

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 9, 1997

FIRST EMPIRE STATE CORPORATION

(Exact name of registrant as specified in its charter)

New York

(State or other jurisdiction of incorporation)

1-9861

(Commission File Number)

16-0968385

(I.R.S. Employer Identification No.)

One M&T Plaza, Buffalo, New York

(Address of principal executive offices)

14240

(Zip Code)

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

(NOT APPLICABLE)

(Former name or former address, if changed since last report)

Item 5. Other Events.

First Empire State Corporation ("First Empire") announced on January 9, 1997 that fully diluted earnings per common share rose 18% to \$20.97 in 1996 from \$17.78 in 1995. Net income for 1996 totaled \$151.1 million, up 15% from \$131.0 million in 1995. For the fourth quarter of 1996, net income per common share on a fully diluted basis was \$5.68, an increase of 13% from \$5.03 earned in the year-earlier quarter. Net income was \$40.4 million in the recently completed quarter, 10% higher than the \$36.8 million earned in the final quarter of 1995.

Taxable-equivalent net interest income rose to \$535.5 million in 1996 from \$491.1 million in 1995. Average loans outstanding totaled \$10.1 billion in 1996, a 14% increase from \$8.9 billion in 1995. First Empire's net interest margin, or taxable-equivalent net interest income expressed as a percentage of average earning assets, was 4.45% in 1996, compared with 4.43% in 1995.

The provision for possible credit losses was \$43.3 million in 1996, compared with \$40.4 million in 1995. Net charge-offs for the year were \$35.2 million or .35% of average loans compared with \$21.3 million or .24% in 1995. As a result, the allowance for possible credit losses was \$270.5 million or 2.52% of loans outstanding at December 31, 1996 compared with \$262.3 million or 2.75% at the prior year-end. Nonaccrual loans totaled \$58.2 million or .54% of loans outstanding at the recent year-end, compared with \$75.2 million or .79% a year earlier. Loans past due ninety days or more and accruing interest totaled \$39.7 million at December 31, 1996, up from \$17.8 million a year earlier. The increase in such past due loans resulted mainly from the inclusion at December 31, 1996 of \$16.3 million of one-to-four family residential mortgage loans serviced by First Empire and repurchased during 1996 from the Government National Mortgage Association. These loans are covered by guarantees of government agencies. As a result, total nonperforming loans were \$97.9 million at December 31, 1996, compared with \$93.1 million at December 31, 1995. The ratio of the allowance to nonperforming loans was 276% and 282% at December 31, 1996 and 1995, respectively. Assets taken in foreclosure of defaulted loans were \$8.5 million and \$7.3 million at the end of 1996 and 1995, respectively.

Exclusive of the effects of securities transactions, other income rose 17% to \$170.3 million in 1996 from \$145.1 million in 1995. Higher revenues associated with mortgage banking and credit card activities contributed to this increase. Other expense was \$409.0 million in 1996, up 9% from \$374.4 million in 1995. Expenses associated with expansion of businesses providing mortgage banking services, indirect automobile loans, credit cards and the sale of mutual funds and annuities contributed to this increase. Included in other expense for 1996 is a \$7.0 million charge for a special assessment by the Federal

Deposit Insurance Corporation to recapitalize the Savings Association Insurance Fund.

The rates of return on average total assets and average common stockholders' equity in 1996 were 1.21% and 17.60%, respectively, compared with 1.14% and 17.16% in 1995. Excluding securities transactions, the rates of return on assets and common stockholders' equity in 1995 were 1.12% and 16.81%, respectively.

At December 31, 1996, First Empire had total assets of \$12.9 billion, compared with \$12.0 billion a year earlier. Loans and leases, net of unearned discount, were \$10.7 billion at the end of 1996, up from \$9.6 billion at December 31, 1995. Deposits were \$10.5 billion and \$9.5 billion at December 31, 1996 and 1995, respectively. Total stockholders' equity was \$905.7 million or 7.00% of total assets at year-end 1996, compared with \$846.3 million or 7.08% a year earlier. Common stockholders' equity per share was \$135.45 at the recent year-end and \$125.33 at December 31, 1995.

