FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1994-03-02** | Period of Report: **1993-12-31**
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FILER

DAUPHIN DEPOSIT CORP

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SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1993 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

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
NONE	NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

Common Stock, par value $5 per share

(Title of Class)

Common Stock Repurchase Rights

(Title of Class)

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

State the aggregate market value of the voting stock held by nonaffiliates of the registrant: $752,208,358 at February 3, 1994

List Documents incorporated by reference herein:

Proxy Statement to be dated as of March 18, 1994-Part III, Items 10, 11, 12 and 13

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

Class Common Stock, $5 Par Value	Outstanding at February 3, 1994
	32,532,913

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [_]

DAUPHIN DEPOSIT CORPORATION

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DAUPHIN DEPOSIT CORPORATION

PART I

ITEM 1. BUSINESS

Dauphin Deposit Corporation (the "Corporation") is a bank holding company incorporated under the laws of the Commonwealth of Pennsylvania in 1974. The Corporation's principal banking subsidiaries are Dauphin Deposit Bank and Trust Company ("Dauphin Bank") and Farmers Bank and Trust Company of Hanover ("Farmers Bank") (hereinafter sometimes collectively referred to as the "Banks"), through which the Corporation provides banking services. The Banks are engaged in the commercial and retail banking and trust business including the taking of time and regular savings and demand deposits, the making of commercial and consumer loans and mortgage loans, the providing of credit cards, safe deposit services and the performance of personal, corporate and pension trust services. Auxiliary services such as cash management are provided to commercial customers. The Banks are Pennsylvania chartered bank and trust companies and are not members of the Federal Reserve System. The Banks' deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") to the extent provided by law.

Effective February 1, 1994, the Corporation sold 100% of the issued and outstanding stock of Farmers Bank, a Federal Savings Bank ("Farmers Savings") for a cash purchase price of $796,872. Farmers Savings operates one office in Baltimore City and one office in Baltimore County, Maryland. Both Farmers Bank and Farmers Savings became wholly-owned subsidiaries of the Corporation on July 1, 1992 as a result of the merger of FB&T Corporation with and into the Corporation. Farmers Savings had total assets of $12.7 million at December 31, 1993. The sale of Farmers Savings will not have a material impact on the financial condition or results of operations for the Corporation in 1994.

The Corporation is registered with and is subject to regulatory supervision by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") under the Bank Holding Company Act of 1956, as amended. Following the sale of Farmers Savings, the Corporation is no longer subject to regulatory supervision by the Office of Thrift Supervision (the "OTS"). The Corporation is restricted to activities which are found by the Federal Reserve Board to be bank-related and which are expected to produce benefits for the public that will outweigh any potentially adverse effects. The operations of the Banks, as well as those of other banks, are significantly affected by the monetary and credit policies and regulations of the federal regulatory agencies.

DAUPHIN BANK
- ------------

Dauphin Bank, which includes the Bank of Pennsylvania Division, operates primarily in central and eastern Pennsylvania. Dauphin Bank presently operates 83 banking offices with 60 automated teller machines serving Dauphin, Berks, Chester, Cumberland, Lancaster, Lebanon, Lehigh, Montgomery, Northampton and York Counties. In addition to its main office in Harrisburg, Dauphin County, Dauphin Bank owns an office building in Harrisburg which is used as an administrative center and includes one of the banking offices.

At December 31, 1993, Dauphin Bank had total deposits of $2,792,775,000 and total loans of $1,986,790,000.

FARMERS BANK
- ------------

Farmers Bank operates primarily in the south central Pennsylvania counties of York, Adams, Franklin and Cumberland. Farmers Bank presently operates 15 banking offices with eight automated teller machines and one loan production office.

At December 31, 1993, Farmers Bank had total deposits of $498,578,000 and total loans of $376,464,000.

NON-BANKING SUBSIDIARIES
- ------------------------

Dauphin Life Insurance Company (the "Insurance Company") is an Arizona corporation which was formed in 1979 as a wholly-owned subsidiary of the Corporation. The Insurance Company reinsures credit life, health and accident insurance directly related to extensions of credit by Dauphin Bank and Farmers Bank and is presently limited to those activities by regulations of the Federal Reserve Board. Directors of the Insurance Company are officers or directors of the Corporation. Effective January 1, 1993, Center Square Life Insurance Company, a credit life insurance company acquired through the merger of FB&T Corporation on July 1, 1992, was merged into the Insurance Company.

Dauphin Investment Company (the "Investment Company") is a Delaware corporation which was formed in 1982 as a wholly-owned subsidiary of the Corporation. The Investment Company manages equity investments for the Corporation. Directors of the Investment Company are officers or directors of the Corporation.

Financial Realty, Inc. is a wholly-owned subsidiary of the Corporation. It is incorporated under the laws of the State of Delaware, and commenced operations in 1982. Financial Realty, Inc. holds title to certain bank buildings which are leased to Dauphin Bank.

Hopper Soliday & Co., Inc. ("HSC") is a wholly-owned subsidiary of the Corporation acquired effective July 1, 1991. HSC is a Delaware corporation which engages in municipal finance, institutional sales, financial advisory and other general securities businesses permitted for bank holding companies and their non-bank subsidiaries.

Farmers Mortgage Company ("Farmers Mortgage") is a wholly-owned subsidiary of the Corporation acquired through the merger of FB&T Corporation on July 1, 1992. Farmers Mortgage was organized in 1983 as a Pennsylvania corporation. Farmers Mortgage makes and acquires loans and other extensions of credit secured by real estate mortgages and deeds of trust.

FARMCO Realty, Inc. ("FARMCO") is a Pennsylvania corporation organized in 1967 as a subsidiary of Farmers Bank. Effective September 30, 1985, FARMCO became a wholly-owned subsidiary of FB&T Corporation and, as a consequence of the merger of FB&T Corporation with and into the Corporation on July 1, 1992, is now a wholly-owned subsidiary of the Corporation. FARMCO is a real estate holding company which holds property leased to Farmers Bank for its branch office locations.

Financial Land Corporation is a Pennsylvania corporation wholly-owned by Dauphin bank which was formed to hold assets acquired in loan liquidations.

Financial Mineral Corporation is a Pennsylvania corporation wholly-owned by Dauphin Bank which was formed to hold assets acquired in loan liquidations.

Reliance Consumer Discount Company (the "Discount Company") is a wholly-owned subsidiary of the Corporation acquired through the merger of FB&T Corporation on July 1, 1992. The Discount Company was organized in 1982 as a Pennsylvania corporation. The assets of the Discount Company were sold by the Corporation in October, 1992 and the Discount Company is no longer an operating subsidiary.

COMPETITION

The banking industry in the Banks' service areas continues to be extremely competitive, both among commercial banks and with other financial service providers such as consumer finance companies, thrifts, investment firms, mutual funds and credit unions. The increased competition has resulted from a changing legal and regulatory climate, as well as from the economic climate.

SUPERVISION AND REGULATION

The Corporation is subject to regulation by the Pennsylvania Department of Banking, the Federal Reserve Board and the Securities and Exchange Commission. Prior to the sale of Farmers Savings on February 1, 1994, the Corporation also was subject to regulation by the OTS. The deposits of the Banks are insured by the FDIC and the Banks are members of the Bank Insurance Fund which is administered by the FDIC. The Banks are subject to regulation and supervision by the Pennsylvania Department of Banking and the FDIC.

The Corporation is required to file with the Federal Reserve Board an annual report and such additional information as the Federal Reserve Board may require pursuant to the Bank Holding Company Act of 1956, as amended (the "BHC Act"). The Federal Reserve Board may also make examinations of the Corporation and each of its non-bank subsidiaries. The BHC Act requires each bank holding company to obtain the approval of the Federal Reserve Board before it may acquire substantially all the assets of any bank, or before it may acquire ownership or control of any voting shares of any bank if, after such acquisition, it would own or control, directly or indirectly, more than five percent of the voting shares of such bank.

Pursuant to provisions of the BHC Act and regulations promulgated by the Federal Reserve Board thereunder, the Corporation may only engage in or own companies that engage in activities deemed by the Federal Reserve Board to be so closely related to the business of banking or managing or controlling banks as to be a proper incident thereto, and the Corporation must gain permission from the Federal Reserve Board prior to engaging in most new business activities.

Subsidiary banks of a bank holding company are subject to certain restrictions imposed by the BHC Act on any extensions of credit to the bank holding company or any of its subsidiaries, investments in the stock or securities thereof, and on the taking of such stock or securities as collateral for loans to any borrower. A bank holding company and its subsidiaries are also prevented from engaging in certain tie-in arrangements in connection with any extension of credit, lease or sale of property or furnishing of services.

Since March 4, 1990, the Pennsylvania Banking Code of 1965, as amended (the "Banking Code"), has authorized reciprocal interstate banking without any geographic limitation. Reciprocity between states exists when a foreign state's law authorizes Pennsylvania bank holding companies to acquire banks or bank holding companies located in that state on terms and conditions substantially no more restrictive than those applicable to such an acquisition by a bank holding company located in that state. Currently, the state banking statutes in Alaska, Delaware, Idaho, Indiana, Kentucky, Louisiana, Maine, Maryland, Michigan, Nevada, New Hampshire, New Jersey, New Mexico, New York, Ohio, Oklahoma, Oregon, Rhode Island, South Dakota, Texas, Utah, Vermont, Washington, West Virginia and Wyoming authorize interstate ownership of banks and bank holding companies in each of those states and Pennsylvania. Other states also are considering legislation to authorize reciprocal interstate banking. Congress may pass interstate banking legislation that would accelerate the authorization for interstate banking. The Pennsylvania Banking Department is responsible for determining whether the laws of other states satisfy the reciprocity requirements on a case-by-case basis and also shall determine whether the interstate banking statutes in the above states continue to be reciprocal following any amendments to such statutes.

In addition, pursuant to provisions of the Banking Code, since March 4, 1990, the number of Pennsylvania banks owned or controlled by a bank holding company is not limited.

During 1989, Congress passed new legislation (the Financial Institutions Reform, Recovery and Enforcement Act of 1989) to provide a workable solution to the financial problems of the financial services industry. The direct effect of this legislation on the banking industry was to substantially increase the assessments banks pay to the FDIC for the insurance of bank deposits. The effect of this legislation on the Corporation was to increase the FDIC insurance assessment by approximately 84% or $3.1 million for 1991 over 1990. In 1992, the FDIC insurance assessment increase over 1991 was approximately $.8 million. During 1993, a risk-based assessment was

established which requires banks to pay an assessment rate based on the combination of its capital and supervisory condition.

On December 19, 1991, the President signed into law the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"). The primary purpose of FDICIA was to authorize approximately $70 billion in Federal Government loans to the FDIC's Bank Insurance Fund, which is used to satisfy the deposit insurance claims of customers of failed banks and thrifts. FDICIA also created a strict uniform system of capital-based regulation, which became effective on

December 19, 1992. FDICIA established five different levels of capitalization of financial institutions, with "prompt corrective actions" and significant operational restrictions imposed on institutions that are capital deficient under the categories. The five categories are: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized.

To be considered well capitalized, an institution must have a total risk-based capital ratio of at least 10%, a Tier 1 risk-based capital ratio of at least 6%, a leverage capital ratio of 5%, and must not be subject to any order or directive requiring the institution to improve its capital level. An institution falls within the adequately capitalized category if it has a total risk-based capital ratio of at least 8%, a Tier 1 risk-based capital ratio of at least 4% and a leverage capital ratio of at least 4%. Institutions with lower capital levels are deemed to be undercapitalized, significantly undercapitalized or critically undercapitalized, depending on their actual capital levels. In addition, the appropriate federal regulatory agency may downgrade an institution to the next lower capital category upon a determination that the institution is in an unsafe or unsound condition or is engaged in an unsafe or unsound practice. Institutions are required under FDICIA to monitor closely their capital levels and to notify their appropriate regulatory agency of any basis for a change in capital category. On December 31, 1993, the Corporation and its banking subsidiaries all exceeded the minimum capital levels of the well capitalized category.

Regulatory oversight of an institution becomes more stringent with each lower capital category, with certain "prompt corrective actions" imposed depending on the level of capital deficiency.

FDICIA also includes a provision (Section 303) that generally restricts federally insured state banks, such as the Banks, to activities permitted to national banks. On December 8, 1993, the FDIC published its final rule implementing Section 303. Under the rule, state chartered banks must obtain the FDIC's prior consent before engaging as a principal in any activity not permissible for a national bank, unless one of the exceptions contained in the rule applies. Among the exceptions are activities that the Federal Reserve Board, by regulation (Regulation Y) or order, has found to be closely related to banking for purposes of the BHC Act. Compliance with the rule is not expected to have a material adverse effect on the Banks' operations.

On December 21, 1993, the Federal Reserve Board, FDIC, OTS and Office of the Comptroller of the Currency published a Joint Notice of Proposed Rule Making relating to proposed Community Reinvestment Act regulations. The proposed regulations would substitute a performance based evaluation system in lieu of the 12 Assessment Factors set forth in the current regulations. If adopted, compliance with the proposed regulations may require changes in certain operating procedures and additional costs, both of which cannot currently be determined.

EMPLOYEES

At December 31, 1993, the Corporation and its subsidiaries employed approximately 1,950 persons.

MERGERS AND ACQUISITIONS

On January 1, 1994 (the "Effective Date"), Valley Bancorp., Inc., a Pennsylvania corporation and bank holding company ("Valley"), was merged with and into the Corporation (the "Merger"). The Merger was approved by the shareholders of Valley at a special shareholders meeting held on October 21, 1993.

Pursuant to the Agreement and Plan of Merger dated June 16, 1993 (the "Plan of Merger"), by and between Valley and the Corporation, each issued and outstanding share of Valley Common Stock was converted into 2.1401 shares of Dauphin common stock, par value $5.00 per share ("Dauphin Common Stock"), and cash in lieu of fractional shares of Dauphin Common stock.

As of the Effective Date, there were 1,236,480 shares of Valley Common Stock issued and outstanding, including 21,000 shares owned by the Corporation. As a result of the Merger, outstanding Valley shares (other than those owned by the Corporation, which were canceled) were converted into approximately 2,600,643 shares of Dauphin Common Stock, plus cash in the approximate aggregate amount of $15,767 in lieu of fractional share interests. On December 31, 1993, the last trading day before the Merger, the closing sale price of Dauphin Common Stock in the NASDAQ National Market System was $25.25. Thus, the total consideration paid by the Corporation to the holders of Valley Common Stock in dollar equivalent terms was approximately $65.7 million as of the Effective Date.

Simultaneously with the Merger of Valley into the Corporation, Valley Bank and Trust Company ("Valleybank"), a subsidiary of Valley and a Pennsylvania chartered bank, was merged (the "Bank Merger") with and into Dauphin Bank, with Dauphin Bank being the surviving corporation. Valleybank, which operates 13 branch banking offices in south central Pennsylvania (primarily Franklin County, Pennsylvania), will be operated after the Effective Date as the Valleybank Division of Dauphin Deposit Bank.

Valley had total assets of $324 million at December 31, 1993. The Merger was accounted for as a pooling-of-interests.

ITEM 2. PROPERTIES

The Corporation's principal office is located in Dauphin Bank's main banking offices at 213 Market Street, Harrisburg, Pennsylvania. The Corporation owns no real estate.

The Banks, Financial Realty, Inc. and FARMCO Realty, Inc. own 67 of the branch offices and lease 35 other offices including two leases which are treated as capitalized leases for financial reporting purposes. Hopper Soliday & Co., Inc. leases three of its sales offices. Leases expire intermittently through 2010 and most contain options to renew.

Aggregate annual rentals for real estate and equipment paid during the Corporation's last fiscal year did not exceed five percent of its operating expenses.

ITEM 3. LEGAL PROCEEDINGS

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.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

The names, ages and positions of all of the executive officers of the Corporation as of February 3, 1994 are listed below along with their business experience during the past five years. Executive officers are appointed by the Board of Directors. There are no family relationships among these executive officers, nor any arrangement or understanding between any executive officer and any other person pursuant to which the executive officer was selected.

<TABLE>

<CAPTION>

NAME	AGE	POSITION AND BUSINESS EXPERIENCE DURING PAST 5 YEARS
<C>	<C>	<S>
William J. King..........	64	Chairman of the Board (July 1987 to date), Chief Executive Officer (April 1986 to date), Chairman of the Executive Committee (April 1982 to date) of the Corporation and Dauphin Bank, President (April 1990 to May 1992) of Dauphin Bank.
Christopher R. Jennings...	50	President (July 1987 to date), Chief Operating Officer (May 1992 to date) of the Corporation, formerly Partner, Coopers & Lybrand, Philadelphia, Pennsylvania (national accounting firm).
Lawrence J. LaMaina, Jr. .	59	Vice Chairman (July 1992 to date) of the Corporation, Chairman, President and Chief Executive Officer of Farmers Bank.
Paul B. Shannon..........	46	President (May 1992 to date) and Chief Credit Officer (April 1990 to date) of Dauphin Bank, Senior Executive Vice President and Chief Credit Officer (April 1990 to date) of the Corporation.
Harry L. Nicholson........	63	Executive Vice President and Chief Investment Officer (April 1986 to date) of the Corporation, President and Chief Operating Officer (March 1988 to April 1991) of the Bank of Pennsylvania Division.
Dennis L. Dinger..........	43	Executive Vice President and Chief Financial Officer (January 1989 to date), Senior Vice President and Chief Financial Officer (April 1986 to January 1989) of the Corporation and Dauphin Bank.
Richard B. Brokenshire....	52	Executive Vice President and Chief Operations Officer (April 1989 to date) of the Corporation and Dauphin Bank, Executive Vice President-Chief Information Systems Officer (October 1987 to April 1989) of Dauphin Bank.
Joseph T. Lysczek, Jr. ...	45	Senior Vice President and Treasurer (January 1992 to date) of the Corporation, Vice President and Treasurer (December 1991 to date) of Dauphin Bank, Vice President (May 1991 to December 1991) of Dauphin Bank, Vice President and Investment Officer (January 1988 to April 1991) of the Bank of Pennsylvania Division.
Claire D. Flemming........	59	Senior Vice President and Secretary (April 1989 to date) of the Corporation, Secretary (April 1986 to April 1989) of the Corporation, Senior Vice President and Secretary (April 1988 to date) of Dauphin Bank.
James J. Trupp, Jr.	47	Senior Vice President and General Auditor (April 1992 to date) of the Corporation, Vice President-Audit Manager (May 1991 to April 1992) of the Corporation, Vice President and Treasurer (April 1988 to May 1991) of the Bank of Pennsylvania Division, Vice President-Finance (December 1987 to April 1988) of the Bank of Pennsylvania Division.

