 1 or core capital for First Empire under the Federal Reserve Board's risk-based capital guidelines. The trust preferred securities are classified as long-term borrowings and accumulated distributions on the securities are included in interest expense. Payments on the junior subordinated debt of First Empire, which are in turn passed through Trust I and Trust II to the holders of the preferred securities, are serviced through existing liquidity and cash flow sources of First Empire. Under current federal income tax law, First Empire is permitted to deduct interest payments on the junior subordinated debt in computing taxable income.

On May 24, 1997, The East New York Savings Bank ("East New York"), the savings bank subsidiary of First Empire, was merged with and into Manufacturers and Traders Trust Company ("M&T Bank"), the principal commercial bank subsidiary of First Empire. East New York's branch offices and business activities now operate as the New York City Division of M&T Bank.

TAXABLE-EQUIVALENT NET INTEREST INCOME

Taxable-equivalent net interest income increased to $139.6 million in the second quarter of 1997, up $5.9 million or 4% from $133.7 million in the year-earlier quarter and $1.9 million higher than the $137.7 million earned in the first quarter of 1997. The most significant factor contributing to the improvement in net interest income was growth in average loans and leases. Average loans and leases increased $845 million, or 8%, to $10.8 billion in the second quarter of 1997 from $10.0 billion in the year-earlier quarter. Reflecting a decline in the rate of growth as compared with the five preceding quarterly periods, average loans and leases in the recent quarter were $127 million, or 1%, higher than the first quarter of 1997. Continued growth in the Company's commercial loan and commercial real estate portfolios was partially offset by slower consumer loan growth, including the impact of the termination of a co-branded credit card program in March 1997. 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

	2nd Qtr. 1997	Percent increase (decrease) from 2nd Qtr. 1996	1st Qtr. 1997
Commercial, financial, etc	$ 2,260	11%	3%
Real estate--commercial	4,118	11	3
Real estate--consumer	2,147	1	1
Consumer			
Automobile	1,078	11	(4)
Home equity	641	6	1
Credit cards	255	6	(15)
Other	343	15	2
Total consumer	2,317	9	(3)
Total	$10,842	8%	1%

For the first six months of 1997, taxable-equivalent net interest income was $277.3 million, up from $264.2 million in the corresponding 1996 period. An increase in average loans and leases of $944 million was the leading factor contributing to this improvement.

Average investment securities declined to $1.7 billion in the recent quarter from $1.9 billion in the second quarter of 1996. Holdings of investment securities averaged $1.6 billion in the first quarter of 1997. Money-market assets averaged $183 million in 1997's second quarter, compared with $108 million in the year-earlier quarter and $137 million in the initial quarter of 1997. 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 increased 6% to $12.7 billion in the second quarter of 1997 from $12.0 billion in the second quarter of 1996. Average earning assets were $12.5 billion in the first quarter of 1997 and aggregated $12.6 billion and $11.9 billion for the six months ended June 30, 1997 and 1996, respectively.

Core deposits represent a significant source of funding to the Company and generally carry lower interest rates than wholesale funds of comparable maturities. Such deposits include noninterest-bearing demand deposits, interest-bearing transaction accounts, savings deposits and nonbrokered domestic time deposits under $100,000. The Company's New York State branch network is the principal source of core deposits. 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 commercial bank subsidiary of First Empire. Average core deposits increased to $8.3 billion in the second quarter of 1997, up from $7.9 billion in the year-earlier quarter and $8.1 billion in the first quarter of 1997. Average core deposits of M&T Bank, N.A., which began operations in the fourth quarter of 1995, were $440 million in the recently completed quarter, compared with $226 million in the second quarter of 1996 and $388 million in the first quarter of 1997. The accompanying table provides an analysis of quarterly changes in the components of average core deposits. For the six months ended June 30, 1997 and 1996, core deposits averaged $8.2 billion and $7.8 billion, respectively.

