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, 1995

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 1, 1995: 6,492,281 shares.

FIRST EMPIRE STATE CORPORATION

FORM 10-Q

For the Quarterly Period Ended March 31, 1995

Table of Contents of Information Required in Report	Page
Part I. Financial Information	
Item 1. Financial Statements	
Consolidated Balance Sheet - March 31,1995 and December 31, 1994	3
Consolidated Statement of Income - Three months ended March 31, 1995 and 1994	4
Consolidated Statement of Cash Flows - Three months ended March 31, 1995 and 1994	5
Consolidated Statement of Changes in Stockholders' Equity - Three months ended March 31, 1995 and 1994	6
Consolidated Summary of Changes in Allowance for Possible Credit Losses - Three months ended March 31, 1995 and 1994	6
Notes to Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	9
Part II. Other Information	20
Signatures	22
Exhibit Index	23
Exhibit No. 10	23
Exhibit No. 11	36
Exhibit No. 27	37

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

FIRST EMPIRE STATE CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

Dollars in thousands, except per share		March 31, 1995 (unaudited)	December 31, 1994
Assets	Cash and due from banks	$ 419,719	377,781
	Money-market assets		
	Interest-bearing deposits at banks	70,444	143
	Federal funds sold and agreements to resell securities	15,000	3,080
	Trading account	36,724	5,438
	Total money-market assets	122,168	8,661
	Investment securities		
	Available for sale (cost: $1,721,990 at March 31, 1995; $1,602,916 at December 31, 1994)	1,666,964	1,514,395
	Held to maturity (market value: $324,159 at March 31, 1995; $221,165 at December 31, 1994)	327,428	227,651
	Other (market value: $50,802 at March 31, 1995; $48,994 at December 31, 1994)	50,802	48,994
	Total investment securities	2,045,194	1,791,040
	Loans and leases	8,819,885	8,447,117
	Unearned discount	(260,700)	(229,824)
	Allowance for possible credit losses	(248,741)	(243,332)
	Loans and leases, net	8,310,444	7,973,961
	Premises and equipment	126,986	127,274
	Accrued interest and other assets	252,448	249,927
	Total assets	$ 11,276,959	10,528,644
Liabilities	Noninterest-bearing deposits	$ 1,082,744	1,087,102
	NOW accounts	774,785	748,199
	Savings deposits	3,009,888	3,098,438
	Time deposits	3,956,183	3,106,723
	Deposits at foreign office	220,498	202,611
	Total deposits	9,044,098	8,243,073
	Federal funds purchased and agreements to repurchase securities	892,643	695,665
	Other short-term borrowings	351,017	669,185
	Accrued interest and other liabilities	142,413	103,538
	Long-term borrowings	96,198	96,187
	Total liabilities	10,526,369	9,807,648
Stockholders' equity	Preferred stock, $1 par, 1,000,000 shares authorized, 40,000 shares issued, stated at aggregate liquidation value	40,000	40,000
	Common stock, $5 par, 15,000,000 shares authorized, 8,097,472 shares issued	40,487	40,487
	Surplus	98,348	98,014
	Undivided profits	716,591	694,274
	Unrealized investment losses, net	(31,416)	(50,555)
	Treasury stock - common, at cost - 1,556,991 shares at March 31, 1995; 1,486,969 shares at December 31, 1994	(113,420)	(101,224)
	Total stockholders' equity	750,590	720,996
	Total liabilities and stockholders' equity	$ 11,276,959	10,528,644

FIRST EMPIRE STATE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME (unaudited)

Amounts in thousands, except per share		Three months ended March 31 1995	1994
Interest income	Loans and leases, including fees	$ 185,016	148,483
	Money-market assets		
	Deposits at banks	1,294	154
	Federal funds sold and agreements to resell securities	200	1,443
	Trading account	172	132
	Investment securities		
	Fully taxable	27,577	26,242
	Exempt from federal taxes	827	716
	Total interest income	215,086	177,170
Interest expense	NOW accounts	2,765	2,846
	Savings deposits	22,312	20,689
	Time deposits	51,573	18,747
	Deposits at foreign office	2,336	928
	Short-term borrowings	15,663	14,501
	Long-term borrowings	1,930	1,538
	Total interest expense	96,579	59,249
	Net interest income	118,507	117,921
	Provision for possible credit losses	8,500	19,862
	Net interest income after provision for possible credit losses	110,007	98,059
Other income	Trust income	5,737	5,435
	Service charges on deposit accounts	9,219	8,893
	Merchant discount and other credit card fees	2,273	1,896
	Trading account gain (loss)	693	(208)
	Other revenues from operations	8,480	12,433
	Total other income	26,402	28,449
Other expense	Salaries and employee benefits	46,227	39,831
	Equipment and net occupancy	12,706	12,812
	Printing, postage and supplies	3,595	3,187
	Deposit insurance	4,264	4,144
	Other costs of operations	22,702	19,241
	Total other expense	89,494	79,215
	Income before income taxes	46,915	47,293
	Income taxes	19,747	19,665
	Net income	$ 27,168	27,628
	Net income per common share		
	Primary	$3.85	3.77
	Fully diluted	3.68	3.64
	Cash dividends per common share	.60	.50
	Average common shares outstanding		
	Primary	6,820	7,083
	Fully diluted	7,384	7,590

FIRST EMPIRE STATE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)

Dollars in thousands		Three months ended March 31 1995	1994
Cash flows from operating activities	Net income	$ 27,168	27,628
	Adjustments to reconcile net income to net cash provided by operating activities		
	Provision for possible credit losses	8,500	19,862
	Depreciation and amortization of premises and equipment	4,762	4,291
	Provision for deferred income taxes	(5,026)	(10,465)
	Asset write-downs	2,355	1,269
	Net gain on sales of assets	(195)	(2,097)
	Net change in accrued interest receivable, payable	3,303	2,056
	Net change in other accrued income and expense	49,293	6,470
	Net change in loans held for sale	(40,030)	118,785
	Net change in trading account assets	(31,286)	(1,405)
	Net cash provided by operating activities	18,844	166,394
Cash flows from investing activities	Proceeds from maturities of investment securities		
	Available for sale	79,797	251,637
	Held to maturity	9,327	5,099
	Purchases of investment securities		
	Available for sale	(202,651)	(2)
	Held to maturity	(109,144)	(11,183)
	Other	(2,641)	(5,190)
	Net (increase) decrease in interest-bearing deposits at banks	(70,301)	54,899
	Net increase in loans and leases	(276,645)	(102,748)
	Capital expenditures, net	(2,720)	(3,005)
	Acquisitions, net of cash acquired	(18,691)	-
	Other, net	(1,619)	(432)
	Net cash provided (used) by investing activities	(595,288)	189,075
Cash flows from financing activities	Net increase (decrease) in deposits	800,396	(24,092)
	Net increase (decrease) in short-term borrowings	(154,190)	58,088
	Payments on long-term borrowings	(28)	(25)
	Purchases of treasury stock	(12,003)	(6,347)
	Dividends paid - common	(3,951)	(3,431)
	Dividends paid - preferred	(900)	(900)
	Other, net	978	(1,043)
	Net cash provided by financing activities	630,302	22,250
	Net increase in cash and cash equivalents	$ 53,858	377,719
	Cash and cash equivalents at beginning of period	380,861	525,221
	Cash and cash equivalents at end of period	$ 434,719	902,940
Supplemental disclosure of cash flow information	Interest received during the period	$ 203,963	180,861
	Interest paid during the period	79,061	59,234
	Income taxes paid (received) during the period	(18,345)	13,544
Supplemental schedule of noncash investing and financing activities	Real estate acquired in settlement of loans	$ 1,329	2,774

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
1994							
Balance - January 1, 1994	$40,000	40,487	97,787	595,322	9,148	(58,750)	$723,994
Net income	-	-	-	27,628	-	-	27,628
Preferred stock cash dividends	-	-	-	(900)	-	-	(900)
Common stock cash dividends - $.50 per share	-	-	-	(3,431)	-	-	(3,431)
Exercise of stock options	-	-	23	-	-	99	122
Purchases of treasury stock	-	-	-	-	-	(6,347)	(6,347)
Unrealized losses on investment securities available for sale, net	-	-	-	-	(16,091)	-	(16,091)
Balance - March 31, 1994	$40,000	40,487	97,810	618,619	(6,943)	(64,998)	$724,975
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

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

Dollars in thousands	Three months ended March 31 1995	1994
Beginning balance	$243,332	195,878
Provision for possible credit losses	8,500	19,862
Net charge-offs		
Charge-offs	(5,441)	(9,147)
Recoveries	2,350	6,448
Total net charge-offs	(3,091)	(2,699)
Ending balance	$248,741	213,041

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 36 and 37 of the Company's 1994 Annual Report. The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 114, "Accounting by Creditors for Impairment of a Loan" in the first quarter of 1995. Adoption of SFAS No. 114 had no impact on the Company's results of operations. In the opinion of management, all adjustments necessary for a fair presentation have been made and were all of a normal recurring nature.