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DAUPHIN DEPOSIT CORPORATION
PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

PRICE RANGE OF DAUPHIN COMMON STOCK AND DIVIDENDS PAID

The price information provided below reflects actual high, low and closing sales prices as quoted on the NASDAQ National Market System.

	HIGH	LOW	CLOSING	CASH DIVIDENDS DECLARED PER SHARE
1992				
First Quarter	$21	$17 5/8	$19	$.19
Second Quarter	24	18 1/2	22	.19
Third Quarter	24 1/2	20 3/4	21 1/2	.19
Fourth Quarter	25 3/4	20 7/8	23 1/2	.20
1993				
First Quarter	$28	$22 1/2	$26 3/4	$.20
Second Quarter	27 1/4	22 1/2	24 1/2	.20
Third Quarter	25 3/4	22 3/4	24 1/4	.20
Fourth Quarter	27	22 1/2	25 1/4	.23

ITEM 6. SELECTED FINANCIAL DATA

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

	1993	1992	1991	1990	1989
FOR THE YEAR					
Net interest income	$ 162,036	$ 153,427	$ 140,618	$ 130,943	$ 127,052
Provision for loan losses	9,365	10,944	10,463	9,341	8,407
Non-interest income	58,251	53,986	44,015	39,309	36,293
Non-interest expense	125,972	122,092	107,703	94,528	87,750
Net income	64,492	57,223	53,137	52,355	50,105
Per share:					
Net income	2.15	1.93	1.84	1.78	1.68
Cash dividends declared	.83	.77	.74 1/2	.71 3/4	.68 3/4
Weighted average number of shares outstanding	30,035,507	29,639,940	28,830,038	29,355,908	29,819,238
AT YEAR-END					
Total assets	$4,596,410	$4,572,586	$4,260,692	$4,068,679	$3,778,513
Earning assets	4,344,424	4,257,116	3,967,208	3,752,121	3,480,367
Short-term investments	8,494	91,950	23,406	92,809	202,196
Investment securities	1,959,897	1,961,328	1,738,154	1,539,170	1,268,035
Loans	2,366,830	2,195,335	2,199,781	2,115,486	2,007,414
Deposits	3,300,825	3,401,110	3,331,231	3,209,703	3,045,153
Long-term debt	92,454	92,863	44,183	49,019	56,182
Stockholders' equity	472,604	430,531	380,550	344,343	331,236
Book value per share	15.80	14.47	13.20	11.99	11.11
Number of shares outstanding	29,906,771	29,755,916	28,829,662	28,708,986	29,824,642
RATIOS					
Return on average assets	1.43%	1.31%	1.29%	1.35%	1.36%

Return on average stockholders' equity...	14.33	14.07	14.75	15.58	16.06
Dividend payout.........	38.60	39.90	40.49	40.31	40.92

</TABLE>

DAUPHIN DEPOSIT CORPORATION

ITEM 7. 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 Division, and Farmers Bank and Trust Company of Hanover (the Banks). This discussion and analysis should be read in conjunction with the financial statements which appear elsewhere in this report.

In 1993 the provisions of Statement of Financial Accounting Standards No. 112 (SFAS 112), "Employers' Accounting for Postemployment Benefits" were adopted. Effective January 1, 1992, Dauphin adopted the provisions of Statement of Financial Accounting Standards No. 106 (SFAS 106), "Employers' Accounting for Postretirement Benefits Other Than Pensions". Also during 1992, Dauphin adopted the provisions of Statement of Financial Accounting Standards No. 109 (SFAS 109), "Accounting for Income Taxes".

Effective July 1, 1991, Hopper Soliday & Co., Inc. (Hopper Soliday), a securities broker/dealer, was acquired for $3.3 million in cash pursuant to a stock purchase agreement signed in November 1990. The acquisition was accounted for using the purchase method of accounting. Therefore, the results of operations of Hopper Soliday since the date of acquisition are included with the results of Dauphin.

RESULTS OF OPERATIONS

SUMMARY

Dauphin Deposit Corporation recorded net income of $64.5 million for 1993, compared with $57.2 million recorded in 1992. On a per common share basis, net income rose to $2.15 from $1.93 in 1992 and $1.84 in 1991. The 1993 results of operations represent the 22nd consecutive year that Dauphin has reported increased earnings per share.

Return on average total assets was 1.43% for 1993, compared with 1.31% for 1992 and 1.29% for 1991. Return on average equity for 1993 was 14.33%, compared with 14.07% for 1992 and 14.75% for 1991.

During 1993 average earning assets increased 3.9% to $4.2 billion and the net interest margin increased from 4.11% to 4.16%. This growth in earning assets and the improved net interest margin produced an increase of $8.9 million or 5.3% in fully taxable equivalent net interest income.

Dauphin continues to maintain a high quality loan portfolio. The percentage of non-performing assets, comprised of non-accrual loans, restructured loans and other real estate owned represented 1.10% of year-end loans and other real estate owned, down from 1.26% at December 31, 1992. The allowance for loan losses was maintained at 1.53% of year-end loans. The allowance exceeds non-performing loans by 56% and includes $17.7 million which is not allocated to any specific loan category. Because of this strong asset quality, the provision for loan losses was decreased by $1.6 million in 1993.

Non-interest income, other than securities gains, increased $5.0 million, or 10.0%. Included in other non-interest income is a $3.6 million non-recurring tax refund from a settlement with the Commonwealth of Pennsylvania. Increased income was also the result of growth in fiduciary activities, service charges on deposit accounts, credit card related activities, mortgage sales and servicing and letter of credit fees. Offsetting these increases somewhat was a decline in commission and fee income generated by Hopper Soliday.

Non-interest expense items increased $3.9 million, or 3.2%. Effective January 1, 1993, Dauphin adopted SFAS 112. The incremental effect of SFAS 112 was to increase non-interest expense by $.5 million. Also contributing to this increase were normal salary adjustments and controlled additions to staffing levels, a $1.0 million increase in professional fees and increases in other miscellaneous expenses. 1992 included $2.4 million in merger related expenses in connection with the acquisition of Farmers Bank and Trust Company of Hanover.

DAUPHIN DEPOSIT CORPORATION

TABLE 1--AVERAGE BALANCES, RATES AND INTEREST INCOME AND EXPENSE SUMMARY (TAXABLE EQUIVALENT BASIS)

(DOLLARS IN THOUSANDS)

	1993			1992			1991		
	AVERAGE BALANCE	INTEREST	AVERAGE RATE	AVERAGE BALANCE	INTEREST	AVERAGE RATE	AVERAGE BALANCE	INTEREST	AVERAGE RATE
ASSETS									
Short-term investments									
Interest bearing deposits	$ 5,510	$ 217	3.94%	$ 3,703	$ 160	4.32%	$ 7,171	$ 421	5.87%
Federal funds sold and securities purchased under agreements to resell	4,995	199	3.98	14,047	578	4.11	54,727	4,366	7.98
Total short-term investments	10,505	416	3.96	17,750	738	4.16	61,898	4,787	7.73
Investment securities									
U.S. government and agency obligations	1,462,921	91,092	6.23	1,340,759	95,083	7.09	1,044,331	86,109	8.25
State and municipals	356,065	36,856	10.35	352,340	36,235	10.28	369,815	38,305	10.36
Other securities	131,943	9,369	7.10	173,325	13,735	7.92	216,016	18,608	8.61
Total investment securities	1,950,929	137,317	7.04	1,866,424	145,053	7.77	1,630,162	143,022	8.77
Assets held for sale	36,071	1,845	5.11	12,129	920	7.59	6,015	520	8.65
Loans (1)									
Commercial	1,301,360	94,814	7.29	1,278,259	100,751	7.88	1,252,620	121,841	9.73
Residential mortgages (2)	553,838	46,073	8.32	533,467	48,756	9.14	518,666	53,535	10.32
Consumer (3)	390,062	35,503	9.10	377,050	39,421	10.46	367,887	41,573	11.30
Total loans	2,245,260	176,390	7.86	2,188,776	188,928	8.63	2,139,173	216,949	10.14
Total earning assets	4,242,765	315,968	7.45	4,085,079	335,639	8.22	3,837,248	365,278	9.52
Other assets	267,158			266,616			271,865		
Total assets	$4,509,923		7.01%	$4,351,695		7.71%	$4,109,113		8.89%
LIABILITIES AND STOCKHOLDERS' EQUITY									
Interest bearing deposits									
Demand deposits	$ 502,929	12,336	2.45%	$ 449,156	14,383	3.20%	$ 399,493	16,867	4.22%
Savings deposits	985,819	26,125	2.65	922,805	32,856	3.56	822,293	40,618	4.94

Time deposits of $100,000 or more......	292,560	13,814	4.72	329,999	17,155	5.20	349,658	23,726	6.79
Other time deposits....	1,131,953	61,051	5.39	1,295,523	80,688	6.23	1,379,307	103,378	7.49
Total interest bearing deposits..............	2,913,261	113,326	3.89	2,997,483	145,082	4.84	2,950,751	184,589	6.26
Short-term borrowings...	644,375	19,388	3.01	481,343	17,000	3.53	373,091	20,967	5.62
Long-term borrowings....	92,521	6,738	7.28	78,342	5,930	7.57	46,717	4,220	9.03
Total interest bearing liabilities...........	3,650,157	139,452	3.82	3,557,168	168,012	4.72	3,370,559	209,776	6.22
Non-interest bearing demand deposits..........	364,579			338,037			325,801		
Other liabilities.......	45,295			49,844			52,549		
Stockholders' equity....	449,892			406,646			360,204		
Total liabilities and stockholders' equity..	$4,509,923		3.09%	$4,351,695		3.86%	$4,109,113		5.11%
Interest rate spread....			3.63%			3.50%			3.30%
Effect of non-interest bearing funds..........			.53			.61			.75
Net interest income/margin..........		$176,516	4.16%		$167,627	4.11%		$155,502	4.05%

</TABLE>

- --------

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

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 federal statutory rate of 35% for 1993 and 34% for prior years.

Table 2 presents the net interest income on a fully taxable equivalent basis for each of the years in the three year period ended December 31, 1993.

TABLE 2--NET INTEREST INCOME

<TABLE>
<CAPTION>

	(IN THOUSANDS) 1993	1992	1991
<S>	<C>	<C>	<C>
Total interest income................................	$301,488	$321,439	$350,394
Total interest expense...............................	139,452	168,012	209,776
Net interest income..................................	162,036	153,427	140,618
Tax equivalent adjustment............................	14,480	14,200	14,884

Net interest income (fully taxable equivalent)	$176,516	$167,627	$155,502

</TABLE>

TABLE 3--RATE-VOLUME ANALYSIS OF CHANGES IN NET INTEREST INCOME

<TABLE>
<CAPTION>

(IN THOUSANDS)

	1993/1992			1992/1991		
	CHANGE DUE TO			CHANGE DUE TO		
	VOLUME	RATE	TOTAL CHANGE	VOLUME	RATE	TOTAL CHANGE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
(Taxable equivalent)						
Interest income						
Short-term investments	$ (289)	$ (33)	$ (322)	$(2,461)	$ (1,588)	$ (4,049)
Investment securities	5,527	(13,263)	(7,736)	16,957	(14,926)	2,031
Assets held for sale	1,311	(386)	925	472	(72)	400
Loans	4,908	(17,446)	(12,538)	4,956	(32,977)	(28,021)
Total interest income	11,457	(31,128)	(19,671)	19,924	(49,563)	(29,639)
Interest expense						
Interest bearing deposits	(7,648)	(24,108)	(31,756)	(770)	(38,737)	(39,507)
Short-term borrowings	5,155	(2,767)	2,388	5,096	(9,063)	(3,967)
Long-term borrowings	1,039	(231)	808	2,481	(771)	1,710
Total interest expense	(1,454)	(27,106)	(28,560)	6,807	(48,571)	(41,764)
Net interest income	$12,911	$ (4,022)	$ 8,889	$13,117	$ (992)	$ 12,125

</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.

Net interest income on a fully taxable equivalent basis totaled $176.5 million in 1993, an increase of $8.9 million or 5.3% from $167.6 million in 1992. Net interest income in 1992 was up 7.8% from $155.5 million in 1991.

Table 1 presents average balances, taxable equivalent interest income and expense and average rates earned and paid for Dauphin's assets and liabilities. Table 3 analyzes the changes attributable to the volume and rate components of net interest income.

During 1993 there was an increase in net interest income of $12.9 million due to changes in volume and a decrease of $4.0 million due to changes in rate. In 1992 there was an increase of $13.1 million due to changes in volume and a decrease of $1.0 million due to changes in rate.

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 earning assets. While the interest rate spread considers only the difference between the average rate earned on earning assets and the average rate paid on interest bearing liabilities, the net interest margin takes into account the contribution of assets funded by interest free sources.

As reflected in Table 4, average earning assets increased to $4.2 billion in

1993 from $4.1 billion in 1992 and $3.8 billion in 1991. The interest rate spread for 1993 was 3.63% compared with 3.50% for 1992 and 3.30% for 1991. The net interest margin for 1993 was 4.16% compared with 4.11% for 1992 and 4.05% for 1991.

TABLE 4--INTEREST RATE SPREAD AND NET INTEREST MARGIN ON EARNING ASSETS

(DOLLARS IN MILLIONS)

	1993		1992		1991	
	AVERAGE BALANCE	RATE	AVERAGE BALANCE	RATE	AVERAGE BALANCE	RATE
(Taxable equivalent)						
Earning assets......................	$4,243	7.45%	$4,085	8.22%	$3,837	9.52%
Interest bearing liabilities.........	$3,650	3.82	$3,557	4.72	$3,371	6.22
Interest rate spread................		3.63		3.50		3.30
Interest free sources used to fund earning assets.....................	593		528		466	
Total sources of funds..............	$4,243	3.29	$4,085	4.11	$3,837	5.47
Net interest margin.................		4.16%		4.11%		4.05%

Interest rates continued to fall during 1993. The average prime rate in 1993 was 6.00% compared with 6.25% in 1992. The average federal funds rate decreased to 3.02% for 1993 compared with 3.53% for 1992. During 1993, compared with 1992, the average yield on earning assets decreased 77 basis points while the average cost of funds decreased 90 basis points resulting in an increase in the interest rate spread of 13 basis points. The yield on the investment portfolio decreased 73 basis points due to the reinvestment of maturities at significantly lower rates. Average loans, which represent the highest yielding earning assets, increased $56.5 million or 2.6% and produced a yield of 7.86% in 1993 compared with 8.63% in 1992. This 77 basis point decrease in yield was caused by the decrease in the prime interest rate affecting variable rate loans, the amount of refinancings of fixed rate loans and the interest rates on consumer loans compared with 1992. Average loans represented 52.9% of the average earning assets for 1993. The cost of interest bearing deposits decreased to 3.89% in 1993 compared with 4.84% in 1992. The overall interest rates offered on these deposits continued to decline during 1993. Additionally, the mix of these deposits continued to change significantly as depositors allowed longer term certificates of deposit to mature and decided to reinvest these proceeds into shorter term instruments. The decrease in the cost of short-term borrowings (52 basis points) was caused primarily by the decline in the federal funds rate. As in recent prior years, the increase in the net interest margin, compared with the increase in the interest rate spread, was negatively affected by the decreased value of non-interest bearing funds in a lower interest rate environment.

During 1992, compared with 1991, the average yield on earning assets decreased 130 basis points while the average cost of interest bearing liabilities decreased 150 basis points resulting in an increase in the interest rate spread of 20 basis points. The increase in the interest rate spread was the result of several factors. The yield on the investment portfolio decreased only moderately (100 basis points) due to the longer maturity structure of the portfolio, the amount of state and municipal securities in the portfolio at higher rates and the increased yield generated from mortgage-backed securities. Average loans increased $49.6 million or 2.3% and represented 53.6% of the average earning assets for 1992 compared with 55.7% for 1991. The average prime interest rate for 1992 was 6.25% compared with 8.48% for 1991, a decrease of 223 basis points. This decrease in the average prime interest rate was the primary reason for the 151 basis point decrease in the overall average loan yield for 1992 compared with 1991. The cost of interest bearing deposits decreased to 4.84% in 1992 compared with 6.26% in 1991. This decline was caused by lower rates offered and the change in the mix of deposits from longer term instruments to shorter term instruments. Finally, the average cost of short-term borrowings decreased 209 basis points during 1992 as a result of the lower federal funds rate during 1992 compared with 1991. While the interest rate spread increased 20 basis points, the net interest margin increased six basis points. As previously mentioned, the net interest margin was negatively affected by the decreased value of non-interest bearing funds in a lower interest rate environment.