AVERAGE CORE DEPOSITS
Dollars in millions

	2nd Qtr. 1997	Percent increase (decrease) from 2nd Qtr. 1996	1st Qtr. 1997
NOW accounts	$ 258	(66)%	(8)%
Savings deposits	3,406	19	2
Time deposits less than $100,000	3,460	10	4
Demand deposits	1,181	4	2
Total	$8,305	5%	2%

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. Such deposits are used to reduce short-term borrowings and lengthen the average maturity of interest-bearing liabilities. Brokered deposits averaged $1.3 billion during the recent quarter and totaled $1.5 billion at June 30, 1997, compared with an average balance of $999 million during the comparable 1996 period and a total balance of $1.1 billion at June 30, 1996. Brokered deposits averaged $1.1 billion in the initial quarter of 1997. The weighted average remaining term to maturity of brokered deposits at June 30, 1997 was 2.4 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.

In addition 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 $789 million in the recent quarter, compared with $1.2 billion in the second 1996 quarter and $1.1 billion in the first quarter of 1997. The previously discussed issuances of $250 million of trust preferred securities also provided funding during 1997. These securities, along with $175 million of subordinated notes issued in prior years by M&T Bank, are included in long-term borrowings. Long-term borrowings averaged $355 million and $190 million in the second quarter of 1997 and 1996, respectively, and $278 million in the first quarter of 1997.

Changes in the composition of the Company's earning assets and interest-bearing liabilities, 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 3.71% in the second quarter of 1997, compared with 3.84% in the year-earlier quarter. The rate paid on interest-bearing liabilities increased 18 basis points (hundredths of one percent) to 4.64% in the second quarter of 1997 from 4.46% in the second quarter of 1996 due to generally higher interest rates and the effect of the previously discussed issuances of $250 million of trust preferred securities. Such increase was partially offset by a 5 basis point increase in the yield on earning assets to 8.35% in the second quarter of 1997 from 8.30% in the corresponding 1996 quarter. The net interest spread was 3.81% in the first quarter of 1997 when the yield on earning assets was 8.36% and the rate paid on interest-bearing liabilities was 4.55%.

The contribution to net interest margin, or taxable equivalent net interest income expressed as an annualized percentage of average earning assets, of interest-free funds was .68% in the second quarter of 1997, up from .62% in the corresponding 1996 quarter. The improvement was the result of an 11% increase in average interest-free funds. Average interest-free funds, consisting largely of non-interest bearing demand deposits and stockholders' equity, totaled $1.9 billion in the second quarter of 1997, up from $1.7 billion a year earlier. The 18 basis point increase in the rate paid on interest-bearing liabilities used to value these funds also contributed to the improvement. The contribution to net interest margin of interest-free funds was .67% in the first quarter of 1997 when such funds averaged $1.8 billion.

Largely due to the changes in the net interest spread described above, the Company's net interest margin was 4.39% in 1997's second quarter, compared with 4.46% in the comparable quarter of 1996 and 4.48% in the initial 1997 quarter. During the first six months of 1997 and 1996, the net interest margin was 4.44% and 4.48%, respectively.

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. The Company utilizes interest rate swap agreements as part of the management of interest rate risk to modify the repricing characteristics of certain portions of 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 June 30, 1997 and 1996 was $2.9 billion and $2.5 billion, respectively. 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 $33 million swap, the Company pays a fixed rate of interest and receives a variable rate. At June 30, 1997 the weighted average rates to be received and paid under interest rate swap agreements were 6.36% and 5.77%, respectively. As of June 30, 1997, the Company had also entered into forward-starting swaps with an aggregate notional amount of $50 million. Such forward-starting swaps had no effect on the Company's net interest income through June 30, 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 JUNE 30			
	1997		1996	
	AMOUNT	RATE*	AMOUNT	RATE*
Increase (decrease) in:				
Interest income	$ (129)	-%	$ 318	.01%
Interest expense	(3,417)	(.13)	(3,987)	(.15)
Net interest income/margin	$ 3,288	.10%	$ 4,305	.14%
Average notional amount**	$2,620,422		$2,413,370	

	SIX MONTHS ENDED JUNE 30			
	1997		1996	
	AMOUNT	RATE*	AMOUNT	RATE*
Increase (decrease) in:				
Interest income	$ 48	-%	$ 279	-%
Interest expense	(6,625)	(.12)	(7,140)	(.14)
Net interest income/margin	$ 6,673	.11%	$ 7,419	.13%
Average notional amount**	$2,454,677		$2,323,139	

* 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 June 30, 1997 it would have had to pay approximately $1.0 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 recorded in the consolidated financial statements.