2. Investment securities

The amortized cost and estimated fair value of investment securities were as follows:

	March 31, 1995		December 31, 1994	
In thousands	Amortized cost	Estimated fair value	Amortized cost	Estimated fair value
Investment securities available for sale:				
U.S. Treasury and federal agencies	$ 182,270	182,162	5,775	5,762
Mortgage-backed securities				
Government issued or guaranteed	834,307	804,265	869,031	822,533
Other	686,467	660,827	706,909	665,209
Other debt securities	4,862	4,896	6,537	6,557
Equity securities	14,084	14,814	14,664	14,334
	1,721,990	1,666,964	1,602,916	1,514,395
Investment securities held to maturity:				
U.S. Treasury and federal agencies	270,279	266,782	171,112	164,602
Obligations of states and political subdivisions	56,397	56,630	55,787	55,872
Other debt securities	752	747	752	691
	327,428	324,159	227,651	221,165
Other securities	50,802	50,802	48,994	48,994
Total	$2,100,220	2,041,925	1,879,561	1,784,554

3. Interest rate swap agreements

At March 31, 1995, the Company had outstanding currently effective interest rate swap agreements entered into for interest rate risk management purposes with a notional amount of approximately $2.6 billion. The swaps modify the repricing characteristics of certain portions of the loan and deposit portfolios. The net effect of interest rate swaps was to decrease net interest income by $449 thousand during the three months ended March 31, 1995 and to increase net interest income by $6.6 million during the three months ended March 31, 1994. The Company estimates that as of March 31, 1995, it would have had to pay approximately $51 million to terminate all interest rate swap agreements. Since these swaps have been entered into for interest rate risk management purposes, the estimated amount noted above should be considered in the context of the entire balance sheet of the Company. The estimated market value of interest rate swaps entered into for interest rate risk management purposes is not recognized in the consolidated financial statements.

4. Acquisition

On March 6, 1995, the Company's mortgage banking subsidiary, M&T Mortgage Corporation, acquired Statewide Funding Corporation ("Statewide"), a privately-owned mortgage banking company based near Albany, New York. As of the acquisition date, Statewide serviced residential mortgage loans owned by other investors having an outstanding principal balance of approximately $1.0 billion. The acquisition has been accounted for as a purchase transaction and, accordingly, the operating results of Statewide have been included in the Company's results of operations since the acquisition date.

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

Overview

Net income for First Empire State Corporation ("First Empire") was $27.2 million or $3.85 per common share in the first quarter of 1995, compared with $27.6 million or $3.77 per common share in the first quarter of 1994. The improvement in earnings per share reflects the decrease in average common shares outstanding in the recent quarter compared with a year earlier. The decrease in shares outstanding resulted from the repurchase of shares of First Empire's common stock pursuant to a plan announced in December 1993. Shares repurchased under the plan totaled 382,900 at March 31, 1995 and 46,200 at March 31, 1994. Net income was $31.9 million or $4.53 per common share in the fourth quarter of 1994, including the after-tax benefit of $2.4 million resulting from the transfer of appreciated investment securities to The M&T Charitable Foundation, a private, tax-exempt charitable foundation affiliated with First Empire. The rate of return on average assets for First Empire and its consolidated subsidiaries ("the Company") in the first quarter of 1995 was 1.03%, down from 1.11% in the year-earlier quarter and 1.24% in 1994's last quarter. The return on average common stockholders' equity was 15.29% in the initial quarter of 1995, compared with 15.68% and 17.97% in the first and fourth quarters of 1994, respectively.

As previously reported, on December 1, 1994 First Empire acquired Ithaca Bancorp, Inc. ("Ithaca Bancorp"), Ithaca, New York and simultaneously merged Ithaca Bancorp's savings bank subsidiary, Citizens Savings Bank, F.S.B., into First Empire's commercial bank subsidiary, Manufacturers and Traders Trust Company ("M&T Bank"). As of December 1, 1994, assets acquired totaled $470 million, including $369 million of loans, and liabilities assumed totaled $425 million, including $330 million of deposits. On December 10, 1994, M&T Bank purchased, in another cash transaction, approximately $146 million of deposits from Chemical Bank, along with seven branch offices in the Hudson Valley region of New York State.

On March 6, 1995, M&T Mortgage Corporation, the mortgage banking subsidiary of M&T Bank, acquired Statewide Funding Corporation ("Statewide"), a privately-held mortgage banking company based near Albany, New York. Statewide had a mortgage servicing portfolio of approximately $1.0 billion at the acquisition date and originated more than $400 million of mortgage loans in 1994. In the first quarter of 1995, M&T Mortgage Corporation continued to expand its network of out-of-state mortgage origination offices, opening offices in Portland, Oregon, Seattle, Washington and Salt Lake City, Utah.

The acquisitions noted in the two preceding paragraphs have been accounted for as purchase transactions and, accordingly, the operating results of the acquired entities have been included in the consolidated results of operations of the Company since the respective acquisition dates.

On February 9, 1995, M&T Bank entered into a definitive agreement to acquire four branch offices and approximately $90 million in deposits from The Chase Manhattan Bank, N.A. Two of the branch offices are located in Dutchess County, one in Ulster County and one in Niagara County, New York. Consummation of the transaction is subject to a number of conditions, including regulatory approvals, but is anticipated to be completed in the second half of 1995.

The Company's first quarter results of operations included three unusual expense items. First, the Statewide acquisition resulted in the recognition of $1.3 million in costs of integrating and conforming the acquired operations with M&T Mortgage Corporation. Secondly, First Empire's $2.3

million investment in nonmarketable securities of Nationar, a bank that provided services to financial institutions, was written off to expense during the first quarter of 1995. The Nationar investment was obtained through the acquisition of Ithaca Bancorp in 1994 and the 1987 merger with The East New York Savings Bank ("East New York"). The write-off was in response to the seizure of Nationar by banking regulators in February. Thirdly, First Empire's common stock experienced unusually strong appreciation during the first quarter of 1995, increasing 26% in market value per share from 1994's year-end. This resulted in $3.0 million of expense associated with outstanding stock appreciation rights, whose expense recognition fluctuates with the underlying market value of First Empire's common stock. Together, the after-tax effect of these three unusual expenses depressed net income by $3.8 million or $.56 per common share.

Taxable-equivalent Net Interest Income

The Company's taxable-equivalent net interest income was $119.7 million and $118.9 million in the first quarter of 1995 and 1994, respectively, and $118.3 million in the final quarter of 1994. Net interest margin, or taxable-equivalent net interest income expressed as an annualized percentage of average earning assets, was 4.70% in the recent quarter, down from 4.99% in the initial quarter of 1994 and 4.75% in 1994's final quarter. Increased demand for loans and the December 1994 acquisition of Ithaca Bancorp resulted in a $1.1 billion increase in average loans from the first quarter of 1994. Growth in average loans was partially offset by declines in holdings of investment securities and money-market assets resulting in a $665 million increase in average earning assets to $10.3 billion in the first quarter of 1995 from $9.7 billion in the first quarter of 1994. Average earning assets were $9.9 billion in the fourth quarter of 1994. The greater proportion of loans, which generally yield more than investment securities and money-market assets, in the portfolio of earning assets and rising interest rates in general resulted in an overall yield on average earning assets of 8.49% in 1995's initial quarter, up 101 basis points (hundredths of one percent) from the first quarter of 1994 and 39 basis points from the final quarter of 1994. However, higher interest rates also resulted in an increase in the cost of interest-bearing liabilities to 4.43% during the first three months of 1995, up 151 basis points from the corresponding quarter in 1994 and 48 basis points from the final quarter of 1994. As a result, the Company's net interest spread, or the difference between the yield on earning assets and the rate paid on interest-bearing liabilities, narrowed to 4.06% in the recent quarter from 4.56% and 4.15% in the first and fourth quarters of 1994, respectively.

While narrowing the net interest spread, rising interest rates also had the effect of increasing the contribution to net interest margin of interest-free funds, which rose to .64% in the first quarter of 1995 from .43% in the comparable quarter of 1994 and .60% in 1994's final quarter. The improvement in the first quarter of 1995 from a year earlier resulted from the 151 basis point increase in the rate paid on interest-bearing liabilities used to value these funds and a 5% increase in average interest-free funds. Average interest-free funds, consisting primarily of noninterest-bearing demand deposits and stockholders' equity, totaled $1.5 billion in the first quarter of 1995, up from $1.4 billion a year earlier, and essentially unchanged from the fourth quarter of 1994.

