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, 1998

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 May 8, 1998: 8,040,849 shares.

FIRST EMPIRE STATE CORPORATION

FORM 10-Q

For the Quarterly Period Ended March 31, 1998

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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, 1998	December 31, 1997
Assets	Cash and due from banks	$ 436,545	333,805
	Money-market assets		
	Interest-bearing deposits at banks	963	668
	Federal funds sold and agreements to resell securities	203,231	53,087
	Trading account	47,600	57,291
	Total money-market assets	251,794	111,046
	Investment securities		
	Available for sale (cost: $1,385,121 at March 31, 1998; $1,563,055 at December 31, 1997)	1,393,276	1,583,273
	Held to maturity (market value: $78,915 at March 31, 1998; $84,176 at December 31, 1997)	78,152	83,665
	Other (market value: $58,280 at March 31, 1998; $58,280 at December 31, 1997)	58,280	58,280
	Total investment securities	1,529,708	1,725,218
	Loans and leases	12,275,080	11,765,533
	Unearned discount	(241,658)	(268,965)
	Allowance for possible credit losses	(278,727)	(274,656)
	Loans and leases, net	11,754,695	11,221,912
	Premises and equipment	119,834	121,984
	Accrued interest and other assets	477,714	488,970
	Total assets	$ 14,570,290	14,002,935
Liabilities	Noninterest-bearing deposits	$ 1,420,598	1,458,241
	NOW accounts	334,623	346,795
	Savings deposits	3,429,252	3,344,697
	Time deposits	5,656,328	5,762,497
	Deposits at foreign office	244,034	250,928
	Total deposits	11,084,835	11,163,158
	Federal funds purchased and agreements to repurchase securities	1,629,630	930,775
	Other short-term borrowings	94,729	120,143
	Accrued interest and other liabilities	264,850	330,774
	Long-term borrowings	427,397	427,819
	Total liabilities	13,501,441	12,972,669
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
	Common stock issuable, 8,300 shares in 1998	3,876	--
	Additional paid-in capital	107,318	103,233
	Retained earnings	1,135,722	1,092,106
	Accumulated other comprehensive income	4,827	12,016
	Treasury stock - common, at cost - 1,428,035 shares at March 31, 1998; 1,487,123 shares at December 31, 1997	(223,381)	(217,576)
	Total stockholders' equity	1,068,849	1,030,266
	Total liabilities and stockholders' equity	$ 14,570,290	14,002,935

FIRST EMPIRE STATE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME (Unaudited)

Amounts in thousands, except per share		Three months ended March 31 1998	1997
Interest income	Loans and leases, including fees	$ 249,194	229,575
	Money-market assets		
	Deposits at banks	6	709
	Federal funds sold and agreements to resell securities	1,722	405
	Trading account	138	221
	Investment securities		
	Fully taxable	23,630	23,798
	Exempt from federal taxes	1,572	1,058
	Total interest income	276,262	255,766
Interest expense	NOW accounts	955	920
	Savings deposits	22,607	22,248
	Time deposits	80,634	73,757
	Deposits at foreign office	3,239	3,239
	Short-term borrowings	18,597	13,700
	Long-term borrowings	8,553	5,457
	Total interest expense	134,585	119,321
	Net interest income	141,677	136,445
	Provision for possible credit losses	12,000	11,000
	Net interest income after provision for possible credit losses	129,677	125,445
Other income	Mortgage banking revenues	13,870	12,075
	Service charges on deposit accounts	11,234	10,385
	Trust income	9,485	6,903
	Merchant discount and other credit card fees	4,238	5,231
	Trading account and foreign exchange gains	1,779	1,349
	Gain (loss) on sales of bank investment securities	--	(45)
	Other revenues from operations	29,790	10,025
	Total other income	70,396	45,923
Other expense	Salaries and employee benefits	58,333	55,559
	Equipment and net occupancy	13,479	13,233
	Printing, postage and supplies	3,570	3,351
	Other costs of operations	58,491	32,141
	Total other expense	133,873	104,284
	Income before income taxes	66,200	67,084
	Income taxes	17,245	25,825
	Net income	$ 48,955	41,259
	Net income per common share		
	Basic	$7.34	6.17
	Diluted	7.01	5.81
	Cash dividends per common share	.80	.80
	Average common shares outstanding		
	Basic	6,666	6,685
	Diluted	6,981	7,100

CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

Dollars In thousands		Three months ended March 31 1998	1997
Cash flows from operating activities	Net income	$ 48,955	41,259
	Adjustments to reconcile net income to net cash provided by operating activities		
	Provision for possible credit losses	12,000	11,000
	Depreciation and amortization of premises and equipment	5,369	5,123
	Amortization of capitalized servicing rights	4,264	3,230
	Amortization of goodwill	1,825	1,783
	Provision for deferred income taxes	(4,050)	(1,017)
	Asset write-downs	173	216
	Net gain on sales of assets	63	(1,470)
	Net change in accrued interest receivable, payable	11,079	11,749
	Net change in other accrued income and expense	(36,604)	13,767
	Net change in loans held for sale	(120,046)	74,695
	Net change in trading account assets and liabilities	(5,815)	(5,061)
	Net cash provided (used) by operating activities	(82,787)	155,274
Cash flows from investing activities	Proceeds from sales of investment securities		
	Available for sale	--	120,429
	Proceeds from maturities of investment securities		
	Available for sale	168,317	54,098
	Held to maturity	10,070	29,345
	Purchases of investment securities		
	Available for sale	(44)	(329,941)
	Held to maturity	(4,572)	(4,956)
	Other	--	(882)
	Net increase in interest-bearing deposits at banks	(295)	(388)
	Additions to capitalized servicing rights	(3,038)	(12,179)
	Net increase in loans and leases	(423,205)	(163,308)
	Capital expenditures, net	(3,225)	(1,961)
	Acquisitions, net of cash acquired	--	123,043
	Other, net	6,782	(3,326)
	Net cash used by investing activities	(249,210)	(190,026)
Cash flows from financing activities	Net decrease in deposits	(78,543)	(112,376)
	Net increase (decrease) in short-term borrowings	674,446	(23,770)
	Proceeds from issuance of trust preferred securities	--	150,000
	Payments on long-term borrowings	(423)	(68)
	Purchases of treasury stock	(16,585)	(29,529)
	Dividends paid - common	(5,332)	(5,353)
	Other, net	11,318	3,530
	Net cash provided (used) by financing activities	584,881	(17,566)
	Net increase (decrease) in cash and cash equivalents	$ 252,884	(52,318)
	Cash and cash equivalents at beginning of period	386,892	449,985
	Cash and cash equivalents at end of period	$ 639,776	397,667
Supplemental disclosure of cash flow information	Interest received during the period	$ 277,376	262,527
	Interest paid during the period	126,508	115,090
	Income taxes paid during the period	56,566	2,500
Supplemental schedule of noncash investing and financing activities	Real estate acquired in settlement of loans	$ 1,303	1,766