PROVISION FOR LOAN LOSSES

The provision for loan losses charged against earnings was $9.4 million in 1993 compared with $10.9 million in 1992, a decrease of 14.4%. This decrease was mainly due to the good asset quality of the loan portfolio. 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.

Management takes an aggressive approach to charging off loans partly due to its analysis of the general economic outlook. This does not necessarily indicate a material decline in the asset quality of the loan portfolio.

Several improvements were seen in certain measures of loan portfolio performance. The ratio of net charge-offs to average loans decreased to .31% in 1993 from .33% in 1992 and the level of non-accruing loans and restructured loans decreased to $23.1 million (.98% of year-end loans) from $24.2 million (1.10% of year-end loans) at December 31, 1992.

NON-INTEREST INCOME

Total non-interest income increased $4.3 million or 7.9% in 1993 compared with an increase of $10.0 million or 22.7% in 1992. Excluding gains on investment securities, the 1993 increase was $ 5.0 million or 10.0% compared with $8.8 million or 21.4% for 1992.

Income from fiduciary activities increased $.2 million or 1.1% in 1993. Revenue in 1993 was negatively impacted by a decline in trust income fees as interest rates fell during 1993. Also, estate fees declined in 1993 when compared to 1992. The increase of $.5 million or 3.9% in 1992 was primarily the result of revenue improvements in the areas of corporate services and employee benefits.

Service charges on deposit accounts increased $1.1 million or 9.6% during 1993. In 1992, this increase was $.8 million or 8.1%. Management continuously monitors the fee structure and makes changes where appropriate. These increases reflect both the growth in fee-based accounts and changes in the fee structure. Included in 1993 is $.5 million from new fees on certain individual retirement accounts.

Other service charges and fees increased $1.0 million or 10.8% in 1993 compared with a decrease of $.6 million or 6.6% in 1992. The increase in 1993 was due to increases in credit card related activities, mortgage sales and servicing and letter of credit fees. The decrease for 1992 was primarily the result of the negative impact on the valuation of the excess servicing rights due to the large amount of home mortgage refinancings in 1992.

Broker/dealer commissions and fees represent the income generated by Hopper

Soliday. This income is generated from underwriting securities which are predominantly general obligations of Central Pennsylvania municipalities, providing financial advisory services, selling securities to individual and institutional investors and other related activities.

Securities gains totaled $3.2 million in 1993 as compared with $4.0 million in 1992 and $2.8 million in 1991. The sale of debt securities generated $1.5 million in net gains for 1993. The sale of equity securities generated $1.7 million in net gains. During 1992 the sale of debt securities generated $2.9 million in net gains compared with $1.1 million in net gains from equity securities transactions.

Other non-interest income increased $3.5 million for 1993 compared with 1992. In 1992, compared with 1991, other non-interest income increased $.4 million. In December 1993 a settlement with the Commonwealth of Pennsylvania was entered into which resulted in a refund of $3.6 million in previously paid Bank Shares Tax plus interest. This non-recurring refund is the result of litigation contesting the Commonwealth's ability to tax United States Obligations. Gains from loan sales, primarily fixed rate residential mortgages, included in other non-interest income amounted to $1.6 million for 1993 and 1992 compared with $1.3 million for 1991.

TABLE 5--NON-INTEREST INCOME

<TABLE>
<CAPTION>

(DOLLARS IN THOUSANDS)

	1993/1992			1992/1991			
		INCREASE (DECREASE)			INCREASE (DECREASE)		
	1993	AMOUNT	%	1992	AMOUNT	%	1991
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Fiduciary activities.....	$14,318	$ 160	1.1%	$14,158	$ 529	3.9%	$13,629
Service charges on deposit accounts..........	11,979	1,051	9.6	10,928	817	8.1	10,111
Other service charges and fees....................	9,761	953	10.8	8,808	(623)	(6.6)	9,431
Broker/dealer commissions and fees................	10,634	(613)	(5.5)	11,247	7,731	219.9	3,516
Securities gains, net....	3,215	(745)	(18.8)	3,960	1,145	40.7	2,815
Other....................	8,344	3,459	70.8	4,885	372	8.2	4,513
Total..................	$58,251	$4,265	7.9%	$53,986	$9,971	22.7%	$44,015

</TABLE>

NON-INTEREST EXPENSE

Non-interest expense increased $3.9 million or 3.2% in 1993 compared with an increase of $14.4 million or 13.4% in 1992. Without including the expenses of Hopper Soliday, the increase for 1993 would have been $4.2 million or 3.8% and $7.8 million or 7.5% for 1992.

Salaries and employee benefits increased .9% in 1993 and 17.7% in 1992. The increase for 1993 was, for the most part, due to normal salary adjustments and increased benefits costs, which were partially offset by a $.3 million decrease in Hopper Soliday's salaries and employee benefits due to the decreased commission and fee income produced. Without Hopper Soliday, salaries and employee benefits increased $1.1 million or 2.0% for 1993 compared with 1992. For 1992, compared with 1991, this increase was $4.5 million or 8.8%. 1993 includes the impact of adopting SFAS 112 which amounted to an incremental cost of $.5 million. As explained in more detail in Note 13 of the Notes to Consolidated Financial Statements, SFAS 112 changed the practice of accounting for postemployment benefits from a pay-as-you-go basis to an accrual basis. Full-time equivalent employees increased 1.7% to 1,950 at December 31, 1993 compared with 1,917 at year-end 1992. The ratio of average assets (millions) per full-time equivalent employee was 2.31 at December 31, 1993 compared with

2.27 at December 31, 1992.

All other non-interest expense items increased $3.3 million or 5.6% in 1993 and $5.0 million or 9.1% in 1992. Without the effect of Hopper Soliday, the increase would have been $3.1 million or 5.4% for 1993 and $3.3 million or 6.2% for 1992. The increase for 1993 was primarily the result of increases in insurance, occupancy expenses, professional fees, computer processing, purchased software costs, merchant processing interchange expense, advertising costs and $.5 million in merger expenses in connection with the acquisition of Valley Bancorp., Inc. (see Note 2 of the Notes to Consolidated Financial Statements). The increase in 1992 included $2.4 million in merger expenses in connection with the acquisition of Farmers Bank and Trust Company of Hanover along with increases in occupancy expenses, professional fees, deposit insurance, computer processing and purchased software costs. Increases in computer processing and purchased software costs are, in most cases, brought about by increases in volume of transactions and the acquisition of new software and hardware for future growth and expansion.

During 1989 Congress passed legislation (The Financial Institutions Reform, Recovery and Enforcement Act of 1989) to provide a workable solution to the financial problems of the financial services industry. The direct effect of this legislation on the banking industry was to substantially increase both the expense and burden of regulation and the assessment banks pay to the FDIC, the entity which insures a bank's depositors of their funds deposited with a bank. The effect of this increase on Dauphin was to increase this expense by 11.3% or $.8 million for 1992. During 1993 a risk-based assessment was established which required banks to pay an assessment rate based on the combination of its capital and supervisory condition.

TABLE 6--NON-INTEREST EXPENSE

(DOLLARS IN THOUSANDS)

	1993/1992			1992/1991			
		INCREASE (DECREASE)			INCREASE (DECREASE)		
	1993	AMOUNT	%	1992	AMOUNT	%	1991
Salaries and employee benefits	$ 63,147	$ 544	.9%	$ 62,603	$ 9,432	17.7%	$ 53,171
Net occupancy expense	8,028	427	5.6	7,601	235	3.2	7,366
Furniture and equipment expense	8,578	760	9.7	7,818	196	2.6	7,622
Deposit insurance	7,455	(61)	(.8)	7,516	763	11.3	6,753
Other	38,764	2,210	6.0	36,554	3,763	11.5	32,791
Total	$125,972	$3,880	3.2%	$122,092	$14,389	13.4%	$107,703

PROVISION FOR INCOME TAXES

Income tax expense amounted to $20.5 million in 1993 as compared with $17.2 million in 1992 and $13.3 million in 1991. Dauphin's effective tax rate for 1993 was 24.1% compared with 23.1% in 1992 and 20.1% in 1991. In 1992 Dauphin adopted the provisions of SFAS 109 (see Note 1 of the Notes to Consolidated Financial Statements) and elected to restate prior years financial statements. In connection with this adoption, net income for the years 1992 and 1991 was increased by $.5 million and $1.2 million, respectively. Additionally, during 1993 new tax legislation was enacted retroactive to January 1, 1993. The immediate impact, among other things, was to increase the corporate tax rate from 34% to 35%. This increased rate resulted in additional income tax expense of $.3 million for 1993. For a more comprehensive analysis of income tax expense, refer to Note 12 of the Notes to Consolidated Financial Statements.

DAUPHIN DEPOSIT CORPORATION

FINANCIAL CONDITION

SOURCES AND USES OF FUNDS

Dauphin's financial condition can be evaluated in terms of trends in its sources and uses of funds. The comparison of average balances in Table 7 indicates how Dauphin has managed these elements. Average funding uses increased $157.7 million or 3.9% in 1993 as compared with an increase of $247.8 million or 6.5% in 1992.

TABLE 7--SOURCES AND USES OF FUNDS

<TABLE>
<CAPTION>

(DOLLARS IN THOUSANDS)

	1993			1992			1991
		INCREASE (DECREASE)			INCREASE (DECREASE)		
	AVERAGE BALANCE	AMOUNT	%	AVERAGE BALANCE	AMOUNT	%	AVERAGE BALANCE
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Funding uses:							
Short-term investments................	$ 10,505	$ (7,245)	(40.8)%	$ 17,750	$ (44,148)	(71.3)%	$ 61,898
Taxable investment securities.............	1,594,864	80,780	5.3	1,514,084	253,737	20.1	1,260,347
Tax exempt investment securities...........	356,065	3,725	1.1	352,340	(17,475)	(4.7)	369,815
Assets held for sale..	36,071	23,942	197.4	12,129	6,114	101.6	6,015
Loans.................	2,245,260	56,484	2.6	2,188,776	49,603	2.3	2,139,173
Total uses..........	$4,242,765	$ 157,686	3.9%	$4,085,079	$ 247,831	6.5%	$3,837,248
Funding sources:							
Interest bearing demand deposits......	$ 502,929	$ 53,773	12.0%	$ 449,156	$ 49,663	12.4%	$ 399,493
Savings deposits......	985,819	63,014	6.8	922,805	100,512	12.2	822,293
Time deposits.........	1,424,513	(201,009)	(12.4)	1,625,522	(103,443)	(6.0)	1,728,965
Short-term borrowings.	644,375	163,032	33.9	481,343	108,252	29.0	373,091
Long-term borrowings..	92,521	14,179	18.1	78,342	31,625	67.7	46,717
Non-interest bearing funds (net)(1).......	592,608	64,697	12.3	527,911	61,222	13.1	466,689
Total sources.......	$4,242,765	$ 157,686	3.9%	$4,085,079	$ 247,831	6.5%	$3,837,248

</TABLE>

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(1) Non-interest bearing liabilities and stockholders' equity less non-interest bearing assets.

INVESTMENT SECURITIES AND OTHER SHORT-TERM INVESTMENTS

Average short-term investments and investment securities, in the aggregate, increased $77.3 million or 4.1% during 1993 compared with an increase of $192.1 million or 11.4% during 1992. During both 1993 and 1992 funds provided from increases in deposits and short-term borrowings exceeded the increase in the loan portfolio.

The balances maintained for short-term investments and investment securities are, for the most part, supported by short-term deposits such as money market and NOW accounts, short-term borrowings and time deposits. As reflected in Table 8, the average maturity of the investment portfolio was 6.8 years at year-end 1993. Included in the portfolio are state and municipal securities and mortgage-backed securities that have a longer term maturity but are sometimes either called before maturity or have repricing characteristics that occur before final maturity. The average life to call or repricing of the portfolio was 1.8 years at December 31, 1993.

Dauphin had no investments in any foreign country that aggregated more than 1% of assets at December 31, 1993, 1992 or 1991.

At December 31, 1993, net unrealized appreciation in the portfolio was $63.2 million consisting of gross unrealized gains of $64.9 million and gross unrealized losses of $1.7 million. Dauphin will adopt Statement of Financial Accounting Standards No. 115 (SFAS 115), "Accounting for Certain Investments in Debt and Equity Securities" as of January 1, 1994. SFAS 115 addresses the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities. These investments are to be classified in one of three categories and accounted for as follows: 1) debt securities that a company has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and reported at amortized cost; 2) debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings; and 3) debt and equity securities not classified as either held-to-maturity or trading securities are classified as available-for-sale securities and reported at fair value, with unrealized gains and losses excluded from earnings and reported as a separate component of stockholders' equity.

Management has determined that the entire investment securities portfolio will be classified as available-for-sale. The impact of this change will result in an increase in investment securities of $63.2 million and an increase in stockholders' equity of $41.1 million, representing the after tax impact.

TABLE 8--ANALYSIS OF INVESTMENT SECURITIES

<TABLE>
<CAPTION>

(DOLLARS IN THOUSANDS)

	U.S. TREASURY	FEDERAL AGENCIES	STATE & MUNICIPAL	OTHER BONDS	STOCKS	TOTAL	TAXABLE EQUIVALENT YIELD
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
DECEMBER 31, 1993							
Maturity--book value							
Within one year.......	$ 51,321	$ 30,420	$ 3,347	$ 3,244	$	$ 88,332	7.10%
One to five years.....	149,408	157,936	16,990	72,562		396,896	6.11%
Five to ten years.....	29,583	289,267	69,917	110		388,877	7.45%
Over ten years........		764,103	298,314	10,360		1,072,777	6.84%
No set maturity.......					13,015	13,015	
Book value.............	$230,312	$1,241,726	$388,568	$ 86,276	$13,015	$1,959,897	
Market value............	$236,635	$1,267,002	$416,392	$ 88,755	$14,356	$2,023,140	
Taxable equivalent yield..................	5.78%	5.97%	10.20%	6.66%			
Average maturity........						6.8 years	
DECEMBER 31, 1992							
Book value.............	$277,772	$1,174,990	$349,748	$143,060	$15,758	$1,961,328	
DECEMBER 31, 1991							
Book value.............	$248,320	$ 951,831	$356,150	$164,235	$17,618	$1,738,154	

</TABLE>

LOANS

Average loans increased $56.5 million or 2.6% during 1993 compared with an increase of $49.6 million or 2.3% in 1992. Loan demand improved slightly as 1993 progressed.

The economy in our market area is diversified and has been relatively stable. This affords Dauphin the opportunity to select quality commercial credits and stabilizes our consumer business.

Loan balances during 1993 were influenced by the improving economy and, as a result, balances in both the commercial and consumer areas increased. Additionally, as interest rates continued to fall, many residential mortgages were refinanced into lower fixed rate mortgages. These fixed rate mortgages were sold in the secondary mortgage market. It has been Dauphin's policy to sell and continue to service these mortgages in order to avoid taking interest rate risk.

Dauphin's policy is to make the vast majority of its loans and commitments in the market area it serves. This tends to reduce risk and gives Dauphin the opportunity to deliver its many products to the same customer base. Dauphin had no foreign loans in its portfolio at December 31, 1993.

TABLE 9--LOANS OUTSTANDING, NET OF UNEARNED INCOME

<TABLE>
<CAPTION>

	(IN THOUSANDS) DECEMBER 31,				
	1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>
Commercial, financial and agricultural:					
Commercial secured by real estate..........	$ 397,197	$ 399,048	$ 427,996	$ 453,578	$ 458,566
Agricultural..........	26,737	27,180	23,022	25,229	29,473
Other.................	622,381	600,790	619,553	555,336	461,800
Real estate, construction...................	181,893	132,224	132,928	109,551	71,413
Real estate, residential (1)....................	703,102	691,769	656,942	630,642	623,798
Consumer................	408,900	333,230	326,421	324,759	348,835
Lease financing.........	30,488	15,409	16,760	20,329	18,545
Unamortized net loan fees...................	(3,868)	(4,315)	(3,841)	(3,938)	(5,016)
Total..............	$2,366,830	$2,195,335	$2,199,781	$2,115,486	$2,007,414

</TABLE>

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(1) Includes home equity loans

TABLE 10--LOAN MATURITIES AND INTEREST SENSITIVITY (1)

<TABLE>
<CAPTION>

	(IN THOUSANDS) DECEMBER 31, 1993			
	ONE YEAR OR LESS	ONE THROUGH FIVE YEARS	OVER FIVE YEARS	TOTAL
<S>	<C>	<C>	<C>	<C>

Commercial, financial and agricultural	$383,190	$267,968	$395,157	$1,046,315
Real estate, construction	54,350	13,913	113,630	181,893
Total	$437,540	$281,881	$508,787	$1,228,208
Loans with predetermined interest rate	$ 83,960	$113,043	$300,696	$ 497,699
Loans with variable interest rate	353,580	168,838	208,091	730,509
Total	$437,540	$281,881	$508,787	$1,228,208

</TABLE>

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(1) Excludes residential mortgages, consumer loans and lease financing

DEPOSITS

Average deposits, including non-interest bearing demand deposits, decreased $57.7 million or 1.7% during 1993 compared with an increase of $59.0 million or 1.8% in 1992. Dauphin's subsidiary banks, like many other commercial banks, have experienced slow deposit growth as the competition for depositors' funds has become more intense. Competition for deposits has come from other commercial banks, thrift institutions, credit unions, brokerage houses and mutual funds. Deposit growth is also affected by the movement of interest rates. During

1993 and 1992 interest rates offered on time deposits have fallen substantially, whereby rates offered on longer term instruments are not materially higher than short-term instruments. This resulted in a greater increase in interest bearing demand deposits and savings deposits compared with certificates of deposit. Included in interest bearing deposits are certain individual retirement accounts (IRA) totaling $157.8 million which are invested in 18 month variable interest rate products with a minimum interest rate of 10%. During 1993, Dauphin charged a service fee on these products, and initiated the process to discontinue them in accordance with the terms of the IRA contract. Litigation was filed against Dauphin challenging the right to charge fees on these particular products. The right to terminate this product is also in dispute. Management intends, however, to vigorously defend its entitlement to charge fees and its right to terminate these products in accordance with their terms. Also during 1993 and 1992 average time deposits of $100,000 or more decreased $37.4 million and $19.7 million, respectively. This funding source was replaced by lower costing overnight federal funds. Additionally, the growth of non-interest bearing deposits has been relatively slow in recent years. The percentage of average non-interest bearing demand deposits to average total deposits amounted to 11.1% in 1993, 10.1% for 1992 and 9.9% for 1991. Dauphin's banking subsidiaries have remained interest rate competitive and have introduced new deposit products to maintain and attract deposits.

