FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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DAUPHIN DEPOSIT CORP
CIK:**215619**| IRS No.: **231938831** | State of Incorp.:**PA** | Fiscal Year End: **1231**
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SIC: **6022** State commercial banks

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended March 31, 1995 — Commission File Number 0-8415

DAUPHIN DEPOSIT CORPORATION
(Exact name of registrant as specified in its charter)

Pennsylvania	23-1938831
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
213 Market Street, Harrisburg, Pennsylvania	17105
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (717) 255-2121

NOT APPLICABLE
Former name, former address and former fiscal year, if changed since last report.

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 27, 1995
Common Stock, $5 Par Value	30,881,569 Shares

DAUPHIN DEPOSIT CORPORATION

FORM 10-Q

For the Quarter Ended March 31, 1995

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Part I

For the Quarter Ended March 31, 1995

Item 1. Financial Statements

Dauphin Deposit Corporation and Subsidiaries
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	(Dollars in thousands)		
	March 31, 1995	December 31, 1994	March 31, 1994
	(Unaudited)	(Audited)	(Unaudited)
<S>	<C>	<C>	<C>
ASSETS			
Cash and due from banks	$201,838	$202,911	$203,041
Short-term investments			
Interest bearing deposits	3,788	3,738	6,219
Federal funds sold and securities purchased under agreements to resell	7,300	11,302	
Total short-term investments	11,088	15,040	6,219
Investment securities available-for-sale, at fair value	1,793,026	1,783,803	2,081,001
Assets held for sale, primarily mortgage loans	67,161	46,222	8,121
Loans (net of unearned income)	2,846,003	2,861,133	2,556,766
Allowance for loan losses	(40,936)	(40,216)	(39,046)
Total net loans	2,805,067	2,820,917	2,517,720
Bank premises and equipment	66,909	67,088	63,708
Other assets	106,022	134,371	89,228
Total assets	$5,051,111	$5,070,352	$4,969,038
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits			
Non-interest bearing	$443,672	$464,919	$418,283
Interest bearing	3,103,312	3,049,965	3,062,440
Total deposits	3,546,984	3,514,884	3,480,723
Short-term borrowings			
Federal funds purchased and securities sold under agreements to repurchase	808,887	894,511	765,679
U.S. Treasury tax and loan notes	36,463	46,266	51,042
Total short-term borrowings	845,350	940,777	816,721
Long-term debt	91,866	91,954	92,034
Accrued expenses and taxes	67,854	56,088	57,913
Total liabilities	4,552,054	4,603,703	4,447,391
Stockholders' equity			

Preferred stock, $25 par value; 10,000,000 shares authorized but unissued			
Common stock, $5 par value; 200,000,000 shares authorized, 32,641,614 shares issued, of which 1,782,476, 1,696,447 and 233,911 shares are held as treasury stock, respectively	163,208	163,208	163,208
Surplus	11,098	11,770	11,275
Retained earnings	381,426	373,921	344,222
Unrealized gains (losses) on securities available-for-sale, net of deferred taxes	(13,413)	(41,036)	7,852
	542,319	507,863	526,557
Less: Treasury stock - at cost	(43,262)	(41,214)	(4,910)
Total stockholders' equity	499,057	466,649	521,647
Total liabilities and stockholders' equity	$5,051,111	$5,070,352	$4,969,038

</TABLE>

See accompanying notes to consolidated financial statements.

Dauphin Deposit Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

<TABLE>
<CAPTION>

(Dollars in thousands, except per share data) Three Months Ended March 31,	1995	1994
<S>	<C>	<C>
Interest income		
Interest and fees on loans	$59,760	$46,941
Interest and dividends on investment securities		
Taxable	24,092	25,107
Exempt from federal income taxes	5,111	6,165
Interest on deposits	108	92
Interest on assets held for sale	1,354	182
Interest on federal funds sold and other short-term investments	187	8
Total interest income	90,612	78,495
Interest expense		
Interest on deposits		
Savings deposits	8,817	9,211
Time deposits	18,076	14,845
Time deposits in denominations of $100,000 or more	4,991	3,001
	31,884	27,057
Interest on short-term borrowings	12,809	5,835
Interest on long-term borrowings	1,659	1,663
Total interest expense	46,352	34,555
Net interest income	44,260	43,940
Provision for loan losses	1,870	1,884
Net interest income after provision for loan losses	42,390	42,056
Non-interest income		
Fiduciary activities	4,391	4,068
Service charges on deposit accounts	2,666	2,831
Other service charges and fees	2,729	2,278
Broker/dealer commissions and fees	1,676	1,900
Mortgage banking	2,712	242
Securities gains, net	6	1,538
Other	983	817
Total non-interest income	15,163	13,674
Non-interest expense		
Salaries and employee benefits	19,470	16,629
Net occupancy expense	2,498	2,339
Furniture and equipment expense	2,766	2,330
Deposit insurance	1,958	1,991
Other	10,806	8,717
Total non-interest expense	37,498	32,006
Income before income taxes	20,055	23,724
Provision for income taxes	4,836	5,823

Net income	$15,219	$17,901
Net income per share	$0.49	$0.55
Cash dividends declared per share	$0.25	$0.23
Weighted average number of shares outstanding	31,059,625	32,644,863

</TABLE>

See accompanying notes to consolidated financial statements.