In November 1995, First Empire announced a plan to repurchase up to 380,582 shares of its common stock to be held as treasury stock for reissuance upon the possible future exercise of outstanding stock options. As of December 31, 1996, First Empire had repurchased 351,520 common shares pursuant to such plan at an average cost of \$239.09.

M&T Bank, N.A. ("M&T"), a wholly-owned subsidiary of First Empire, is party to a co-branded credit card agreement with Giant of Maryland, Inc. ("Giant"). In October 1996, M&T notified Giant of its intent to terminate the agreement under its termination provisions. In December 1996, Giant filed a complaint against M&T in the United States District Court for the District of Maryland alleging that M&T breached the agreement by attempting to terminate and that M&T negligently misrepresented certain information provided to Giant. The complaint seeks interlocutory and permanent injunctive relief, specific performance for the five-year term of the agreement, and damages for breach of contract and negligent misrepresentation in the amount of \$40 million. An answer has not yet been filed by M&T in the case, but M&T has denied the allegations in motions practice before the court and is otherwise vigorously defending the litigation. Management believes that there are meritorious defenses to the complaint, and that the final disposition of this litigation and other litigation pending against First Empire or its subsidiaries in the normal course of business will not 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.

Certain financial schedules pertaining to the year and quarter ended December 31, 1996 are attached hereto as Exhibit 99 and are incorporated herein by reference.

Item 7. Financial Statements and Exhibits.

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

Exhibit No.

99 Financial Schedules (unaudited). Filed herewith.

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 hereunto duly authorized.

FIRST EMPIRE STATE CORPORATION

Date: January 22, 1997

By: /s/ Michael P. Pinto

Michael P. Pinto
Senior Vice President
and Controller

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Report Dated: January 9, 1997

Commission File Number: 1-9861

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

EXHIBITS

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EXHIBIT INDEX

Exhibit No.

99 Financial Schedules (unaudited).

FIRST EMPIRE STATE CORPORATION
Condensed Consolidated Statement of Income

Amounts in thousands, except per share	Three months ended December 31		Change	Twelve months ended December 31		Change
	1996	1995		1996	1995	
Net interest income	\$ 136,624	124,955	9%	\$ 531,024	486,424	9%
Less: Provision for possible credit losses	11,475	12,025	-5	43,325	40,350	7
Gain (loss) on sales of bank investment securities	(449)	(408)	-	(37)	4,479	-
Other income	48,090	45,258	6	170,285	145,059	17
Less:						
Salaries and employee benefits	54,564	48,197	13	208,342	188,222	11
Other expenses	52,518	48,847	8	200,636	186,217	8
Income before income taxes	65,708	60,736	8	248,969	221,173	13
Applicable income taxes	25,288	23,949	6	97,866	90,137	9
Net income	\$ 40,420	36,787	10%	\$ 151,103	131,036	15%
Taxable-equivalent net interest income	\$ 137,853	125,978	9%	\$ 535,511	491,066	9%
Dividends on preferred stock	\$ -	900	-100	\$ 900	3,600	-75
Per common share:						
Net income						
Primary	\$5.70	5.29	8%	\$ 21.31	18.79	13%
Fully diluted	5.68	5.03	13	20.97	17.78	18
Net income excluding securities transactions						
Primary	5.73	5.33	8	21.31	18.41	16
Fully diluted	5.71	5.06	13	20.97	17.43	20
Cash dividends	\$ 0.70	0.70	-%	\$ 2.80	2.50	12%
Common shares outstanding:						
Average (1)	7,098	6,774	5%	7,048	6,781	4%
Period end	6,686	6,433	4%	6,686	6,433	4%
Performance ratios, annualized						
Net income to:						
Average total assets	1.26%	1.23%		1.21%	1.14%	
Average common stockholders' equity	18.05%	18.14%		17.60%	17.16%	
Yield on average earning assets (2)	8.31%	8.41%		8.32%	8.42%	
Cost of interest-bearing liabilities	4.54%	4.74%		4.52%	4.65%	
Net interest spread (2)	3.77%	3.67%		3.80%	3.77%	
Contribution of interest-free funds	0.69%	0.69%		0.65%	0.66%	
Net interest margin (2)	4.46%	4.36%		4.45%	4.43%	

