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, 1996

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	14240
(Address of principal executive offices)	(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 1, 1996: 6,843,169 shares.

FIRST EMPIRE STATE CORPORATION

FORM 10-Q

For the Quarterly Period Ended March 31, 1996

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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, 1996	December 31, 1995
Assets	Cash and due from banks	$ 415,689	363,119
	Money-market assets		
	Interest-bearing deposits at banks	58,309	125,500
	Federal funds sold and agreements to resell securities	10,087	1,000
	Trading account	40,550	9,709
	Total money-market assets	108,946	136,209
	Investment securities		
	Available for sale (cost: $1,878,073 at March 31, 1996; $1,537,393 at December 31, 1995)	1,865,181	1,531,893
	Held to maturity (market value: $189,037 at March 31, 1996; $187,476 at December 31, 1995)	187,993	185,834
	Other (market value: $54,344 at March 31, 1996; $51,568 at December 31, 1995)	54,344	51,568
	Total investment securities	2,107,518	1,769,295
	Loans and leases	10,245,064	9,873,723
	Unearned discount	(332,781)	(317,874)
	Allowance for possible credit losses	(266,915)	(262,344)
	Loans and leases, net	9,645,368	9,293,505
	Premises and equipment	127,370	128,516
	Accrued interest and other assets	266,092	265,258
	Total assets	$12,670,983	11,955,902
Liabilities	Noninterest-bearing deposits	$ 1,168,133	1,184,359
	NOW accounts	766,893	768,559
	Savings deposits	2,842,365	2,765,301
	Time deposits	4,771,180	4,596,053
	Deposits at foreign office	170,113	155,303
	Total deposits	9,718,684	9,469,575
	Federal funds purchased and agreements to repurchase securities	1,403,352	1,213,372
	Other short-term borrowings	337,168	59,834
	Accrued interest and other liabilities	174,184	174,077
	Long-term borrowings	190,444	192,791
	Total liabilities	11,823,832	11,109,649
Stockholders' equity	Preferred stock, $1 par, 1,000,000 shares authorized, 40,000 shares outstanding at December 31, 1995, stated at aggregate liquidation value	--	40,000
	Common stock, $5 par, 15,000,000 shares authorized, 8,097,472 shares issued	40,487	40,487
	Surplus	92,786	98,657
	Undivided profits	836,293	805,486
	Unrealized investment losses, net	(7,435)	(3,155)
	Treasury stock - common, at cost - 1,252,549 shares at March 31, 1996; 1,664,306 shares at December 31, 1995	(114,980)	(135,222)
	Total stockholders' equity	847,151	846,253
	Total liabilities and stockholders' equity	$12,670,983	11,955,902

FIRST EMPIRE STATE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME (unaudited)

Amounts in thousands, except per share		Three months ended March 31 1996	1995
Interest income	Loans and leases, including fees	$213,206	185,016
	Money-market assets		
	Deposits at banks	1,031	1,294
	Federal funds sold and agreements to resell securities	1,403	200
	Trading account	273	172
	Investment securities		
	Fully taxable	27,419	27,577
	Exempt from federal taxes	445	827
	Total interest income	243,777	215,086
Interest expense	NOW accounts	2,773	2,765
	Savings deposits	20,521	22,312
	Time deposits	65,456	51,573
	Deposits at foreign office	2,129	2,336
	Short-term borrowings	19,689	15,663
	Long-term borrowings	3,617	1,930
	Total interest expense	114,185	96,579
	Net interest income	129,592	118,507
	Provision for possible credit losses	9,675	8,500
	Net interest income after provision for possible credit losses	119,917	110,007
Other income	Mortgage banking revenues	10,391	2,872
	Trust income	6,173	5,737
	Service charges on deposit accounts	9,905	9,219
	Merchant discount and other credit card fees	3,055	2,273
	Trading account and foreign exchange gain (loss)	(704)	860
	Gain on sales of bank investment securities	318	--
	Other revenues from operations	7,113	5,441
	Total other income	36,251	26,402
Other expense	Salaries and employee benefits	52,128	46,227
	Equipment and net occupancy	13,416	12,706
	Printing, postage and supplies	3,819	3,595
	Deposit insurance	780	4,264
	Other costs of operations	26,174	22,702
	Total other expense	96,317	89,494
	Income before income taxes	59,851	46,915
	Income taxes	23,698	19,747
	Net income	$ 36,153	27,168
	Net income per common share		
	Primary	$5.20	3.85
	Fully diluted	4.96	3.68
	Cash dividends per common share	.70	.60
	Average common shares outstanding		
	Primary	6,778	6,820
	Fully diluted	7,295	7,384

FIRST EMPIRE STATE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)