Dauphin Deposit Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

<TABLE>
<CAPTION>

	(Dollars in thousands) Three Months Ended March 31, 1995	1994
<S>	<C>	<C>
Operating activities		
Net income	$ 15,219	$ 17,901
Adjustments:		
Provision for loan losses	1,870	1,884
Provision for depreciation, amortization and accretion	1,916	2,210
Amortization of goodwill	442	234
Deferred income taxes	104	89
Securities gains, net	(6)	(1,538)
Increase in interest receivable	(1,300)	(5,249)
Increase (decrease) in accrued expenses and taxes	(3,078)	1,304
Capitalized interest on deposits	12,497	11,419
Amortization of purchased and excess mortgage servicing rights	133	146
Gain on sale of mortgage loans held for sale	(593)	(247)
Sale of mortgages loans held for sale	82,679	25,941
Loans originated for sale	(91,698)	(27,036)
Purchase of mortgage loans held for sale	(9,619)	
Other, net	26,318	795
Net cash provided by operating activities	34,884	27,853
Investing activities		
Proceeds from sales of investment securities	9,663	40,426
Proceeds from maturities of investment securities	71,299	150,612
Purchases of investment securities	(47,199)	(211,457)
Net increase in assets held for sale, other than loans held for sale	(1,708)	(453)
Net (increase) decrease in loans	(22,694)	21,172
Sale of residential mortgage and other consumer loans	39,507	2,630
Net proceeds from sale of subsidiary, Farmers Savings Bank, FSB		797
Net purchases of bank premises and equipment	(1,647)	(1,152)
Net cash provided by investing activities	47,221	2,575
Financing activities		
Net increase (decrease) in demand deposits and savings accounts	(132,135)	52,881
Net increase (decrease) in time deposits	151,738	(158,871)
Net increase (decrease) in short-term borrowings	(95,427)	136,335
Net decrease in long-term debt	(88)	(20)
Issuance of common stock and treasury stock	1,865	83
Acquisition of treasury stock	(4,585)	(3,212)
Cash dividends paid	(7,746)	(6,878)
Net cash provided (used) by financing activities	(86,378)	20,318
Increase (decrease) in cash and cash equivalents	(4,273)	50,746
Cash and cash equivalents at beginning of period	210,911	152,295
Cash and cash equivalents at end of period	$206,638	$203,041
Total interest paid	$30,389	$23,426
Total income taxes paid	725	72
Schedule of non-cash investing and financing activities:		
Loans charged off	2,193	2,442
Net loan transfers to other real estate owned	637	3,138
Conversion of convertible subordinated debentures	55	400

</TABLE>

See accompanying notes to consolidated financial statements.

Note 1 - Accounting Policies

The consolidated financial statements include the accounts of Dauphin Deposit Corporation and subsidiaries (Dauphin), including its banking subsidiary, Dauphin Deposit Bank and Trust Company, which includes the Bank of Pennsylvania, Farmers Bank and Valleybank Divisions. All material intercompany balances and transactions have been eliminated in consolidation.

The information contained in the financial statements is unaudited. In the opinion of management, all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the results of interim periods have been made. Operating results for the three month period ended March 31, 1995 are not necessarily indicative of the results that may be expected for the year ending December 31, 1995.

The accounting policies followed in the presentation of interim financial results are the same as those followed on an annual basis, with the exception of the accounting policies related to impairment of loans which are discussed further in Note 5. These policies are presented on pages 35 through 38 of the 1994 Securities and Exchange Commission Form 10-K included in the Annual Report to Stockholders.