Giving consideration to interest rate swaps in place at June 30, 1997 and utilizing a computer model which aids management in assessing the potential impact of future changes in interest rates and spreads, management estimates that the amount of projected net interest income will be largely unaffected by changes in interest rates in the next two years. However, additional interest rate risk management actions may be necessary to counter any detrimental effect which a sustained decrease in interest rates could 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 $100 million and $150 million of junior subordinated debt issued in June and January 1997, respectively, 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 June 30, 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 purpose of the provision is to replenish or build the Company's allowance for possible credit losses to a level necessary to maintain an adequate reserve position. In assessing the adequacy of the allowance for possible credit losses, management performs an ongoing evaluation of the loan and lease portfolio and other credit commitments, 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 June 30, 1997 was adequate to absorb credit losses from existing loans and leases.

The provision for possible credit losses in the second quarter of 1997 was $11.0 million, equal to 1997's first quarter but below the $11.7 million provision charged to earnings in the second quarter of 1996. Net loan charge-offs totaled $12.6 million in the second quarter of 1997, compared with $8.7 million in the year-earlier quarter and $7.9 million in 1997's initial quarter. Net charge-offs as an annualized percentage of average loans and leases were .47% in the recent quarter, compared with .35% in the corresponding 1996 quarter and .30% in the first quarter of 1997. Consumer loan net charge-offs in the recent quarter were $9.7 million, compared with $6.7 million in the second quarter of 1996 and $8.8 million in 1997's initial quarter. 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 second quarter of 1997 compared with

1996's second quarter. Net consumer loan charge-offs as an annualized percentage of average consumer loans and leases were 1.68% in the recent quarter, compared with 1.27% in the second quarter of 1996 and 1.50% in 1997's first quarter. For the six months ended June 30, 1997 and 1996, the provision for possible credit losses was $22.0 million and $21.4 million, respectively. Through June 30, net charge-offs were $20.5 million in 1997 and $13.8 million in 1996, representing .38% and .28%, respectively, of average loans and leases. Consumer loan net charge-offs totaled $18.5 million and $11.6 million during the six months ended June 30, 1997 and 1996, respectively.

Nonperforming loans were $97.1 million or .88% of total loans and leases outstanding at June 30, 1997, compared with $85.0 million or .84% at June 30, 1996 and $97.0 million or .90% at March 31, 1997. Included in such amounts are loans that are guaranteed by government agencies totaling $20.7 million and $18.3 million at June 30, 1997 and 1996, respectively, and $22.8 million at March 31, 1997. Nonperforming commercial real estate loans totaled $29.2 million at June 30, 1997, $30.5 million at June 30, 1996 and $25.6 million at March 31, 1997. Nonperforming commercial real estate loans include loans secured by properties located in the New York City metropolitan area of $11.9 million at June 30, 1997, $7.0 million at June 30, 1996 and $8.2 million at March 31, 1997. Nonperforming consumer loans and leases totaled $16.4 million at June 30, 1997, compared with $13.2 million at June 30, 1996 and $17.4 million at March 31, 1997. The increase in nonperforming consumer loans from June 30, 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 .71% at June 30, 1997 compared with .60% at June 30, 1996 and .74% at March 31, 1997. Management continues to closely monitor the repayment performance of consumer loans. Furthermore, as noted above, management believes that the allowance for possible credit losses at June 30, 1997 was adequate to absorb credit losses inherent in the Company's loan and lease portfolio as of that date. Assets taken in foreclosure of defaulted loans were $9.7 million at June 30, 1997, $8.9 million at June 30, 1996 and $8.7 million at March 31, 1997.

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

NONPERFORMING ASSETS
Dollars in thousands

	1997 Quarters		1996 Quarters		
	Second	First	Fourth	Third	Second
Nonaccrual loans	$62,525	57,366	58,232	59,517	57,603
Loans past due 90 days or more	31,810	36,857	39,652	36,958	27,406
Renegotiated loans	2,741	2,741	--	--	--
Total nonperforming loans	97,076	96,964	97,884	96,475	85,009
Other real estate owned	9,698	8,694	8,523	8,467	8,890
Total nonperforming assets	$106,774	105,658	106,407	104,942	93,899
Government guaranteed nonperforming loans*	$20,656	22,753	25,847	27,475	18,267
Nonperforming loans to total loans and leases, net of unearned discount	.88%	.90%	.91%	.92%	.84%
Nonperforming assets to total net loans and other real estate owned	.97%	.98%	.99%	1.00%	.93%

* Included in total nonperforming loans.