As a financial intermediary, the Company's earnings are sensitive to the effects of changing interest rates. Management assesses this interest rate risk by the variability of projected net interest income under a number of interest rate scenarios. The projections consider 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.

As part of its interest rate risk management, the Company has entered into several interest rate swap agreements. The swaps 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 interest rate risk management program in effect at March 31, 1995 and 1994 was $2.6 billion and $1.2 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, 1995 the weighted average rates to be received and paid under interest rate swap agreements were each 6.18%. 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			
	1995		1994	
	Amount	Rate(1)	Amount	Rate(1)
Increase (decrease) in:				
Interest income	$(1,525)	(.06)%	$ 4,705	.20%
Interest expense	(1,076)	(.05)	(1,936)	(.10)
Net interest income/margin	$ (449)	(.02)%	$ 6,641	.28%
Average notional amount (2)	$2,536,134		$1,210,451	

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

The Company estimates that as of March 31, 1995 it would have had to pay approximately $51.0 million to terminate all interest rate swap agreements entered into for interest rate risk management purposes. 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.

Stronger loan demand resulting in part from improved economic conditions and the December 1994 acquisition of $369 million of loans of Ithaca Bancorp increased average loans and leases, net of unearned discount, to $8.3 billion in the first quarter of 1995 from $7.2 billion in the first quarter of 1994 and $7.8 billion in the final quarter of 1994. 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. 1995	Percent increase (decrease) from 1st Qtr. 1994	4th Qtr. 1994
Commercial, financial, etc.	$1,671	13 %	8 %
Real estate - commercial	3,402	12	4
Real estate - consumer	1,646	16	10
Consumer	1,592	27	6
Total	$8,311	16 %	6 %

Average investment securities totaled $1.9 billion in the initial quarter of 1995, down from $2.3 billion in the first quarter of 1994, but essentially unchanged from the final quarter of 1994. The decline from a year ago reflected management's decision to accommodate the 1994 acquisitions and the growth in loans, which generally yield more than investment securities, without unduly affecting tangible capital ratios.

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 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. Including the core deposits obtained in the December 1994 acquisitions, average core deposits increased to $7.2 billion in 1995's initial quarter, up from $6.8 billion in the year earlier quarter and $6.9 billion in the fourth quarter of 1994. Increases in interest rates paid on deposits in response to higher money-market rates have served to mitigate the tendency of depositors in recent years to seek potentially higher returns by redeploying deposits, primarily time deposits, out of the banking system into alternative investment vehicles, such as mutual funds, and also contributed to a shift into time deposits from more liquid deposit accounts. The accompanying table provides an analysis of quarterly changes in the components of average core deposits.

AVERAGE CORE DEPOSITS
Dollars in millions

	1st Qtr. 1995	Percent increase (decrease) from 1st Qtr. 1994	4th Qtr. 1994
NOW accounts	$ 734	(4)%	- %
Savings deposits	3,040	(11)	(2)
Time deposits under $100,000	2,421	45	21
Demand deposits	1,038	4	-
Total	$7,233	6 %	5 %

To reduce short-term borrowings and lengthen the average maturity of interest-bearing liabilities, the Company began accepting brokered retail certificate of deposits in the fourth quarter of 1994 under a program to solicit up to approximately $900 million of deposits. Brokered deposits averaged $775 million during the first quarter of 1995 and totaled $888 million at March 31, 1995, compared with an average balance of $179 million during the fourth quarter of 1994 and a total balance of $456 million at December 31, 1994. The weighted average remaining term to maturity of brokered deposits at March 31, 1995 was 2.3 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. The brokered deposit program and decreased holdings of investment securities and money-market assets allowed the Company to reduce short-term borrowings to an average of $1.1 billion in the recent quarter from $1.9 billion and $1.6 billion in the first and fourth quarters of 1994, 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 purpose of the provision is to replenish or build the Company's allowance for possible credit losses to a level necessary to maintain an adequate reserve position. In assessing the adequacy of the allowance for possible credit losses, management performs an ongoing evaluation of the loan portfolio, including such factors as the differing economic risks associated with each loan category, the current financial condition of specific borrowers, the economic environment in which borrowers operate, the level of delinquent loans and the value of any collateral. Based upon the results of such review, management believes that the allowance for possible credit losses at March 31, 1995 was adequate to absorb credit losses from existing loans, leases and credit commitments.

Improved economic conditions in market areas served by the Company and lower nonperforming loans contributed to a reduction in the provision for possible credit losses to $8.5 million in the first quarter of 1995 from $19.9 million in the year earlier quarter. The provision for possible credit losses was $12.9 million in the fourth quarter of 1994. Net loan charge-offs in the first three months of 1995 totaled $3.1 million, up from $2.7 million in 1994's first quarter, but down from $7.4 million in last year's fourth quarter. Net charge-offs as an annualized percentage of average loans and leases were .15% in the first quarters of 1995 and 1994, and .37% in the fourth quarter of 1994.

Nonperforming loans were $79.8 million or .93% of total loans and leases outstanding at March 31, 1995, down from $86.8 million or 1.20% at March 31, 1994 and little changed from $77.5 million or .94% at December 31, 1994. Nonperforming loans secured by commercial real estate properties totaled $47.7 million at March 31, 1995, $56.2 million at March 31, 1994 and $47.5 million at December 31, 1994. Included in these totals were loans secured by properties located in the New York City metropolitan area of $26.3 million at March 31, 1995, $37.3 million at March 31, 1994 and $27.1 million at December 31, 1994. Assets taken in foreclosure of defaulted loans were $8.8 million at March 31, 1995, $10.1 million at December 31, 1994 and $11.9 million at March 31, 1994.

The allowance for possible credit losses was $248.7 million, or 2.91% of total loans and leases at March 31, 1995, compared with $213.0 million or 2.94% a year earlier and $243.3 million or 2.96% at December 31, 1994. The ratio of the allowance for possible credit losses to nonperforming loans was 312% at the most recent quarter-end, up from 245% at March 31, 1994 and little changed from 314% at December 31, 1994.

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

NONPERFORMING ASSETS
Dollars in thousands

	1995	1994 Quarters			
	First Quarter	Fourth	Third	Second	First
Nonaccrual loans	$64,941	62,787	72,355	68,881	74,951
Loans past due 90 days or more	12,275	11,754	9,663	11,444	11,890
Renegotiated loans	2,600	2,994	-	-	-
Total nonperforming loans	79,816	77,535	82,018	80,325	86,841
Other real estate owned	8,824	10,065	11,281	12,418	11,916
Total nonperforming assets	$88,640	87,600	93,299	92,743	98,757
Nonperforming loans to total loans and leases, net of unearned discount	.93%	.94%	1.08%	1.09%	1.20%
Nonperforming assets to total net loans and other real estate owned	1.03%	1.06%	1.23%	1.25%	1.36%

Other Income

Other income totaled $26.4 million in the first quarter of 1995, compared with $28.4 million in the year-earlier quarter and $38.7 million in the fourth quarter of 1994 when $10.4 million of nontaxable income was recognized for the transfer of appreciated investment securities to The M&T Charitable Foundation.

Reflecting the effect of deposits from the December 1994 acquisitions, service charges on deposit accounts totaled $9.2 million in the first quarter of 1995, an increase of 4% from $8.9 million in the corresponding quarter of the previous year and up 8% from $8.5 million in the fourth quarter of 1994. Trust income of $5.7 million in the first quarter of 1995 was up from $5.4 million in last year's first quarter, but down from $6.3 million in the fourth quarter of 1994 with the decline due, in part, to lower revenues from securities clearing activities. Merchant discount and credit card fees were $2.3 million in the recent quarter, compared with $1.9 million and $2.5 million in the first and fourth quarters of 1994, respectively. Trading account gains totaled $693 thousand in the first quarter of 1995, compared with a loss of $208 thousand in the corresponding quarter of 1994 and a gain of $224 thousand in the fourth quarter of 1994.

Other revenue from operations totaled $8.5 million in the first quarter of 1995, down from $12.4 million and $21.2 million in the first and fourth quarters of 1994, respectively. During the first quarter of 1994, the Company realized $1.4 million of gains from the sale of residential mortgage loan participations acquired in 1992 from the Federal Deposit Insurance

Corporation ("FDIC") and $2.1 million of revenues for asset management services provided to the FDIC. The decrease from the fourth quarter of 1994 was primarily due to $10.4 million of nontaxable income recognized in that quarter related to the transfer of appreciated investment securities to The M&T Charitable Foundation. Tighter pricing margins on residential mortgage loan originations resulted in losses on loans originated for sale to other investors of $1.5 million in the first quarter of 1995 compared with $.5 million in the first quarter of 1994. A gain of $126 thousand was recognized in the fourth quarter of 1994 on mortgage loans originated for sale to others.