Note 2 - Investment Securities

A summary of the amortized cost and fair value of investment securities at March 31, 1995, December 31, 1994 and March 31, 1994 is as follows:

<TABLE>
<CAPTION>

(Dollars in thousands)

	March 31, 1995		December 31, 1994		March 31, 1994	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<S>	<C>	<C>	<C>	<C>	<C>	<C>
U.S. Treasury and other U.S. government agencies and corporations	$665,655	$656,852	$687,005	$665,520	$749,191	$748,326
Obligations of states and political subdivision	341,219	348,791	369,061	366,712	408,811	418,661
Debt securities issued by foreign governments	900	895	900	896	2,412	2,419
Corporate securities	73,475	73,328	79,032	78,283	81,075	82,469
Mortgage-backed securities	717,171	697,941	698,035	659,493	814,060	815,482
Total debt securities	1,798,420	1,777,807	1,834,033	1,770,904	2,055,549	2,067,357
Equity securities	15,241	15,219	12,903	12,899	13,372	13,644
Total investment securities	$1,813,661	$1,793,026	$1,846,936	$1,783,803	$2,068,921	$2,081,001

</TABLE>

Note 3 - Income Taxes

Income tax expense includes a provision for deferred taxes which are related to income and expense items being recognized in one accounting period for financial reporting purposes and another period for income tax reporting purposes.

A reconciliation between the effective income tax rate and the statutory rate follows:

<TABLE>
<CAPTION>

	Percentage of pre-tax income	
	Three months ended March 31,	
	1995	1994
<S>	<C>	<C>
Statutory federal income tax rate	35.0%	35.0%
Tax exempt income	(10.9)	(10.7)
Other, net		0.2
Effective income tax rate	24.1%	24.5%

</TABLE>

Note 4 - Commitments and Contingent Liabilities

In the normal course of business, there are commitments and contingent liabilities which are not presented in the accompanying financial statements. The commitments and contingent liabilities include various guarantees, commitments to extend credit and letters of credit. Dauphin does not anticipate any material losses as a result of the commitments.

Various legal actions or proceedings are pending involving Dauphin or its subsidiaries. Management believes that the aggregate liability or loss, if any, will not be material.

The contingent liability at March 31, 1995 represented by letters of credit issued to customers amounted to approximately $118.2 million.

Note 5 - New Accounting Standards

On January 1, 1995, Dauphin adopted Statement of Financial Accounting Standards No. 114 (SFAS 114), "Accounting by Creditors for Impairment of a Loan" and Statement of Financial Accounting Standards No. 118 (SFAS 118), "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures". SFAS 114 addresses the accounting by creditors for impairment of certain loans. SFAS 114 requires that impairment loans that are within the scope of the Statement be measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, at the loan's market price or the fair value of the collateral if the loan is collateral dependent. SFAS 118 amends SFAS 114 to allow a creditor to use existing methods for recognizing interest income on an impaired loan and to required additional disclosure on interest income recognition related to impaired loans.

On January 1, 1995 the balance of impaired loans was $17.4 million and the allowance for loan losses on these loans was $3.9 million. On March 31, 1995 the balance of impaired loans was $10.7 million and the allowance for loan losses on these loans was $3.0 million. All impaired loans have a related allowance for loan losses balance associated with the loan. The impaired loans consist of loans where it is probable that Dauphin will be unable to collect all amounts due according to the contractual term of the loan agreement. Interest income for impaired loans that are on non-accrual status is recognized using the cash basis, while interest on impaired loans that are still accruing is recognized using the accrual method. The average balance of impaired loans for the first quarter of 1995 was $14.0 million and the interest recognized for the quarter was $.2 million. The interest income includes $.1 million that was recorded on the cash basis.

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

This section presents management's discussion and analysis of the financial condition and results of operations of Dauphin Deposit Corporation and subsidiaries (Dauphin), including Dauphin Deposit Bank and Trust Company, which includes the Bank of Pennsylvania, Farmers Bank and Valleybank Divisions. This discussion and analysis should be read in conjunction with the financial statements which appear elsewhere in this report.

On July 1, 1994, Dauphin acquired Eastern Mortgage Services, Inc. (Eastern Mortgage), a mortgage banking company headquartered in Trevose, Pennsylvania, for approximately $21.0 million in cash pursuant to a definitive agreement signed in May 1994. The acquisition was accounted for using the purchase method of accounting. Therefore, the results of operations of Eastern Mortgage from the date of acquisition are included with the results of Dauphin.

SUMMARY

Dauphin recorded net income for the first quarter of 1995 of $15.2 million, compared with $17.9 million recorded for the same quarter of 1994. Net income per share for the first quarter of 1995 was $.49 compared with $.55 for the same period in 1994, a decrease of 10.9%.

Dauphin's return on average total assets was 1.23% for the first quarter of 1995, compared with 1.46% for the first quarter of 1994. Return on average stockholders' equity, excluding the SFAS 115 adjustment, was 12.14% for the first quarter of 1995 compared with 14.33% for the same period of 1994. Return on average stockholders' equity, including the SFAS 115 adjustment, was 12.89% for the first quarter of 1995 compared with 13.35% for the first quarter of 1994.