The allowance for possible credit losses was $271.9 million, or 2.48% of total loans and leases at June 30, 1997, compared with $270.0 million or 2.67% a year earlier, $270.5 million or 2.52% at December 31, 1996 and $273.6 million or 2.53% at March 31, 1997. The ratio of the allowance for possible credit losses to nonperforming loans was 280% at the most recent quarter-end, compared with 318% a year earlier, 276% at December 31, 1996 and 282% at March 31, 1997.

OTHER INCOME

Other income totaled $44.0 million in the second quarter of 1997, compared with $41.5 million in the year-earlier quarter and $45.9 million in the initial quarter of 1997. For the first six months of 1997, other income was $89.9 million, up 16% from $77.7 million in the comparable 1996 period.

Mortgage banking revenues totaled $12.2 million in the recent quarter, compared with $11.3 million in the year-earlier quarter and $12.1 million in the first quarter of 1997. Residential mortgage loan servicing fees were $6.2 million in the second quarter of 1997, up from $5.1 million in the second quarter of 1996 and $5.8 million in the initial 1997 quarter. Gains from sales of residential mortgage loans and loan servicing rights were $5.4 million in the recently completed quarter, compared with $5.7 million in the year earlier quarter and $5.6 million in 1997's first quarter. Residential mortgage loans serviced for others totaled $6.5 billion and $5.6 billion at June 30, 1997 and 1996, respectively. Capitalized servicing assets were $49 million and $42 million at June 30, 1997 and 1996, respectively.

Service charges on deposit accounts increased to $10.7 million in the second quarter of 1997, up from $10.1 million in the corresponding quarter of the previous year and $10.4 million in the first quarter of 1997. Trust income was $7.2 million in the second quarter of 1997, compared with $7.1 million in last year's second quarter and $6.9 million in the first quarter of 1997. Merchant discount and credit card fees were $4.2 million in the recent quarter, unchanged from the year-earlier period, but down from $5.2 million in the initial 1997 quarter. The decrease from the first quarter reflects the March 28, 1997 termination of a co-branded credit card program that had been initiated in May 1996. Merchant discount and other credit card fees earned in connection with the terminated program were $50 thousand and $1.6 million during the three and six month periods ended June 30, 1997, respectively, and $758 thousand for the comparable periods in 1996. Credit card balances related to this program that remained outstanding at June 30, 1997 were $6.7 million. Trading account and foreign exchange activity resulted in gains of $596 thousand in the second quarter of 1997, compared with gains of $858 thousand and $1.3 million in the second quarter of 1996 and the first quarter of 1997, respectively. Other revenue from operations totaled $9.2 million in the recent quarter, compared with $7.8 million in the corresponding quarter of 1996 and $10.0 million in the first quarter of 1997, when a $1.5 million gain was realized upon termination of a lease for one of the Company's branch offices.

For the six month period ended June 30, 1997, mortgage banking revenues totaled $24.2 million, up 12% from $21.7 million in the corresponding 1996 period. Compared with the same period in 1996, service charges on deposit accounts increased 5% to $21.1 million during the first six months of 1997, while trust income increased 7% to $14.1 million. Reflecting previous expansion of the Company's co-branded credit card business, during the first half of 1997 merchant discount and credit card fees increased 30% to $9.5 million from $7.3 million in the similar period of 1996. Trading account and foreign exchange activity resulted in gains of $1.9 million for the initial half of 1997, compared with gains of $154 thousand during the first six months of 1996. Reflecting a $1.3 million increase in fees earned from the sales of mutual funds and annuities and the previously mentioned $1.5 million gain from a lease termination, other revenues from operations increased 31% to $19.2 million in the first six months of 1997 from $14.9 million in the comparable 1996 period.

OTHER EXPENSE

Other expense totaled $102.1 million in the second quarter of 1997, up 4% from $97.9 million in the second quarter of 1996, but down from $104.3 million in the first quarter of 1997. Through the first half of 1997, other expense totaled $206.4 million or 6% higher than $194.2 million in the comparable 1996 period.