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (Unaudited)

Dollars in thousands, except per share	Preferred stock	Common stock	Common stock issuable	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Treasury stock
1997							
Balance-- January 1, 1997	$ --	40,487	--	96,597	937,072	(2,485)	(166,012)
Comprehensive income:							
Net income	--	--	--	--	41,259	--	--
Other comprehensive income, net of tax:							
Unrealized losses on investment securities, net of reclassification adjustment	--	--	--	--	--	(6,001)	--
Exercise of stock options	--	--	--	1,553	--	--	4,595
Purchases of treasury stock	--	--	--	--	--	--	(29,529)
Common stock cash dividends-- $.80 per share	--	--	--	--	(5,353)	--	--
Balance-- March 31, 1997	$ --	40,487	--	98,150	972,978	(8,486)	(190,946)
1998							
Balance-- January 1, 1998	$ --	40,487	--	103,233	1,092,106	12,016	(217,576)
Comprehensive income:							
Net income	--	--	--	--	48,955	--	--
Other comprehensive income, net of tax:							
Unrealized losses on investment securities, net of reclassification adjustment	--	--	--	--	--	(7,189)	--
Exercise of stock options	--	--	--	4,080	--	--	10,778
Purchases of treasury stock	--	--	--	--	--	--	(16,585)
Deferred bonus plan:							
Deferred stock awards, net	--	--	3,869	5	--	--	2
Dividend equivalents	--	--	7	--	(7)	--	--
Common stock cash dividends-- $.80 per share	--	--	--	--	(5,332)	--	--
Balance-- March 31,1998	$ --	40,487	3,876	107,318	1,135,722	4,827	(223,381)

Dollars in thousands, except per share	Total
1997	
Balance-- January 1, 1997	$ 905,659
Comprehensive income:	
Net income	41,259
Other comprehensive income, net of tax:	
Unrealized losses on investment securities, net of reclassification adjustment	(6,001)
	35,258
Exercise of stock options	6,148
Purchases of treasury stock	(29,529)
Common stock cash dividends-- $.80 per share	(5,353)
Balance-- March 31, 1997	$ 912,183
1998	
Balance-- January 1, 1998	$ 1,030,266
Comprehensive income:	
Net income	48,955
Other comprehensive income, net of tax:	
Unrealized losses on investment securities, net of reclassification adjustment	(7,189)
	41,766
Exercise of stock options	14,858
Purchases of treasury stock	(16,585)
Deferred bonus plan:	
Deferred stock awards, net	3,876

Dividend equivalents	--
Common stock cash dividends--	
$.80 per share	(5,332)
Balance-- March 31,1998	$ 1,068,849

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

Dollars in thousands	Three months ended March 31 1998	1997
Beginning balance	274,656	270,466
Provision for possible credit losses	12,000	11,000
Net charge-offs		
Charge-offs	(12,286)	(13,653)
Recoveries	4,357	5,760
Total net charge-offs	(7,929)	(7,893)
Ending balance	278,727	273,573

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 in Note 1 of the Notes to Financial Statements on pages 39 through 41 of the Company's 1997 Annual Report to stockholders, except as described below. In the opinion of management, all adjustments necessary for a fair presentation have been made and were all of a normal recurring nature.

2. Earnings per share

The computations of basic earnings per share follow:

	Three months ended March 31 1998	1997
	(in thousands, except per share)	
Income available to common stockholders:		
Net income	$48,955	41,259
Weighted-average shares outstanding (including common stock issuable)	6,666	6,685
Basic earnings per share	$ 7.34	6.17

The computations of diluted earnings per share follow:

	Three months ended March 31 1998	1997
	(in thousands, except per share)	
Income available to common stockholders	$48,955	41,259
Weighted-average shares outstanding (including common stock issuable)	6,666	6,685
Plus: incremental shares from assumed conversions of stock options	315	415
Adjusted weighted-average shares outstanding	6,981	7,100
Diluted earnings per share	$ 7.01	5.81

3. Comprehensive income

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income," in the first quarter of 1998. SFAS No. 130 establishes standards for reporting and displaying comprehensive income and its components. Financial statements presented for periods prior to 1998 are required to be reclassified to reflect application of the provisions of SFAS No. 130.

3. Comprehensive income, continued

The following table displays the components of other comprehensive income:

	Three months ended March 31, 1998		
	Before-tax amount	Income taxes	Net
Unrealized losses on investment securities:			
Unrealized holding losses during period (a)	$(12,063)	4,874	(7,189)
Less: reclassification adjustment for losses realized in net income	--	--	--
Net unrealized losses	$(12,063)	4,874	(7,189)

(a) Including the effect of the contribution of appreciated investment securities described in note 4.

	Three months ended March 31, 1997		
	Before-tax amount	Income taxes	Net
Unrealized losses on investment securities:			
Unrealized holding losses during period	$(10,130)	4,103	(6,027)
Less: reclassification adjustment for losses realized in net income	(45)	19	(26)
Net unrealized losses	$(10,085)	4,084	(6,001)

4. Contribution of appreciated investment securities

In January 1998, First Empire State Corporation ("First Empire") contributed appreciated investment securities with a fair value of $24.6 million to an affiliated, tax-exempt private charitable foundation. As a result of this transfer, the Company recognized tax-exempt other income of $15.3 million and incurred charitable contributions expense of $24.6 million. These amounts are included in the Consolidated Statement of Income in "Other revenues from operations" and "Other costs of operations," respectively. The transfer provided an income tax benefit of approximately $10.0 million and, accordingly, resulted in an after-tax increase in net income of $0.7 million.

5. Subsequent event

On April 1, 1998, First Empire consummated the merger ("Merger") of ONBANCorp, Inc. ("ONBANCorp") with and into Olympia Financial Corp., a wholly owned subsidiary of First Empire. Following the Merger, OnBank & Trust Co., Syracuse, New York, and Franklin First Savings Bank, Wilkes-Barre, Pennsylvania, both wholly owned subsidiaries of ONBANCorp, were merged with and into Manufacturers and Traders Trust Company ("M&T Bank"), First Empire's principal banking subsidiary. Acquired assets, loans and deposits of ONBANCorp as of April 1, 1998 totaled approximately $5.5 billion, $3.0 billion and $3.8 billion, respectively. First Empire paid $266.3 million in cash and issued 1,429,998 shares of common stock in exchange for the ONBANCorp common shares outstanding at the time of the acquisition. The transaction has been accounted for as a purchase and, accordingly, operations acquired from ONBANCorp will be included in First Empire's financial results beginning with the second quarter of 1998.