NET INTEREST INCOME

Net interest income is the product of the volume of average earning assets and the average rates earned on them, less the volume of average interest bearing liabilities and the average rates paid thereon. The amount of net interest income is affected by changes in interest rates, account balances, or volume, and the mix of earning assets and interest bearing liabilities.

For analytical purposes, net interest income is adjusted to a taxable equivalent basis. This adjustment facilitates

performance comparisons among taxable and tax exempt assets by increasing tax exempt income by an amount equivalent to the federal income taxes which would have been paid if this income were taxable at the statutory rate of 35%.

Table 1 presents the net interest income on a fully taxable equivalent basis for the first quarter of 1995 and 1994. Net interest income on a fully taxable equivalent basis totaled $47.6 million for the first quarter of 1995, a decrease of $.3 million or .5% from $47.9 million for the same period of 1994.

Table 2 analyzes the changes attributable to the volume and rate components of net interest income. Table 3 presents average balances, taxable equivalent interest income and expense and average yields earned and rates paid for Dauphin's assets and liabilities.

During the first quarter of 1995, as compared with the first quarter of 1994, as shown in Table 2, there was a decrease in net interest income of $2.9 million due to changes in volume and an increase of $2.7 due to changes in rates.

The change in the net interest margin attributable to interest rates can be understood by analyzing the interest rate spread and the net interest margin on earnings assets. While the interest rate spread considers only the difference between the average rates earned on earning assets and the average rates paid on interest bearing liabilities, the net interest margin takes into account the contribution of assets funded by interest free sources.

Average earning assets were $4.7 billion for the first quarter of 1995 and the first quarter of 1994. The interest rate spread for the first quarter of 1995 was 3.43% compared with 3.55% for the first quarter of 1994. The net interest margin amounted to 4.04% for the first quarter of 1995 compared with 4.11% for the same period of 1994. The net interest margin, excluding the SFAS 115 market value adjustment, amounted to 4.00% and 4.16% for the first quarter of 1995 and 1994, respectively.

Interest rates during the first quarter of 1995 were higher than the rates experienced in the first quarter of 1994. The average prime rate in 1995 was 8.83% compared with 6.02% in 1994. The average federal funds rate increased to 5.81% for 1995 compared with 3.21% in 1994. During the first quarter of 1995, compared with the same period of 1994 the average yield on earning assets increased 92 basis points while the average cost of interest bearing liabilities increased 104 basis points resulting in a decrease in the interest rate spread of 12 basis points. The yield on the investment securities portfolio increased 66 basis points primarily due to the reinvestment of

maturities at significantly higher rates. Average loans, which represent the highest yielding earning assets, increased $313.6 million or 12.3% for the first quarter of 1995 compared with the first quarter of 1994 due to the increased loan demand in 1995. The increasing rates in 1995, with new loans issued at the then current market levels, was the primary reason for the 99 basis point increase in the overall average loan yield. The cost of interest bearing deposits increased to 4.20% in 1995 compared with 3.54% in 1994. The overall interest rates offered for these deposits continued to increase during 1995. Additionally, the mix of these deposits changed as depositors invested in longer term certificates of deposit, moving from shorter term instruments. The increase in the cost of short-term borrowings (247 basis points) was caused primarily by the rise in the federal funds rate. While the interest rate spread decreased 12 basis points, the increased value of non-interest bearing funds in a higher rate environment, resulted in only a 7 basis point decline in net interest margin.

INTEREST RATE SENSITIVITY

Interest rate sensitivity management seeks to avoid fluctuating net interest margins and to enhance consistent growth of net interest income through periods of changing interest rates.

Rates on different assets and liabilities within a single maturity category adjust to changes in interest rates to varying degrees and over varying periods of time. The relationships between prime rates and rates paid on purchased funds are not constant over time. The rate of growth in interest free sources of funds will influence the level of interest sensitive funding sources. In addition, the absolute level of interest rates will affect the volume of earning assets and funding sources. As a result of these limitations, the interest sensitivity gap is only one factor to be considered in estimating the net interest margin.

Table 4 presents an interest sensitivity analysis of Dauphin's assets and liabilities at March 31, 1995 for several time intervals. This table reflects the interest sensitivity gap in two formats. The detailed presentation represents management's position on certain interest bearing deposits, such as savings accounts, as not being subject to immediate repricing. Management is of the opinion that historical interest rate movements indicate that these products do not reprice in direct relation to the change in the interest rate environment. Additionally, these products have provided Dauphin with a stable core deposit base. Therefore, the detailed presentation within Table 4 attempts to reflect these products in the appropriate interest sensitivity time interval based on their interest

sensitivity to the movement of other interest rates. Also included in Table 4 is a summary of the gap, as viewed by certain regulatory authorities, which presents these interest bearing deposits as being subject to immediate repricing.