Dollars in thousands		Three months ended March 31 1996	1995
Cash flows from operating activities	Net income	$ 36,153	27,168
	Adjustments to reconcile net income to net cash provided by operating activities		
	Provision for possible credit losses	9,675	8,500
	Depreciation and amortization of premises and equipment	4,938	4,762
	Amortization of capitalized mortgage servicing rights	2,507	1,241
	Provision for deferred income taxes	(4,479)	(5,026)
	Asset write-downs	250	2,355
	Net gain on sales of assets	(418)	(195)
	Net change in accrued interest receivable, payable	1,190	3,303
	Net change in other accrued income and expense	18,283	48,052
	Net change in loans held for sale	(15,359)	(40,030)
	Net change in trading account assets and liabilities	(27,777)	(31,286)
	Net cash provided by operating activities	24,963	18,844
Cash flows from investing activities	Proceeds from sales of investment securities		
	Available for sale	20,531	--
	Proceeds from maturities of investment securities		
	Available for sale	81,547	79,797
	Held to maturity	5,069	9,327
	Purchases of investment securities		
	Available for sale	(443,763)	(202,651)
	Held to maturity	(7,230)	(109,144)
	Other	(2,776)	(2,641)
	Net (increase) decrease in interest-bearing deposits at banks	67,191	(70,301)
	Net increase in loans and leases	(346,107)	(276,645)
	Capital expenditures, net	(3,744)	(2,720)
	Acquisitions, net of cash acquired	--	(18,691)
	Other, net	1,987	(1,619)
	Net cash used by investing activities	(627,295)	(595,288)
Cash flows from financing activities	Net increase in deposits	248,515	800,396
	Net increase (decrease) in short-term borrowings	461,090	(154,190)
	Payments on long-term borrowings	(2,382)	(28)
	Purchases of treasury stock	(28,360)	(12,003)
	Dividends paid - common	(4,446)	(3,951)
	Dividends paid - preferred	(900)	(900)
	Other, net	(9,528)	978
	Net cash provided by financing activities	663,989	630,302
	Net increase in cash and cash equivalents	$ 61,657	53,858
	Cash and cash equivalents at beginning of period	364,119	380,861
	Cash and cash equivalents at end of period	$ 425,776	434,719
Supplemental disclosure of cash flow information	Interest received during the period	$ 244,530	203,963
	Interest paid during the period	114,943	79,061
	Income taxes paid (received) during the period	3,224	(18,345)
Supplemental schedule of noncash investing and financing activities	Real estate acquired in settlement of loans	$ 1,945	1,329
	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	Surplus	Undivided profits	Unrealized investment gains (losses), net	Treasury stock	Total
1995							
Balance - January 1, 1995	$ 40,000	40,487	98,014	694,274	(50,555)	(101,224)	$720,996
Net income	--	--	--	27,168	--	--	27,168
Preferred stock cash dividends	--	--	--	(900)	--	--	(900)
Common stock cash dividends - $.60 per share	--	--	--	(3,951)	--	--	(3,951)
Exercise of stock options	--	--	334	--	--	963	1,297
Purchases of treasury stock	--	--	--	--	--	(13,159)	(13,159)
Unrealized gains on investment securities available for sale, net	--	--	--	--	19,139	--	19,139
Balance - March 31, 1995	$ 40,000	40,487	98,348	716,591	(31,416)	(113,420)	$750,590
1996							
Balance - January 1, 1996	$ 40,000	40,487	98,657	805,486	(3,155)	(135,222)	$846,253
Net income	--	--	--	36,153	--	--	36,153
Preferred stock cash dividends	--	--	--	(900)	--	--	(900)
Common stock cash dividends - $.70 per share	--	--	--	(4,446)	--	--	(4,446)
Exercise of stock options	--	--	663	--	--	2,068	2,731
Purchases of treasury stock	--	--	--	--	--	(28,360)	(28,360)
Conversion of preferred stock into 506,930 shares of common stock	(40,000)	--	(6,534)	--	--	46,534	--
Unrealized losses on investment securities available for sale, net	--	--	--	--	(4,280)	--	(4,280)
Balance - March 31,1996	$ --	40,487	92,786	836,293	(7,435)	(114,980)	$847,151

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

Dollars in thousands	Three months ended March 31 1996	1995
Beginning balance	$262,344	243,332
Provision for possible credit losses	9,675	8,500
Net charge-offs		
Charge-offs	(8,162)	(5,441)
Recoveries	3,058	2,350
Total net charge-offs	(5,104)	(3,091)
Ending balance	$266,915	248,741

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 42 and 43 of the Company's 1995 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. Stock-based compensation

During the first quarter of 1996, Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation", became effective. SFAS No. 123 establishes a fair value based method of accounting for stock-based compensation plans and encourages, but does not require, entities to adopt that method of accounting for all arrangements under which employees receive shares of stock or other equity instruments of the employer or the employer incurs liabilities to employees in amounts based on the price of the stock. However, SFAS No. 123 allows entities to continue to measure compensation cost for employee stock options or similar equity instruments using the method prescribed by Accounting Principles Board Opinion ("APBO") No. 25, "Accounting for Stock Issued to Employees." The Company has elected to continue measuring compensation cost for employee stock compensation arrangements in accordance with the provisions of APBO No. 25. Accordingly, SFAS No. 123 had no impact on the Company's results of operations for the three months ended March 31, 1996.