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 $49.0 million or $7.01 of diluted earnings per common share in the first quarter of 1998, increases of 19% and 21%, respectively, from the first quarter of 1997 when net income was $41.3 million or $5.81 of diluted earnings per common share. Net income was $46.3 million or $6.66 of diluted earnings per common share in the fourth quarter of 1997. Basic earnings per common share rose 19% to $7.34 in the recent quarter from $6.17 in the first quarter of 1997 and 5% from $7.01 earned in 1997's fourth quarter. The annualized rate of return on average total assets for First Empire and its consolidated subsidiaries ("the Company") in the first quarter of 1998 was 1.41%, compared with 1.30% in the year-earlier quarter and 1.33% in 1997's last quarter. The annualized return on average common stockholders' equity was 18.86% in the initial 1998 quarter, compared with 18.24% and 18.25% in the first and fourth quarters of 1997, respectively.

On April 1, 1998, First Empire acquired ONBANCorp, Inc. ("ONBANCorp"), a bank holding company headquartered in Syracuse, New York. As a result of the acquisition, ONBANCorp's two banking subsidiaries, OnBank & Trust Co. in Syracuse, which operated 59 offices in upstate New York, and Franklin First Savings Bank in Wilkes-Barre, Pennsylvania, which operated 19 offices in northeastern Pennsylvania, were merged with and into First Empire's principal banking subsidiary, Manufacturers and Traders Trust Company ("M&T Bank"). The acquisition has been accounted for as a purchase, and, accordingly, the operations acquired from ONBANCorp will be included in First Empire's financial results beginning with the second quarter of 1998. ONBANCorp's stockholders received $266.3 million in cash and 1,429,998 shares of First Empire common stock in exchange for the ONBANCorp shares outstanding at the time of the acquisition. Acquired assets, loans and deposits totaled $5.5 billion, $3.0 billion and $3.8 billion, respectively, on April 1.

Taxable-equivalent Net Interest Income

Net interest income expressed on a taxable-equivalent basis was $143.2 million in the first quarter of 1998, up $5.5 million or 4% from $137.7 million in the year-earlier quarter, but slightly lower than the $143.9 million earned in the final 1997 quarter. Growth in average loans and leases was the most significant factor contributing to the improvement in net interest income from the initial quarter of 1997. Average loans and leases increased $887 million, or 8%, to $11.6 billion in the recent quarter from $10.7 billion in the year-earlier quarter. Average loans and leases were $11.3 billion in the fourth quarter of 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

	1st Qtr. 1998	Percent increase (decrease) from 1st Qtr. 1997	4th Qtr. 1997
Commercial, financial, etc.	$ 2,393	9%	2%
Real estate - commercial	4,502	12	3
Real estate - consumer	2,510	18	5
Consumer			
Automobile	917	(18)	(1)
Home equity	652	3	--
Credit cards	246	(18)	(6)
Other	382	14	1
Total consumer	2,197	(8)	(1)
Total	$11,602	8%	2%

Investment securities averaged $1.6 billion in the first quarter of 1998, equal to the year-earlier period but down from $1.7 billion in 1997's fourth quarter. Money-market assets averaged $141 million in 1998's initial quarter, compared with $94 million and $100 million in the first and fourth quarters of 1997, respectively. In general, the size of the investment securities and money-market assets portfolios is 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 above, average earning assets totaled $13.4 billion in the first 1998 quarter, an increase of $937 million, or 8%, from $12.4 billion in the first quarter of 1997. Average earning assets in the recent quarter were up 2% from $13.1 billion in the fourth quarter of 1997.

Core deposits represent a significant source of funding to the Company and generally carry lower interest rates than wholesale funds of comparable maturities. Core deposits include noninterest-bearing demand deposits, interest-bearing transaction accounts, savings deposits and nonbrokered domestic time deposits under $100,000. The Company's 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 wholly owned bank subsidiary of First Empire. Average core deposits increased to $8.4 billion in the first quarter of 1998 from $8.1 billion in the year-earlier quarter, but decreased slightly from $8.5 billion in the final quarter of 1997. Average core deposits of M&T Bank, N.A. were $433 million in the recently completed quarter, compared with $388 million in the first quarter of 1997 and $432 million in the fourth quarter of 1997. The accompanying table provides an analysis of quarterly changes in the components of average core deposits.

AVERAGE CORE DEPOSITS
Dollars in millions

	1st Qtr. 1998	Percent increase (decrease) from 1st Qtr. 1997	4th Qtr. 1997
NOW accounts	$ 270	(4)%	5%
Savings deposits	3,446	3	(1)
Time deposits less than $100,000	3,408	2	(1)
Noninterest-bearing deposits	1,272	9	(3)
Total	$8,396	3%	(1)%

The Company also obtains funding through domestic time deposits of $100,000 or more, deposits originated through M&T Bank's offshore branch office, and brokered certificates of deposit. Brokered deposits are used as an alternative to short-term borrowings to lengthen the average maturity of interest-bearing liabilities. Brokered deposits averaged $1.3 billion during the recent quarter and totaled $1.2 billion at March 31, 1998, compared with an average balance of $1.1 billion during the comparable 1997 period and a total balance of $1.1 billion at March 31, 1997. Brokered deposits averaged $1.5 billion in the fourth quarter of 1997. The weighted average remaining term to maturity of brokered deposits at March 31, 1998 was 2.4 years. However, certain of the deposits have provisions that allow early redemption. 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 $1.4 billion in the initial 1998 quarter, compared with $1.0 billion and $829 million in the first and fourth quarters of 1997, respectively. Long-term borrowings averaged $428 million in the first quarter of 1998 and the fourth quarter of 1997, and $278 million in the first quarter of 1997. Long-term borrowings include $250 million of trust preferred securities issued during the first and second quarters of 1997 and $175 million of subordinated capital notes issued in prior years by M&T Bank.

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 3.68% in the first quarter of 1998, compared with 3.83% in the year-earlier quarter. The rate paid on interest-bearing liabilities increased 19 basis points (hundredths of one percent) to 4.75% in the first quarter of 1998 from 4.56% in the corresponding 1997 quarter, largely the result of the previously noted issuances of $250 million of trust preferred securities. Such increase was partially offset by a 4 basis point increase in the yield on earning assets to 8.43% in the recently completed quarter from 8.39% in the first quarter of 1997. The net interest spread was 3.64% in the fourth quarter of 1997 when the yield on earning assets was 8.36% and the rate paid on interest-bearing liabilities was 4.72%.