SHORT-TERM BORROWINGS

Average short-term borrowings increased $163.0 million or 33.9% during 1993 compared with an increase of $108.3 million or 29.0% in 1992. Short-term borrowings are primarily represented by federal funds purchased and securities sold under agreements to repurchase. The level of short-term borrowings is dependent upon many items such as loan growth, deposit growth and the interest rates paid for these funds. As previously mentioned, a portion of the growth in 1993 and 1992 was the result of a need to replace the decrease in time deposits of $100,000 or more. The average cost of short-term borrowings decreased from 5.62% in 1991 to 3.53% in 1992 and to 3.01% in 1993.

NON-PERFORMING ASSETS

Table 11 reflects Dauphin's non-performing assets for the five years ended December 31, 1993. 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. Management believes that strict adherence to this policy with regard to non-accruals and charge-offs will insure that the historically high quality of the loan portfolio will be maintained. Other real estate owned represents property acquired through foreclosure or considered to be in an in-substance foreclosure status.

Loan quality is maintained through diversification of risk, strict enforcement of credit control practices and continued monitoring of the loan portfolio.

At December 31, 1993, Dauphin had no loan concentrations exceeding 10% of total loans. Loan concentrations are considered to exist when there are amounts loaned to a multiple number of borrowers engaged in similar activities which would cause them to be similarly affected by economic or other industry specific conditions.

Loans which are not included in non-performing and are current as to payments of principal and interest but have a somewhat higher than normal risk of becoming non-accrual or reduced rate in the future are estimated to total approximately $7.0 million at December 31, 1993 compared with $7.4 million at December 31, 1992.

Federal regulatory authorities have defined "highly leveraged transactions" (HLT's) as a credit of $20 million or more which is extended in connection with an acquisition by, or a restructuring of, an organization, and the extension of credit results in "high leverage" or is made to an already highly leveraged organization. It is the policy of Dauphin to consider financing HLT's for its customers or for potential customers in its market area which usually involves the change of ownership from one generation of a family to the next, or from present owners to the existing management team. The amount of HLT's, as defined by the Federal regulatory authorities, was $10.2 million at December 31, 1993 and $7.2 million at December 31, 1992 and represents Dauphin's portion of a shared national credit within its market area.

TABLE 11--NON-PERFORMING ASSETS

<TABLE>
<CAPTION>

(DOLLARS IN THOUSANDS) DECEMBER 31,	1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>
Non-accrual loans.................	$15,777	$17,827	$16,687	$14,276	$11,555
Restructured loans................	7,352	6,327	194	202	460
Total non-performing loans....	23,129	24,154	16,881	14,478	12,015
Other real estate owned...........	2,922	3,475	3,393	322	558
Total non-performing assets...	$26,051	$27,629	$20,274	$14,800	$12,573
Ratios:					
Non-performing loans to total loans.........................	.98%	1.10%	.77%	.68%	.60%
Non-performing assets to total loans and other real estate owned.........................	1.10	1.26	.92	.70	.63
Allowance for loan losses to					

non-performing loans...........	156.12	139.21	177.24	188.54	202.80
Loans past due 90 or more days as to interest or principal.........	$ 2,413	$ 4,208	$ 5,136	$ 6,216	$ 5,900

</TABLE>

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is based on management's continuing evaluation of the loan portfolio, assessment of economic conditions, the diversification and size of the portfolio, adequacy of collateral, past and anticipated loss experience and the amount and quality of non-performing loans. Table 12 presents the allocation of the allowance for loan losses by major loan category for the past five years. The specific allocations in any particular category may prove excessive or inadequate and consequently may be re-allocated in the future to reflect then current conditions. Accordingly, the entire allowance is considered available to absorb losses in any category.

TABLE 12--ALLOCATION OF ALLOWANCE FOR LOAN LOSSES

<TABLE>
<CAPTION>

(DOLLARS IN THOUSANDS)
DECEMBER 31,

	1993		1992		1991		1990		1989	
	AMOUNT	% GROSS LOANS	AMOUNT	% GROSS LOANS	AMOUNT	% GROSS LOANS	AMOUNT	% GROSS LOANS	AMOUNT	% GROSS LOANS
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Commercial, financial and agricultural.......	$12,353	44.1%	$16,860	46.7%	$16,149	48.6%	$12,557	48.8%	$10,969	47.2%
Real estate, construction...........	1,998	7.7	1,322	6.0	1,278	6.0	1,059	5.2	667	3.5
Real estate, residen-tial....................	698	29.7	831	31.4	559	29.8	701	29.8	572	31.0
Consumer................	3,072	17.2	2,505	15.1	3,210	14.8	3,223	15.3	3,088	17.3
Lease financing.........	305	1.3	154	.8	168	.8	203	.9	185	1.0
Unallocated............	17,683		11,952		8,556		9,554		8,885	
Total.................	$36,109	100.0%	$33,624	100.0%	$29,920	100.0%	$27,297	100.0%	$24,366	100.0%

</TABLE>

Management believes that the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Banks' allowance for loan losses. Such agencies may require the Banks to recognize additions to the allowance based on their judgments of information available to them at the time of their examination.

Table 13 reflects an analysis of the allowance for loan losses for the past five years.

The provision for loan losses of $9.4 million exceeded the net charge-offs of $6.9 million, thereby increasing the allowance for loan losses from $33.6 million in 1992 to $36.1 million in 1993. The allowance for loan losses as a percentage of year-end loans was 1.53% at December 31, 1993 and 1992.

TABLE 13--ANALYSIS OF ALLOWANCE FOR LOAN LOSSES

<TABLE>

<CAPTION>

	(DOLLARS IN THOUSANDS) YEARS ENDED DECEMBER 31,				
	1993	1992	1991	1990	1989
Balance, beginning of period	$ 33,624	$ 29,920	$ 27,297	$ 24,366	$ 21,099
Provision charged to operating expenses	9,365	10,944	10,463	9,341	8,407
Loans charged off:					
Commercial, financial and agricultural	7,196	6,192	5,985	5,274	5,148
Real estate, residential	480	462	148	125	245
Consumer	2,417	3,326	4,111	3,073	2,508
Lease financing	88	129	190	284	26
Total loans charged off	10,181	10,109	10,434	8,756	7,927
Recoveries:					
Commercial, financial and agricultural	2,129	1,325	1,369	1,541	1,858
Real estate, residential	26	239	95	50	147
Consumer	1,121	1,287	1,075	740	768
Lease financing	25	18	55	15	14
Total recoveries	3,301	2,869	2,594	2,346	2,787
Net charge-offs	6,880	7,240	7,840	6,410	5,140
Balance, end of period	$ 36,109	$ 33,624	$ 29,920	$ 27,297	$ 24,366
Total loans:					
Average	$2,245,260	$2,188,776	$2,139,173	$2,076,120	$1,939,767
Year-end	2,366,830	2,195,335	2,199,781	2,115,486	2,007,414
Ratios:					
Net charge-offs to:					
Average loans	.31%	.33%	.37%	.31%	.26%
Loans at year-end	.29	.33	.36	.30	.26
Allowance for loan losses	19.05	21.53	26.20	23.48	21.09
Provision for loan losses	73.47	66.15	74.93	68.62	61.14
Allowance for loan losses to:					
Average loans	1.61	1.54	1.40	1.31	1.26
Loans at year-end	1.53	1.53	1.36	1.29	1.21

</TABLE>

In May 1993, Statement of Financial Accounting Standards No. 114 (SFAS 114), "Accounting by Creditors for Impairment of a Loan" was issued. 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 of the fair value of the collateral if the loan is collateral dependent. Management presently does not know and cannot reasonably estimate the impact of SFAS 114 on its financial statements. SFAS 114 is effective for fiscal years beginning after December 15, 1994 and earlier adoption is permitted. Dauphin expects to adopt SFAS 114 in January 1995.

LIQUIDITY

Liquidity management involves meeting the funds flow requirements of customers who may be either depositors wanting to withdraw funds, or borrowers needing assurance that sufficient funds will be available to meet their credit needs.

Liquidity from asset categories is provided primarily through investment securities with maturities of less than one year and short-term investments, such as deposits with other banks, federal funds sold and other short-term investments. Dauphin's asset liquidity position is strong because of the investment portfolio's maturity structure (Table 8), the amount of short-term investments, the funds provided by loan maturities (Table 10) and the funds available to Dauphin by established federal funds lines of credit. Additionally, in 1991 Dauphin Deposit Bank and Trust Company became a member of the Federal Home Loan Bank of Pittsburgh. These established credit arrangements provide the Banks with increased liquidity.

The generation of deposit balances is the primary source of liquidity from liability categories. Total deposits decreased by $100.3 million or 2.9% from year-end 1992 to year-end 1993. As previously mentioned, this funding source was replaced by lower costing overnight federal funds. Table 14 reflects the growth in the major classifications of deposits by comparing the year-end balances for the past three years and Table 15 reflects the maturity of large dollar deposits for the same periods. Federal funds purchased and other forms of short-term borrowings are also significant sources of liquidity. Dauphin continues to maintain diverse liability funding sources.

TABLE 14--DEPOSITS BY MAJOR CLASSIFICATION

	(IN THOUSANDS) DECEMBER 31,		
	1993	1992	1991
Non-interest bearing deposits	$ 394,016	$ 420,202	$ 389,940
NOW accounts	528,719	495,502	418,082
Savings deposits	428,008	379,585	317,526
Money market deposit accounts	553,841	588,229	531,270
Time deposits	1,108,568	1,213,064	1,375,623
Time deposits of $100,000 or more	287,673	304,528	298,790
Total	$3,300,825	$3,401,110	$3,331,231

TABLE 15--MATURITY OF TIME DEPOSITS OF $100,000 OR MORE

	(IN THOUSANDS) DECEMBER 31,		
	1993	1992	1991
Three months or less	$173,958	$175,313	$169,422
Over three months through six months	30,385	40,294	43,919
Over six months through twelve months	20,668	41,003	45,039
Over twelve months	62,662	47,918	40,410
Total	$287,673	$304,528	$298,790

CAPITAL RESOURCES

Total stockholders' equity increased $42.1 million or 9.8% in 1993 compared with an increase of $50.0 million or 13.1% in 1992. The increase for 1993 was, for the most part, retained earnings or internal capital generation. The increase for 1992 was primarily the result of retained earnings and the $12.6 million net proceeds received from the reissuance of 700,000 shares of previously acquired treasury stock in a public offering. The purpose of the offering was to enable the acquisition of Farmers Bank and Trust Company of Hanover to be accounted for as a pooling-of-interests. The proceeds have been used for general corporate purposes. The ratio of average equity to average assets amounted to 9.98% for 1993, compared with 9.34% for 1992 and 8.77% for 1991. Internal capital generation is measured as the percent of return on average equity multiplied by the percent of earnings retained. The resulting internal capital generation percentage amounted to 8.8% for 1993 compared with 8.4% for 1992 and 9.1% for 1991.

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 is 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. Table 16 presents the capital ratios for Dauphin for the past three years calculated at year-end in accordance with these guidelines. At December 31, 1993, Dauphin and its banking subsidiaries exceeded all capital requirements.

TABLE 16--CAPITAL RATIOS

	DECEMBER 31, 1993	1992	1991
Risk-based capital			
Tier 1 ratio	15.54%	14.95%	13.03%
Total capital ratio (tier 1 and tier 2)	17.29	17.03	15.27
Leverage ratio	10.17	9.57	8.76
Average equity to average assets	9.98	9.34	8.77

In January 1994, Dauphin announced that the Board of Directors authorized the repurchase of up to 1,000,000 shares of its outstanding common stock. Dauphin expects to use available cash to fund the share repurchases which will be made from time to time on the open market or in privately negotiated transactions. Dauphin will use the shares for general corporate purposes, including the Employee Stock Purchase Plan,Stock Option Plan and other appropriate uses.

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 17 presents an interest sensitivity analysis of Dauphin's assets and liabilities at December 31,1993 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 passbook savings and NOW 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 17 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 17 is a summary of the gap, as viewed by certain regulatory authorities, which presents these interest bearing deposits as being subject to immediate repricing.

TABLE 17--INTEREST SENSITIVITY ANALYSIS

<TABLE>
<CAPTION>

(DOLLARS IN THOUSANDS)
DECEMBER 31, 1993

	INTEREST SENSITIVITY PERIOD				
	MONTH	QUARTER	SIX MONTHS	ANNUAL	5 YEARS
<S>	<C>	<C>	<C>	<C>	<C>
Earning assets:					
Short-term investments................	$ 8,494	$ 8,494	$ 8,494	$ 8,494	$ 8,494
Investment securities.	441,223	503,036	632,346	952,031	1,763,277
Assets held for sale..	9,203	9,203	9,203	9,203	9,203
Loans.................	1,074,632	1,134,747	1,236,807	1,430,412	2,086,943
Total..............	$1,533,552	$1,655,480	$1,886,850	$2,400,140	$3,867,917
Interest bearing liabilities:					
Deposits..............	$ 885,302	$1,094,873	$1,266,183	$1,426,331	$1,857,916
Short-term borrowings.	505,378	680,378	680,378	680,378	680,378
Long-term borrowings..	310	318	330	349	86,570
Total..............	$1,390,990	$1,775,569	$1,946,891	$2,107,058	$2,624,864
Interest sensitivity gap..................	$ 142,562	$ (120,089)	$ (60,041)	$ 293,082	$1,243,053
Interest sensitive assets to interest sensitive liabilities ratio................	1.10	.93	.97	1.14	1.47
Regulatory presentation:					
Interest sensitivity gap..................	$ (696,899)	$ (959,550)	$ (899,502)	$ (546,379)	$ 403,568
Interest sensitive assets to interest sensitive liabilities					

ratio................	.69	.63	.68	.81	1.12

</TABLE>

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. 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.

ACQUISITION AND DIVESTITURE

On January 1, 1994, Dauphin acquired all the outstanding stock of Valley Bancorp., Inc. (Valley) in exchange for 2,600,643 shares of Dauphin's common stock, along with cash of $16,000 in lieu of fractional shares, consummating the merger announced in June 1993. Valley's principal subsidiary was Valley Bank and Trust Company. Valley has total assets of $324 million at December 31, 1993. The acquisition was accounted for as a pooling-of-interests.

In addition, on August 23, 1993 Dauphin entered into an agreement to sell 100% of the stock of Farmers Savings Bank, a Federal Savings Bank (FSB), for $.8 million. The sale was consummated on February 1, 1994. FSB had total assets of $12.7 million at December 31, 1993. The sale of FSB will not have a material impact on the financial condition or results of operations for Dauphin in 1994.