Salaries and employee benefits expense was $53.6 million in the recent quarter, 9% higher than the $49.1 million in the corresponding 1996 quarter but 4% lower than the $55.6 million in the first quarter of 1997. For the first six months of 1997, salaries and employee benefits expense increased 8% to $109.1 million from $101.3 million in the corresponding 1996 period. Factors contributing to the higher expenses over the prior year periods were expansion of businesses providing mortgage banking services, credit cards and the sales of mutual funds and annuities, as well as merit salary increases and higher costs associated with incentive-based compensation arrangements, including stock appreciation rights.

Nonpersonnel expense totaled $48.5 million in the second quarter of 1997, little changed from the second quarter of 1996 or the first quarter of 1997. Such expenses were $97.2 million during the first six months of 1997, an increase of 5% from $93.0 million during the corresponding 1996 period. Such 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 co-branded credit card program terminated in March 1997 were approximately $107 thousand and $2.3 million during the three and six month periods ended June 30, 1997, respectively, and $988 thousand for the comparable periods in 1996.

CAPITAL

Stockholders' equity at June 30, 1997 was $951 million or 7.08% of total assets, compared with $861 million or 6.86% of total assets a year earlier and $906 million or 7.00% at December 31, 1996. On a per share basis, stockholders' equity was $143.64 at June 30, 1997, up from $126.70 and $135.45 at June 30 and December 31, 1996, respectively.

Stockholders' equity at June 30, 1997 reflected a gain of $3.4 million, or $.52 per share, for the net after-tax impact of unrealized gains on investment securities classified as available for sale, compared with unrealized losses of $13.6 million or $2.01 per share at June 30, 1996 and $2.5 million or $.37 per share at December 31, 1996. Such unrealized gains and losses represent the difference, net of applicable income tax effect, between the amortized cost and estimated fair value of investment securities classified as available for sale. The market valuation 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. Under regulatory guidelines, unrealized gains or losses on investment securities classified as available for sale are not recognized in determining regulatory capital. As previously noted, core capital includes the $250 million of trust preferred securities issued by First Empire Capital Trust I and First Empire Capital Trust II in January and June of 1997, respectively. Total capital also includes $175 million of subordinated notes issued by M&T Bank in prior years. The capital ratios of the Company and its banking subsidiaries, M&T Bank and M&T Bank, N.A., as of June 30, 1997 are presented in the accompanying table.

REGULATORY CAPITAL RATIOS
June 30, 1997

	FIRST EMPIRE (CONSOLIDATED)	M&T BANK	M&T BANK, N.A.
Core capital	10.81%	8.51%	16.68%
Total capital	13.68%	11.43%	17.93%
Leverage	8.96%	7.15%	7.88%

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 a percentage of average total stockholders' equity, was 16.25% during the second quarter of 1997, compared with 15.93% in the second quarter of 1996 and 15.88% in the initial 1997 quarter.

In February 1997, First Empire announced a plan to repurchase and hold as treasury stock up to 303,317 shares of its common stock for reissuance upon the possible future exercise of outstanding stock options. As of June 30, 1997, First Empire had repurchased 124,711 common shares pursuant to the plan at an average cost of $320.68 per share. Including a prior repurchase plan completed in February 1997, First Empire repurchased 153,773 common shares during the first six months of 1997 at a total cost of $48.7 million.