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 .67% in the first quarter of 1998, equal to the comparable quarter of 1997 but down from .70% in 1997's final quarter. Average interest-free funds, which include noninterest-bearing deposits and stockholders' equity, totaled $1.9 billion in the first quarter of 1998, up $43 million from a year earlier, but down $86 million from the fourth quarter of 1997.

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, the 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, 1998 and 1997 was $2.5 billion and $2.3 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 March 31, 1998, the weighted average rates to be received and paid under interest rate swap agreements were 6.36% and 5.63%, respectively. As of March 31, 1998, the Company had also entered into a forward-starting swap with an aggregate notional amount of $76 million in which the Company will pay a fixed rate of interest and receive a variable rate. Such forward-starting swap had no effect on the Company's net interest income through March 31, 1998. The average notional amounts of interest rate swaps entered into for interest rate risk management purposes 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			
	1998		1997	
	Amount	Rate*	Amount	Rate*
Increase (decrease) in:				
Interest income	$ 282	.01%	$ 177	.01%
Interest expense	(3,205)	(.11)	(3,208)	(.12)
Net interest income/margin	$ 3,487	.11%	$ 3,385	.11%
Average notional amount **	$2,596,119		$ 2,287,090	

* 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, 1998 it would have received approximately $18.4 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.

As a financial intermediary, the Company is exposed to various risks, including liquidity and market risk. Liquidity risk arises 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 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 $250 million of junior subordinated debt issued to two special purpose subsidiaries in 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, 1998. The Company had access to sufficient liquid assets to fund the cash portion of the ONBANCorp acquisition. 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.

Market risk is the risk of loss from adverse changes in market prices and/or interest rates of the Company's financial instruments. The core banking activities of lending and deposit-taking expose the Company to interest rate risk. As a result of interest rate risk, net interest income earned by the Company is subject to the effects of changing interest rates. The Company measures interest rate risk by calculating the variability of net interest income under various interest rate scenarios using projected balances for earning assets, interest-bearing liabilities and off-balance sheet financial instruments. Management's philosophy toward positioning the Company for interest rate movements is to attempt to limit such variability. The balances of both on- and off-balance sheet financial instruments used in the projections are based on expected growth from forecasted business opportunities, anticipated prepayments of mortgage-related assets and expected maturities of investment securities, loans and deposits. Management supplements the modeling technique described above with analyses of the Company's sensitivity to changes in the market values of financial instruments resulting from changing interest rates.

The Asset-Liability Committee, which includes members of senior management, monitors the Company's interest rate sensitivity with the aid of a computer model which considers the impact of ongoing lending and deposit gathering activities, as well as statistically derived interrelationships in the magnitude and timing of the repricing of financial instruments, including the effect of changing interest rates on expected prepayments and maturities. When deemed prudent, management has taken actions, and intends to do so in the future, to mitigate exposure to interest rate risk through the use of on-or off-balance sheet financial instruments. Possible actions include, but are not limited to, changes in the pricing of loan and deposit products, modifying the composition of earning assets and interest-bearing liabilities, and entering into or modifying existing interest rate swap agreements.

The accompanying table displays the estimated impact on net interest income from financial instruments held for non-trading purposes resulting from changes in interest rates during the first modeling year.

SENSITIVITY OF NET INTEREST INCOME
TO CHANGES IN INTEREST RATES
(dollars in thousands)

Changes in Interest Rates	Calculated increase (decrease) in projected net interest income
+200 basis points	$ (4,260)
+100 basis points	422
- -100 basis points	3,021
- -200 basis points	6,550

The calculation of the impact of changes in interest rates on net interest income is based upon many assumptions, including prepayments of mortgage-related assets, cash flows from derivative and other financial instruments held for non-trading purposes, loan and deposit volumes and pricing, and deposit maturities. The Company also assumes gradual changes in interest rates of 100 and 200 basis points up and down during a twelve month period. These assumptions are inherently uncertain and, as a result, the Company cannot precisely predict the impact of changes in interest rates on net interest income. Actual results may differ significantly due to timing, magnitude and frequency of interest rate changes and changes in market conditions, as well as any actions, such as those previously described, which management may take to counter these changes.

The Company engages in trading activities to meet the financial needs of customers and to profit from perceived market opportunities. Trading activities are conducted utilizing financial instruments that include forward and futures contracts related to foreign currency exchange and mortgage-backed securities, U.S. Treasury and other government securities, and interest rate contracts such as swaps. As a result, the Company is exposed to foreign currency and interest rate risk resulting from trading activities. However, the Company generally mitigates exposure arising from trading activities by entering into offsetting positions. Accordingly, the Company's exposure to interest rate, foreign exchange or other price risk related to trading activities as of March 31, 1998 was not considered material.

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. Management regularly assesses the adequacy of the allowance by performing 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. Significant loans are individually analyzed, while other smaller balance loans are evaluated by loan category. Based upon the results of such review, management believes that the allowance for possible credit losses at March 31, 1998 was adequate to absorb credit losses inherent in the portfolio of loans and leases.

The provision for possible credit losses in the initial quarter of 1998 was $12.0 million, up from $11.0 million in the first quarter of 1997, but equal to 1997's fourth quarter. Net loan charge-offs in the first three months of 1998 totaled $7.9 million, equal to 1997's first quarter, but down from $9.7 million in last year's fourth quarter. Net charge-offs as an annualized percentage of average loans and leases were .28% in the recently completed quarter, compared with .30% in the corresponding 1997 quarter and .34% in the fourth quarter of 1997. Net charge-offs of consumer loans in the first quarter of 1998 were $7.8 million, compared with $8.8 million in the year-earlier quarter and $9.2 million in the fourth quarter of 1997. Net consumer loan charge-offs as an annualized percentage of average consumer loans and leases were 1.45% in the initial 1998 quarter, compared with 1.50% in the first quarter of 1997 and 1.64% in 1997's final quarter.

Nonperforming loans totaled $70.0 million or .58% of total loans and leases outstanding at March 31, 1998, compared with $97.0 million or .90% at March 31, 1997 and $80.7 million or .70% at December 31, 1997. Nonperforming commercial real estate loans totaled $10.7 million at March 31, 1998, $25.6 million at March 31, 1997 and $17.4 million at December 31, 1997. Nonperforming commercial real estate loans include loans secured by properties located in the New York City metropolitan area of $206 thousand at March 31, 1998, $8.2 million at March 31, 1997 and $7.0 million at December 31, 1997. Nonperforming consumer loans totaled $19.5 million at March 31, 1998, compared with $17.4 million at March 31, 1997 and $21.9 million at December 31, 1997. The increase in nonperforming consumer loans from March 31, 1997 is generally consistent with current industry trends and also reflects growth in the Company's consumer loan portfolio, particularly automobile loans. As a percentage of consumer loan balances outstanding, nonperforming consumer loans and leases were .90% at March 31, 1998, compared with .74% and .99% at March 31 and December 31, 1997, respectively. Assets taken in foreclosure of defaulted loans were $7.8 million at March 31, 1998, $8.7 million at March 31, 1997 and $8.4 million at December 31, 1997.