EFFECTS OF INFLATION

The impact of inflation upon banks differs from the impact upon non-financial institutions. Banks, as financial intermediaries, have assets which are primarily monetary in nature and change corresponding to movements in the inflation rate. The precise impact of inflation upon Dauphin is difficult to measure. Inflation may cause non-interest expense items to increase at a more rapid rate than earning sources. Inflation may also affect the borrowing needs of consumers, thereby affecting the growth rate of Dauphin's assets. Inflation may also affect the general level of interest rates, which can have an effect on the profitability of Dauphin.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following audited consolidated financial statements and documents are set forth in this Annual Report on Form 10-K on the following pages:

<TABLE>

</TABLE>

Dauphin Deposit Corporation and Subsidiaries
CONSOLIDATED BALANCE SHEETS
December 31, 1993 and 1992

<TABLE>
<CAPTION>

	(IN THOUSANDS) 1993	1992
<S>	<C>	<C>
ASSETS		
Cash and due from banks	$ 143,923	$ 204,857
Short-term investments		
Interest bearing deposits	5,544	4,450
Federal funds sold (including term federal funds sold of $0 and $20,000, respectively) and securities purchased under agreements to resell	2,950	87,500
Total short-term investments	8,494	91,950
Investment securities (Approximate market value $2,023,140 and $2,018,763, respectively)	1,959,897	1,961,328
Assets held for sale	9,203	8,503
Loans (net of unearned income)	2,366,830	2,195,335
Allowance for loan losses	(36,109)	(33,624)
Total net loans	2,330,721	2,161,711
Bank premises and equipment	59,693	63,733
Other assets	84,479	80,504
Total assets	$4,596,410	$4,572,586
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Non-interest bearing	$ 394,016	$ 420,202
Interest bearing	2,906,809	2,980,908
Total deposits	3,300,825	3,401,110
Short-term borrowings		
Federal funds purchased and securities sold under agreements to repurchase	628,100	560,433
U.S. Treasury tax and loan notes	52,278	41,652
Total short-term borrowings	680,378	602,085
Long-term debt	92,454	92,863
Accrued expenses and taxes	50,149	45,997
Total liabilities	4,123,806	4,142,055
Stockholders' equity		
Preferred stock, $25 par value; 10,000,000 shares authorized but unissued		
Common stock, $5 par value; 200,000,000 shares authorized, 30,040,971 and 30,023,226 shares issued, respectively, of which 134,200 and 267,310 shares are held as treasury stock, respectively	150,205	150,116
Surplus	18,511	17,918
Retained earnings	306,008	266,318
	474,724	434,352
Less: Treasury stock--at cost	(2,120)	(3,821)
Total stockholders' equity	472,604	430,531

Total liabilities and stockholders' equity	$4,596,410	$4,572,586

</TABLE>

See accompanying notes to consolidated financial statements.

Dauphin Deposit Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 1993, 1992 and 1991

<TABLE>
<CAPTION>

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)	1993	1992	1991
<S>	<C>	<C>	<C>
Interest income			
Interest and fees on loans	$174,109	$186,186	$213,975
Interest and dividends on investment securities			
Taxable	102,460	110,952	107,756
Exempt from federal income	22,675	22,657	23,360
Interest on deposits	216	158	417
Interest on assets held for sale	1,829	908	520
Interest on federal funds sold and other short-term investments	199	578	4,366
Total interest income	301,488	321,439	350,394
Interest expense			
Interest on deposits			
Savings deposits	38,461	47,239	57,485
Time deposits	61,051	80,688	103,378
Time deposits in denominations of $100,000 or more	13,814	17,155	23,726
	113,326	145,082	184,589
Interest on short-term borrowings	19,388	17,000	20,967
Interest on long-term borrowings	6,738	5,930	4,220
Total interest expense	139,452	168,012	209,776
Net interest income	162,036	153,427	140,618
Provision for loan losses	9,365	10,944	10,463
Net interest income after provision for loan losses	152,671	142,483	130,155
Non-interest income			
Fiduciary activities	14,318	14,158	13,629
Service charges on deposit accounts	11,979	10,928	10,111
Other service charges and fees	9,761	8,808	9,431
Broker/dealer commissions and fees	10,634	11,247	3,516
Securities gains, net	3,215	3,960	2,815
Other	8,344	4,885	4,513

Total non-interest income	58,251	53,986	44,015
Non-interest expense			
Salaries and employee benefits	63,147	62,603	53,171
Net occupancy expense	8,028	7,601	7,366
Furniture and equipment expense	8,578	7,818	7,622
Deposit insurance	7,455	7,516	6,753
Other	38,764	36,554	32,791
Total non-interest expense	125,972	122,092	107,703
Income before income taxes	84,950	74,377	66,467
Provision for income taxes	20,458	17,154	13,330
Net income	$ 64,492	$ 57,223	$ 53,137
Net income per share	$ 2.15	$ 1.93	$ 1.84
Cash dividends declared per share	$ .83	$ .77	$ .74 1/2
Weighted average number of shares outstanding	30,035,507	29,639,940	28,830,038

</TABLE>

See accompanying notes to consolidated financial statements.

Dauphin Deposit Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years Ended December 31, 1993, 1992 and 1991

<TABLE>
<CAPTION>

(DOLLARS IN THOUSANDS)

	COMMON STOCK				TREASURY STOCK		
	SHARES	AMOUNT	SURPLUS	RETAINED EARNINGS	SHARES	AMOUNT	TOTAL STOCKHOLDERS' EQUITY
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE, DECEMBER 31, 1990	14,843,866	$ 74,219	$ 87,599	$200,088	(582,127)	$(17,563)	$344,343
Net income				53,137			53,137
Cash dividends declared							
By Dauphin				(18,523)			(18,523)
By pooled bank prior to acquisition				(1,999)			(1,999)
Sale of treasury stock to Employee Stock Purchase Plan			(139)		27,563	872	733
Sale of treasury stock under the Stock Option Plan of 1986			(5)		1,664	52	47
Transactions by pooled bank prior to acquisition							
Stock dividend	93,371	467	2,157	(2,624)			
Stock sales	25,994	130	451		4,500	114	695
Reversal of unrealized loss on marketable equity securities				2,117			2,117
BALANCE, DECEMBER 31, 1991	14,963,231	74,816	90,063	232,196	(548,400)	(16,525)	380,550
Net income				57,223			57,223

Cash dividends declared							
By Dauphin.............				(22,091)			(22,091)
By pooled bank prior to acquisition...........				(1,047)			(1,047)
Sale of treasury stock..			1,587		350,000	11,007	12,594
Sale of treasury stock to Employee Stock Purchase Plan.............			11		31,949	926	937
Sale of treasury stock under the Stock Option Plan of 1986...........			(37)		19,825	504	467
Sale of common stock by pooled bank prior to acquisition............	1,055	5	18				23
Debentures converted into common stock......	33,878	169	919				1,088
Issuance of shares as a two-for-one stock split, including treasury stock shares......	14,998,164	74,991	(74,991)		(146,626)		
Sale of treasury stock under the Stock Option Plan of 1986...........			(44)		25,942	267	223
Debentures converted into common stock......	26,898	135	297				432
Tax benefit of stock option transactions......			95				95
Reversal of unrealized loss on marketable equity securities........				37			37
BALANCE, DECEMBER 31, 1992...................	30,023,226	150,116	17,918	266,318	(267,310)	(3,821)	430,531
Net income..............				64,492			64,492
Cash dividends declared.				(24,802)			(24,802)
Sale of treasury stock to Employee Stock Purchase Plan.............			314		76,579	1,122	1,436
Sale of treasury stock under the Stock Option Plan of 1986...........			(4)		53,418	536	532
Debentures converted into common stock......	17,745	89	203		3,113	43	335
Tax benefit of stock option transactions......			80				80
BALANCE, DECEMBER 31, 1993...................	30,040,971	$150,205	$ 18,511	$306,008	(134,200)	$ (2,120)	$472,604

</TABLE>

See accompanying notes to consolidated financial statements.

Dauphin Deposit Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 1993, 1992 and 1991

<TABLE>
<CAPTION>

	(IN THOUSANDS)		
	1993	1992	1991
<S>	<C>	<C>	<C>
Operating activities			
Net income.................................	$ 64,492	$ 57,223	$ 53,137
Adjustments:			
Provision for loan losses.................	9,365	10,944	10,463

Provision for depreciation, amortization and accretion	9,834	7,592	3,247
Deferred income taxes	(680)	(1,899)	(753)
Securities gains, net	(3,215)	(3,960)	(2,815)
Decrease in interest receivable	3,277	4,315	7,490
Increase (decrease) in accrued expenses and taxes	4,152	(14,687)	3,477
Capitalized interest on deposits	43,681	45,552	62,070
Other, net	(22,173)	(15,370)	(9,467)
Net cash provided by operating activities	108,733	89,710	126,849
Investing activities			
Proceeds from investment securities (including proceeds from sales of $48,978, $88,073 and $168,041, respectively)	754,052	728,087	532,180
Purchases of investment securities	(733,863)	(953,946)	(665,041)
Net increase in assets held for sale	(700)	(2,636)	(1,211)
Net (increase) decrease in loans	(163,972)	10,616	(90,743)
Net purchases of bank premises and equipment	(2,083)	(4,859)	(6,117)
Purchase of Hopper Soliday & Co., Inc.			(3,679)
Net cash used by investing activities	(146,566)	(222,738)	(234,611)
Financing activities			
Net increase in demand deposits and savings accounts	20,952	216,929	158,993
Net decrease in time deposits	(164,918)	(192,602)	(99,535)
Net increase in short-term borrowings	78,293	158,041	35,637
Net increase (decrease) in long-term debt	(74)	50,200	(4,836)
Issuance of common stock and treasury stock	1,968	14,244	1,475
Cash dividends	(23,872)	(21,918)	(20,501)
Net cash provided (used) by financing activities	(87,651)	224,894	71,233
Increase (decrease) in cash and cash equivalents	(125,484)	91,866	(36,529)
Cash and cash equivalents at beginning of period	269,857	177,991	214,520
Cash and cash equivalents at end of period	$ 144,373	$ 269,857	$ 177,991

</TABLE>
Total interest paid amounted to $97,691, $129,598 and $164,214, respectively.
Total income taxes paid amounted to $22,458, $19,693 and $12,256, respectively.
Total loan sales amounted to $104,541, $89,318 and $67,114, respectively.

See accompanying notes to consolidated financial statements.

DAUPHIN DEPOSIT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1993, 1992 AND 1991

1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a description of the more significant accounting policies of Dauphin Deposit Corporation and subsidiaries.

BASIS OF FINANCIAL STATEMENT PRESENTATION

The financial statements have been prepared in conformity with generally accepted accounting principles. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ significantly from those estimates. The material estimate that is particularly susceptible to significant change in the near-term relates to the determination of the allowance for loan losses.

PRINCIPLES OF CONSOLIDATION

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

INVESTMENT SECURITIES

Investment debt securities are carried at cost adjusted for amortization of premium and accretion of discount. Debt securities are carried at cost since Dauphin currently has the ability and intent to hold to maturity. Marketable equity securities are carried at the lower of cost or market value. Unrealized losses on equity securities are reported as a reduction of investment securities and net of taxes as a reduction of stockholders' equity. Realized gains or losses on the sale of investment securities (determined by the specific identification method) are shown separately in the statements of income.

Dauphin will adopt Statement of Financial Accounting Standards No. 115 (SFAS 115), "Accounting for Certain Investments in Debt and Equity Securities" as of January 1, 1994. SFAS 115 addresses the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities. These investments are to be classified in one of three categories and accounted for as follows: 1) debt securities that a company has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and reported at amortized cost; 2) debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings; and 3) debt and equity securities not classified as either held-to-maturity or trading securities are classified as available-for-sale securities and reported at fair value, with unrealized gains and losses excluded from earnings and reported as a separate component of stockholders' equity.

Management has determined that the entire investment securities portfolio will be classified as available-for-sale. This change will result in an increase in investment securities of $63,243,000 and an increase in stockholders' equity of $41,108,000, representing the after tax impact.

LOANS

Loans are carried at the principal amount outstanding, net of unearned income. Interest income is accounted for on an accrual basis. Interest income is not accrued when, in the opinion of management, its collectibility is doubtful. When a loan is designated as non-accrual, any accrued interest receivable is generally

charged against current earnings. Lease income is recorded using the finance method which provides for a level rate of return on the investment outstanding.

Mortgages held for sale are carried at the lower of aggregate cost or market value with resulting gains and losses included in other income. Excess servicing fees are computed as the present value of the difference between the estimated future net servicing revenues and normal servicing revenues as established by the federally sponsored secondary market makers. Upon the sale of mortgage loans, excess servicing fees are deferred and amortized over the estimated life of the related mortgages.

Loan fees and costs of loan origination are deferred and recognized over the life of the loan as a component of interest income.

ASSETS HELD FOR SALE

Assets held for sale are comprised of mortgages held for sale and the securities inventory of Hopper Soliday & Co., Inc., Dauphin's broker/dealer subsidiary.

Mortgage loans held for sale are recorded at the lesser of current secondary market value or the actual book value of loans. The securities inventory is recorded at current quoted market value.

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is a valuation reserve to absorb losses on loans which may become uncollectible. The provision for loan losses is management's estimate of the amount required to establish a reserve adequate to reflect risks in the loan portfolio of the Banks. Loan losses are charged directly against the allowance for loan losses, and recoveries on previously charged off loans are added to the allowance.

Management believes that the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Banks' allowance for loan losses. Such agencies may require the Banks to recognize additions to the allowance based on their judgments of information available to them at the time of their examination.

In May 1993, Statement of Financial Accounting Standards No. 114 (SFAS 114), "Accounting by Creditors for Impairment of a Loan" was issued. 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. Management presently does not know and cannot reasonably estimate the impact of SFAS 114 on its financial statements. SFAS 114 is effective for fiscal years beginning after December 15, 1994 and earlier adoption is permitted. Dauphin expects to adopt SFAS 114 in January 1995.

BANK PREMISES AND EQUIPMENT

Bank premises and equipment are stated at cost, including capitalized interest during construction, less accumulated depreciation and amortization. Bank premises and equipment under capitalized leases are recorded at the lower of the present value of minimum lease payments or the fair value of the leased assets determined at the inception of the lease term. Depreciation charged to operating expense, including amounts

applicable to capitalized leases, is computed on the straight-line method for financial reporting and the straight-line and accelerated methods for income tax purposes. Leasehold improvements are capitalized and amortized over the lives of the respective leases or the estimated useful life of the leasehold improvement, whichever is shorter. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. Maintenance, repairs and minor improvements are charged to expense as incurred; significant renewals and betterments are capitalized.

TRUST ASSETS

Assets held by the Banks in a fiduciary or agency capacity are not included in the consolidated financial statements since such assets are not assets of the Banks. Income from fiduciary activities is recorded on an accrual basis.

BENEFIT PLANS

Pension plan costs for Dauphin's defined benefit plans are accounted for in accordance with the requirements of Statement of Financial Accounting Standards No. 87 "Employers' Accounting for Pensions". The projected unit credit method is utilized for measuring net periodic pension cost over the employees' service lives.

Dauphin adopted Statement of Financial Acccounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions", as of January 1, 1992, which established a new accounting principle for the cost of retiree health care and other postretirement benefits. Prior to 1992, Dauphin recognized these benefits on a cash basis.

Dauphin adopted Statement of Financial Acccounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" effective January 1, 1993. This standard established accounting requirements for employers who provide benefits to former or inactive employees after employment but before retirement. Prior to 1993, these costs were recognized on a cash basis.

INCOME TAXES

In 1992, Dauphin adopted Statement of Financial Accounting Standards No. 109 (SFAS 109), "Accounting for Income Taxes". SFAS 109 requires the asset and liability method in computing income tax expense for financial reporting purposes. Under the asset and liability method of SFAS 109, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Under SFAS 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

NET INCOME PER SHARE

Net income per share is computed based upon the weighted average number of common shares outstanding and dilutive common equivalent shares from stock options using the treasury stock method. The difference between primary and fully diluted earnings per share is not significant in any year.

STATEMENT OF CASH FLOWS

For purposes of the statement of cash flows, Dauphin considers cash and due from banks and overnight federal funds sold to be cash and cash equivalents.

2--ACQUISITION AND DIVESTITURE

On January 1, 1994, Dauphin acquired all the outstanding stock of Valley Bancorp., Inc. (Valley) in exchange for 2,600,643 shares of Dauphin's common stock, along with cash of $16,000 in lieu of fractional shares, consummating the merger announced in June 1993. At December 31, 1993 Valley had total assets, deposits and equity of $324,164,000, $285,310,000 and $33,948,000, respectively. Valley's principal subsidiary was Valley Bank and Trust Company. The acquisition was accounted for as a pooling-of-interests.

The effect of the merger on Dauphin's reported net interest income, net income and net income per share for the periods presented is as follows:

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	DAUPHIN, AS REPORTED	VALLEY	RESTATED
1993			
Net interest income....................	$ 162,036	$ 14,237	$ 176,273
Net income.............................	64,492	3,425	67,917
Net income per share...................	2.15	2.77	2.08
1992			
Net interest income....................	$ 153,427	$ 13,332	$ 166,759
Net income.............................	57,223	3,808	61,031
Net income per share...................	1.93	3.08	1.89
1991			
Net interest income....................	$ 140,618	$ 11,214	$ 151,832
Net income.............................	53,137	3,042	56,179
Net income per share...................	1.84	2.46	1.79

On August 23, 1993 Dauphin entered into an agreement to sell 100% of the stock of Farmers Savings Bank, a Federal Savings Bank (FSB) for $797,000. The sale is subject to regulatory approval and is expected to be consummated during the first quarter of 1994. FSB had total assets of $12,678,000 at December 31, 1993. The sale of FSB will not have a material impact on the financial condition or results of operations for Dauphin in 1994.

3--RESTRICTIONS ON CASH AND DUE FROM BANK ACCOUNTS AND INVESTMENT SECURITIES

The Banks are required to maintain average reserve balances with the Federal Reserve Bank. The average amount of those required reserve balances at December 31, 1993 and 1992 was approximately $38,336,000 and $31,678,000, respectively.

Dauphin Deposit Bank and Trust Company is required to maintain an investment in Federal Home Loan Bank of Pittsburgh stock of $10,651,000 which is included in equity securities.