(1) Includes common stock equivalents

(2) On a fully taxable-equivalent basis

FIRST EMPIRE STATE CORPORATION
Condensed Consolidated Balance Sheet

Dollars in thousands	December 31		Change
	1996	1995	
ASSETS			
Cash and due from banks	\$ 324,659	363,119	-11%
Money-market assets	209,968	136,209	54
Investment securities	1,571,698	1,769,295	-11
Loans and leases, net of unearned discount	10,722,123	9,555,849	12
Less: Allowance for possible credit losses	270,466	262,344	3
Net loans and leases	10,451,657	9,293,505	12
Other assets	385,933	393,774	-2
Total assets	\$ 12,943,915	11,955,902	8%
LIABILITIES AND STOCKHOLDERS' EQUITY			
Demand deposits at U.S. offices	\$ 1,352,929	1,184,359	14%
Other deposits at U.S. offices	8,968,324	8,129,913	10
Deposits at foreign office	193,236	155,303	24
Total deposits	10,514,489	9,469,575	11
Short-term borrowings	1,150,187	1,273,206	-10
Accrued interest and other liabilities	195,578	174,077	12
Long-term borrowings	178,002	192,791	-8
Total liabilities	12,038,256	11,109,649	8
Stockholders' equity (1)	905,659	846,253	7
Total liabilities and stockholders' equity	\$ 12,943,915	11,955,902	8%

(1) Includes the after-tax impact of net unrealized losses on investment securities classified as available for sale of \$2.5 million at December 31, 1996 and \$3.2 million at December 31, 1995.

FIRST EMPIRE STATE CORPORATION
Condensed Consolidated Average Balance Sheet

Dollars in thousands	Three months ended December 31		Change	Twelve months ended December 31		Change
	1996	1995		1996	1995	
ASSETS						
Money-market assets	\$122,201	171,979	-29%	\$123,523	185,688	-33%
Investment securities	1,659,285	1,898,039	-13	1,806,250	2,035,045	-11
Loans and leases, net of unearned discount	10,526,960	9,383,906	12	10,113,947	8,857,222	14
Total earning assets	12,308,446	11,453,924	7	12,043,720	11,077,955	9
Other assets	419,604	444,310	-6	434,946	406,799	7
Total assets	\$ 12,728,050	11,898,234	7%	\$ 12,478,666	11,484,754	9%
LIABILITIES AND STOCKHOLDERS' EQUITY						
Interest-bearing deposits	\$9,391,917	8,275,220	13%	\$8,991,125	7,927,687	13%
Borrowings	1,067,353	1,501,094	-29	1,321,767	1,569,514	-16
Total interest-bearing liabilities	10,459,270	9,776,314	7	10,312,892	9,497,201	9
Demand deposits	1,216,588	1,148,184	6	1,168,987	1,093,305	7
Other liabilities	161,330	148,917	8	133,654	111,728	20
Total liabilities	11,837,188	11,073,415	7	11,615,533	10,702,234	9
Stockholders' equity						
Preferred	-	40,000	-100	9,618	40,000	-76
Common	890,862	784,819	14	853,515	742,520	15
Total stockholders' equity	890,862	824,819	8	863,133	782,520	10
Total liabilities and stockholders' equity	\$ 12,728,050	11,898,234	7%	\$ 12,478,666	11,484,754	9%