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 "anticipates," "believes," "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 QUARTERS SECOND	1997 QUARTERS FIRST	1996 QUARTERS FOURTH	1996 QUARTERS THIRD	1996 QUARTERS SECOND	1996 QUARTERS FIRST
Earnings and dividends						
Amounts in thousands, except per share						
Interest income	$ 265,301	257,029	257,196	251,336	248,673	244,714
Interest expense	125,734	119,321	119,343	117,884	114,996	114,185
Net interest income	139,567	137,708	137,853	133,452	133,677	130,529
Less: provision for possible credit losses	11,000	11,000	11,475	10,475	11,700	9,675
Other income	43,983	45,923	47,641	44,893	41,463	36,251
Less: other expense	102,070	104,284	107,082	107,658	97,921	96,317
Income before income taxes	70,480	68,347	66,937	60,212	65,519	60,788
Applicable income taxes	26,329	25,825	25,288	23,090	25,790	23,698
Taxable-equivalent adjustment	1,360	1,263	1,229	1,251	1,070	937
Net income	$ 42,791	41,259	40,420	35,871	38,659	36,153
Cash dividends on preferred stock	$ --	--	--	--	--	900
Per common share data						
Net income						
Primary	6.17	5.81	5.70	5.05	5.36	5.20
Fully diluted	6.15	5.80	5.68	5.05	5.36	4.96
Net income, excluding securities transactions						
Primary	6.19	5.81	5.73	5.05	5.36	5.17
Fully diluted	6.17	5.80	5.71	5.05	5.36	4.93
Cash dividends	$ .80	.80	.70	.70	.70	.70
Average common shares outstanding						
Primary	6,928	7,100	7,098	7,104	7,212	6,778
Fully diluted	6,950	7,114	7,121	7,106	7,216	7,295
Balance sheet data						
Dollars in millions, except per share						
Average balances						
Total assets	$ 13,148	12,866	12,728	12,556	12,486	12,141
Earning assets	12,740	12,464	12,308	12,124	12,044	11,695
Investment securities	1,715	1,611	1,659	1,798	1,939	1,830
Loans and leases, net of unearned discount	10,842	10,715	10,527	10,253	9,997	9,672
Deposits	10,914	10,454	10,609	10,459	10,069	9,496
Stockholders' equity	925	917	891	857	855	849
At end of quarter						
Total assets	$ 13,441	13,122	12,944	12,821	12,542	12,671
Earning assets	12,903	12,621	12,504	12,282	12,015	12,129
Investment securities	1,708	1,693	1,572	1,753	1,817	2,108
Loans and leases, net of unearned discount	10,980	10,803	10,722	10,437	10,129	9,912
Deposits	11,186	10,533	10,514	10,554	10,193	9,719
Stockholders' equity	951	912	906	878	861	847
Equity per common share	143.64	137.33	135.45	130.58	126.70	123.76
Performance ratios, annualized						
Return on						
Average assets	1.31%	1.30%	1.26%	1.14%	1.25%	1.20%
Average common stockholders' equity	18.55%	18.24%	18.05%	16.64%	18.18%	17.50%
Net interest margin on average earning assets	4.39%	4.48%	4.46%	4.38%	4.46%	4.49%
Nonperforming assets to total assets, at end of quarter	.79%	.81%	.82%	.82%	.75%	.71%
Market price per common share						
High	$ 343 1/2	336	289 5/8	258	247	247 3/4
Low	303	281	250	239	232	209
Closing	337	320	288	249	241	246