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

Overview

First Empire State Corporation ("First Empire") earned $36.2 million or $5.20 per common share in the first quarter of 1996, increases of 33% and 35%, respectively, from the first quarter of 1995 when net income was $27.2 million or $3.85 per common share. Net income was $36.8 million or $5.29 per common share in the fourth quarter of 1995. The rate of return on average assets for First Empire and its consolidated subsidiaries ("the Company") in the first quarter of 1996 was 1.20%, compared with 1.03% in the year-earlier quarter and 1.23% in 1995's last quarter. The return on average common stockholders' equity was 17.50% in the initial quarter of 1996, compared with 15.29% and 18.14% in the first and fourth quarters of 1995, respectively.

The Company purchased Statewide Funding Corporation ("Statewide") on March 6, 1995 and substantially all of the operating assets and liabilities of Exchange Mortgage Corporation ("Exchange") on October 2, 1995. Statewide and Exchange were mortgage banking companies that serviced residential mortgage loans for others of approximately $1.0 billion and $370 million, respectively. The acquired businesses have been merged into the Company's mortgage banking subsidiary and the results of their operations are included in the Company's consolidated results of operations since the respective acquisition dates.

The initial 1995 quarter's results were impacted by one-time items relating to costs of the March 1995 acquisition of Statewide and the write-off to expense of First Empire's investment in non-marketable securities of Nationar, a bank that provided services to financial institutions which was seized by regulators. The after-tax impact of these items on 1995's first quarter net income was approximately $2.1 million, or $.31 per common share.

On March 29, 1996, National Indemnity Company, a subsidiary of Berkshire Hathaway Inc., the holder of all of the outstanding shares of First Empire's 9% convertible preferred stock, converted such shares into 506,930 shares of First Empire common stock. The 40,000 shares of preferred stock had been issued on March 15, 1991 for $40 million and were converted into shares of common stock at a contractual conversion price of $78.90625 per share. Immediately following the conversion, National Indemnity Company was the holder of 7.41% of the common shares of First Empire outstanding on March 29, 1996. As of March 31, 1996, common shares outstanding totaled 6,844,923, up from 6,540,481 and 6,433,166 at March 31 and December 31, 1995, respectively.

Taxable-equivalent Net Interest Income

Taxable-equivalent net interest income rose $10.9 million, or 9%, to $130.5 million in the first quarter of 1996 from $119.7 million in the year-earlier quarter. Growth in average earning assets, primarily in loans, was the most significant factor contributing to such rise. Average earning assets increased $1.4 billion, or 13%, to $11.7 billion in the initial 1996 quarter from $10.3 billion in the first quarter of 1995. Due largely to strong loan demand, resulting from improved economic conditions in many market areas served by the Company and expansion of the Company's residential mortgage banking and indirect automobile lending businesses, average loans and leases grew $1.4 billion, or 16%, to $9.7 billion in the first quarter of 1996 from $8.3 billion in the year-earlier quarter. Average loans and leases were $9.4 billion in 1995's final quarter. 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. 1996	Percent increase from 1st Qtr. 1995	Percent increase from 4th Qtr. 1995
Commercial, financial, etc.	$1,995	19%	5%
Real estate - commercial	3,649	7	2
Real estate - consumer	2,023	23	2
Consumer			
Automobile	893	52	7
Home equity	600	1	1
Credit cards	222	49	6
Other	290	11	3
Total consumer	2,005	26	4
Total	$9,672	16%	3%

The impact of the growth in average earning assets was partially offset by a reduction in the net interest margin, or taxable-equivalent net interest income expressed as an annualized percentage of average earning assets, to 4.49% in 1996's initial quarter from 4.70% in the comparable quarter of 1995. Taxable-equivalent net interest income was $126.0 million in the fourth quarter of 1995 when average earning assets and net interest margin were $11.5 billion and 4.36%, respectively.

The reduction in the net interest margin in the first quarter of 1996 from the first quarter of 1995 was due to a narrowing of the net interest spread, or the difference between the yield on earning assets and the rate paid on interest-bearing liabilities, to 3.85% in the recent quarter from 4.06% in the initial quarter of 1995. The 21 basis point (hundredths of one percent) narrowing of the net interest spread reflects a 7 basis point decline in the yield on earning assets to 8.42% in the first quarter of 1996 from 8.49% in the similar quarter in 1995, coupled with a 14 basis point increase in the cost of interest-bearing liabilities to 4.57% from 4.43%. The net interest spread was 3.67% in the fourth quarter of 1995 when the yield on earning assets was 8.41% and the rate paid on interest-bearing liabilities was 4.74%.

The contribution to net interest margin of interest-free funds in the first quarter of 1996 was .64%, equal to the comparable quarter of 1995, but down from .69% in 1995's final quarter. The decline from the fourth quarter of 1995 resulted largely from the 17 basis point decrease in the rate paid on interest-bearing liabilities used to value these funds and a 2% decrease in average interest-free funds. Average interest-free funds, consisting largely of non-interest bearing demand deposits and stockholders' equity, totaled $1.6 billion in the first quarter of 1996, up from $1.5 billion a year earlier, but down slightly from the fourth quarter of 1995.