An interest sensitivity analysis is measured as of a specified date and, therefore, is subject to almost immediate change as the maturities of assets are reinvested and liabilities, such as deposits and short-term borrowings, are received or mature. The mismatch of assets and liabilities in a specific time frame is referred to as a sensitivity gap. Generally, an asset sensitive gap will benefit Dauphin during periods of rising interest rates, while a liability sensitive gap will benefit Dauphin during declining rates. The gap reflects Dauphin's sensitivity to rate changes over a period of time. Dauphin continuously monitors and adjusts the gap position, taking into consideration current interest rate projections, and maintaining flexibility if rates move contrary to expectations.

PROVISION AND ALLOWANCE FOR LOAN LOSSES

The provision for loan losses charged to earnings was $1.9 million for the first quarter of 1995 and the first quarter of 1994. The provision is based on management's estimate of the amount needed to maintain an adequate allowance for loan losses. This estimate is based on the review of the loan portfolio, the level of net credit losses, past loan loss experience, the general economic outlook and other factors that management feels are appropriate. Table 5 reflects an analysis of the allowance for loan losses for the first quarter of 1995 and 1994.

NON-PERFORMING ASSETS

Table 6 reflects Dauphin's non-performing assets at March 31, 1995, December 31, 1994 and March 31, 1994. Dauphin's policy is to discontinue the accrual of interest on commercial loans on which principal or interest is past due 90 days or more and on commercial mortgages on which principal or interest is past due 120 days or more. Consumer loans, excluding residential mortgages, which are 150 days past due are charged off. Residential mortgages are placed on non-accrual status after becoming 180 days past due. When a loan is placed on non-accrual status, any unpaid interest is generally charged against income. Other real estate owned represents property acquired through foreclosure or considered to be in an in-substance foreclosure status.

On January 1, 1995, Dauphin adopted Statement of Financial Accounting Standards No. 114 (SFAS 114), "Accounting by Creditors for Impairment of a Loan" and Statement of Financial Accounting Standards No. 118 (SFAS 118), "Accounting by Creditors for

Impairment of a Loan - Income Recognition and Disclosures". SFAS 114 addresses the accounting by creditors for impairment of certain loans. SFAS 114 requires that impaired loans that are within the scope of the Statement be measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, at the loan's market price, or the fair value of the collateral if the loan is collateral dependent. SFAS 118 amends SFAS 114 to allow a creditor to use existing methods for recognizing interest income on an impaired loan and to require additional disclosure on interest income recognition related to impaired loans. On January 1, 1995 the balance of impaired loans was $17.4 million and the reserve on these loans was $3.9 million. On March 31, 1995 the balance of impaired loans was $10.7 million and the reserve on these loans was $3.0 million.

NON-INTEREST INCOME

Non-interest income increased $1.5 million or 10.9% for the first quarter of 1995 when compared with the first quarter of 1994. Exclusive of securities gains, the increase was $3.0 million or 24.9%. Service charges on deposit accounts decreased $.2 million or .6%. Other service charges and fees increased $.5 million as a result of credit card related activities. The results of operations of Hopper Soliday & Co., Inc. (Hopper Soliday) decreased non-interest income by $.2 million for 1995. The increase of $2.5 million in mortgage banking income is due to the acquisition of Eastern Mortgage, a full service mortgage banking operation, as of July 1, 1994. Prior year's income includes a limited mortgage banking operation within other subsidiaries. Other non-interest income increased $.2 million as a result of gains on the sale of consumer loans.

NON-INTEREST EXPENSE

Non-interest expense amounted to $37.5 million for the first quarter of 1994 and $32.0 for the first quarter of 1995. Excluding the results of operations of Hopper Soliday and Eastern Mortgage, non-interest expense increased $1.2 million for the first quarter of 1995 compared with 1994.

Salaries and employee benefits increased $2.8 million or 17.1%. The $2.8 million increase for 1995 was, for the most part, due to the addition of Eastern Mortgage. Excluding Hopper Soliday and Eastern Mortgage, salaries and employee benefits decreased $.4 million in 1995 compared with 1994 primarily due to cost savings from the operations consolidation of Farmers Bank and Trust Company of Hanover. The number of full-time equivalent employees was 2,249 at March 31, 1995 and 2,086 at March 31, 1994.

INCOME TAXES

Dauphin's effective tax rate for the first quarter of 1995 was 24.1% and 24.5% for the first quarter of 1994. For a reconciliation of reported income tax expense to the amount computed by applying the federal statutory rate to income before income taxes, refer to Note 3 of the Notes to Consolidated Financial Statements.