Other Expense

Other expense totaled $89.5 million in the first quarter of 1995, compared with $79.2 million in the first quarter of 1994 and $95.0 million in the fourth quarter of 1994. Excluding the previously noted expenses of $6.6 million related to the acquisition of Statewide, the write-off of investment securities issued by Nationar and increased stock appreciation rights expense, other expense totaled $82.9 million in this year's first quarter, an increase of $3.7 million from 1994's initial quarter. That $3.7 million increase was primarily the result of expenses associated with the operations of the recently completed acquisitions. In the fourth quarter of 1994, $13.8 million of charitable contribution expense arising from the transfer of investment securities to The M&T Charitable Foundation was incurred.

For the first quarter of 1995, salaries and employee benefits expense was $46.2 million, increases of $6.4 million and $7.2 million from the first and fourth quarters of 1994, respectively. Personnel costs resulting from the completed acquisitions, merit salary increases and the higher expenses associated with stock appreciation rights granted in 1990 and 1991 were largely responsible for the higher expense in 1995.

Nonpersonnel expenses of $43.3 million for the first quarter of 1995 were $3.9 million higher than in the first quarter of 1994. Expenses for the write-off of $2.3 million of nonmarketable securities of Nationar and $1.3 million of costs to integrate Statewide into and conform its operations with M&T Mortgage Corporation were recognized during the first quarter of the current year. Nonpersonnel expenses were $12.8 million lower in the first quarter of 1995 than in the fourth quarter of 1994 when the aforementioned $13.8 million of charitable contributions expense was incurred.

Capital

Common stockholders' equity totaled $710.6 million at March 31, 1995, up from $685.0 million a year earlier and $681.0 million at December 31, 1994. On a per share basis, common stockholders' equity was $108.64 at March 31, 1995, an increase of 8% from $100.19 at March 31, 1994 and 5% from $103.02 at December 31, 1994. Total stockholders' equity at March 31, 1995 was $750.6 million or 6.66% of total assets, compared with $725.0 million or 6.96% of total assets a year earlier and $721.0 million or 6.85% of total assets at December 31, 1994.

Stockholders' equity at March 31, 1995 was reduced by $31.4 million, or $4.80 per common share, for the net after-tax impact of unrealized losses on investment securities classified as available for sale, compared with $6.9 million or $1.02 per common share at March 31, 1994 and $50.6 million or $7.65 per common share at December 31, 1994. The market valuation of investment securities and other assets and liabilities should be considered in the context of the entire balance sheet of the Company. In general, with the exception of investment securities classified as available for sale, trading account assets and mortgage loans held for sale by M&T Mortgage Corporation, the carrying values of financial instruments in the balance sheet are 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, M&T Bank and East New York, as of March 31, 1995 are presented in the accompanying table.

REGULATORY CAPITAL RATIOS
March 31, 1995

	First Empire (Consolidated)	M&T Bank	East New York
Core capital	8.53%	8.35%	8.95%
Total capital	10.65%	10.64%	10.22%
Leverage	7.02%	6.74%	7.52%

First Empire 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 12.29% during the first quarter of 1995, compared with 12.92% and 14.80% in the first and fourth quarters of 1994, respectively.

In December 1993, First Empire announced a plan to repurchase and hold as treasury stock up to 506,930 shares of common stock for reissuance upon the possible future conversion of its 9% convertible preferred stock. As of March 31, 1995, First Empire had repurchased 382,900 shares pursuant to such plan at an average cost of $149.19.

FIRST EMPIRE STATE CORPORATION AND SUBSIDIARIES

FINANCIAL HIGHLIGHTS

Amounts in thousands, except per share	Three months ended March 31 1995	1994	Change
For the period			
Net income	$27,168	27,628	- 2 %
Per common share			
Net income			
Primary	$3.85	3.77	+ 2
Fully diluted	3.68	3.64	+ 1
Cash dividends	.60	.50	+ 20
Average common shares outstanding			
Primary	6,820	7,083	- 4
Fully diluted	7,384	7,590	- 3
Annualized return on			
Average total assets	1.03 %	1.11 %	
Average common stockholders' equity	15.29 %	15.68 %	
Market price per common share			
Closing	$171.00	139.25	+ 23
High	171.00	144.00	
Low	136.50	135.00	
At March 31			
Loans and leases, net of unearned discount	$ 8,559,185	7,239,869	+ 18 %
Total assets	11,276,959	10,411,622	+ 8
Total deposits	9,044,098	7,329,084	+ 23
Total stockholders' equity	750,590	724,975	+ 4
Stockholders' equity per common share	$108.64	100.19	+ 8

FIRST EMPIRE STATE CORPORATION AND SUBSIDIARIES

AVERAGE BALANCE SHEETS AND ANNUALIZED TAXABLE-EQUIVALENT RATES

	1995 First quarter			1994 Fourth 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.	$ 1,671	$ 35,772	8.68 %	1,551	32,609	8.34 %
Real estate	5,048	112,059	8.88	4,757	103,982	8.74
Consumer	1,592	37,788	9.62	1,497	34,881	9.25
Total loans and leases, net	8,311	185,619	9.06	7,805	171,472	8.72
Money-market assets						
Interest-bearing deposits at banks	67	1,294	7.82	11	138	4.85
Federal funds sold and agreements to resell securities	14	200	5.75	124	1,674	5.35
Trading account	13	193	5.94	6	86	5.62
Total money-market assets	94	1,687	7.25	141	1,898	5.32
Investment securities						
U.S. Treasury and federal agencies	1,100	15,671	5.78	1,075	14,841	5.48
Obligations of states and political subdivisions	56	948	6.86	53	841	6.24
Other	769	12,325	6.50	795	12,491	6.24
Total investment securities	1,925	28,944	6.10	1,923	28,173	5.81
Total earning assets	10,330	216,250	8.49	9,869	201,543	8.10
Allowance for possible credit losses	(247)			(240)		
Cash and due from banks	313			314		
Other assets	285			257		
Total assets	$ 10,681			10,200		
Liabilities and stockholders' equity						
Interest-bearing liabilities						
Interest-bearing deposits						
NOW accounts	$ 734	2,765	1.53	734	2,786	1.51
Savings deposits	3,040	22,312	2.98	3,105	21,936	2.80
Time deposits	3,702	51,573	5.65	2,606	33,216	5.06
Deposits at foreign office	184	2,336	5.14	221	2,539	4.55
Total interest-bearing deposits	7,660	78,986	4.18	6,666	60,477	3.60
Short-term borrowings	1,076	15,663	5.90	1,609	21,135	5.21
Long-term borrowings	96	1,930	8.13	83	1,675	8.06
Total interest-bearing liabilities	8,832	96,579	4.43	8,358	83,287	3.95
Demand deposits	1,038			1,037		
Other liabilities	74			81		
Total liabilities	9,944			9,476		
Stockholders' equity	737			724		
Total liabilities and stockholders' equity	$ 10,681			10,200		
Net interest spread			4.06			4.15
Contribution of interest-free funds			.64			.60
Net interest income/margin on earning assets		$ 119,671	4.70 %		118,256	4.75 %

*Includes nonaccrual loans

FIRST EMPIRE STATE CORPORATION AND SUBSIDIARIES

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

	1994 Third quarter			1994 Second 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.	$ 1,457	$ 29,797	8.11 %	1,463	27,993	7.68 %
Real estate	4,562	98,574	8.64	4,471	95,067	8.50
Consumer	1,423	33,281	9.28	1,332	30,071	9.06
Total loans and leases, net	7,442	161,652	8.62	7,266	153,131	8.45
Money-market assets						
Interest-bearing deposits at banks	158	1,863	4.68	5	57	4.38
Federal funds sold and agreements to resell securities	20	244	4.86	138	1,390	4.03
Trading account	8	110	5.34	9	126	5.65
Total money-market assets	186	2,217	4.73	152	1,573	4.14
Investment securities						
U.S. Treasury and federal agencies	1,116	13,954	4.96	1,186	13,217	4.47
Obligations of states and political subdivisions	53	760	5.69	54	740	5.49
Other	823	11,972	5.77	857	12,510	5.86
Total investment securities	1,992	26,686	5.32	2,097	26,467	5.06
Total earning assets	9,620	190,555	7.86	9,515	181,171	7.64
Allowance for possible credit losses	(230)			(219)		
Cash and due from banks	298			309		
Other assets	271			281		
Total assets	$ 9,959			9,886		
Liabilities and stockholders' equity						
Interest-bearing liabilities						
Interest-bearing deposits						
NOW accounts	$ 739	2,840	1.52	751	2,814	1.50
Savings deposits	3,214	21,258	2.62	3,380	20,921	2.48
Time deposits	2,119	24,307	4.55	1,993	20,797	4.18
Deposits at foreign office	159	1,610	4.01	104	817	3.14
Total interest-bearing deposits	6,231	50,015	3.18	6,228	45,349	2.92
Short-term borrowings	1,836	20,841	4.50	1,775	17,391	3.93
Long-term borrowings	76	1,537	8.07	76	1,537	8.16
Total interest-bearing liabilities	8,143	72,393	3.53	8,079	64,277	3.19
Demand deposits	1,019			992		
Other liabilities	82			92		
Total liabilities	9,244			9,163		
Stockholders' equity	715			723		
Total liabilities and stockholders' equity	$ 9,959			9,886		
Net interest spread			4.33			4.45
Contribution of interest-free funds			.54			.48
Net interest income/margin on earning assets		$ 118,162	4.87 %		116,894	4.93 %