Management assesses the potential impact of future changes in interest rates and spreads by projecting net interest income under a number of possible interest rate scenarios. Management's philosophy toward positioning the Company for interest rate movements is to attempt to limit the variability of projected net interest income. As part of the management of interest rate risk, the Company utilizes interest rate swap agreements to modify the repricing characteristics of certain portions of the loan and deposit portfolios. Revenue and expense arising from these agreements are reflected in either the yields earned on loans or, as appropriate, rates paid on interest-bearing deposits. The aggregate notional amount of interest rate swap agreements used as part of the Company's management of interest rate risk in effect at March 31, 1996 and 1995 was $2.3 billion and $2.6 billion, respectively. In general, under the terms of these swaps, the Company receives payments based on the outstanding notional amount of the swaps at a fixed rate of interest and makes payments at a variable rate. At March 31, 1996 the weighted average rates to be received and paid under these interest rate swap agreements were 6.27% and 5.30%, respectively. As of March 31, 1996, the Company had also entered into forward-starting swaps with an aggregate notional amount of $35 million. The effect of interest rate swaps on the Company's net interest income and margin as well as average notional amounts are presented in the accompanying table.

INTEREST RATE SWAPS
Dollars in thousands

	Three months ended March 31			
	1996		1995	
	Amount	Rate(1)	Amount	Rate(1)
Increase (decrease) in:				
Interest income	$ (39)	--%	$(1,525)	(.06)%
Interest expense	(3,153)	(.13)	(1,076)	(.05)
Net interest income/margin	$ 3,114	.11%	$ (449)	(.02)%
Average notional amount (2)	$2,232,907		$2,536,134	

(1) Computed as an annualized percentage of average earning assets or interest-bearing liabilities.
(2) Excludes forward-starting interest rate swaps.

The Company estimates that as of March 31, 1996 it would have received approximately $3.9 million if all interest rate swap agreements entered into for interest rate risk management purposes were 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.

Average holdings of investment securities and money-market assets in the first quarter of 1996 did not vary significantly from either the first or fourth quarters of 1995. Average investment securities totaled $1.8 billion in the recent quarter, down from $1.9 billion in both the first and fourth quarters of 1995. In general, the average balance of the investment securities portfolio is influenced by such factors as demand for loans, which generally yield more than investment securities, ongoing repayments, the level of deposits, and management of balance sheet size and resulting capital ratios. Money-market assets averaged $193 million in 1996's initial quarter, compared with $94 million in the year earlier quarter and $172 million in the final 1995 quarter.

Core deposits represent a significant source of funding to the Company and 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, which generally carry lower interest rates than wholesale funds of comparable maturities. Core deposits include certificates of deposit under $100,000 generated on a nationwide basis by M&T Bank, National Association ("M&T Bank, N.A."), a wholly owned commercial bank subsidiary of First Empire. Average core deposits increased to $7.7 billion in 1996's initial quarter, up from $7.2 billion in the year earlier quarter and $7.6 billion in the fourth quarter of 1995. Average core deposits of M&T Bank, N.A. were $87 million in the recently completed quarter. M&T Bank, N.A. began operations in the fourth quarter of 1995 and, as a result, its average deposits during that quarter were not significant. The accompanying table provides an analysis of quarterly changes in the components of average core deposits.

AVERAGE CORE DEPOSITS
Dollars in millions

		Percent increase (decrease) from	
	1st Qtr. 1996	1st Qtr. 1995	4th Qtr. 1995
NOW accounts	$ 759	3 %	(1)%
Savings deposits	2,803	(8)	(1)
Time deposits less than $100,000	2,996	24	6
Demand deposits	1,126	8	(2)
Total	$7,684	6 %	1 %

In addition to core deposits, the Company obtains funding through domestic time deposits of $100,000 or more, offshore deposits originated through the Company's international office, and brokered certificates of deposit. Brokered deposits are used to reduce short-term borrowings and lengthen the average maturity of interest-bearing liabilities. Brokered deposits averaged $830 million during the recent quarter and totaled $879 million at March 31, 1996, compared with an average balance of $775 million during the comparable 1995 period and a total balance of $888 million at March 31, 1995. Brokered deposits averaged $913 million in the fourth quarter of 1995. The weighted average remaining term to maturity of brokered deposits at March 31, 1996 was 1.6 years.

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 $1.5 billion in the recent quarter, up from $1.1 billion and $1.3 billion in the first and fourth quarters of 1995, respectively.

Maturities of money-market assets, repayments of loans and investment securities, and cash generated from operations 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 funding aggregating several times anticipated needs. First Empire's ability to pay dividends, repurchase treasury stock and fund operating expenses is primarily dependent on the receipt of dividend payments from its banking subsidiaries, which are subject to various regulatory limitations. First Empire also maintains a line of credit with an unaffiliated commercial bank. Management does not anticipate engaging in any activity, 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 believes that available sources of liquidity are more than adequate to meet anticipated funding needs.

Provision for Possible Credit Losses

The provision for possible credit losses in the first quarter of 1996 was $9.7 million, up from $8.5 million in the first quarter of 1995, but down from $12.0 million in 1995's fourth quarter. Net loan charge-offs in the first three months of 1996 totaled $5.1 million, up from $3.1 million in 1995's first quarter, but down from $8.8 million in last year's fourth quarter. Net charge-offs as an annualized percentage of average loans and leases were .21% in the first quarter of 1996, compared with .15% in the corresponding 1995 quarter and .37% in the fourth quarter of 1995.