CAPITAL MANAGEMENT

During 1994, Dauphin announced that the Board of Directors authorized the repurchase of up to 2,000,000 shares of the outstanding stock. In February 1995 an additional 1,500,000 shares were authorized for repurchase. Available investments are being used to fund the share repurchases. Dauphin will use the shares for general corporate purposes, including the Employee Stock Purchase Plan, Stock Option Plan, the Dividend Reinvestment and Stock Purchase Plan and other appropriate uses. During the first quarter of 1995 and 1994, Dauphin repurchased 190,000 shares for $4.6 million and 130,000 shares for $3.2 million, respectively.

Common measures of adequate capitalization for banking institutions are ratios of capital to assets. These ratios indicate the proportion of permanently committed funds to the total asset base. Guidelines issued by federal regulatory authorities require both banks and bank holding companies to meet minimum risk-based capital ratios in an effort to make regulatory capital more responsive to the risk exposure related to a bank's on- and off-balance sheet items. Risk-based capital guidelines redefine the components of capital, categorize assets into different risk classes and include certain off-balance sheet items in the calculation of capital requirements. The components of risk-based capital are segregated as Tier 1 and Tier 2 capital. Tier 1 capital is composed of total stockholders' equity reduced by goodwill and other intangible assets. Tier 2 capital includes the allowance for loan losses (with certain limitations) and qualifying debt obligations. Regulators have also adopted minimum Tier 1 leverage ratio standards. Tier 1 capital for the leverage ratio is the same as the Tier 1 capital definition in the risk-based capital guidelines. At March 31, 1995, Dauphin and its banking subsidiary exceeded all capital requirements.

NEW ACCOUNTING STANDARDS

In March 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-

Lived Assets to Be Disposed Of" (SFAS 121). SFAS 121 provides guidance for recognition and measurement of impairment of long-lived assets, certain identifiable intangibles and goodwill related both to assets to be held and used and assets to be disposed of.

SFAS 121 requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, an entity should estimate the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized. Otherwise, an impairment loss is not recognized. Measurement of an impairment loss for long-lived assets and identifiable intangibles that an entity expects to hold and use should be based on the fair value of the asset.

SFAS 121 requires that long-lived assets and certain identifiable intangibles to be disposed of be reported at the lower of carrying amount or fair value less cost to sell.

Management presently does not know and cannot reasonably estimate the impact of SFAS 121 on its financial condition or results of operations.

SFAS 121 is effective for financial statements for fiscal years beginning after December 15, 1995. Earlier application is encouraged. Restatement of previously issued financial statements is not permitted.

TABLE 1 - Net Interest Income

<TABLE>
<CAPTION>

	(Dollars in thousands) Three Months Ended March 31,	
	1995	1994
<S>	<C>	<C>
Total interest income	$90,612	$78,495
Total interest expense	46,352	34,555
Net interest income	44,260	43,940
Tax equivalent adjustment	3,382	3,951
Net interest income (fully taxable equivalent)	$47,642	$47,891

</TABLE>

TABLE 2 - Rate-Volume Analysis of Changes in Net Interest Income

<TABLE>
<CAPTION>

	(Dollars in thousands) Three Months Ended March 31, 1995/1994		
	Change due to		Total
	Volume	Rate	Change
<S>	<C>	<C>	<C>
(Taxable equivalent)			
Interest income			
Short-term investments	$ 149	$ 46	$ 195
Investment securities	(7,973)	5,351	(2,622)
Assets held for sale	1,167	6	1,173
Loans	5,881	6,921	12,802
Total interest income	(776)	12,324	11,548
Interest expense			
Interest bearing deposits	593	4,234	4,827
Short-term borrowings	1,568	5,406	6,974
Long-term borrowings	(7)	3	(4)
Total interest expense	2,154	9,643	11,797
Net interest income	$(2,930)	$ 2,681	$ (249)

</TABLE>

Note: The changes not due solely to change in volume or solely to change in rate
are allocated proportionally to both change in volume and rate.