*Includes nonaccrual loans

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

	1994 First quarter		
Average balance in millions; interest in thousands	Average balance	Interest	Average rate
Assets			
Earning assets			
Loans and leases, net of unearned discount*			
Commercial, financial, etc.	$ 1,475	$ 26,080	7.17 %
Real estate	4,457	93,058	8.35
Consumer	1,256	29,884	9.65
Total loans and leases, net	7,188	149,022	8.41
Money-market assets			
Interest-bearing deposits at banks	18	154	3.55
Federal funds sold and agreements to resell securities	155	1,443	3.76
Trading account	11	177	6.81
Total money-market assets	184	1,774	3.92
Investment securities			
U.S. Treasury and federal agencies	1,297	14,673	4.59
Obligations of states and political subdivisions	52	731	5.66
Other	944	11,960	5.14
Total investment securities	2,293	27,364	4.84
Total earning assets	9,665	178,160	7.48
Allowance for possible credit losses	(203)		
Cash and due from banks	308		
Other assets	286		
Total assets	$ 10,056		
Liabilities and stockholders' equity			
Interest-bearing liabilities			
Interest-bearing deposits			
NOW accounts	$ 761	2,846	1.52
Savings deposits	3,400	20,689	2.47
Time deposits	1,992	18,747	3.82
Deposits at foreign office	137	928	2.75
Total interest-bearing deposits	6,290	43,210	2.79
Short-term borrowings	1,872	14,501	3.14
Long-term borrowings	76	1,538	8.25
Total interest-bearing liabilities	8,238	59,249	2.92
Demand deposits	997		
Other liabilities	90		
Total liabilities	9,325		
Stockholders' equity	731		
Total liabilities and stockholders' equity	$ 10,056		
Net interest spread			4.56
Contribution of interest-free funds			.43
Net interest income/margin on earning assets		$ 118,911	4.99 %

*Includes nonaccrual loans

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

A number of lawsuits were pending against First Empire and its subsidiaries at March 31, 1995. 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 or 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 1995 Annual Meeting of Stockholders of First Empire was held on April 18, 1995. At the 1995 Annual Meeting, stockholders elected twenty-one (21) 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 1995 Annual Meeting.

	Number of Votes	
Nominee	For	Withheld
Brent D. Baird	5,876,381	18,256
John H. Benisch	5,876,380	18,257
C. Angela Bontempo	5,864,650	29,987
Robert T. Brady	5,870,731	23,906
Patrick J. Callan	5,876,380	18,257
David N. Campbell	5,873,381	21,256
James A. Carrigg	5,873,181	21,456
Barber B. Conable, Jr.	5,864,151	30,486
Richard E. Garman	5,870,472	24,165
James V. Glynn	5,873,030	21,607
Roy M. Goodman	5,869,372	25,265
Patrick W.E. Hodgson	5,876,380	18,257
Samuel T. Hubbard, Jr.	5,870,557	24,080
Lambros J. Lambros	5,876,407	18,230
Wilfred J. Larson	5,874,741	19,896
Jorge G. Pereira	5,855,406	39,231
William C. Shanley, III	5,874,741	19,896
Raymond D. Stevens, Jr.	5,872,741	21,896
Richard D. Trent	5,873,732	20,905
John L. Wehle, Jr.	5,870,805	23,832
Robert G. Wilmers	5,856,265	38,372

At the Annual Meeting, stockholders also approved amendments to the First Empire State Corporation 1983 Stock Option Plan (the "Stock Option Plan") (i) increasing from 1,500,000 to 2,000,000 the number of shares of First Empire common stock subject to the Stock Option Plan and (ii) establishing a maximum number of shares of common stock that may be covered by stock options and stock appreciation rights (including stock appreciation rights exercisable only for cash) granted to key employees of the Company under the Stock Option Plan during any fiscal year. The following table presents the tabulation of the votes with respect to the amendments to the Stock Option Plan.

Number of Votes			
For	Against	Abstain	Broker Non-Votes
4,560,700	858,295	32,404	443,238

Item 5. Other Information. (None.)

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

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

Exhibit No.	
10	First Empire State Corporation 1983 Stock Option Plan as amended. Filed herewith.
11	Statement re: Computation of Earnings Per Common Share. Filed herewith.
27	Financial Data Schedule. Filed herewith.

(b) Reports on Form 8-K.

On March 8, 1995, First Empire filed a Current Report on Form 8-K with the Securities and Exchange Commission dated March 6, 1995 reporting that M&T Mortgage Corporation ("M&T Mortgage"), the Company's mortgage banking subsidiary, had acquired Statewide Funding Corporation ("Statewide"), a privately-owned mortgage banking company based near Albany, New York, and that Statewide had been merged into M&T Mortgage.

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 10, 1995 By: /s/ James L. Vardon

James L. Vardon
Executive Vice President
and Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	
10	First Empire State Corporation 1983 Stock Option Plan as amended. Filed herewith.
11	Statement re: Computation of Earnings Per Common Share. Filed herewith.
27	Financial Data Schedule. Filed herewith.

Exhibit No. 10

FIRST EMPIRE STATE CORPORATION
1983 STOCK OPTION PLAN
(COMPOSITE COPY AS OF FEBRUARY 21, 1995)

1. Definitions

In this Plan, except where the context otherwise indicates, the following definitions apply:

(a) "Agreement" means the written agreement implementing a grant of an Option and/or Right.

(b) "Board" means the Board of Directors of the Company.

(c) "Code" means the Internal Revenue Code of 1986, as amended.

(d) "Committee" means the committee of the Board meeting the standards of Rule 16b-3(c)(2)(i), Rule 16b-3(e)(2), and Regulation 1.162-27, or any similar successor rules or regulations, appointed by the Board to administer this Plan. Unless otherwise determined by the Board, the Compensation Committee of the Board shall be the Committee.

(e) "Common Stock" means the authorized but unissued or reacquired Common Stock, par value $5.00 per share, of the Company.

(f) "Company" means First Empire State Corporation.

(g) "Date of Exercise" means the date on which the Company receives notice pursuant to Article 8 of the exercise of an Option or Right.

(h) "Date of Grant" means the date on which an Option or Right is granted by the action of the Committee or such later date as may be specified by the Committee in taking such action.

(i) "Director" means any person who is a director of the Company or any Subsidiary.

(j) "Employee" means any person determined by the Committee to be an employee of the Company or any Subsidiary.

(k) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(l) "Fair Market Value" of a share of Common Stock means the amount equal to the closing price for a share of Common Stock on the American Stock Exchange as reported by such source as the Committee may select, or, if such price quotation for a share of Common Stock is not so reported, then the fair market value of such stock as determined by the Committee pursuant to a reasonable method adopted in good faith for such purpose, in each case subject to adjustment under Article 10.

(m) "Grant Price" means (i) in the case of a Right that is not a Related Right, the Fair Market Value per share on the Date of Grant of the Right, (ii) in the case of a Right that is a Related Right to a Nonstatutory Stock Option and not to another Right, either (A) the Option Price per share as provided in the Related Option or (B) the Fair Market Value per share on the Date of Grant of the Right, as designated by the Committee in the Agreement granting the Right, (iii) in the case of a Right that is a Related Right to an Incentive Stock Option, the Option Price per share as provided in the Related Option, (iv) in the case of a Right that is a Related Right to another Right and not to an Option, either (A) the Fair Market Value per share on the Date of Grant of the Right or (B) the Fair Market Value per share on the Date of Grant of its Related Right, as designated by the Committee in the Agreement granting the Right, or (v) in the case of a Right that is a Related Right both to a Nonstatutory Stock Option and to another Right, (A) the Option Price per share as provided in the Related Option, (B) the Fair Market Value per share on the Date of Grant of the Right, or (C) the Fair Market Value per share on the Date of Grant of its Related Right, as designated by the Committee in the Agreement granting the Right.

(n) "Incentive Stock Option" means an Option granted under the Plan that qualifies as an incentive stock option under section 422 of the Code and that the Company designates as such in the Agreement granting the Option.