Nonperforming loans were $82.6 million or .83% of total loans and leases outstanding at March 31, 1996, compared with $79.8 million or .93% at March 31, 1995 and $93.1 million or .97% at December 31, 1995. Nonperforming loans secured by commercial real estate properties totaled $33.7 million at March 31, 1996, $47.7 million at March 31, 1995 and $42.3 million at December 31, 1995. Included in these totals were loans secured by properties located in the New York City metropolitan area of $10.4 million at March 31, 1996, $26.3 million at March 31, 1995 and $16.8 million at December 31, 1995. Nonperforming consumer loans and leases totaled $13.7 million at March 31, 1996, compared with $7.8 million at March 31, 1995 and $13.7 million at December 31, 1995. The increase in nonperforming consumer loans from March 31, 1995 is generally consistent with current industry trends and also reflects growth in the Company's consumer loan portfolio. Although the Company's delinquency rates have historically been below reported industry averages, management continues to closely monitor repayment performance of consumer loans. Assets taken in foreclosure of defaulted loans were $7.5 million at March 31, 1996, $8.8 million at March 31, 1995 and $7.3 million at December 31, 1995.

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

NONPERFORMING ASSETS
Dollars in thousands

	1996	1995 Quarters			
	First Quarter	Fourth	Third	Second	First
Nonaccrual loans	$67,098	75,224	59,720	60,889	64,941
Loans past due 90 days or more	15,513	17,842	16,516	14,530	12,275
Renegotiated loans	--	--	--	--	2,600
Total nonperforming loans	82,611	93,066	76,236	75,419	79,816
Other real estate owned	7,508	7,295	8,520	8,390	8,824
Total nonperforming assets	$90,119	100,361	84,756	83,809	88,640
Nonperforming loans to total loans and leases, net of unearned discount	.83%	.97%	.83%	.85%	.93%
Nonperforming assets to total net loans and other real estate owned	.91%	1.05%	.92%	.94%	1.03%

The allowance for possible credit losses at March 31, 1996 was $266.9 million, or 2.69% of total loans and leases, compared with $248.7 million or 2.91% a year earlier and $262.3 million or 2.75% at December 31, 1995. The ratio of the allowance for possible credit losses to nonperforming loans was 323% at the most recent quarter-end, compared with 312% at March 31, 1995, and 282% at December 31, 1995.

In assessing the adequacy of the allowance for possible credit losses, management performs an ongoing evaluation of the loan 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 March 31, 1996 was adequate to absorb credit losses from existing loans, leases and credit commitments.

Other Income

Other income totaled $36.3 million in the first quarter of 1996, compared with $26.4 million in the year-earlier quarter and $44.9 million in the fourth quarter of 1995.

Reflecting higher loan origination volume, improved pricing margins, and the results of the 1995 acquisitions of Statewide and Exchange, mortgage banking revenues totaled $10.4 million in the recently completed quarter, compared with $2.9 million in the year-earlier quarter and $15.1 million in the final quarter of 1995. Residential mortgage loan servicing fees totaled $5.2 million in the initial quarter of 1996 and the fourth quarter of 1995, up from $4.1 million in the first quarter of 1995. Gains from sales of residential mortgage loans and loan servicing rights were $4.7 million in the recently completed quarter, compared with a loss of $1.5 million in the year earlier quarter and a gain of $9.4 million in 1995's final quarter. During the fourth quarter of 1995, the Company completed a bulk sale of servicing rights related to $330 million of loans originated and sold in prior quarters resulting in a gain of $3.4 million. Residential mortgage loans serviced for others totaled $5.5 billion and $5.1 billion at March 31, 1996 and 1995, respectively. Capitalized mortgage servicing rights and excess servicing receivables were $35.0 million and $7.0 million, respectively, at March 31, 1996, compared with $23.7 million and $7.1 million, respectively, at March 31, 1995.

Service charges on deposit accounts totaled $9.9 million in the first quarter of 1996, an increase of 7% from $9.2 million in the corresponding quarter of the previous year and slightly higher than the $9.8 million in the fourth quarter of 1995. Trust income of $6.2 million in the first quarter of 1996 increased 8% from $5.7 million in last year's first quarter, but decreased from $7.4 million in the fourth quarter of 1995 due, in part, to lower revenues from personal and estate trust business. Merchant discount and credit card fees were $3.1 million in the recent quarter, compared with $2.3 million and $3.2 million in the first and fourth quarters of 1995, respectively. Trading account and foreign exchange losses totaled $704 thousand in the first quarter of 1996, compared with gains of $860 thousand in the corresponding 1995 quarter and $1.5 million in the fourth quarter of 1995. Other revenue from operations totaled $7.1 million in 1996's initial quarter, up $1.7 million from the comparable quarter of 1995, due largely to increased fees earned from the sales of mutual funds and annuities. Other revenue from operations was $8.3 million in the fourth quarter of 1995 when a $1.2 million gain was realized from sales of investments by the Company's small business investment subsidiary.

Other Expense

Other expense totaled $96.3 million in the first quarter of 1996, compared with $89.5 million in the first quarter of 1995 and $97.0 million in the fourth quarter of 1995.