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

NONPERFORMING ASSETS
Dollars in thousands

	1998	1997 Quarters			
	First Quarter	Fourth	Third	Second	First
Nonaccrual loans	$ 40,737	38,588	50,369	62,525	57,366
Loans past due 90 days or more	24,449	30,402	29,979	31,810	36,857
Renegotiated loans	4,819	11,660	5,413	2,741	2,741
Total nonperforming loans	70,005	80,650	85,761	97,076	96,964
Other real estate owned	7,828	8,413	8,239	9,698	8,694
Total nonperforming assets	$ 77,833	89,063	94,000	106,774	105,658
Government guaranteed nonperforming loans*	$ 14,787	17,712	17,853	20,656	22,753
Nonperforming loans to total loans and leases, net of unearned discount	.58%	.70%	.76%	.88%	.90%
Nonperforming assets to total net loans and other real estate owned	.65%	.77%	.83%	.97%	.98%

* Included in total nonperforming loans.

The allowance for possible credit losses at March 31, 1998 was $278.7 million, or 2.32% of total loans and leases, compared with $273.6 million or 2.53% a year earlier and $274.7 million or 2.39% at December 31, 1997. The ratio of the allowance for possible credit losses to nonperforming loans was 398% at the recent quarter-end, compared with 282% at March 31, 1997 and 341% at December 31, 1997.

Other Income

In January 1998, First Empire contributed appreciated investment securities with a fair value of $24.6 million to an affiliated, tax-exempt private charitable foundation. As a result of this transfer, the Company incurred charitable contributions expense of $24.6 million and recognized tax-exempt other income of $15.3 million. The transfer provided an income tax benefit of approximately $10.0 million and, accordingly, resulted in an after-tax increase in net income of $0.7 million, or $.10 per share. Excluding the effect of the transfer, other income totaled $55.1 million in the first quarter of 1998, compared with $45.9 million in the year-earlier quarter and $53.0 million in the fourth quarter of 1997.

Mortgage banking revenues totaled $13.9 million in the first quarter of 1998, compared with $12.1 million in the year-earlier quarter and $14.6 million in the final quarter of 1997. Residential mortgage loan servicing fees were $7.2 million in the recently completed quarter, up from $5.8 million in the first quarter of 1997, but slightly lower than the $7.4 million earned in the fourth quarter of 1997. Gains from sales of residential mortgage loans and loan servicing rights were $5.9 million in the initial quarter of 1998, compared with $5.6 million in the year-earlier quarter and $6.3 million in 1997's final quarter. Residential mortgage loans serviced for others totaled $7.3 billion and $6.5 billion at March 31, 1998 and 1997, respectively, and $7.5 billion at December 31, 1997. Capitalized servicing assets were $59 million and $51 million at March 31, 1998 and 1997, respectively, and $61 million at December 31, 1997.

Service charges on deposit accounts totaled $11.2 million in the recent quarter, an increase of 8% from $10.4 million in the corresponding quarter of 1997, but slightly lower than $11.4 million in the fourth quarter of 1997. Trust income was $9.5 million in the first quarter of 1998, compared with $6.9 million in last year's first quarter and $8.9 million in the fourth quarter of 1997. Merchant discount and other credit card fees were $4.2

million in the initial 1998 quarter, down from $5.2 million and $5.4 million in the first and fourth quarters of 1997, respectively. Due to poorer than expected results, during 1997 and the first quarter of 1998 the Company completed the termination of all but one of its co-branded credit card programs. These programs were initiated during 1995 and 1996. Included in merchant discount and other credit card fees are amounts earned in connection with the terminated programs were approximately $1.1 million during the first quarter of 1998, compared with $2.6 million in the year-earlier period and $1.5 million in the fourth quarter of 1997. Outstanding credit card balances related to these programs at March 31, 1998 were $44 million, compared with $96 million at March 31, 1997 and $61 million at December 31, 1997. Trading account and foreign exchange activity resulted in gains of $1.8 million in the first quarter of 1998, compared with gains of $1.3 million and $318 thousand in the first and fourth quarters of 1997, respectively.

Excluding the $15.3 million of tax-exempt income related to the transfer of securities to the Company's affiliated foundation, other revenue from operations totaled $14.5 million in the recent quarter, compared with $10.0 million in the first quarter of 1997 and $12.4 million in the fourth quarter of 1997. Tax-exempt income earned from the Company's ownership of bank- owned life insurance contributed to each increase.

Other Expense

Excluding the effect of the previously discussed contribution of investment securities to the affiliated foundation, other expense totaled $109.3 million in the first quarter of 1998, compared with $104.3 million in the first quarter of 1997 and $110.7 million in the fourth quarter of 1997.

Salaries and employee benefits expense was $58.3 million in the recent quarter, 5% higher than the $55.6 million in the initial 1997 quarter and 7% above the $54.6 million in the fourth quarter of 1997. Factors contributing to the higher expenses were merit salary increases and higher costs associated with incentive-based compensation arrangements and employee benefits.

Excluding the $24.6 million of contributions expense discussed above, nonpersonnel expense totaled $51.0 million in the recently completed quarter, compared with $48.7 million in the year-earlier quarter and $56.1 million in the fourth quarter of 1997. The decrease in expenses from the fourth quarter of 1997 was largely the result of lower advertising and professional services expenses. Customer rebates and other expenses based on card usage directly attributable to the previously noted terminated co-branded credit card programs were approximately $1.1 million in the first quarter of 1998, compared with $3.6 million in the corresponding 1997 quarter and $1.6 million in the fourth quarter of 1997.

Capital

Stockholders' equity at March 31, 1998 was $1.1 billion, equal to 7.34% of total assets, compared with $912 million or 6.95% a year earlier and $1.0 billion or 7.36% at December 31, 1997. On a per share basis, stockholders' equity was $160.06 at March 31, 1998, up from $137.33 and $155.86 at March 31 and December 31, 1997, respectively.

Stockholders' equity at March 31, 1998 was increased by $4.8 million, or $.72 per common share, for the net after-tax impact of unrealized gains on investment securities classified as available for sale, compared with unrealized losses of $8.5 million or $1.28 per common share at March 31, 1997 and unrealized gains of $12.0 million or $1.82 per common share at December 31, 1997. The unrealized gains and losses represent the amount by which the fair value of investment securities classified as available for sale differs from amortized cost, net of applicable income taxes. 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, core capital includes $250 million of trust preferred securities issued by two special-purpose subsidiaries of First Empire in the first and second quarters of 1997. As of March 31, 1998, total capital also included $160 million of the subordinated notes issued by M&T Bank in prior years. 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 and M&T Bank, N.A., are presented in the accompanying table as of March 31, 1998.