(o) "Key Employee" means (i) an Employee who is an officer of the Company or a Subsidiary, or who is determined by the Committee to be in a managerial, professional, or other key position of the Company or a Subsidiary, or (ii) a former trustee or officer of The East New York Savings Bank who, upon closing of the acquisition by the Company of The East New York Savings Bank, was granted nonstatutory stock options under the Plan pursuant to the terms of Section 5(i) of the Merger Agreement by and between First Empire State Corporation, The East New York Savings Bank and the incorporators of West Interim Savings Bank.

(p) "Limited Right" means a limited stock appreciation right granted under the Plan.

(q) "Limited Right Period" means the period during which a Limited Right may be exercised as provided in Paragraph 7(h) hereof.

(r) "Nonlimited Right" means a nonlimited stock appreciation right granted under the Plan.

(s) "Nonlimited Right Period" means the period during which a Nonlimited Right may be exercised as provided in Paragraph 7(g) hereof.

(t) "Nonstatutory Stock Option" means an Option granted under the Plan which is not an Incentive Stock Option.

(u) "Offer" means any tender offer or exchange offer for the Company's Common Stock made by an Offeror which might, if consummated pursuant to its terms or pursuant to any power reserved in its terms, cause the Offeror to become the beneficial owner of twenty percent or more of the outstanding Common Stock. As used in this definition, "beneficial owner" shall have the meaning ascribed to it from time to time under the rules and regulations promulgated by the SEC under Section 13(d) of the Exchange Act, or in the event of the repeal or alteration of such section, such meaning as may from time to time be ascribed to "beneficial owner" under the rules and regulations promulgated by the SEC under any similar federal law.

(v) "Offer Price per Share" with respect to the exercise of a Limited Right means the greater of (i) the highest price per share of Common Stock paid in any Offer which Offer is in effect at any time during the period beginning on the ninetieth day prior to the Date of Exercise of such Limited Right and ending on the Date of Exercise of such Limited Right or (ii) the highest Fair Market Value per share of Common Stock during such period. Any securities or property that is part or all of the consideration paid for shares in the Offer shall be valued in determining the Offer Price per Share at the higher of (A) the valuation placed on such securities or property by the corporation, person or other entity making such Offer or (B) the valuation placed on such securities or property by the Committee.

(w) "Offeror" means any person, other than the Company or any of its Subsidiaries, who makes an Offer. As used in this definition, "person" shall include any natural person, corporation, partnership, trust, association, business entity, or any group of persons, whose ownership of Common Stock would be required to be reported collectively pursuant to Section 13(d) of the Exchange Act and the rules and regulations promulgated by the SEC thereunder, as from time to time in effect, or in the event of the repeal or alteration of such section, such reporting requirements as may from time to time be prescribed by any similar federal law.

(x) "Option" means an Incentive Stock Option or Nonstatutory Stock Option granted under the Plan.

(y) "Option Period" means the period during which an Option may be exercised.

(z) "Option Price" means the price per share at which an Option may be exercised. The Option Price shall be determined by the Committee, but in no event shall the Option Price be less than the greater of the Fair Market Value of the Common Stock determined as of the Date of Grant or the par value of the Common Stock, except that in connection with grants of Options to those Key Employees who were granted Options upon the closing of the Company's acquisition of The East New York Savings Bank as described in Section 1(o)(ii) hereof, the Option Price of Options granted upon closing of the acquisition may not be less than the price at which Common Stock was sold to the public pursuant to the underwritten offering in connection with the Company's acquisition of The East New York Savings Bank.

(aa) "Optionee" means a Key Employee to whom an Option or Right has been granted.

(bb) "Plan" means the First Empire State Corporation 1983 Stock Option Plan, as amended.

(cc) "Regulation 1.162-27" shall mean proposed Regulation Section 1.162-27 promulgated by the Internal Revenue Service, as the same may be finalized and amended from time to time.

(dd) "Related Option" means an Option in connection with which, or by amendment to which, a specified Right is granted.

(ee) "Related Right" means a Right granted in connection with, or by amendment to, a specified Option or other Right.

(ff) "Right" means a Limited Right or Nonlimited Right granted under the Plan.

(gg) "Rule 16b-3" means Rule 16b-3 of the rules and regulations as promulgated and amended from time to time by the SEC under Section 16(b) of the Exchange Act.

(hh) "SEC" means the Securities and Exchange Commission.

(ii) "Subsidiary" means a corporation at least fifty percent of the total combined voting power of all classes of stock of which is owned by the Company, either directly or through one or more other Subsidiaries.

(jj) "Unused Limit Carryover" means "unused limit carryover" as defined in section 422A of the Internal Revenue Code of 1954, as amended, as in effect on October 21, 1986 and the regulations thereunder.

2. Purpose

This Plan is intended to aid in maintaining and developing strong management through encouraging the ownership of Common Stock by Key Employees and through stimulating their efforts by giving suitable recognition, in addition to their other remuneration, to the ability and industry which contribute materially to the success of the Company's business interests, and to provide an incentive to the continued service of such Key Employees.

3. Administration

This Plan shall be administered by the Committee. In addition to any other powers granted to the Committee, it shall have the following powers, subject to the express provisions of the Plan:

(a) subject to the provisions of Articles 4, 6 and 7, to determine in its discretion the Key Employees to whom Options or Rights shall be granted under the Plan, the number of shares to be subject to each Option or Right, and the terms upon which, the times at which, and the periods within which such Options or Rights may be acquired and exercised;

(b) to determine all other terms and provisions of each Agreement, which need not be identical;

(c) without limiting the foregoing, to provide in its discretion in an Agreement:

(i) for an agreement by the Optionee to render services to the Company or a Subsidiary upon such terms and conditions as may be specified in the Agreement, provided that the Committee shall not have the power to commit the Company or any Subsidiary to employ or otherwise retain any Optionee;

(ii) for restrictions on the transfer, sale or other disposition of the Common Stock issued to the Optionee upon the exercise of an Option or Right;

(iii) for an agreement by the Optionee to resell to the Company, under specified conditions, stock issued upon the exercise of an Option or Right; and

(iv) for the form of payment of the Option Price upon the exercise of an Option, including without limitation in cash, by delivery of shares of Common Stock valued at Fair Market Value on the Date of Exercise of the Option, or by a combination of cash and Common Stock;

(d) to construe and interpret the Agreements and the Plan;

(e) to require, whether or not provided for in the pertinent Agreement, of any person exercising an Option or Right granted under the Plan, at the time of such exercise, the making of any representations or agreements which the Committee may deem necessary or advisable in order to comply with the securities laws of the United States or of any state;

(f) to provide for satisfaction of an Optionee's tax liabilities arising in connection with the Plan through, without limitation, retention by the Company of shares of Common Stock otherwise issuable on the exercise of a Nonstatutory Stock Option or Nonlimited Right or through delivery of shares of Common Stock to the Company by the Optionee under such terms and conditions as the Committee deems appropriate; and

(g) to make all other determinations and take all other actions necessary or advisable for the administration of the Plan.

Any determinations or actions made or taken by the Committee pursuant to this Article shall be binding and final.

4. Eligibility

Options and Rights may be granted only to Key Employees, provided, however, that the members of the Committee are not eligible to receive Options or Rights under the Plan. A Key Employee who has been granted an Option or Right may be granted additional Options and Rights.

5. Stock Subject to the Plan

(a) There is hereby reserved for issuance upon the exercise of Options and Rights granted under this Plan an aggregate of 2,000,000 shares of Common Stock, subject to the provisions of Article 10; provided, however, that:

(i) no Key Employee shall be granted in any fiscal year of the Company Options and Rights (including Rights that may be exercised only for cash) for more than 50,000 shares, provided that a newly-hired Key Employee who will serve as an executive officer of the Company may receive an additional one-time grant of Options and/or Rights covering up to 50,000 shares of the Common Stock upon commencement of employment with the Company, and provided further that such limits shall be subject to such adjustment, if any, as the Committee deems appropriate to reflect such events as stock dividends, stock splits, recapitalizations, mergers, consolidations or reorganizations of or by the Company; and

(ii) neither (A) the grant or exercise of a Limited Right nor (B) the grant or exercise of a Nonlimited Right that is exercisable only for cash shall reduce the number of shares of Common Stock available for the grant of Options and Rights under the Plan; and

(iii) in the case of a Nonlimited Right that may be exercised for Common Stock and that is a Related Right to an Option, the grant of such a Right shall not reduce the number of shares of Common Stock available for the grant of Options and Rights under the Plan.

The provisions of subparagraph (i) shall apply to all grants of Options and Rights after the amendment of the Plan to add those provisions. The provisions of subparagraphs (ii) and (iii) shall apply to all grants and exercises of Rights both before and after the amendment of the Plan to add those provisions.