TABLE 3 - Average Balances, Rates and Interest Income and Expense Summary
(Taxable Equivalent Basis)

(Dollars in thousands)

	First Quarter 1995			First Quarter 1994		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
ASSETS						
Short-term investments						
Interest bearing deposits	$ 5,152	$108	8.50%	$ 5,906	$92	6.32%
Federal funds sold and securities purchased under agreements to resell	11,951	187	6.35	1,061	8	3.06
Total short-term investments	17,103	295	7.00	6,967	100	5.82
Investment securities						
U.S. government obligations	233,537	3,278	5.69	261,494	3,707	5.75
U.S. government agencies	1,091,738	18,506	6.78	1,310,435	19,038	5.81
State and municipals	357,188	8,646	9.68	433,715	10,084	9.30
Other securities	91,502	1,566	6.85	108,317	1,789	6.61
Total investment securities	1,773,965	31,996	7.22	2,113,961	34,618	6.56
Assets held for sale	74,702	1,359	7.31	11,673	186	6.38
Loans (1)						
Commercial	926,531	20,248	8.86	897,513	14,911	6.74
Commercial mortgages	522,981	11,878	9.21	518,874	10,154	7.94
Residential mortgages (2)	821,212	16,447	8.06	674,733	13,206	7.88
Consumer (3)	590,725	11,771	8.08	456,747	9,271	8.23
Total loans	2,861,449	60,344	8.54	2,547,867	47,542	7.55
Total earning assets	4,727,219	93,994	8.02	4,680,468	82,446	7.10
Other assets	308,606			275,694		
Total assets	$5,035,825		7.53%	$4,956,162		6.70%
LIABILITIES AND STOCKHOLDERS' EQUITY						
Interest bearing deposits						
Demand deposits and savings deposits	$1,482,892	8,817	2.41%	$1,663,222	9,211	2.25%
Time deposits of $100,000 or more	307,633	4,991	6.58	268,592	3,001	4.53
Other time deposits	1,289,998	18,076	5.68	1,170,115	14,845	5.15
Total interest bearing deposits	3,080,523	31,884	4.20	3,101,929	27,057	3.54
Short-term borrowings	925,199	12,809	5.61	753,403	5,835	3.14
Long-term borrowings	91,902	1,659	7.27	92,190	1,663	7.26
Total interest bearing liabilities	4,097,624	46,352	4.59	3,947,522	34,555	3.55
Non-interest bearing demand deposits	413,920			404,640		
Other liabilities	45,574			60,310		
Stockholders' equity	478,707			543,690		
Total liabilities and stockholders' equity	$5,035,825		3.73%	$4,956,162		2.83%
Interest rate spread			3.43%			3.55%
Effect of non-interest bearing funds			0.61			0.56
Net interest income/margin		$47,642	4.04%		$47,891	4.11%

(1) Includes fees on loans. Average loan balances include non-accruing loans.
(2) Includes home equity loans.
(3) Loans outstanding net of unearned income.

TABLE 4 - Interest Sensitivity Analysis

	Month	Quarter	Six Months	Annual	5 Years
	(Dollars in thousands) March 31, 1995 — Interest Sensitivity Period				
Earning assets:					
Short-term investments	$11,088	$11,088	$11,088	$11,088	$11,088
Investment securities	475,385	568,827	716,948	946,841	1,600,435
Assets held for sale	67,161	67,161	67,161	67,161	67,161
Loans	1,124,974	1,212,530	1,344,696	1,630,904	2,529,862
Total	$1,678,608	$1,859,606	$2,139,893	$2,655,994	$4,208,546
Interest bearing liabilities:					
Deposits	$1,139,941	$1,330,261	$1,501,413	$1,888,585	$2,415,204
Short-term borrowings	845,350	845,350	845,350	845,350	845,350
Long-term borrowings	31,007	51,021	51,042	51,084	90,363
Total	$2,016,298	$2,226,632	$2,397,805	$2,785,019	$3,350,917
Interest sensitivity gap	($337,690)	($367,026)	($257,912)	($129,025)	$857,629
Interest sensitive assets to interest sensitive liabilities ratio	0.83	0.84	0.89	0.95	1.26
Regulatory presentation:					
Interest sensitivity gap	($795,133)	($824,469)	($715,355)	($586,468)	$400,186
Interest sensitive assets to interest sensitive liabilities ratio	0.68	0.69	0.75	0.82	1.11

TABLE 5 - Analysis of Allowance for Loan Losses

	1995	1994
	(Dollars in thousands) Three Months Ended March 31,	
Balance, beginning of period	$40,216	$39,182
Provision charged to operating expenses	1,870	1,884
Allowance of subsidiary sold		(101)
Total loans charged off	2,193	2,442
Total recoveries	1,043	523
Net charge-offs	1,150	1,919
Balance, end of period	$40,936	$39,046
Total loans:		
Average	$2,861,449	$2,547,867
Period-end	2,846,003	2,556,766
Ratios:		
Net charge-offs to average loans (annualized)	0.16%	0.31%
Allowance for loan losses to period-end loans	1.44	1.53

TABLE 6 - Non-Performing Assets

	March 31, 1995	December 31, 1994	March 31, 1994
	(Dollars in thousands)		
Non-accrual loans	$8,562	$9,569	$14,372
Restructured loans	5,732	5,599	7,252
Total non-performing loans	14,294	15,168	21,624
Other real estate owned	3,131	3,056	2,576