REGULATORY CAPITAL RATIOS
March 31, 1998

	First Empire (Consolidated)	M&T Bank	M&T Bank, N.A.
Core capital	10.72%	8.91%	16.16%
Total capital	13.31%	11.53%	17.41%
Leverage	9.25%	7.82%	7.71%

The Company has historically maintained capital ratios in excess of regulatory guidelines largely through a high rate of internal capital generation. The rate of internal capital generation, or net income less dividends expressed as an annualized percentage of average total stockholders' equity, was 16.80% during the first quarter of 1998, compared with 15.88% and 16.17% in the first and fourth quarters of 1997, respectively. The April 1, 1998 acquisition of ONBANCorp reduced the capital ratios of the Company and M&T Bank. However, following the acquisition, such capital ratios still exceed the regulatory guidelines for a well-capitalized institution.

In February 1997, First Empire announced a plan to repurchase up to 303,317 shares of its common stock in connection with the possible future exercise of outstanding stock options. As of March 31, 1998, First Empire had repurchased 214,879 common shares pursuant to such plan at an average cost of $352.04 per share. During the first quarter of 1998, First Empire repurchased 36,868 common shares at a total cost of $16.6 million.

Year 2000 Initiatives

The Company is currently working to resolve the potential impact of "Year 2000" issues on the processing of date-sensitive information by the Company's computer systems. The Year 2000 problem relates to the ability of computer systems to be able to distinguish date data between the twentieth and twenty-first centuries. Management anticipates that the Company's computer systems will be Year 2000 compliant by the end of 1998 and has a planned program to test for such compliance. The Company could also be adversely affected if its customers rely on data processing systems that are not Year 2000 compliant prior to the end of 1999. The Company, therefore, is taking a proactive role to work with its data processing vendors and to provide information to its commercial customers regarding Year 2000 issues. The costs that have been incurred by the Company in addressing its potential Year 2000 problems have not had a material adverse impact on the Company's financial position, results of operations or cash flows. However, the inability of the Company or its customers to resolve Year 2000 issues in a timely manner could result in a material financial risk. Accordingly, the Company is devoting appropriate resources to resolve its Year 2000 issues in a timely manner and does not currently expect that doing so will have a material adverse impact on the Company's financial position, results of operations or cash flows in the future.

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.

FIRST EMPIRE STATE CORPORATION AND SUBSIDIARIES

QUARTERLY TRENDS

Taxable-equivalent basis	1998 First quarter	1997 Quarters Fourth	Third	Second	First
Earnings and dividends					
Amounts in thousands, except per share					
Interest income	277,803	277,166	271,305	265,301	257,029
Interest expense	134,585	133,270	129,768	125,734	119,321
Net interest income	143,218	143,896	141,537	139,567	137,708
Less: provision for possible credit losses	12,000	12,000	12,000	11,000	11,000
Other income	70,396	52,979	50,182	43,983	45,923
Less: other expense	133,873	110,716	104,706	102,070	104,284
Income before income taxes	67,741	74,159	75,013	70,480	68,347
Applicable income taxes	17,245	26,246	27,518	26,329	25,825
Taxable-equivalent adjustment	1,541	1,613	1,604	1,360	1,263
Net income	48,955	46,300	45,891	42,791	41,259
Per common share data					
Net income					
Basic	$7.34	7.01	6.96	6.46	6.17
Diluted	7.01	6.66	6.62	6.17	5.81
Net income, excluding securities transactions					
Basic	7.34	7.01	6.97	6.47	6.18
Diluted	7.01	6.66	6.63	6.19	5.81
Cash dividends	$ .80	.80	.80	.80	.80
Average common shares outstanding					
Basic	6,666	6,599	6,592	6,627	6,685
Diluted	6,981	6,955	6,927	6,928	7,100
Balance sheet data					
Dollars in millions, except per share					
Average balances					
Total assets	$14,055	13,785	13,424	13,148	12,866
Earning assets	13,357	13,148	12,905	12,700	12,420
Investment securities	1,614	1,721	1,747	1,715	1,611
Loans and leases, net of unearned discount	11,602	11,327	11,002	10,842	10,715
Deposits	10,988	11,262	11,170	10,914	10,454
Stockholders' equity	1,053	1,007	962	925	917
At end of quarter					
Total assets	$14,570	14,003	13,675	13,441	13,122
Earning assets	13,778	13,333	13,100	12,903	12,621
Investment securities	1,530	1,725	1,752	1,708	1,693
Loans and leases, net of unearned discount	12,033	11,497	11,271	10,980	10,803
Deposits	11,085	11,163	11,205	11,186	10,533
Stockholders' equity	1,069	1,030	982	951	912
Equity per common share	160.06	155.86	149.31	143.64	137.33
Performance ratios, annualized					
Return on					
Average assets	1.41%	1.33%	1.36%	1.31%	1.30%
Average common stockholders' equity	18.86%	18.25%	18.92%	18.55%	18.24%
Net interest margin on average earning assets	4.35%	4.34%	4.35%	4.41%	4.50%
Nonperforming assets to total assets, at end of quarter	.53%	.64%	.69%	.79%	.81%
Market price per common share					
High	$504	468	415	343 1/2	336
Low	429	401	335	303	281
Closing	499 7/8	465	415	337	320