4--INVESTMENT SECURITIES

The amortized cost and estimated market value of investment securities are as follows:

(IN THOUSANDS)
DECEMBER 31, 1993

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED MARKET VALUE
<S>	<C>	<C>	<C>	<C>
U.S. Treasury securities and other U.S. government agencies and corporations	$ 696,194	$17,543	$ (341)	$ 713,396
Obligations of states and political subdivisions	388,568	28,752	(928)	416,392
Debt securities issued by foreign governments	1,899	25	(4)	1,920
Corporate securities	76,020	2,491		78,511
Mortgage-backed securities	784,201	14,741	(377)	798,565
Total debt securities	1,946,882	63,552	(1,650)	2,008,784
Equity securities	13,015	1,344	(3)	14,356
Total investment securities	$1,959,897	$64,896	$(1,653)	$2,023,140

</TABLE>

<TABLE>
<CAPTION>

	DECEMBER 31, 1992			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED MARKET VALUE
<S>	<C>	<C>	<C>	<C>
U.S. Treasury securities and other U.S. government agencies and corporations	$ 744,825	$22,328	$ (435)	$ 766,718
Obligations of states and political subdivisions	349,748	19,944	(2)	369,690
Debt securities issued by foreign governments	5,896	101	(32)	5,965
Corporate securities	125,115	2,521	(566)	127,070
Mortgage-backed securities	719,986	12,880	(962)	731,904
Total debt securities	1,945,570	57,774	(1,997)	2,001,347
Equity securities	15,758	1,778	(120)	17,416
Total investment securities	$1,961,328	$59,552	$(2,117)	$2,018,763

</TABLE>

The amortized cost and estimated market value of debt securities at December 31, 1993, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

<TABLE>
<CAPTION>

	(IN THOUSANDS) DECEMBER 31, 1993	
	AMORTIZED COST	ESTIMATED MARKET VALUE
<S>	<C>	<C>
Due in one year or less	$ 88,332	$ 89,613
Due after one year through five years	395,907	404,701
Due after five years through ten years	355,989	375,236
Due after ten years	322,453	340,669
	1,162,681	1,210,219

Mortgage-backed securities	784,201	798,565
Total debt securities	$1,946,882	$2,008,784

</TABLE>

Gains and losses from sales of investment securities are as follows:

<TABLE>
<CAPTION>

	(IN THOUSANDS) 1993	1992	1991
Debt securities:			
Gross gains	$ 1,529	$ 2,911	$ 3,730
Gross losses	(6)		(133)
Total debt securities	1,523	2,911	3,597
Equity securities, net	1,692	1,049	(782)
Total securities gains	$ 3,215	$ 3,960	$ 2,815

Proceeds from sales of investment securities are as follows:

<CAPTION>

	(IN THOUSANDS) 1993	1992	1991
Debt securities	$43,742	$84,819	$163,266
Equity securities	5,236	3,254	4,775
Total proceeds	$48,978	$88,073	$168,041

</TABLE>

Securities with a carrying value of $827,404,000 at December 31, 1993 and $790,706,000 at December 31, 1992 are pledged to secure public deposits and for other purposes as provided by law.

5--LOANS

The loan portfolio, net of unearned income, at December 31, 1993 and 1992 is as follows:

<TABLE>
<CAPTION>

	(IN THOUSANDS) 1993	1992
Commercial, financial and agricultural:		
Commercial secured by real estate	$ 397,197	$ 399,048
Agricultural	26,737	27,180
Other	622,381	600,790
Real estate, construction	181,893	132,224
Real estate, residential	703,102	691,769
Consumer	408,900	333,230
Lease financing	30,488	15,409

Unamortized net loan fees	(3,868)	(4,315)
Total loans	$2,366,830	$2,195,335

</TABLE>

The Banks have granted loans to officers, directors and their associates. Related party loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and do not involve more than normal risk of collectibility. The aggregate dollar amount of these loans, which excludes aggregate loans totaling less than $60,000 to any one related party, is as follows:

<TABLE>
<CAPTION>

<S>	(IN THOUSANDS) <C>
Balance--January 1, 1993	$55,145
New loans	74,050
Repayments	50,505
Balance--December 31, 1993	$78,690

</TABLE>

Included within the loan portfolio are loans on which the Banks have ceased the accrual of interest and restructured loans. Such loans amounted to $23,129,000 and $24,154,000 at December 31, 1993 and 1992, respectively. If interest income had been recorded on all such loans outstanding during the years 1993, 1992 and 1991, interest income would have been increased as shown in the following table:

<TABLE>
<CAPTION>

	(IN THOUSANDS) 1993	1992	1991
<S>	<C>	<C>	<C>
Interest income which would have been recorded under original terms	$1,345	$2,068	$1,623
Interest income recorded during the period	564	1,178	1,077
Net impact on interest income	$ 781	$ 890	$ 546

</TABLE>

6--ALLOWANCE FOR LOAN LOSSES

An analysis of the changes in the allowance for loan losses is as follows:

<TABLE>
<CAPTION>

	(IN THOUSANDS) 1993	1992	1991
<S>	<C>	<C>	<C>
Balance, beginning of year	$33,624	$29,920	$27,297
Provision charged to operations	9,365	10,944	10,463
Recoveries on loans charged off	3,301	2,869	2,594
	46,290	43,733	40,354

Loans charged off	10,181	10,109	10,434
Balance, end of year	$36,109	$33,624	$29,920

</TABLE>

7--BANK PREMISES AND EQUIPMENT

A summary of bank premises and equipment at December 31, 1993 and 1992 is as follows:

<TABLE>
<CAPTION>

	ESTIMATED USEFUL LIFE	1993 (IN THOUSANDS)	1992 (IN THOUSANDS)
<S>	<C>	<C>	<C>
Land		$ 9,807	$ 10,256
Bank premises	5 to 40 years	65,320	67,232
Leasehold improvements	2 to 35 years	2,618	2,484
Equipment	3 to 10 years	38,113	35,694
		115,858	115,666
Accumulated depreciation and amortization		(56,165)	(51,933)
Total		$ 59,693	$ 63,733

</TABLE>

Depreciation and amortization amounted to $5,957,000 for 1993, $5,673,000 for 1992 and $5,435,000 for 1991.

8--TIME CERTIFICATES OF DEPOSIT

Time certificates of deposit of $100,000 or more at December 31, 1993 and 1992 amounted to $287,673,000 and $304,528,000, respectively.

9--SHORT-TERM BORROWINGS

Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings generally mature within one to ninety days from the transaction date.

A summary of aggregate short-term borrowings is as follows for the years ended December 31, 1993, 1992 and 1991:

<TABLE>
<CAPTION>

	(DOLLARS IN THOUSANDS) 1993	1992	1991
<S>	<C>	<C>	<C>
Amount outstanding at year-end	$680,378	$602,085	$444,044
Average interest rate at year-end	3.03%	2.99%	4.08%
Maximum amount outstanding at any month-end	$763,579	$602,085	$471,218
Average amount outstanding	$644,375	$481,343	$373,091
Weighted average interest rate	3.01%	3.53%	5.62%

</TABLE>

The Banks have approved federal funds lines of credit that amounted to approximately $1,600,000,000 at December 31, 1993.

10--LONG-TERM DEBT

The following is a summary of long-term debt at December 31, 1993 and 1992:

	(IN THOUSANDS) 1993	1992
Dauphin Deposit Corporation		
8.70% Senior Notes due 1996	$35,000	$35,000
9% Convertible Subordinated Debentures due June 1999, convertible into common stock at $16.06 per share	5,645	5,980
Dauphin Deposit Bank and Trust Company		
Advances from The Federal Home Loan Bank of Pittsburgh	51,000	51,000
Other Subsidiaries		
Variable rate mortgage (4 1/2% at December 31, 1993) (collateralized by bank premises)	306	343
	91,951	92,323
Obligations under capitalized lease	503	540
Total	$92,454	$92,863

In November 1986, Dauphin issued $35,000,000, 8.70% Senior Notes due 1996 at par. These Senior Notes are not subordinated in right of payment to any other unsecured indebtedness of Dauphin.

Advances from The Federal Home Loan Bank of Pittsburgh consists of two advances with interest rates ranging from 5.89% to 6.17% and mature in 1995. These advances are subject to restrictions and penalties if repaid prior to maturity and are collateralized by qualifying investments.

Aggregate long-term debt maturities, for each of the next five years are as follows:

1994--$78,000; 1995--$51,087,000; 1996--$35,097,000; 1997--$108,000; 1998--$86,000

At December 31, 1993, Dauphin and its subsidiaries had unused lines of credit totaling approximately $3,000,000 with a non-affiliated bank.

11--RESTRICTION ON PAYMENT OF DIVIDENDS

Certain restrictions exist regarding the ability of the subsidiaries to transfer funds to Dauphin in the form of cash dividends. Additionally, regulatory agencies restrict the availability of surplus for the payment of dividends. As of December 31, 1993, $307,691,000 of undistributed earnings of the Banks were available for distribution to Dauphin as dividends without restriction.

12--INCOME TAXES

The provision for income taxes, consisting primarily of Federal income taxes, for the years 1993, 1992 and 1991, consists of the following:

	1993	1992	1991
	(IN THOUSANDS)		
Current taxes	$21,138	$19,053	$14,083
Deferred taxes (credits)	(680)	(1,899)	(753)
Total	$20,458	$17,154	$13,330

Deferred income taxes result from temporary differences in the recognition of income and expense for tax and financial reporting purposes. The sources of those temporary differences and the related tax effect are as follows:

	1993	1992	1991
	(IN THOUSANDS)		
Provision for loan losses	$(1,206)	$(1,408)	$ (563)
Depreciation	(197)	(55)	(141)
Investment securities discount accretion	52	(133)	(648)
Deferred loan fees and costs	150	(148)	67
Lease financing transactions	576	5	(17)
Employee benefit programs	(485)	(408)	73
Mortgage servicing rights	(134)	(358)	4
Other, net	564	606	472
Total	$ (680)	$(1,899)	$ (753)

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

	1993	1992	1991
Statutory Federal income tax rate	35.0%	34.0%	34.0%
Tax exempt income	(11.0)	(12.5)	(14.7)
Other, net	.1	1.6	.8
Effective income tax rate	24.1%	23.1%	20.1%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 1993, 1992 and 1991 are as follows:

	1993	1992	1991
	(IN THOUSANDS)		

<S>	<C>	<C>	<C>
Deferred tax assets:			
Allowance for loan losses	$12,638	$11,253	$ 9,823
Deferred loan fees and costs	1,409	1,568	1,416
Purchase accounting adjustments to loans	975	1,421	1,891
Employee benefit programs	1,145	466	
Other	1,691	903	1,002
Total gross deferred tax assets	17,858	15,611	14,132
Deferred tax liabilities:			
Bank premises and equipment	(2,749)	(2,775)	(2,900)
Investment securities discount	(283)	(155)	(269)
Lease financing transactions	(3,074)	(2,898)	(2,554)
Prepaid pension	(904)	(935)	(762)
Mortgage servicing rights	(428)	(563)	(912)
Other	(1,361)	(486)	(377)
Total gross deferred tax liabilities	(8,799)	(7,812)	(7,774)
Net deferred tax asset	$ 9,059	$ 7,799	$ 6,358

</TABLE>

Management is of the opinion that the deferred tax asset is realizable since Dauphin has had a long history of strong earnings and has carryback potential greater than the deferred tax asset. Management is not aware of any evidence that would preclude Dauphin from ultimately realizing this asset.

13--BENEFIT PLANS

The Banks have noncontributory defined benefit pension plans covering substantially all employees. The Plans' benefit formulas generally base payments to retired employees upon their length of service and a percentage of qualifying compensation during the final years of employment. Dauphin's funding policy is to contribute annually the maximum amount that can be deducted for federal income tax purposes. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. Pension expense (credit) associated with these plans amounted to $(269,000), $(262,000) and $(178,000) for 1993, 1992 and 1991, respectively.

The following table sets forth the pension plans' funded status and amounts recognized in Dauphin's consolidated financial statements at December 31, 1993 and 1992:

<TABLE>
<CAPTION>

	(IN THOUSANDS) 1993	1992
<S>	<C>	<C>
Actuarial present value of benefit obligations:		
Vested	$32,182	$25,774
Non-vested	1,486	1,063
Accumulated benefit obligation	33,668	26,837
Effects of future compensation levels	7,709	6,001
Projected benefit obligation	41,377	32,838

Plan assets at fair value	49,829	46,732
Excess of plan assets over the projected benefit obligation	8,452	13,894
Unrecognized net asset being amortized over 15 years	(4,928)	(5,631)
Unrecognized prior service cost	384	472
Unrecognized (gain) loss	39	(5,204)
Prepaid pension cost included in the consolidated financial statements	$ 3,947	$ 3,531

</TABLE>

The assumptions used in determining the actuarial present value of the projected benefit obligation and the expected rate of return on plan assets are as follows:

<TABLE>
<CAPTION>

<S>	1993 <C>	1992 <C>
Expected return on plan assets	8.00%	7.50%
Discount rate	7.00	7.50
Rate of increase in future compensation levels	4.50	5.00

</TABLE>

Net pension expense (credit) for 1993, 1992 and 1991 was comprised of the following:

<TABLE>
<CAPTION>

	(IN THOUSANDS)		
<S>	1993 <C>	1992 <C>	1991 <C>
Service cost	$ 1,515	$ 1,562	$ 1,465
Interest cost on projected benefit obligation	2,507	2,517	2,372
Return on plan assets	(3,676)	(3,726)	(3,400)
Net amortization and deferral	(615)	(615)	(615)
Net pension credit	$ (269)	$ (262)	$ (178)

</TABLE>

Plan assets are primarily invested in listed stocks (including 86,000 shares of Dauphin at December 31, 1993 and 1992) and U.S. Treasury and federal agency securities.

Effective January 1, 1992, Dauphin adopted Statement of Financial Accounting Standards No. 106 (SFAS 106), "Employers' Accounting for Postretirement Benefits Other than Pensions". This pronouncement focuses principally on postretirement health care and life insurance benefits and significantly changed Dauphin's prior practice of accounting for these benefits on a pay-as-you-go basis to an accrual basis during the years that the employee renders the necessary service to eventually receive these benefits.

Dauphin's postretirement benefits other than pensions are currently not funded. The status of the plan at December 31, 1993 and 1992 is as follows:
<TABLE>
<CAPTION>

	(IN THOUSANDS) 1993	1992
<S>	<C>	<C>
Actuarial present value of accumulated postretirement benefit obligation:		
Retirees	$10,175	$7,984
Fully eligible active plan participants	948	803
Other active plan participants	4,698	4,280
	15,821	13,067
Unrecognized transition liability being amortized over 20 years	(10,173)	(11,046)
Unrecognized net loss	(2,878)	(651)
Accrued postretirement obligation	$ 2,770	$ 1,370

</TABLE>

The assumptions used in determining the actuarial present value of the accumulated postretirement benefit obligation are as follows:

<TABLE>
<CAPTION>

	1993	1992
<S>	<C>	<C>
Discount rate	7.00%	7.50%
Rate of increase in future compensation levels	4.50	5.00

</TABLE>

The cost for postretirement benefits other than pensions for 1993 and 1992 consisted of the following components:

<TABLE>
<CAPTION>

	(IN THOUSANDS) 1993	1992
<S>	<C>	<C>
Service cost	$ 359	$ 314
Interest cost on accumulated postretirement benefit obligation	1,064	937
Amortization of transition obligation	565	581
Net amortization and deferral	45	
Net postretirement benefit cost	$2,033	$1,832

</TABLE>

Prior to January 1, 1992, Dauphin recognized the cost of retiree health care and life insurance benefits as an expense as premiums were incurred. These costs approximated $444,000 for 1991.

The assumed postretirement health care cost trend rate used in measuring the accumulated postretirement benefit obligation was 16 1/2% in 1992, the year of adoption, decreasing by 1% per year to an ultimate rate of 6% in 2012 and thereafter over the projected payout period of benefits.

The health care cost trend rate assumption has a significant effect on the amounts reported. For example, one-percentage-point increase in the assumed health care cost trend would increase the accumulated postretirement benefit obligation by $2,000,000 and $1,500,000 at December 31, 1993 and 1992, respectively and increase the aggregate of the service and interest cost components by $200,000 and $150,000 for the years ended December 31, 1993 and 1992, respectively.

Dauphin offers a savings plan for all eligible employees. Under the plan, Dauphin contributes 25% of the participants' contribution which cannot exceed 10% of their salaries. Participants' contributions are at all times fully vested, and Dauphin's contributions become fully vested with two years of service. Contributions to the plan amounted to $468,000, $405,000 and $312,000 during 1993, 1992 and 1991, respectively.

Farmers Bank and Trust Company of Hanover (FB&T) maintained two defined contribution plans. A savings plan permitted eligible employees to make Section 401(k) salary withholding contributions. This savings plan also permitted FB&T to make contributions to the plan on behalf of eligible employees by way of matching Employer Contributions and Regular Employer Contributions. An Employee Stock Ownership Plan (ESOP), designed to invest primarily in common stock of FB&T, was initially funded in 1988 by reversionary assets from FB&T's terminated employee pension plan. FB&T stock held by the ESOP was periodically released from the ESOP's suspense account as yearly allocations were made to eligible employees. Both plans were discontinued during 1992. The expense for these two plans amounted to $505,000 and $398,000 during 1992 and 1991, respectively.

In 1993, Dauphin adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits". The adoption resulted in an incremental cost of $500,000 to salaries and benefits expense. This accrual was established to record the liability for benefits to former or inactive employees after employment but before retirement.