AVERAGE BALANCE SHEETS AND ANNUALIZED TAXABLE-EQUIVALENT RATES

AVERAGE BALANCE IN MILLIONS; INTEREST IN THOUSANDS	1997 SECOND QUARTER AVERAGE BALANCE	1997 SECOND QUARTER INTEREST	1997 SECOND QUARTER AVERAGE RATE	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......	$ 2,260	$ 47,680	8.46%	2,187	44,623	8.27%	2,072	42,480	8.16%
Real estate.....................	6,265	134,710	8.60	6,139	131,135	8.54	6,082	131,894	8.67
Consumer........................	2,317	53,347	9.23	2,389	54,311	9.22	2,373	55,118	9.24
Total loans and leases, net...	10,842	235,737	8.72	10,715	230,069	8.71	10,527	229,492	8.67
Money-market assets									
Interest-bearing deposits at banks...........................	54	816	6.01	48	709	6.01	50	762	6.03
Federal funds sold and agreements to resell securities............	64	860	5.40	32	405	5.22	37	492	5.32
Trading account...................	65	443	2.74	58	255	1.78	35	283	3.21
Total money-market assets.....	183	2,119	4.64	138	1,369	4.04	122	1,537	5.01
Investment securities**									
U.S. Treasury and federal agencies........................	1,192	19,002	6.39	1,064	16,679	6.36	1,097	17,069	6.19
Obligations of states and political subdivisions..........	44	728	6.59	41	677	6.66	41	682	6.54
Other.............................	479	7,715	6.46	506	8,235	6.61	521	8,416	6.43
Total investment securities...	1,715	27,445	6.42	1,611	25,591	6.44	1,659	26,167	6.27
Total earning assets..........	12,740	265,301	8.35	12,464	257,029	8.36	12,308	257,196	8.31
Allowance for possible credit losses...........................	(272)			(272)			(271)		
Cash and due from banks............	307			298			325		
Other assets........................	373			376			366		
Total assets..................	$13,148			12,866			12,728		
Liabilities and stockholders' equity									
Interest-bearing liabilities									
Interest-bearing deposits									
NOW accounts......................	$ 259	835	1.30	281	920	1.33	327	1,247	1.52
Savings deposits..................	3,406	22,495	2.65	3,346	22,248	2.70	3,291	22,458	2.71
Time deposits.....................	5,852	82,254	5.64	5,410	73,757	5.53	5,516	77,006	5.55
Deposits at foreign office........	216	2,873	5.33	255	3,239	5.16	258	3,354	5.16
Total interest-bearing deposits	9,733	108,457	4.47	9,292	100,164	4.37	9,392	104,065	4.41
Short-term borrowings...............	789	10,230	5.20	1,075	13,700	5.17	881	11,785	5.32
Long-term borrowings................	355	7,047	7.93	278	5,457	7.96	186	3,493	7.47
Total interest- bearing liabilities................	10,877	125,734	4.64	10,645	119,321	4.55	10,459	119,343	4.54
Demand deposits.....................	1,181			1,162			1,217		
Other liabilities...................	165			142			161		
Total liabilities.............	12,223			11,949			11,837		
Stockholders' equity................	925			917			891		
Total liabilities and stockholders' equity........	$13,148			12,866			12,728		
Net interest spread.................			3.71			3.81			3.77
Contribution of interest-free funds............................			0.68			.67			.69
Net interest income/margin on earning assets....................		$139,567	4.39%		137,708	4.48%		137,853	4.46%

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

FIRST EMPIRE STATE CORPORATION AND SUBSIDIARIES

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

AVERAGE BALANCE IN MILLIONS; INTEREST IN THOUSANDS	1996 THIRD QUARTER AVERAGE BALANCE	INTEREST	AVERAGE RATE	1996 SECOND QUARTER AVERAGE BALANCE	INTEREST	AVERAGE RATE
Assets						
Earning assets						
Loans and leases, net of unearned discount*						
Commercial, financial, etc.......	$ 2,023	$ 41,322	8.12%	2,032	41,682	8.25%
Real estate......................	5,972	128,704	8.62	5,846	126,747	8.67
Consumer.........................	2,258	52,268	9.21	2,119	49,160	9.33
Total loans and leases, net....	10,253	222,294	8.62	9,997	217,589	8.75
Money-market assets						
Interest-bearing deposits at banks.	24	354	5.98	18	266	6.14
Federal funds sold and agreements to resell securities.............	23	311	5.46	58	779	5.38
Trading account....................	26	247	3.73	32	264	3.33
Total money-market assets......	73	912	5.00	108	1,309	4.89
Investment securities**						
U.S. Treasury and federal agencies.	1,208	18,719	6.16	1,324	20,248	6.15
Obligations of states and political subdivisions.....................	44	711	6.43	41	668	6.50
Other..............................	546	8,700	6.34	574	8,859	6.21
Total investment securities....	1,798	28,130	6.23	1,939	29,775	6.17
Total earning assets...........	12,124	251,336	8.25	12,044	248,673	8.30
Allowance for possible credit losses.	(271)			(269)		
Cash and due from banks.............	345			331		
Other assets........................	358			380		
Total assets...................	$12,556			12,486		
Liabilities and stockholders' equity						
Interest-bearing liabilities						
Interest-bearing deposits						
NOW accounts.......................	$ 794	2,768	1.39	760	2,642	1.40
Savings deposits...................	2,854	21,170	2.95	2,872	20,673	2.90
Time deposits......................	5,359	74,706	5.55	5,026	68,920	5.51
Deposits at foreign office.........	257	3,382	5.23	273	3,534	5.20
Total interest-bearing deposits.....................	9,264	102,026	4.38	8,931	95,769	4.31
Short-term borrowings...............	928	12,311	5.28	1,243	15,657	5.07
Long-term borrowings................	188	3,547	7.48	190	3,570	7.55
Total interest-bearing liabilities.................	10,380	117,884	4.52	10,364	114,996	4.46
Demand deposits.....................	1,195			1,138		
Other liabilities...................	124			129		
Total liabilities.............	11,699			11,631		
Stockholders' equity................	857			855		
Total liabilities and stockholders' equity.........	$12,556			12,486		
Net interest spread.................			3.73			3.84
Contribution of interest-free funds..			.65			.62
Net interest income/margin on earning assets............................		$133,452	4.38%		133,677	4.46%