Salaries and employee benefits expense was $52.1 million in the recent quarter, an increase of 13% from $46.2 million in the corresponding 1995 quarter and 8% from $48.2 million in the fourth quarter of 1995. Factors contributing to the higher expenses were the expansion of subsidiaries providing residential mortgage banking services, indirect automobile lending and sales of mutual funds and annuities, along with merit salary increases and higher costs associated with certain incentive-based compensation arrangements and employee benefits.

Nonpersonnel expense totaled $44.2 million in the first quarter of 1996, compared with $43.3 million in the year-earlier quarter. Higher expenses since the first quarter of 1995 associated with expansion of the Company's mortgage banking and credit card businesses, as well as general expense increases, were largely offset by lower deposit insurance expense and $3.6 million of non-recurring expenses incurred in the first quarter of last year. Such non-recurring expenses included $1.3 million of costs associated with the acquisition of Statewide and the write-off of $2.3 million of non- marketable securities of Nationar. The decline in deposit insurance expense reflects the substantial elimination by the Federal Deposit Insurance Corporation ("FDIC") as of January 1, 1996 of deposit insurance premiums payable to the Bank Insurance Fund ("BIF"). Although First Empire's banking subsidiaries are BIF-insured institutions, the Company has approximately $1.4 billion of deposits obtained in so-called "Oakar" acquisitions for which deposit insurance premiums are paid to the Savings Association Insurance Fund ("SAIF") of the FDIC. The FDIC has not reduced the assessment rate for SAIF- insured deposits. Furthermore, congressional committees continue to consider proposals that would require a one-time special assessment related to deposits insured by the SAIF. Although final legislation has yet to be enacted, management believes that it is likely that a special assessment will ultimately be levied against the Company on its SAIF-insured Oakar deposits. The amount of any such special assessment cannot be precisely predicted at this time. Nonpersonnel expense in the recent quarter declined $4.6 million from $48.8 million in the fourth quarter of 1995. The decline was due, in part, to a reduction in expenses for professional services and advertising, as well as the recording of a $1.1 million provision in the fourth quarter of 1995 to establish a valuation allowance for capitalized mortgage servicing rights. There was no similar provision in the first quarter of 1996.

Capital

Total stockholders' equity at March 31, 1996 of $847.2 million was equal to 6.69% of total assets, compared with $750.6 million or 6.66% of total assets a year earlier and $846.3 million or 7.08% of total assets at December 31, 1995. Common stockholders' equity also totaled $847.2 million at March 31, 1996, up from $710.6 million a year earlier and $806.3 million at December 31, 1995. As previously noted, on March 29, 1996, the Company's preferred stockholder converted the 9% convertible preferred stock into 506,930 shares of First Empire's common stock at a conversion price of $78.90625 per share. On a per share basis, common stockholders' equity was $123.76 at March 31, 1996, compared with $108.64 at March 31, 1995 and $125.33 at December 31, 1995.

Stockholders' equity at March 31, 1996 was reduced by $7.4 million, or $1.09 per common share, for the net after-tax impact of unrealized losses on investment securities classified as available for sale, compared with $31.4 million or $4.80 per common share at March 31, 1995 and $3.2 million or $.49 per common share at December 31, 1995. Such unrealized losses represent the amount by which amortized cost exceeded the fair value of investment securities classified as available for sale, net of applicable income taxes. The market 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 by the Company's mortgage banking subsidiary, 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. The capital ratios of the Company and its banking subsidiaries, Manufacturers and Traders Trust Company ("M&T Bank"), The East New York Savings Bank ("East New York") and M&T Bank, N.A., as of March 31, 1996 are presented in the accompanying table.

REGULATORY CAPITAL RATIOS
March 31, 1996

	First Empire (Consolidated)	M&T Bank	East New York	M&T Bank, N.A.
Core capital	8.36%	7.62%	11.69%	13.32%
Total capital	11.39%	10.94%	12.95%	14.61%
Leverage	6.83%	6.36%	7.48%	13.02%

The Company has historically maintained capital ratios well in excess of minimum regulatory guidelines largely through a high rate of internal capital generation. The rate of internal capital generation, or net income less dividends paid expressed as an annualized percentage of average total stockholders' equity, was 14.60% during the first quarter of 1996, compared with 12.29% and 15.09% in the first and fourth quarters of 1995, respectively.

In November 1995, First Empire announced a plan to repurchase and hold as treasury stock up to 380,582 shares of common stock for reissuance upon the possible future exercise of outstanding stock options. As of March 31, 1996, First Empire had repurchased 139,583 common shares pursuant to such plan at an average cost of $226.34 per share.