(b) If an Option granted under the Plan expires or terminates for any reason (other than termination by virtue of the exercise of a Related Right) without having been exercised fully, the unpurchased shares of Common Stock that had been subject to the Option at the time of its expiration or termination shall become available for other Options and Rights to be granted under the Plan.

(c) If a Nonlimited Right that may be exercised for Common Stock and that is not a Related Right expires or terminates for any reason without having been exercised fully, the unpurchased shares of Common Stock which had been subject to such Nonlimited Right at the time of its expiration or termination shall become available for Options and other Rights to be granted under the Plan. If a Nonlimited Right that may be exercised for Common Stock and that is a Related Right to a Limited Right expires or terminates for any reason (other than termination by virtue of the exercise of the Limited Right) without having been exercised fully, the unpurchased shares of Common Stock that had been subject to the Nonlimited Right at the time of its expiration or termination shall become available for Options and other Rights to be granted under the Plan.

(d) In the case of a Nonlimited Right that may be exercised for Common Stock and that is not a Related Right, if upon the exercise of such a Right, a number of the shares of Common Stock subject to the portion of the Right being exercised are not issued in settling the Company's obligations arising out of such exercise, such number of shares of Common Stock shall become available at the time of exercise for Options and other Rights to be granted under the Plan. In the case of a Related Right (other than a Related Right described in the following sentence), if upon the exercise of such a Right, a number of the shares of Common Stock subject to the portion of the Right being exercised are not issued in settling the Company's obligations arising out of such exercise, such number of shares of Common Stock shall become available at the time of exercise for Options and other Rights to be granted under the Plan. The preceding sentence shall not apply to the exercise of (i) a Nonlimited Right exercisable only for cash that is a Related Right to a Limited Right, or (ii) a Limited Right that is a Related Right to a Nonlimited Right exercisable only for cash.

6. Options

(a) Pursuant to the terms of the Plan, the Committee is hereby authorized to grant Nonstatutory Stock Options and Incentive Stock Options to Key Employees.

(b) All Agreements granting Options shall contain a statement that the Option is intended to be either (i) a Nonstatutory Stock Option or (ii) an Incentive Stock Option.

(c) The Option Period shall be determined by the Committee and specifically set forth in the Agreement, provided, however, that an Option shall not be exercisable after ten years from the Date of Grant in the case of an Incentive Stock Option and after ten years and one day from the Date of Grant in the case of a Nonstatutory Stock Option.

(d) The aggregate Fair Market Value (determined as of the date an Incentive Stock Option is granted) of the Common Stock for which an Incentive Stock Option is granted to any one person in any calendar year before 1987 (under all stock option plans of the person's employer corporation and its "parent" and "subsidiary" corporations) shall not exceed $100,000 plus any Unused Limit Carryover to such year. The aggregate Fair Market Value (determined as of the date an Incentive Stock Option is granted) of the Common Stock with respect to which all Incentive Stock Options granted to any one person at any time after 1986 (under all stock option plans of the person's employer corporation and its "parent" and "subsidiary" corporations) may first become exercisable in any calendar year shall not exceed $100,000. For purposes of this Paragraph (d), the terms "parent" and "subsidiary" corporations shall have the respective meanings given to them in section 424 of the Code.

(e) All Incentive Stock Options granted under the Plan shall comply with the provisions of the Code governing incentive stock options and with all other applicable rules and regulations.

(f) All other terms of Options granted under this Plan shall be determined by the Committee in its sole discretion.

7. Rights

(a) Pursuant to the terms of the Plan, the Committee is hereby authorized to grant Rights.

(b) A Nonlimited Right may be granted under the Plan as follows:

(i) in connection with, and at the same time as, the grant of an Option or a Limited Right under the Plan;

(ii) by amendment of an outstanding Nonstatutory Stock Option or Limited Right granted under the Plan; or

(iii) independently of any Option or Limited Right granted under the Plan.

(c) A Limited Right may be granted under the Plan as follows:

(i) in connection with, and at the same time as, the grant of an Option or a Nonlimited Right under the Plan;

(ii) by amendment of an outstanding Nonstatutory Stock Option or Nonlimited Right granted under the Plan; or

(iii) independently of any Option or Nonlimited Right granted under the Plan.

(d) A Related Right may apply, in the Committee's discretion, to all or a portion of the Common Stock subject to its Related Right or Related Option.

(e) A Nonlimited Right granted under the Plan may be exercised in whole or in part as provided in the Agreement and, subject to the provisions of the Agreement and Paragraph (l) of this Article, entitles its Optionee to receive, without any payment to the Company, either cash or that number of shares of Common Stock (up to the highest whole number of shares), or a combination thereof, in the amount of or having a Fair Market Value determined as of the Date of Exercise equal to the number of shares of Common Stock subject to the portion of the Nonlimited Right exercised multiplied by an amount equal to the excess of (i) the Fair Market Value per share on the Date of Exercise of the Nonlimited Right over (ii) the Grant Price of the Nonlimited Right.

(f) A Limited Right granted under the Plan may be exercised in whole or in part as provided in the Agreement and entitles its Optionee to receive, without any payment to the Company, cash in an amount equal to the number of shares of Common Stock subject to the portion of the Limited Right exercised multiplied by an amount equal to the excess of (i) in the case of a Limited Right that is not a Related Right to an Incentive Stock Option, (A) the Offer Price per Share over (B) the Grant Price of the Limited Right or (ii) in the case of a Limited Right that is a Related Right to an Incentive Stock Option, (A) the Fair Market Value per share on the Date of Exercise of such Limited Right over (B) the Grant Price of the Limited Right.

(g) Subject to the provisions of Paragraph (i) of this Article, the Nonlimited Right Period shall be determined by the Committee and set forth in the Agreement.

(h) Subject to the provisions of Paragraph (i) of this Article, the Limited Right Period shall be the period beginning on the first day following the date of the first purchase of shares of Common Stock pursuant to any Offer and ending on the date ninety days thereafter.

(i) Notwithstanding any other provision of this Plan or any provision of any Agreement, the following rules shall apply:

(i) a Right may not be exercised until the expiration of six months from the Date of Grant of the Right, except that this limitation shall not apply in the event the death or disability of the Optionee occurs prior to the expiration of the six-month period;

(ii) a Right will expire no later than the earlier of (A) ten years from the Date of Grant or (B) in the case of a Related Right, the expiration of its Related Right or Related Option;

(iii) a Right may be exercised only when the Fair Market Value of a share of Common Stock on the Date of Exercise exceeds the Grant Price of the Right;

(iv) a Right that is a Related Right to an Incentive Stock Option may be exercised only when and to the extent the Related Option is exercisable; and

(v) a Limited Right that is a Related Right to a Nonstatutory Stock Option or to a Nonlimited Right may be exercised with respect to all or any portion of the shares subject to the Limited Right whether or not its Related Right or Related Option is then exercisable to that extent.

(j) The Company intends that this Article shall comply with the requirements of Rule 16b-3 during the term of this Plan. Should any provision of this Article not be necessary to comply with the requirements of Rule 16b-3 or should any additional provisions be necessary for this Article to comply with the requirements of Rule 16b-3, the Board or the Committee may amend this Plan to delete, add to or modify the provisions of the Plan accordingly. The Company intends to seek to comply with the public information and reporting requirements of Rule 16b-3(e)(1); however, the Company's failure for any reason whatsoever to comply with such requirements or with any other requirements of Rule 16b-3, and any resultant unavailability of Rule 16b-3 to Optionees shall not impose any liability on the Company to any Optionee or to any other party.

(k) The exercise, in whole or in part, of a Related Right shall cause a reduction in the number of shares of Common Stock subject to its Related Right or Related Option equal to the number of shares of Common Stock with respect to which the Right being exercised is exercised. Similarly, the exercise, in whole or in part, of a Related Option shall cause a reduction in the number of shares subject to the Related Right equal to the number of shares with respect to which the Related Option is exercised.