14--EMPLOYEE STOCK PURCHASE PLAN, STOCK OPTION PLAN AND STOCKHOLDERS' EQUITY

Under the employee stock purchase plan, all eligible employees may purchase shares of Dauphin's common stock through payroll deductions (limited to an amount aggregating 10% of annual base pay). The purchase price, established 30 days prior to the offering date, is not less than 85% or more than 100% of the average market price on the offering date or exercise date, whichever is lower. 840,000 shares of common stock have been authorized to be offered under the plan, of which 588,205 shares have been issued. Because of a difference between the plan offering date, and Dauphin's year-end, no shares were under option at December 31, 1993.

During 1987, the shareholders approved the adoption of the Stock Option Plan of 1986 (the Plan). Under the Plan, Dauphin may grant either qualified or non-qualified stock options to key employees for the purchase of up to 1,193,000 shares of common stock. The exercise price of options granted may not be less than 85% of the fair market value of Dauphin's common stock at the date of grant. Options become exercisable over periods of one to five years and expire ten years from the date of grant.

Stock option transactions during 1993, 1992 and 1991 are summarized below:

<TABLE>
<CAPTION>

	SHARES	PRICE RANGE PER SHARE

<S>	<C>	<C>
Balance, December 31, 1990	467,856	$ 6.45--$16.45
Granted	155,118	$11.10--$16.57
Exercised	(24,603)	$ 6.45--$14.29
Terminated	(27,570)	$ 6.45--$16.45
Balance, December 31, 1991	570,801	$ 9.48--$16.57
Granted	161,810	$14.04--$23.72
Exercised	(102,110)	$ 6.45--$16.57
Balance, December 31, 1992	630,501	$ 9.48--$23.72
Granted	152,500	$24.88
Exercised	(77,605)	$ 9.48--$16.57
Terminated	(3,000)	$24.88
Balance, December 31, 1993	702,396	$ 9.48--$24.88
Exercisable, December 31, 1993	328,713	

</TABLE>

In connection with the adoption of a shareholder rights plan on January 22, 1990, Dauphin declared a dividend distribution of one Common Stock Purchase Right (a "Right") for each outstanding share of common stock of Dauphin. The Rights are exercisable only if a person or group of affiliated persons acquires or announces an intention to acquire 18% of the common stock of Dauphin and Dauphin's Board of Directors does not redeem the Rights during the specified redemption period. Initially, each Right, upon becoming exercisable, would entitle the holder to purchase from Dauphin one share of common stock at the specified exercise price which is subject to adjustment (currently $50 per share). Once the Rights become exercisable, if any person or group acquires 18% of the common stock of Dauphin, the holder of a Right, other than the acquiring person or group, will be entitled, among other things, to purchase shares of common stock having a value equal to two times the exercise price of the Right. The Board of Directors is entitled to redeem the Rights for $.001 per Right at any time before expiration of the redemption period. The Board of Directors may, at any time after the Rights become exercisable and prior to the time any person becomes a 50% beneficial owner of Dauphin's shares of common stock, exchange each of the outstanding Rights (except Rights of the acquiring person or group which are voided) for one share of common stock, subject to adjustment. The Rights will expire on January 22, 2000, unless earlier redeemed by Dauphin.

In January 1994, Dauphin announced that the Board of Directors authorized the repurchase of up to 1,000,000 shares of the outstanding common stock. Dauphin expects to use available cash to fund the share repurchases which will be made from time to time on the open market or in privately negotiated transactions. Dauphin will use the shares for general corporate purposes, including the Employee Stock Purchase Plan, Stock Option Plan and other appropriate uses.

15--FINANCIAL INSTRUMENTS OFF-BALANCE SHEET RISK AND CONCENTRATIONS OF CREDIT RISK

Dauphin is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuation in interest rates. These financial instruments include commitments to extend credit, financial guarantees and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet.

Dauphin's exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual notional amount of those instruments. Dauphin uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

At December 31, 1993 and 1992, Dauphin had the following off-balance sheet financial instruments whose contract amounts represent credit risk:

	(IN THOUSANDS) 1993	1992
Commitments to extend credit..........................	$1,129,601	$1,005,380
Financial and performance standby letters of credit....	98,274	86,153
Commercial and similar letters of credit..............	502	406
Commitments to purchase securities....................	37,270	53,466

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Dauphin evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by Dauphin upon extension of credit is based on management's credit evaluation of the customer. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by Dauphin to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. The term of the letters of credit varies from one month to 24 months and may have renewal features. The credit risk involved in using letters of credit is essentially the same as that involved in extending loans to customers. Dauphin holds collateral supporting those commitments for which collateral is deemed necessary.

Most of Dauphin's business activity is with customers located within Dauphin's defined market area, principally Central Pennsylvania. Dauphin grants commercial, residential and consumer loans throughout the state. The loan portfolio is well diversified and Dauphin does not have any significant concentrations of credit risk.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107, "Disclosure about Fair Value of Financial Instruments" (SFAS 107) requires disclosure of the fair value of financial instruments. The majority of Dauphin's assets and liabilities are considered financial instruments. Significant assumptions and estimates were used in calculation of fair market values.

The following methods and assumptions were used to estimate the fair value of each class of Dauphin's financial instruments for which it is practicable to estimate that value:

CASH AND SHORT-TERM INVESTMENTS

The fair value for cash and short-term instruments is estimated to be book value, due to the short maturity of, and negligible credit concerns within, those instruments.

INVESTMENT SECURITIES

The fair value for debt and marketable equity securities is based on quoted market prices, if available. If quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

ASSETS HELD FOR SALE

The fair value for mortgage loans held for sale is estimated using the current secondary market rates. For the securities held for sale, the securities are recorded at the current quoted market value.

LOANS

The fair value of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings. The residential mortgages and certain consumer loans include prepayment assumptions.

OTHER FINANCIAL ASSETS

The fair value for accrued interest receivable is estimated to be the current book value. The fair value for excess servicing fees is calculated based on the present value of the difference between the estimated future net revenues and normal servicing.

DEPOSITS

The fair value of deposits with no stated maturity, such as demand deposits, savings accounts, NOW and money market deposits is the amount payable on demand at the reporting date. The fair value of fixed maturity certificates of deposit is based on the discounted value of contractual cash flows, using the rates currently offered for deposits of similar remaining maturities.

SHORT-TERM BORROWINGS

The fair value of short-term borrowings is estimated using the current rates for similar terms and maturities.

LONG-TERM DEBT

The fair value of long-term debt is estimated using debt with similar terms and remaining maturities.

ACCRUED INTEREST PAYABLE

The fair value of accrued interest payable is estimated to be the current book value.

COMMITMENTS

The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms and present creditworthiness of the counterparties. For fixed rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of guarantees and letters of credit is based on fees currently charged for similar agreements.

LIMITATIONS

The fair values estimated are dependent upon subjective assumptions and involve significant uncertainties resulting in estimates that vary with changes in assumptions. Any sales of financial instruments may incur potential tax and other expenses that would not be reflected in the fair values. Any changes in assumptions or estimation methodologies may have a material effect on the estimated fair values disclosed. The reasonable comparability between financial institutions may not be likely due to the wide range of permitted valuation techniques.

At December 31, 1993 and 1992, Dauphin's estimated fair values of financial instruments based on disclosed assumptions are as follows:

<TABLE>
<CAPTION>

(IN THOUSANDS)

	1993		1992	
	CARRYING AMOUNT	ESTIMATED FAIR VALUE	CARRYING AMOUNT	ESTIMATED FAIR VALUE
<S>	<C>	<C>	<C>	<C>
Financial assets:				
Cash and due from banks..........	$ 143,923	$ 143,923	$ 204,857	$ 204,857
Short-term investments...........	8,494	8,494	91,950	91,950
Investment securities............	1,959,897	2,023,140	1,961,328	2,018,763
Assets held for sale.............	9,203	9,203	8,503	8,503
Loans				
Commercial.....................	1,356,228	1,383,392	1,297,094	1,318,506
Residential mortgages..........	424,540	438,551	409,967	423,442
Consumer.......................	570,285	582,116	470,447	474,138
Non-accrual....................	15,777		17,827	
Allowance for loan losses......	(36,109)		(33,624)	
Net loans....................	2,330,721	2,404,059	2,161,711	2,216,086
Other financial assets...........	33,180	33,180	37,252	37,252
Financial liabilities:				
Deposits				
Non-interest bearing demand....	394,016	394,016	420,202	420,202
Interest bearing demand and savings.......................	1,510,568	1,510,568	1,463,316	1,463,316
Time deposits..................	1,396,241	1,466,224	1,517,592	1,560,689
Total deposits...............	3,300,825	3,370,808	3,401,110	3,444,207
Short-term borrowings............	680,378	680,378	602,085	602,085
Long-term debt...................	92,454	100,795	92,863	99,249
Accrued interest payable.........	20,107	20,107	22,027	22,027
Off-balance sheet financial instruments:				
Commitments to extend credit.....	1,129,601	194	1,005,380	173
Financial and performance standby letters of credit...............	98,274	983	86,153	862
Commercial and similar letter of credit.........................	502	5	406	4
Commitments to purchase securities...........................	37,270	37,270	53,466	53,466

</TABLE>

16--CONDENSED FINANCIAL INFORMATION--PARENT COMPANY ONLY

Dauphin Deposit Corporation (Parent Company Only) Condensed Balance Sheets

	(IN THOUSANDS) DECEMBER 31, 1993	1992
Assets:		
Due from Banks (subsidiaries)	$ 80	$ 520
Investment securities	55,690	54,049
Investment in subsidiaries		
Banking subsidiaries	432,682	395,189
Non-banking subsidiaries	27,715	26,251
Total investment in subsidiaries	460,397	421,440
Other assets	1,134	1,240
Total assets	$517,301	$477,249
Liabilities and Stockholders' Equity:		
Liabilities:		
Accrued expenses and taxes	$ 4,052	$ 5,738
Long-term debt	40,645	40,980
Total liabilities	44,697	46,718
Stockholders' Equity:		
Common stock	150,205	150,116
Surplus	18,511	17,918
Retained Earnings	306,008	266,318
	474,724	434,352
Less: Treasury stock--at cost	(2,120)	(3,821)
Total stockholders' equity	472,604	430,531
Total liabilities and stockholders' equity	$517,301	$477,249

Dauphin Deposit Corporation (Parent Company Only) Condensed Statements of Income

	(IN THOUSANDS) YEARS ENDED DECEMBER 31, 1993	1992	1991
Revenue			
Dividend income:			
Banking subsidiaries	$ 26,814	$ 25,201	$ 31,559

	1993	1992	1991
Non-banking subsidiaries......................		93	97
Interest on investment securities...............	2,750	2,365	1,871
Interest on time deposits with Banks............	89	338	585
Interest on advance to subsidiary...............		13	
Gains (losses) on sales of investment securities.	2	433	(154)
Total revenue..............................	29,655	28,443	33,958
Expenses			
Interest on short-term borrowings...............			2
Interest on long-term debt......................	3,555	3,670	3,959
Other expenses.................................	1,186	3,344	1,244
Total expenses.............................	4,741	7,014	5,205
Income before income taxes and equity in undistributed net income of subsidiaries..........	24,914	21,429	28,753
Income tax benefit...............................	618	746	970
Income before equity in undistributed net income of subsidiaries....................................	25,532	22,175	29,723
Equity in undistributed net income:			
Banking subsidiaries...........................	37,494	32,426	22,532
Non-banking subsidiaries.......................	1,466	2,622	882
Net income.................................	$ 64,492	$ 57,223	$ 53,137

</TABLE>

DAUPHIN DEPOSIT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

DECEMBER 31, 1993, 1992 AND 1991

Dauphin Deposit Corporation (Parent Company Only) Condensed Statements of Cash Flows

<TABLE>
<CAPTION>

	(IN THOUSANDS) YEARS ENDED DECEMBER 31,		
	1993	1992	1991
<S>	<C>	<C>	<C>
Operating activities			
Net income...................................	$ 64,492	$ 57,223	$ 53,137
Adjustments			
Equity in undistributed net income of subsidiaries.....................................	(38,960)	(35,048)	(23,414)
Other, net.................................	(1,596)	10,605	(1,769)
Net cash provided by operating activities..	23,936	32,780	27,954
Investing activities			
Proceeds from investment securities...........	11,955	21,596	8,805
Purchase of investment securities.............	(14,427)	(52,218)	(2,587)
Advances to subsidiaries......................			2,650
Investment in subsidiaries....................			(6,649)
Net cash provided (used) by investing activities.................................	(2,472)	(30,622)	2,219
Financing activities			
Reduction in short-term borrowings............		(26)	
Reduction in long-term debt...................		(1,520)	(3,600)
Issuance of common stock......................		23	695

Issuance of treasury stock	1,968	14,221	780
Cash dividends	(23,872)	(21,918)	(20,501)
Net cash used by financing activities	(21,904)	(9,220)	(22,626)
Increase (decrease) in cash and cash equivalents	(440)	(7,062)	7,547
Cash and cash equivalents at beginning of year	520	7,582	35
Cash and cash equivalents at end of year	$ 80	$ 520	$ 7,582

</TABLE>

DAUPHIN DEPOSIT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONCLUDED)

DECEMBER 31, 1993, 1992 AND 1991

17--CONSOLIDATED QUARTERLY FINANCIAL DATA (UNAUDITED)

<TABLE>
<CAPTION>

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	1993			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
<S>	<C>	<C>	<C>	<C>
Interest income	$75,987	$75,489	$76,242	$73,770
Interest expense	35,963	34,845	34,981	33,663
Net interest income	40,024	40,644	41,261	40,107
Provision for loan losses	2,402	2,377	2,287	2,299
Non-interest income	13,939	15,150	13,403	15,759
Non-interest expense	29,534	31,693	30,690	34,055
Income before income taxes	22,027	21,724	21,687	19,512
Provision for income taxes	5,351	5,226	5,444	4,437
Net income	$16,676	$16,498	$16,243	$15,075
Net income per share	$ .56	$ .55	$ .54	$ .50
Restated for Valley merger:				
Net income	$17,753	$17,408	$17,191	$15,565
Net income per share	$ .54	$ .54	$ .52	$ .48

<CAPTION>

	1992			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
<S>	<C>	<C>	<C>	<C>
Interest income	$82,672	$82,107	$79,475	$77,185
Interest expense	44,696	43,831	41,490	37,995
Net interest income	37,976	38,276	37,985	39,190
Provision for loan losses	2,187	2,191	3,088	3,478
Non-interest income	13,871	13,878	13,310	12,927
Non-interest expense	30,985	30,993	29,837	30,277
Income before income taxes	18,675	18,970	18,370	18,362
Provision for income taxes	4,538	4,401	4,140	4,075

Net income	$14,137	$14,569	$14,230	$14,287
Net income per share	$ .49	$ .49	$ .47	$ .48
Restated for Valley merger:				
Net income	$15,054	$15,505	$15,202	$15,270
Net income per share	$ .48	$ .47	$ .47	$ .47

</TABLE>

18--CONTINGENT LIABILITIES

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.

[LOGO OF KPMG PEAT MARWICK APPEARS HERE]

CERTIFIED PUBLIC ACCOUNTANTS

225 Market Street
Suite 300
P.O. Box 1190
Harrisburg, PA 17108-1190

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders Dauphin Deposit Corporation

We have audited the accompanying consolidated balance sheets of Dauphin Deposit Corporation and subsidiaries as of December 31, 1993 and 1992, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1993. These consolidated financial statements are the responsibility of Dauphin's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dauphin Deposit Corporation and subsidiaries as of December 31, 1993 and 1992, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1993 in conformity with generally accepted accounting principles.

/s/ KPMG Peat Marwick

January 28, 1994

[LOGO OF MEMBER FIRM OF KLYNVEID PEAT MARWICK GOERDELER APPEARS HERE]

DAUPHIN DEPOSIT CORPORATION

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

DAUPHIN DEPOSIT CORPORATION

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information relative to directors of the Registrant is incorporated herein by reference to Election of Directors and Section 16(a) of the Exchange Act in the Corporation's 1994 Proxy Statement. Information relative to executive officers of the Registrant is set forth herein in Part I under the caption "EXECUTIVE OFFICERS OF THE REGISTRANT."

ITEM 11. EXECUTIVE COMPENSATION

This item is incorporated by reference to Executive Compensation in the 1994 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

This item is incorporated by reference to Outstanding Stock and Principal Holders Thereof in the 1994 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

This item is incorporated by reference to Transactions with Management in the 1994 Proxy Statement.

DAUPHIN DEPOSIT CORPORATION
PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

<TABLE>
<S> <C>

(a) 1. Financial Statements
The consolidated financial statements listed on the index to Item 8 of this Annual Report on Form 10-K are filed as a part of this Annual Report.

(a) 2. Financial Statement Schedules
All schedules applicable to the Registrant are shown in the respective financial statements or in the notes thereto included in this Annual Report.

(a) 3. Exhibits

(3)(a) The Articles of Incorporation, as amended, of the Corporation, are incorporated herein by reference to Exhibit 3(b) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 1992 (Commission File Number 0-8415).

(3)(b) The By-Laws, as amended, of the Corporation are incorporated herein by reference to Exhibit 3(b) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1992 (Commission File Number 0-8415).

(10)(a) The Corporation's Stock Option Plan of 1986, as amended, is incorporated herein by reference to Exhibit 4.1 to Amendment No. 1 to the Corporation's Registration Statement on Form S-8, as filed with the Commission on April 28, 1993 (Commission File Number 33-17401).

(10)(b) The Corporation's Annual Management Performance Incentive Plan is incorporated herein by reference to Exhibit 10(b) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1992 (Commission File Number 0-8415).