FIRST EMPIRE STATE CORPORATION AND SUBSIDIARIES

AVERAGE BALANCE SHEETS AND ANNUALIZED TAXABLE-EQUIVALENT RATES

Average balance in millions; interest in thousands	1998 First quarter Average balance	Interest	Average rate	1997 Fourth quarter Average balance	Interest	Average rate
Assets						
Earning assets						
Loans and leases, net of unearned discount*						
Commercial, financial, etc.	$ 2,393	$ 49,755	8.43%	2,353	49,625	8.37%
Real estate	7,012	148,744	8.49	6,752	145,960	8.65
Consumer	2,197	51,194	9.45	2,222	52,259	9.33
Total loans and leases, net	11,602	249,693	8.73	11,327	247,844	8.68
Money-market assets						
Interest-bearing deposits at banks	1	6	2.91	1	6	2.80
Federal funds sold and agreements to resell securities	127	1,722	5.51	56	772	5.50
Trading account	13	169	5.13	43	825	7.55
Total money-market assets	141	1,897	5.45	100	1,603	6.36
Investment securities**						
U.S. Treasury and federal agencies	1,013	15,861	6.35	1,098	17,328	6.26
Obligations of states and political subdivisions	37	628	6.83	40	672	6.60
Other	564	9,724	7.00	583	9,719	6.62
Total investment securities	1,614	26,213	6.59	1,721	27,719	6.39
Total earning assets	13,357	277,803	8.43	13,148	277,166	8.36
Allowance for possible credit losses	(279)			(273)		
Cash and due from banks	321			322		
Other assets	656			588		
Total assets	$ 14,055			13,785		
Liabilities and stockholders' equity						
Interest-bearing liabilities						
Interest-bearing deposits						
NOW accounts	$ 270	955	1.44	257	897	1.39
Savings deposits	3,446	22,607	2.66	3,483	23,418	2.67
Time deposits	5,753	80,634	5.68	5,978	85,711	5.69
Deposits at foreign office	247	3,239	5.31	227	3,079	5.37
Total interest-bearing deposits	9,716	107,435	4.48	9,945	113,105	4.51
Short-term borrowings	1,353	18,597	5.57	829	11,610	5.56
Long-term borrowings	428	8,553	8.11	428	8,555	7.93
Total interest-bearing liabilities	11,497	134,585	4.75	11,202	133,270	4.72
Noninterest-bearing deposits	1,272			1,316		
Other liabilities	233			260		
Total liabilities	13,002			12,778		
Stockholders' equity	1,053			1,007		
Total liabilities and stockholders' equity	$ 14,055			13,785		
Net interest spread			3.68			3.64
Contribution of interest-free funds			.67			.70
Net interest income/margin on earning assets		$ 143,218	4.35%		143,896	4.34%

Average balance in millions; interest in thousands	1997 Third quarter Average balance	Interest	Average rate
Assets			
Earning assets			
Loans and leases, net of unearned discount*			
Commercial, financial, etc.	2,226	47,527	8.47%
Real estate	6,468	139,184	8.61
Consumer	2,308	54,025	9.28
Total loans and leases, net	11,002	240,736	8.68
Money-market assets			
Interest-bearing deposits at banks	63	944	5.91

Federal funds sold and agreements to resell securities	69	952	5.47
Trading account	24	414	6.96
Total money-market assets	156	2,310	5.88
Investment securities**			
U.S. Treasury and federal agencies	1,132	17,959	6.29
Obligations of states and political subdivisions	45	755	6.61
Other	570	9,545	6.64
Total investment securities	1,747	28,259	6.42
Total earning assets	12,905	271,305	8.34
Allowance for possible credit losses	(273)		
Cash and due from banks	303		
Other assets	489		
Total assets	13,424		
Liabilities and stockholders' equity			
Interest-bearing liabilities			
Interest-bearing deposits			
NOW accounts	234	803	1.36
Savings deposits	3,443	22,746	2.62
Time deposits	6,021	85,889	5.66
Deposits at foreign office	221	2,969	5.32
Total interest-bearing deposits	9,919	112,407	4.50
Short-term borrowings	641	8,801	5.45
Long-term borrowings	428	8,560	7.94
Total interest-bearing liabilities	10,988	129,768	4.69
Noninterest-bearing deposits	1,251		
Other liabilities	223		
Total liabilities	12,462		
Stockholders' equity	962		
Total liabilities and stockholders' equity	13,424		
Net interest spread			3.65
Contribution of interest-free funds			.70
Net interest income/margin on earning assets		141,537	4.35%

(continued)

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

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

Average balance in millions; interest in thousands	1997 Second quarter Average balance	Interest	Average rate	1997 First quarter Average balance	Interest	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%
Real estate	6,265	134,710	8.60	6,139	131,135	8.54
Consumer	2,317	53,347	9.23	2,389	54,311	9.22
Total loans and leases, net	10,842	235,737	8.72	10,715	230,069	8.71
Money-market assets						
Interest-bearing deposits at banks	54	816	6.01	48	709	6.01
Federal funds sold and agreements to resell securities	64	860	5.40	32	405	5.22
Trading account	25	443	7.10	14	255	7.22
Total money-market assets	143	2,119	5.93	94	1,369	5.93
Investment securities**						
U.S. Treasury and federal agencies	1,192	19,002	6.39	1,064	16,679	6.36
Obligations of states and political subdivisions	44	728	6.59	41	677	6.66
Other	479	7,715	6.46	506	8,235	6.61
Total investment securities	1,715	27,445	6.42	1,611	25,591	6.44
Total earning assets	12,700	265,301	8.38	12,420	257,029	8.39
Allowance for possible credit losses	(272)			(272)		
Cash and due from banks	307			298		
Other assets	413			420		
Total assets	$ 13,148			12,866		
Liabilities and stockholders' equity						
Interest-bearing liabilities						
Interest-bearing deposits						
NOW accounts	$ 259	835	1.30	281	920	1.33
Savings deposits	3,406	22,495	2.65	3,346	22,248	2.70
Time deposits	5,852	82,254	5.64	5,410	73,757	5.53
Deposits at foreign office	216	2,873	5.33	255	3,239	5.16
Total interest-bearing deposits	9,733	108,457	4.47	9,292	100,164	4.37
Short-term borrowings	749	10,230	5.48	1,033	13,700	5.38
Long-term borrowings	355	7,047	7.93	278	5,457	7.96
Total interest-bearing liabilities	10,837	125,734	4.65	10,603	119,321	4.56
Noninterest-bearing deposits	1,181			1,162		
Other liabilities	205			184		
Total liabilities	12,223			11,949		
Stockholders' equity	925			917		
Total liabilities and stockholders' equity	$ 13,148			12,866		
Net interest spread			3.73			3.83
Contribution of interest-free funds			.68			.67
Net interest income/margin on earning assets		$ 139,567	4.41%		137,708	4.50%

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Incorporated by reference to the discussion contained under the caption "Taxable-equivalent Net Interest Income" in Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

First Empire and its subsidiaries are subject in the normal course of business to various pending and threatened legal proceedings in which claims for monetary damages are asserted. Management, after consultation with legal counsel, does not anticipate that the aggregate ultimate liability, 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 and Use of Proceeds.
(Not applicable.)

Item 3. Defaults Upon Senior Securities.
(Not applicable.)

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

A Special Meeting of Stockholders of First Empire was held on March 17, 1998. At the meeting, stockholders approved the merger ("Merger") of ONBANCorp with and into Olympia Financial Corp. ("Olympia"), a wholly owned subsidiary of First Empire, and the issuance of up to 1,510,000 shares of First Empire common stock in connection with the Merger. The following table presents the tabulation of the votes with respect to the Merger at that meeting of stockholders:

Number of Votes		
For	Against	Abstain
5,607,327	7,833	19,541

Item 5. Other Information.