* 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 June 1997, Trust II, a Delaware business trust, issued $100 million of 8.277% Capital Securities. The Common Securities of Trust II are wholly owned by First Empire, and the Capital Securities represent preferred undivided interests in the assets of Trust II. The proceeds from the issuance of the Capital Securities ($100 million) and Common Securities ($3.09 million) were used by Trust II to purchase $103.09 million of 8.277% Junior Subordinated Debentures issued by First Empire. The Junior Subordinated Debentures represent the sole asset of Trust II and payments under the Junior Subordinated Debentures are Trust II's sole source of cash flow.

Holders of the Capital Securities receive preferential cumulative cash distributions semi-annually each June 1st and December 1st at a rate of 8.277% 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.

Information concerning the matters submitted to a vote of stockholders at First Empire's Annual Meeting of Stockholders held on April 15, 1997 was previously reported in response to Item 4 of Part II of First Empire's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997.

Item 5. Other Information.

On June 30, 1997, William C. Rappolt retired as Executive Vice President and Treasurer of First Empire and M&T Bank. Mr. Rappolt was succeeded in those positions on July 1, 1997 by Adam C. Kugler, previously a Senior Vice President in M&T Bank's Treasury Division.

Also in June of 1997, the Company announced the appointment of Emerson L. Brumback to the position of Executive Vice President of First Empire and M&T Bank effective as of July 8, 1997. Mr. Brumback's immediate past position was executive vice president, national retail distribution, at Banc One Corporation.

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

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

Exhibit No.	
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. The following Current Reports on Form 8-K were filed with the Securities and Exchange Commission:

On June 2, 1997, a Current Report on Form 8-K dated May 24, 1997 was filed to announce the consummation of the merger of The East New York Savings Bank with and into M&T Bank.

On June 16, 1997, a Current Report on Form 8-K dated June 6, 1997 was filed to announce First Empire's completion of a $100 million offering of Capital Securities.

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: August 6, 1997

By: /s/ Michael P. Pinto

Michael P. Pinto
Executive Vice President
and Chief Financial Officer

EXHIBIT INDEX

EXHIBIT NO.	
11.1	Statement re: Computation of Earnings Per Common Share. Filed herewith.
27.1	Financial Data Schedule. Filed herewith.

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 JUNE 30 1997	1996	SIX MONTHS ENDED JUNE 30 1997	1996
Primary	Average common shares outstanding	6,627	6,832	6,656	6,616
	Common stock equivalents *	301	380	358	379
	Primary common shares outstanding	6,928	7,212	7,014	6,995
	Net income	$42,791	38,659	84,050	74,812
	Less: Cash dividends on preferred stock	0	0	0	900
	Net income available to common shareholders	$42,791	38,659	84,050	73,912
	Earnings per common share--primary	$ 6.17	5.36	11.98	10.56
Fully diluted	Average common shares outstanding	6,627	6,832	6,656	6,616
	Common stock equivalents *	323	384	376	384
	Assumed conversion of 9% convertible preferred stock	0	0	0	245
	Fully diluted average common shares outstanding	6,950	7,216	7,032	7,245
	Net income	$42,791	38,659	84,050	74,812
	Earnings per common share--fully diluted	$ 6.15	5.36	11.95	10.32

* 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.

6-MOS
DEC-31-1997
JUN-30-1997
399,094
96,116
46,309
72,484
1,561,442
146,930
147,422
11,313,318
271,933
13,440,995
11,186,195
658,966
216,878
427,919
0
0
40,487
910,550
13,440,995
484,801
51,485
3,421
519,707
208,621
245,055
274,652
22,000
(233)
206,354
136,204
84,050
0
0
84,050
11.98
11.95
4.44
82,525
31,810
2,741
0
270,466
29,883
9,350
271,933
144,240
0
127,693