(l) Subject to the limitations of the Agreement and this Paragraph (l), an Optionee may (A) elect to receive cash upon exercise of a Right and exercise such Right or (B) exercise a Right exercisable only for cash, and upon such election and exercise or such exercise, the Company shall settle its obligations arising out of the exercise of the Right by the payment of cash in the amount set forth in Paragraph (e) of this Article if the Right is a Nonlimited Right, or in the amount set forth in Paragraph (f) of this Article if the Right is a Limited Right; provided, however, that to the extent required to satisfy the conditions of Rule 16b-3(e) or as otherwise provided in the Agreement, the Committee shall have the sole discretion to consent to or to disapprove the election of any Optionee to receive cash in full or partial settlement of a Right; and further provided that to the extent required to satisfy the conditions of Rule 16b-3(e) or as otherwise provided in the Agreement, the Committee shall not consent to any such election for settlement in cash and an Optionee shall not exercise a Right for cash unless the following conditions are met:

(i) the Company shall have been subject to the reporting requirements of Section 13 of the Exchange Act, as from time to time in effect, or in the event of the repeal of such section, such reporting requirements as may from time to time be prescribed by any similar federal law, for at least one year prior to such election or exercise; shall have filed all reports and statements required to be filed pursuant to that section or other applicable provision during the year ending upon the date of such election or exercise; and shall have at the time of such election or exercise the practice of releasing on a regular basis for publication quarterly and annual statements of sales and earnings, which data appear on a wire service, in a financial news service, in a newspaper of general circulation, or is otherwise publicly made available; and

(ii) the Date of Exercise of a Right must be (A) within a period beginning on the third business day next following the date of release of the quarterly or annual financial data specified in subparagraph (i) and ending on the twelfth business day following such date of release and/or (B) upon the happening (and during a specified period thereafter) of an event fixed in advance in the Agreement which event is outside the control of the Optionee and which event occurs at least six months after the Date of Grant of the Right (except in the case of the death or disability of the Optionee).

Any election by an Optionee for settlement in cash must be made in the notice of exercise of the Right. In cases where an election of settlement in cash must be consented to by the Committee, the Committee may consent to, or disapprove, such election at any time after such election, or within such period for taking such action as is specified in the notice of exercise and election, and failure to give such consent shall be disapproval. Such consent may be given in whole or as to a portion of the Right surrendered by the Optionee. If such election to receive cash is disapproved in whole or in part, the Right shall be deemed to have been exercised for stock, or, if so specified in the notice of exercise and election, not to have been exercised, to the extent such election to receive cash is disapproved.

8. Exercise

An Option or Right may be exercised, subject to the provisions of the Agreement under which it was granted, in whole or in part by the delivery to the Company of written notice of the exercise, in such form as the Committee may prescribe, accompanied, in the case of an Option, by full payment for the Common Stock with respect to which the Option is exercised.

9. Nontransferability

Options and Rights granted under the Plan shall not be transferable otherwise than by will or the laws of descent and distribution, and an Option or Right may be exercised, during the Optionee's lifetime, only by the Optionee or, in the event of the Optionee's legal disability, by the Optionee's legal representative. A Related Right is transferable only when its Related Right or Related Option is transferable and only with its Related Right or Related Option and under the same conditions.

10. Capital Adjustments

The number, class and Fair Market Value of shares subject to each outstanding Option or Right, the Option Price and the aggregate number and class of shares for which grants thereafter may be made shall be subject to such adjustment, if any, as the Committee in its sole discretion deems appropriate to reflect such events as stock dividends, stock splits, recapitalizations, mergers, consolidations or reorganizations of or by the Company.

11. Termination or Amendment

The Board shall have the power to terminate the Plan and to amend it in any respect, provided that after the Plan has been approved by the stockholders of the Company, the Board may not amend the Plan, without the approval of the stockholders of the Company, if such amendment would be required to be approved by the stockholders of the Company under the laws of the State of New York, in order for the Plan to continue to satisfy the conditions of Rule 16b-3, in order for Incentive Stock Options to qualify as such under section 422 of the Code, or under the rules of any securities exchange on which shares of Common Stock are listed. No termination or amendment of the Plan shall affect adversely the rights or obligations of the holder of any Option or Right granted under the Plan without the holder's consent.

12. Modification, Extension and Renewal of Options and Rights

Subject to the terms and conditions and within the limitations of the Plan, the Committee may modify, extend or renew outstanding Options and Rights granted under the Plan; or may accept the surrender of outstanding Options and Rights (to the extent not exercised theretofore) granted under the Plan, or outstanding options and rights (to the extent not exercised theretofore) granted under any other stock option, stock purchase, stock appreciation rights, or other stock-related plan of the Company or of a company which has been merged or consolidated with the Company or a Subsidiary or which has become a Subsidiary through the acquisition by the Company or by a Subsidiary of stock or assets of the company, and authorize the granting of new Options and Rights pursuant to the Plan in substitution therefor (to the extent not exercised theretofore), and the substituted Options and Rights may specify terms different than the surrendered options and rights or have any other provisions which are authorized by the Plan; or may assume options and rights granted by such other company, and such options and rights shall not reduce the number of shares of Common Stock available for the grant of Options and Rights under this Plan, except to the extent that such options and rights are granted under this Plan pursuant to a provision of a plan or agreement of merger of such other company with the Company, and to the extent that such options and rights, if granted under this Plan, would reduce the number of shares of Common Stock available pursuant to the provisions of Article 5. The Company may grant options and rights otherwise than under the provisions of this Plan and may adopt other stock option plans or stock purchase, stock appreciation rights, or other stock-related plans, and such options and rights and the options, rights, and stock granted or issued under such plans shall not reduce the number of shares of Common Stock available for the grant of Options and Rights under this Plan. Neither the adoption or amendment of this Plan nor the submission of the Plan or amendments for stockholder approval shall be deemed to impose any limitation on the powers of the Company to grant or assume options or rights otherwise than under this Plan or to adopt other stock option plans or stock purchase, stock appreciation rights, or other stock-related plans, nor shall they be deemed to impose any requirement of stockholder approval upon the same. Notwithstanding the foregoing, however, no modification of an Option or Right granted under the Plan shall alter or impair the rights or obligations of the holder of such Option or Right without the consent of the holder.

13. Effectiveness of the Plan

The Plan and any amendments which require stockholder approval pursuant to Article 11 are subject to approval by vote of the stockholders of the Company within twelve months after their adoption by the Board. Subject to such approval, the Plan and any amendments are effective on the date on which they are adopted by the Board. Options and Rights may be granted prior to stockholder approval of the Plan or amendments, but each such Option or Right granted shall be subject to the approval, if required, of the Plan or amendments by the stockholders. Except as otherwise required to satisfy the requirements of Rule 16b-3, the day on which any Option or Right granted prior to required stockholder approval of the Plan or amendments is granted shall be the Date of Grant for all purposes as if the Option or Right had not been subject to such approval. No Option or Right granted may be exercised prior to such required stockholder approval.

14. Term of the Plan

Unless sooner terminated by the Board pursuant to Article 11, the Plan shall terminate ten years from the date on which the Board approves the most recent amendment to the Plan that changes either the aggregate number of shares of Common Stock that may be issued under the Plan or the class of persons eligible to receive Options or Rights under the Plan, and which amendment subsequently is approved by the stockholders of the Company. No Options or Rights may be granted after termination. Termination of the Plan shall not affect the validity of any Option or Right outstanding on the date of termination.

15. Indemnification of Committee

In addition to such other rights of indemnification as they may have as Directors or as members of the Committee, the members of the Committee shall be indemnified by the Company against the reasonable expenses, including attorneys' fees, actually and reasonably incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan or any Option or Right granted hereunder, and against all amounts reasonably paid by them in settlement thereof or paid by them in satisfaction of a judgment in any such action, suit or proceeding, if such members acted in good faith and in a manner which they believed to be in, and not opposed to, the best interests of the Company.

16. General Provisions

(a) The establishment of the Plan shall not confer upon any Employee or Key Employee any legal or equitable right against the Company, any Subsidiary or the Committee except as expressly provided in the Plan.

(b) The Plan does not constitute inducement or consideration for the employment of any Employee, nor is it a contract between the Company or any Subsidiary and any Employee or Key Employee. Participation in the Plan shall not give any Employee or Key Employee any right to be retained in the service or employ of the Company or any Subsidiary. The Company and its Subsidiaries retain the right to hire and discharge any Employee at any time, with or without cause, as if the Plan never had been adopted.

(c) The interests of any Optionee under the Plan are not subject to the claims of creditors and may not be assigned, alienated or encumbered in any way.

(d) The Plan shall be governed, construed and administered in accordance with the laws of the State of New York and the intention of the Company that Incentive Stock Options granted under the Plan qualify as such under section 422 of the Code.

Exhibit No. 11

FIRST EMPIRE STATE CORPORATION

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

		Three months ended March 31 1995	1994
Primary	Average common shares outstanding	6,589	6,871
	Common stock equivalents *	231	212
	Primary common shares outstanding	6,820	7,083
	Net income	$27,168	27,628
	Less: Cash dividends on preferred stock	900	900
	Net income available to common shareholders	$26,268	26,728
	Earnings per common share - primary	$3.85	3.77
Fully diluted	Average common shares outstanding	6,589	6,871
	Common stock equivalents *	288	212
	Assumed conversion of 9% cumulative convertible preferred stock	507	507
	Fully diluted average common shares outstanding	7,384	7,590
	Net income	$27,168	27,628
	Earnings per common share - fully diluted	$3.68	3.64

* 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.

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Dec-31-1994
Jan-01-1995
Mar-31-1995
3-MOS
419,719
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15,000
36,724
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