FIRST EMPIRE STATE CORPORATION AND SUBSIDIARIES

FINANCIAL HIGHLIGHTS

Amounts in thousands, except per share	Three months ended March 31 1996	1995	Change
For the period			
Net income	$36,153	27,168	+33%
Per common share			
Net income			
Primary	$5.20	3.85	+35
Fully diluted	4.96	3.68	+35
Cash dividends	.70	.60	+17
Average common shares outstanding			
Primary	6,778	6,820	- 1
Fully diluted	7,295	7,384	- 1
Annualized return on			
Average total assets	1.20%	1.03%	
Average common stockholders' equity	17.50%	15.29%	
Market price per common share			
Closing	$246.00	171.00	+44
High	247.75	171.00	
Low	209.00	136.50	
At March 31			
Loans and leases, net of unearned discount	$ 9,912,283	8,559,185	+16%
Total assets	12,670,983	11,276,959	+12
Total deposits	9,718,684	9,044,098	+ 7
Total stockholders' equity	847,151	750,590	+13
Stockholders' equity per common share	$123.76	108.64	+14

AVERAGE BALANCE SHEETS AND ANNUALIZED TAXABLE-EQUIVALENT RATES

Average balance in millions; interest in thousands	1996 First quarter Average balance	Interest	Average rate	1995 Fourth quarter Average balance	Interest	Average rate	1995 Third quarter Average balance	Interest	Average rate
Assets									
Earning assets									
Loans and leases, net of unearned discount*									
Commercial, financial, etc	$ 1,995	$ 40,538	8.17%	1,900	40,747	8.51%	1,838	39,821	8.59%
Real estate	5,672	124,924	8.81	5,562	123,158	8.86	5,401	120,430	8.92
Consumer	2,005	48,285	9.68	1,922	46,222	9.54	1,799	44,029	9.71
Total loans and leases, net	9,672	213,747	8.89	9,384	210,127	8.88	9,038	204,280	8.97
Money-market assets									
Interest-bearing deposits at banks	62	1,031	6.68	126	2,331	7.37	126	2,331	7.37
Federal funds sold and agreements to resell securities	102	1,403	5.53	26	391	5.93	12	189	6.05
Trading account	29	306	4.34	20	175	3.43	49	600	4.90
Total money-market assets	193	2,740	5.73	172	2,897	6.68	187	3,120	6.64
Investment securities**									
U.S. Treasury and federal agencies	1,173	17,987	6.17	1,192	18,387	6.12	1,336	20,532	6.10
Obligations of states and political subdivisions	36	617	6.85	40	698	7.00	46	809	6.96
Other	621	9,623	6.23	666	10,595	6.31	797	12,633	6.29
Total investment securities	1,830	28,227	6.20	1,898	29,680	6.20	2,179	33,974	6.18
Total earning assets	11,695	244,714	8.42	11,454	242,704	8.41	11,404	241,374	8.40
Allowance for possible credit losses	(266)			(263)			(256)		
Cash and due from banks	335			339			336		
Other assets	377			368			364		
Total assets	$12,141			11,898			11,848		
Liabilities and stockholders' equity									
Interest-bearing liabilities									
Interest-bearing deposits									
NOW accounts	$ 759	2,773	1.47	767	3,060	1.58	784	3,129	1.58
Savings deposits	2,803	20,521	2.94	2,831	21,610	3.03	2,869	21,770	3.01
Time deposits	4,642	65,456	5.67	4,541	67,358	5.88	4,119	60,943	5.87
Deposits at foreign office	166	2,129	5.16	136	1,815	5.31	96	1,297	5.36
Total interest-bearing deposits	8,370	90,879	4.37	8,275	93,843	4.50	7,868	87,139	4.39
Short-term borrowings	1,484	19,689	5.34	1,305	19,216	5.84	1,719	25,559	5.90
Long-term borrowings	192	3,617	7.57	196	3,667	7.43	194	3,631	7.42
Total interest-bearing liabilities	10,046	114,185	4.57	9,776	116,726	4.74	9,781	116,329	4.72
Demand deposits	1,126			1,148			1,143		
Other liabilities	120			149			123		
Total liabilities	11,292			11,073			11,047		
Stockholders' equity	849			825			801		
Total liabilities and stockholders' equity	$12,141			11,898			11,848		
Net interest spread			3.85			3.67			3.68
Contribution of interest-free funds			.64			.69			.67
Net interest income/margin on earning assets		$130,529	4.49%		125,978	4.36%		125,045	4.35%

*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)

	1995 Second quarter			1995 First quarter		
Average balance in millions; interest in thousands	Average balance	Interest	Average rate	Average balance	Interest	Average rate
Assets						
Earning assets						
Loans and leases, net of unearned discount*						
Commercial, financial, etc	$ 1,805	$ 39,410	8.76%	1,671	35,772	8.68%
Real estate	5,187	116,067	8.95	5,048	112,059	8.88
Consumer	1,690	41,110	9.75	1,592	37,788	9.62
Total loans and leases, net	8,682	196,587	9.08	8,311	185,619	9.06
Money-market assets						
Interest-bearing deposits at banks	121	2,225	7.39	67	1,294	7.82
Federal funds sold and agreements to resell securities	139	2,227	6.44	14	200	5.75
Trading account	29	371	5.02	13	193	5.94
Total money-market assets	289	4,823	6.69	94	1,687	7.25
Investment securities**						
U.S. Treasury and federal agencies	1,340	19,658	5.88	1,100	15,671	5.78
Obligations of states and political subdivisions	57	965	6.84	56	948	6.86
Other	740	10,435	5.65	769	12,325	6.50
Total investment securities	2,137	31,058	5.83	1,925	28,944	6.10
Total earning assets	11,108	232,468	8.39	10,330	216,250	8.49
Allowance for possible credit losses	(251)			(247)		
Cash and due from banks	317			313		
Other assets	332			285		
Total assets	$11,506			10,681		
Liabilities and stockholders' equity						
Interest-bearing liabilities						
Interest-bearing deposits						
NOW accounts	$ 760	2,948	1.55	734	2,765	1.53
Savings deposits	2,950	21,920	2.98	3,040	22,312	2.98
Time deposits	4,075	60,008	5.91	3,702	51,573	5.65
Deposits at foreign office	117	1,504	5.16	184	2,336	5.14
Total interest-bearing deposits	7,902	86,380	4.38	7,660	78,986	4.18
Short-term borrowings	1,588	23,787	6.01	1,076	15,663	5.90
Long-term borrowings	96	1,929	8.04	96	1,930	8.13
Total interest-bearing liabilities	9,586	112,096	4.69	8,832	96,579	4.43
Demand deposits	1,043			1,038		
Other liabilities	111			74		
Total liabilities	10,740			9,944		
Stockholders' equity	766			737		
Total liabilities and stockholders' equity	$11,506			10,681		
Net interest spread			3.70			4.06
Contribution of interest-free funds			.65			.64
Net interest income/margin on earning assets		$120,372	4.35%		119,671	4.70%