(10)(c) Supplemental Executive Benefit and Change in Control Agreement, dated as of January 23, 1984, between Dauphin Bank and William J. King (the "King Agreement") is incorporated herein by reference to

Exhibit 10(c) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1992 (Commission File Number 0-8415).

(10)(d) Corrective Amendment, dated as of July 18, 1989, to the King Agreement is incorporated herein by reference to Exhibit 10(d) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1992 (Commission File Number 0-8415).

(10)(e) Amendment, dated as of November 8, 1991, to the King Agreement is incorporated herein by reference to Exhibit 10(e) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1992 (Commission File Number 0-8415).

(10)(f) Supplemental Executive Benefit and Change in Control Agreement, As Amended and Restated, dated as of October 15, 1992, between the Corporation and Christopher R. Jennings is incorporated herein by reference to Exhibit 10(f) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1992 (Commission File Number 0-8415).

</TABLE>

<TABLE>
<S> <C>

(10)(g) Change in Control Agreement, dated as of December 15, 1987, between the Corporation, Dauphin Bank and Paul B. Shannon (the "Shannon Agreement") is incorporated herein by reference to Exhibit 10(g) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1992 (Commission File Number 0-8415).

(10)(h) Corrective Amendment, dated as of August 7, 1989, to the Shannon Agreement is incorporated herein by reference to Exhibit 10(h) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1992 (Commission File Number 0-8415).

(10)(i) Change in Control Agreement, dated as of May 27, 1988, between the Corporation, Bank of Pennsylvania and Harry L. Nicholson (the "Nicholson Agreement") is incorporated herein by reference to Exhibit 10(i) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1992 (Commission File Number 0-8415).

(10)(j) Corrective Amendment, dated as of July 31, 1989, to the Nicholson Agreement is incorporated herein by reference to Exhibit 10(j) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1992 (Commission File Number 0-8415).

(10)(k) Employment and Consulting Agreement, dated as of January 27, 1992, between FB&T Corporation, the Corporation and Lawrence J. LaMaina, Jr. (the "LaMaina Agreement") is incorporated herein by reference to Exhibit 10(k) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1992 (Commission File Number 0-8415).

(10)(l) First Amendment, dated as of April 2, 1993, to the LaMaina Agreement.

(11) Statement regarding computation of per share earnings.

(21) Subsidiaries of the Registrant.

(23) Consent of Independent Auditors.

(99) The Rights Agreement, dated as of January 22, 1990, between the Corporation and Dauphin Bank, as Rights Agent, is incorporated herein by reference to Exhibit 1 to the Corporation's Current Report on Form 8-K, dated January 22, 1990, and filed with the Securities and Exchange Commission on February 9, 1990.

(b) Reports on Form 8-K
There were no reports on Form 8-K filed for the three months ended December 31, 1993.

</TABLE>

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(D) 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

February 22, 1994

/s/ William J. King
By: --------------------------------
WILLIAM J. KING
CHAIRMAN OF THE BOARD, CHIEF
EXECUTIVE OFFICER AND DIRECTOR

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT IS SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURES	TITLE	DATE
/s/ William J. King - ------------------------------------- WILLIAM J. KING	Chairman of the Board, Chief Executive Officer and Director	February 22, 1994
/s/ Christopher R. Jennings - ------------------------------------- CHRISTOPHER R. JENNINGS	President, Chief Operating Officer and Director	February 10, 1994
/s/ Lawrence J. LaMaina, Jr. - ------------------------------------- LAWRENCE J. LAMAINA, JR.	Vice Chairman and Director	February 14, 1994
/s/ Dennis L. Dinger - ------------------------------------- DENNIS L. DINGER	Executive Vice President and Chief Financial Officer	February 10, 1994
/s/ William H. Alexander - ------------------------------------- WILLIAM H. ALEXANDER	Director	February 14, 1994
/s/ John A. Arnold - ------------------------------------- JOHN A. ARNOLD	Director	February 10, 1994
/s/ Jeffrey J. Burdge - ------------------------------------- JEFFREY J. BURDGE	Director	February 10, 1994

SIGNATURES	TITLE	DATE
/s/ James O. Green - ------------------------------------- JAMES O. GREEN	Director	February 22, 1994
/s/ Alfred G. Hemmerich - -------------------------------------	Director	February 22, 1994

ALFRED G. HEMMERICH

	Director	
LEE H. JAVITCH		
/s/ William T. Kirchhoff	Director	February 10, 1994
WILLIAM T. KIRCHHOFF		
/s/ James E. Marley	Director	February 14, 1994
JAMES E. MARLEY		
/s/ Robert F. Nation	Director	February 10, 1994
ROBERT F. NATION		
/s/ Elmer E. Naugle	Director	February 22, 1994
ELMER E. NAUGLE		
	Director	
WALTER F. RAAB		
/s/ Paul C. Raub	Director	February 10, 1994
PAUL C. RAUB		
/s/ Henry W. Rhoads	Director	February 10, 1994
HENRY W. RHOADS		
	Director	
R. CHAMPLIN SHERIDAN, JR.		

DAUPHIN DEPOSIT CORPORATION
EXHIBIT INDEX

<TABLE>
<CAPTION>

EXHIBIT NUMBER		SEQUENTIAL PAGE NUMBER
<C>	<S>	<C>
(3)(a)	The Articles of Incorporation, as amended, of the Corporation, are incorporated herein by reference to Exhibit 3(b) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 1992 (Commission File Number 0-8415).	
(3)(b)	The By-Laws, as amended, of the Corporation are incorporated herein by reference to Exhibit 3(b) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1992 (Commission File Number 0-8415).	
(10)(a)	The Corporation's Stock Option Plan of 1986, as amended, is incorporated herein by reference to Exhibit 4.1 to Amendment No. 1 to the Corporation's Registration Statement on Form S-8, as filed with the Commission on April 28, 1993 (Commission File Number 33-17401).	
(10)(b)	The Corporation's Annual Management Performance Incentive Plan is incorporated herein by reference to Exhibit 10(b) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1992 (Commission File Number 0-8415).	
(10)(c)	Supplemental Executive Benefit and Change in Control	

	Agreement, dated as of January 23, 1984, between Dauphin Bank and William J. King (the "King Agreement") is incorporated herein by reference to Exhibit 10(c) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1992 (Commission File Number 0-8415).
(10)(d)	Corrective Amendment, dated as of July 18, 1989, to the King Agreement is incorporated herein by reference to Exhibit 10(d) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1992 (Commission File Number 0-8415).
(10)(e)	Amendment, dated as of November 8, 1991, to the King Agreement is incorporated herein by reference to Exhibit 10(e) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1992 (Commission File Number 0-8415).
(10)(f)	Supplemental Executive Benefit and Change in Control Agreement, as Amended and Restated, dated as of October 15, 1992, between the Corporation and Christopher R. Jennings is incorporated herein by reference to Exhibit 10(f) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1992 (Commission File Number 0-8415).
(10)(g)	Change in Control Agreement, dated as of December 15, 1987, between the Corporation, Dauphin Bank and Paul B. Shannon (the "Shannon Agreement") is incorporated herein by reference to Exhibit 10(g) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1992 (Commission File Number 0-8415).
(10)(h)	Corrective Amendment, dated as of August 7, 1989, to the Shannon Agreement is incorporated herein by reference to Exhibit 10(h) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1992 (Commission File Number 0-8415).
(10)(i)	Change in Control Agreement, dated as of May 27, 1988, between the Corporation, Bank of Pennsylvania and Harry L. Nicholson (the "Nicholson Agreement") is incorporated herein by reference to Exhibit 10(i) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1992 (Commission File Number 0-8415).

</TABLE>

DAUPHIN DEPOSIT CORPORATION

<TABLE>
<CAPTION>

EXHIBIT NUMBER		SEQUENTIAL PAGE NUMBER
<C>	<S>	<C>
(10)(j)	Corrective Amendment, dated as of July 31, 1989, to the Nicholson Agreement is incorporated herein by reference to Exhibit 10(j) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1992 (Commission File Number 0-8415).	
(10)(k)	Employment and Consulting Agreement, dated as of January 27, 1992, between FB&T Corporation, the Corporation and Lawrence J. LaMaina, Jr. (the "LaMaina Agreement") is incorporated herein by reference to Exhibit 10(k) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1992 (Commission File Number 0-8415).	
(10)(l)	First Amendment, dated as of April 2, 1993, to the LaMaina Agreement.	63
(11)	Statement regarding computation of per share earnings.	65
(21)	Subsidiaries of the Registrant.	66
(23)	Consent of Independent Auditors.	67
(99)	The Rights Agreement, dated as of January 22, 1990, between the Corporation and Dauphin Bank, as Rights Agent, is incorporated herein by reference to Exhibit 1	

to the Corporation's Current Report on Form 8-K, dated
January 22, 1990, and filed with the Securities and
Exchange Commission on February 9, 1990.

</TABLE>

DAUPHIN DEPOSIT CORPORATION

EXHIBIT (10)(L)

FIRST AMENDMENT TO EMPLOYMENT AND CONSULTING AGREEMENT

THIS AMENDMENT made this 2nd day of April, 1993, is by and among DAUPHIN DEPOSIT CORPORATION ("Dauphin Deposit"), FARMERS BANK AND TRUST COMPANY OF HANOVER (the "Bank"), a wholly owned subsidiary of Dauphin Deposit and LAWRENCE J. LaMAINA, JR. ("LaMaina") and amends that certain Employment and Consulting Agreement dated January 27, 1992 (the "Agreement") by and among the parties hereto and FB&T Corporation, a corporation which was merged into Dauphin Deposit on July 1, 1992, a copy of which is attached hereto as Exhibit 1.

W I T N E S S E T H :

WHEREAS, LaMaina is currently employed as Chairman, President and Chief Executive Officer of the Bank pursuant to the terms and conditions of the Agreement; and

WHEREAS, the parties hereto desire to extend the term of LaMaina's full-time employment pursuant to the Agreement and to revise the period of consultancy thereunder as set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the promises and covenants contained herein and in the Agreement, the parties hereto, intending to be legally bound, agree as follows:

1. Section 2 of the Agreement is hereby amended to read in its entirety as follows:

> 2. Term. The term of LaMaina's engagement hereunder shall commence on the effective date of the Merger and continue until December 31, 1996, unless earlier terminated in accordance with the terms of this Agreement. From the Effective Date of the Merger until January 31, 1996, LaMaina shall be a full-time employee of the Bank with the duties set forth in Section 3 hereof. If and only if LaMaina's full-time employment is not terminated prior to January 31, 1996 by LaMaina, by Dauphin Deposit or the Bank for good cause (as defined herein) or as a result of LaMaina's death or disability, LaMaina shall thereafter be retained until December 31, 1996 as a consultant on the terms set forth in Section 4 hereof.

3. Section 3 of the Agreement is hereby amended by deleting from the introductory clause of the first sentence thereof the following parenthetical: "(including the one (1) year extension period, if any)".

4. Section 4 of the Agreement is hereby amended to read in its entirety as follows:

4. Duties as a Consultant. If (i) neither Dauphin Deposit nor the Bank terminate LaMaina's full-time employment hereunder prior to January 31, 1996, for good cause or as a result of LaMaina's death or disability, or (ii) LaMaina does not terminate such full-time employment prior to January 31, 1996, LaMaina shall be retained as a consultant to the Bank and Dauphin Deposit for the period February 1, 1996 through December 31, 1996, and during said period as a consultant, LaMaina shall:

(a) Render to the Bank and Dauphin Deposit such services of an advisory or consultative nature as Dauphin Deposit or the Bank may reasonably request, so that such parties may have the benefit of LaMaina's experience and knowledge of the affairs of the Bank and his reputation and contacts in the community, and he will be available for advice and counsel to the officers and directors of the Bank and Dauphin Deposit at all reasonable times (but not on a full-time basis) by telephone, letter or in person; provided, however, that his failure to render such services or give such advice and counsel by reason of his illness or other incapacity shall not affect his right to receive his compensation during such period; and

(b) Refrain from becoming employed by, associated with or rendering advice or service to any other bank or bank holding company in competition with the Bank, Dauphin Deposit or any other banking subsidiary of Dauphin Deposit or the Bank.

5. Paragraph (b) of Section 5 of the Agreement is hereby amended to read in its entirety as follows:

(b) During Period of Consultancy (If Any). If, pursuant to Section 4 hereof, LaMaina is retained as a consultant to the Bank and/or Dauphin Deposit for the specified eleven (11) month period after the period of his full-time employment hereunder, LaMaina shall be paid by the Bank during said eleven (11) month period a consulting fee equal to Two Hundred Twenty Thousand Six Hundred Eighty Seven Dollars and Fifty Cents ($220,687.50), payable in bi-weekly installments, subject to withholding (if any) and other applicable taxes and payroll deductions (if any). Except for continuation of medical insurance benefits in accordance with Section 8 hereof, LaMaina shall not be entitled to any other payments or fringe benefits during the consulting period. During the period of consulting, if any, hereunder, LaMaina shall be an independent contractor only and not an employee of the Bank or Dauphin Deposit.

6. Except as amended hereby, the Agreement shall remain in full force and effect, without further amendment or modification. All references in the Agreement as amended hereby to "this Agreement" and the terms "hereof", "hereunder" and similar terms shall hereafter refer to the Agreement as amended

hereby.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have set their hands and seals as of the day and year first above written.

ATTEST: FARMERS BANK AND TRUST COMPANY OF HANOVER

/s/ Elizabeth F. Carson
- ---------------------------------------
(Asst). Secretary
(Seal)

/s/ Mary Ann Williams
By: ----------------------------------
Vice President

DAUPHIN DEPOSIT CORPORATION

/s/ Claire D. Flemming
- ---------------------------------------
Secretary
(Seal)

/s/ Christopher R. Jennings
By: ----------------------------------
Christopher R. Jennings
President and Chief
Operating Officer

WITNESS:

/s/ Donna J. Winters
- ---------------------------------------

/s/ Lawrence J. LaMaina, Jr.

Lawrence J. LaMaina, Jr.

DAUPHIN DEPOSIT CORPORATION

EXHIBIT (11)

STATEMENT REGARDING COMPUTATION OF PER SHARE EARNINGS

	YEARS ENDED DECEMBER 31, 1993	YEARS ENDED DECEMBER 31, 1992
Net income	$64,492,000	$57,223,000
Shares outstanding		
Primary	30,035,507	29,639,940
Fully diluted	30,396,767	30,123,143
Earnings per share		
Primary	$2.15	$1.93
Fully diluted	$2.13	$1.92

DAUPHIN DEPOSIT CORPORATION

EXHIBIT (21)

Subsidiaries

The Registrant has ten subsidiaries, Dauphin Deposit Bank and Trust Company; Farmers Bank and Trust Company of Hanover; Farmers Bank, a Federal Savings Bank; Dauphin Life Insurance Company; Dauphin Investment Company; Financial Realty, Inc.; Hopper Soliday & Co., Inc.; Reliance Consumer Discount Company; Farmers Mortgage Company and FARMCO Realty, Inc.

Dauphin Deposit Bank and Trust Company, a bank and trust company chartered under the Pennsylvania Banking Code of 1965, as amended, is engaged in the commercial and retail banking and trust business.

Farmers Bank and Trust Company of Hanover, a bank and trust company chartered under the Pennsylvania Banking Code of 1965, as amended, is engaged in the commercial and retail banking and trust business.

Farmers Bank, a Federal Savings Bank, a federally chartered capital stock savings bank, is engaged in the commercial and retail banking business. Effective February 1, 1994 the Corporation sold 100% of the issued and outstanding stock of this subsidiary.

Dauphin Life Insurance Company, incorporated under the laws of Arizona, reinsures credit life, health and accident insurance directly related to extensions of credit by the Banks.

Dauphin Investment Company, incorporated under the laws of Delaware, is engaged in investment of securities and the maintenance of said investments for its own account.

Financial Realty, Inc., incorporated under the laws of Delaware, is engaged in the leasing of certain bank buildings to Dauphin Bank.

Hopper Soliday & Co., Inc., incorporated under the laws of Delaware, is engaged in municipal finance, institutional sales, financial advisory and other general securities businesses permitted for bank holding companies and their non-bank subsidiaries.

Reliance Consumer Discount Company, incorporated under the laws of Pennsylvania, was sold in October 1992 and is no longer an operating subsidiary.

Farmers Mortgage Company, incorporated under the laws of Pennsylvania, makes and acquires loans and other extensions of credit secured by real estate mortgages and deeds of trust.

FARMCO Realty, Inc., incorporated under the laws of Pennsylvania, is a real estate holding company which holds property leased to Farmers Bank for its branch office locations.

In addition to the above, Dauphin Bank has two subsidiaries, Financial Land Corporation and Financial Mineral Corporation, both of which were incorporated under the laws of Pennsylvania for the purpose of holding assets acquired in loan liquidations.

EXHIBIT (23)

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
Dauphin Deposit Corporation

We consent to incorporation by reference in the registration statements (Nos. 33-17401, 33-61848, 33-50172 and 2-73258) on Form S-8 of Dauphin Deposit Corporation of our report dated January 28, 1994, relating to the consolidated balance sheets of Dauphin Deposit Corporation and subsidiaries as of December 31, 1993 and 1992, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1993, which report appears in the December 31, 1993 annual report on Form 10-K of Dauphin Deposit Corporation.

KPMG PEAT MARWICK

Harrisburg, Pennsylvania
March 2, 1994