Barbara L. Laughlin, an Executive Vice President of First Empire, M&T Bank and M&T Bank, N.A., resigned as an employee of the Company effective February 17, 1998. Prior to her resignation, Ms. Laughlin was responsible for the management of the Company's Technology and Banking Operations Division.

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

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

Exhibit No.	
27.1	Financial Data Schedule. Filed herewith.
27.2	Financial Data Schedule (Restated). Filed herewith.
27.3	Financial Data Schedule (Restated). Filed herewith.

(b) Reports on Form 8-K. First Empire filed a Current Report on Form 8-K dated January 9, 1998 reporting under Item 5 that First Empire had issued a press release disclosing its earnings for the fiscal quarter and year ended December 31, 1997, together with related financial information about First Empire. Such Current Report also included, as Item 7 exhibits, copies of the foregoing press release and the Agreement and Plan of Merger dated as of October 28, 1997 by and between ONBANCorp, Olympia and First Empire. Such Current Report was filed on February 5, 1998.

First Empire also filed a Current Report on Form 8-K dated April 1, 1998, disclosing under Item 2 that it had consummated the merger of ONBANCorp with and into Olympia, a wholly owned subsidiary of First Empire, on April 1, 1998. Certain financial statements and other exhibits were filed with, or incorporated by reference into, such Current Report in Item 7 thereof. Such Current Report on Form 8-K was filed on April 10, 1998, and an amendment of Item 7 thereto on Form 8-K/A was filed on May 14, 1998 in order to disclose the pro forma financial information required to be filed by Item 7(b) of Form 8-K.

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 15, 1998

By: /s/ Michael P. Pinto

Michael P. Pinto
Executive Vice President
and Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	
27.1	Financial Data Schedule. Filed herewith.
27.2	Financial Data Schedule (Restated). Filed herewith.
27.3	Financial Data Schedule (Restated). Filed herewith.

3-MOS
DEC-31-1998
JAN-01-1998
MAR-31-1998
436,545
963
203,231
47,600
1,393,276
136,432
137,195
12,275,080
278,727
14,570,290
11,084,835
1,724,359
264,850
427,397
0
0
40,487
1,028,362
14,570,290
249,194
25,202
1,866
276,262
107,435
134,585
141,677
12,000
0
133,873
66,200
48,955
0
0
48,955
7.34
7.01
4.35
40,737
24,449
4,819
0
274,656
12,286
4,357
278,727
169,877
0
108,850

12-MOS	3-MOS	6-MOS	9-MOS
DEC-31-1996	DEC-31-1997	DEC-31-1997	DEC-31-1997
JAN-01-1996	JAN-01-1997	JAN-01-1997	JAN-01-1997
DEC-31-1996	MAR-31-1997	JUN-30-1997	SEP-30-1997
324,659	376,741	399,094	349,571
47,325	47,713	96,116	796
125,326	20,926	46,309	31,765
37,317	56,040	72,464	43,805
1,396,672	1,543,855	1,561,442	1,603,717
175,026	149,450	146,930	148,528
175,726	149,862	147,422	149,034
11,120,221	11,177,030	11,313,318	11,570,275
270,466	273,573	271,933	272,308
12,943,915	13,122,232	13,440,995	13,675,133
10,514,489	10,533,365	11,186,195	11,204,964
1,150,187	1,140,079	658,966	808,445
195,578	208,645	216,878	252,279
178,002	327,960	427,919	427,887
0	0	0	0
0	0	0	0
40,487	40,487	40,487	40,487
865,172	871,696	910,550	941,071
12,943,915	13,122,232	13,440,995	13,675,133
881,002	229,575	464,801	705,055
110,052	24,856	51,485	78,654
6,378	1,335	3,421	5,699
997,432	255,766	519,707	789,408
392,739	100,164	208,621	321,028
466,408	119,321	245,055	374,823
531,024	136,445	274,652	414,585
43,325	11,000	22,000	34,000
(37)	(45)	(233)	(280)
408,978	104,284	206,354	311,060
248,969	67,084	136,204	209,613
151,103	41,259	84,050	129,941
0	0	0	0
0	0	0	0
151,103	41,259	84,050	129,941
22.54	6.17	12.63	19.59
21.08	5.81	11.98	18.60
4.45	4.48	4.44	4.40
58,232	57,366	62,525	50,369
39,652	36,857	31,810	29,979
0	2,741	2,741	5,413
0	0	0	0
262,344	270,466	270,466	270,466
49,546	13,653	29,883	44,332
14,343	5,760	9,350	12,174
270,466	273,573	271,933	272,308
147,659	144,574	144,240	168,337
0	0	0	0
122,807	128,999	127,693	103,971

12-MOS	3-MOS	6-MOS	9-MOS
DEC-31-1995	DEC-31-1996	DEC-31-1996	DEC-31-1996
JAN-01-1995	JAN-01-1996	JAN-01-1996	JAN-01-1996
DEC-31-1995	MAR-31-1996	JUN-30-1996	SEP-30-1996
363,119	415,689	376,309	411,097
125,500	58,309	14,451	59,417
1,000	10,087	23,136	11,106
9,709	40,550	31,481	20,521
1,531,893	1,865,181	1,565,853	1,542,964
237,402	242,337	251,198	210,149
239,044	243,381	251,758	210,839
9,873,723	10,245,064	10,487,452	10,836,359
262,344	266,915	269,951	270,463
11,955,902	12,670,983	12,542,357	12,820,611
9,469,575	9,718,684	10,192,683	10,554,011
1,273,206	1,740,520	1,134,291	1,018,209
174,077	174,184	164,138	182,529
192,791	190,444	190,222	188,205
0	0	0	0
40,000	0	0	0
40,487	40,487	40,487	40,487
765,766	806,664	820,536	837,170
11,955,902	12,670,983	12,542,357	12,820,611
794,181	213,206	430,248	652,033
121,551	27,864	57,148	84,567
12,422	2,707	3,984	4,865
928,154	243,777	491,380	741,465
346,348	90,879	186,648	288,674
441,730	114,185	229,181	347,065
486,424	129,592	262,199	394,400
40,350	9,675	21,375	31,850
4,479	318	427	412
374,439	96,317	194,238	301,896
221,173	59,851	124,300	183,261
131,036	36,153	74,812	110,683
0	0	0	0
0	0	0	0
131,036	36,153	74,812	110,683
19.61	5.51	11.17	16.51
17.98	4.97	10.33	15.38
4.43	4.49	4.48	4.44
75,224	67,098	57,603	59,517
17,842	15,513	27,406	36,958
0	0	0	0
0	0	0	0
243,332	262,344	262,344	262,344
31,207	8,162	20,486	34,510
9,869	3,058	6,718	10,779
262,344	266,915	269,951	270,463
136,072	137,828	135,653	134,166
0	0	0	0
126,272	129,087	134,298	136,297