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

A number of lawsuits were pending against First Empire and its subsidiaries at March 31, 1996. In the opinion of management, the potential liabilities, if any, arising from such litigation will not have a materially adverse impact on the Company's consolidated financial condition. Moreover, management believes that First Empire and its subsidiaries have substantial defenses in such litigation, but that there can be no assurance that the potential liabilities, if any, arising from such litigation will not have a materially adverse impact on the Company's consolidated results of operations in the future.

Item 2. Changes in Securities.
(Not applicable.)

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

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

The 1996 Annual Meeting of Stockholders of First Empire was held on April 16, 1996. At the 1996 Annual Meeting, stockholders elected nineteen (19) directors, all of whom were then serving as directors of First Empire, for terms of one (1) year and until their successors are elected and qualified. The following table reflects the tabulation of the votes with respect to each director who was elected at the 1996 Annual Meeting.

	Number of Votes	
Nominee	For	Withheld
Brent D. Baird	5,791,057	10,392
John H. Benisch	5,796,056	5,393
C. Angela Bontempo	5,784,166	17,283
Robert T. Brady	5,785,952	15,497
Patrick J. Callan	5,796,057	5,392
James A. Carrigg	5,792,057	9,392
Barber B. Conable, Jr.	5,782,407	19,041
Richard E. Garman	5,796,057	5,392
James V. Glynn	5,792,056	9,393
Roy M. Goodman	5,602,158	199,290
Patrick W.E. Hodgson	5,796,057	5,392
Samuel T. Hubbard, Jr.	5,786,153	15,296
Lambros J. Lambros	5,796,082	5,367
Wilfred J. Larson	5,793,417	8,032
Jorge G. Pereira	5,796,083	5,366
Raymond D. Stevens, Jr.	5,791,591	9,858
Herbert L. Washington	5,789,439	12,010
John L. Wehle, Jr.	5,786,153	15,296
Robert G. Wilmers	5,795,825	5,624

Item 5. Other Information.

On April 3, 1996, First Empire filed a Current Report on Form 8-K dated March 29, 1996, in order to report that the National Indemnity Company, a subsidiary of Berkshire Hathaway Inc., the former holder of all of the outstanding shares of First Empire's 9% convertible preferred stock, had converted those shares into 506,930 shares of First Empire common stock, par value $5.00 per share, as of the close of business on March 29, 1996.

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

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

Exhibit No.	
11	Statement re: Computation of Earnings Per Common Share. Filed herewith.
27	Financial Data Schedule. Filed herewith.

(b) Reports on Form 8-K. (None.)

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 13, 1996

By: /s/ James L. Vardon

James L. Vardon
Executive Vice President
and Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	
11	Statement re: Computation of Earnings Per Common Share. Filed herewith.
27	Financial Data Schedule. Filed herewith.

FIRST EMPIRE STATE CORPORATION AND SUBSIDIARIES

COMPUTATION OF EARNINGS PER COMMON SHARE
Amounts in thousands, except per share

		Three months ended March 31 1996	1995
Primary	Average common shares outstanding	6,399	6,589
	Common stock equivalents*	379	231
	Primary common shares outstanding	6,778	6,820
	Net income	$36,153	27,168
	Less: Cash dividends on preferred stock	900	900
	Net income available to common shareholders	$35,253	26,268
	Earnings per common share - primary	$5.20	3.85
Fully diluted	Average common shares outstanding	6,399	6,589
	Common stock equivalents*	406	288
	Assumed conversion of 9% convertible preferred stock	490	507
	Fully diluted average common shares outstanding	7,295	7,384
	Net income	$36,153	27,168
	Earnings per common share - fully diluted	$4.96	3.68

* 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.

Article 9 Financial Data Schedule for Form 10-Q for the period ended March 31, 1996

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3-MOS
DEC-31-1996
MAR-31-1996
415,689
58,309
10,087
40,550
1,865,181
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243,381
10,245,064
266,915
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0
40,487
806,664
12,670,983
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27,864
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129,592
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36,153
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4.96
4.49
67,098
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3,058
266,915
137,828
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129,087