Total non-performing assets	$17,425	$18,224	$24,200
Ratios:			
Non-performing loans to total loans	0.50%	0.53%	0.85%
Non-performing assets to total loans and other real estate owned	0.61	0.64	0.95
Allowance for loan losses to non-performing loans	286.39	265.14	180.57
Loans past due 90 or more days as to interest or principal	$5,183	$5,149	$4,860

</TABLE>

PART II - OTHER INFORMATION

For the Quarter Ended March 31, 1995

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

11 Statement regarding Computation of Per Share Earnings.

15(a) Report of KPMG Peat Marwick LLP regarding unaudited interim financial information of Dauphin for the quarter ended March 31, 1995.

15(b) Letter of KPMG Peat Marwick LLP regarding unaudited interim financial information of Dauphin for the quarter ended March 31, 1995.

27 Financial Data Schedule regarding unaudited interim financial information of Dauphin for the quarter ended March 31, 1995.

(b) Reports on Form 8-K

A current report on Form 8-K dated February 21, 1995 was filed with the Securities and Exchange Commission on or about March 7, 1995. The report was filed under Item 5 - "Other Events" and disclosed that the Board of Directors of Dauphin has authorized the repurchase of up to 1,500,000 shares of Dauphin's outstanding common stock.

There were no other reports on Form 8-K filed for the three months ended March 31, 1995.

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.

Dauphin Deposit Corporation
(Registrant)

Date: May 8, 1995

/s/Christopher R. Jennings
Christopher R. Jennings
Chairman of the Board and
Chief Executive Officer

Date: May 8, 1995

/s/Dennis L. Dinger
Dennis L. Dinger, Senior
Executive Vice President
and Chief Fiscal and
Administrative Officer

EXHIBIT INDEX

Exhibit Number		Sequential Page Number
11	Statement regarding Computation of Per Share Earnings.	
15(a)	Report of KPMG Peat Marwick LLP regarding unaudited interim financial information of Dauphin for the quarter ended March 31, 1995.	
15(b)	Letter of KPMG Peat Marwick LLP regarding unaudited interim financial information of Dauphin for the quarter ended March 31, 1995.	
27	Financial Data Schedule regarding unaudited interim financial information of Dauphin for the quarter ended March 31, 1995.	

Statement regarding computation of per share earnings

<TABLE>
<CAPTION>

	Three Months Ended March 31, 1995	Three Months Ended March 31, 1994
PRIMARY EARNINGS PER COMMON SHARE		
Earnings		
Net income	$15,219,000	$17,901,000
Shares		
Weighted average common shares outstanding	30,917,906	32,475,333
Stock options considered to be common stock equivalents	141,719	169,530
Weighted average common stock and common stock equivalents outstanding	31,059,625	32,644,863
Primary earnings per common share	$0.49	$0.55
FULLY DILUTED EARNINGS PER COMMON SHARE		
Earnings		
Net income	$15,219,000	$17,901,000
After tax interest expense applicable to convertible debenture	75,436	76,708
	$15,294,436	$17,977,708
Shares		
Weighted average common shares outstanding	30,917,906	32,475,333
Assumed conversion of 9.00% convertible debentures issued June 30, 1989	322,101	335,720
Stock options considered to be common stock equivalents	142,446	169,510
Weighted average common stock and common stock equivalents outstanding	31,382,453	32,980,563
Fully diluted earnings per common share	$0.49	$0.55

</TABLE>

Exhibit 11

Independent Accountants' Report

The Board of Directors
Dauphin Deposit Corporation:

We have reviewed the consolidated balance sheets of Dauphin Deposit Corporation and subsidiaries as of March 31, 1995 and 1994, and the related consolidated statements of income and cash flows for the three-month periods ended March 31, 1995 and 1994. These financial statements are the responsibility of Dauphin's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Dauphin Deposit Corporation and subsidiaries as of December 31, 1994, and the related consolidated statements of income, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated January 27, 1995, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 1994 is fairly presented, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

KPMG Peat Marwick LLP

April 14, 1995

Exhibit 15(a)

The Board of Directors
Dauphin Deposit Corporation

Re: Registration Statements No. 33-53793
33-17401
33-50172
33-61848
2-73258

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated April 14, 1995 related to our review of interim financial information.

Pursuant to Rule 436(c) under the Securities Act of 1933, such report is not considered a part of a registration statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of sections 7 and 11 of the Act.

KPMG Peat Marwick LLP

Harrisburg, Pennsylvania
May 10, 1995

Exhibit 15(b)

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