SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
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CORESTATES FINANCIAL CORP

CIK:**69952**| IRS No.: **231899716** | State of Incorp.:**PA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-11285** | Film No.: **94528391**
SIC: **6021** National commercial banks

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15 (d)
of the Securities Exchange Act of 1934

For the quarter ended March 31, 1994   Commission file number 0-6879

CORESTATES FINANCIAL CORP

(Exact name of registrant as specified in its charter)

Pennsylvania	23-1899716
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
N.E. Corner Broad and Chestnut Streets Philadelphia, Pennsylvania	19101
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code	215-973-3827

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes   X   .   No   .

Number of Shares of Common Stock Outstanding
at May 2, 1994: 126,520,181

CORESTATES FINANCIAL CORP AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

CORESTATES FINANCIAL CORP AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET (unaudited)
(in thousands)

<TABLE>
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<S>	March 31, 1994 <C>	December 31, 1993 <C>
ASSETS		
Cash and due from banks	$ 2,278,945	$ 2,466,867
Time deposits, principally Eurodollars	1,289,804	1,273,373
Investments held-to-maturity (fair value: 1994 - $2,067,704; 1993 - $2,257,513)	2,058,251	2,228,560
Investments available-for-sale, at fair value	375,672	785,046
Loans, net of unearned discounts of $115,725 in 1994 and $120,244 in 1993 (Note C)	18,535,299	18,026,142
Less: Allowance for loan losses	(532,606)	(537,767)
Net loans	18,002,693	17,488,375
Federal funds sold and securities purchased under agreements to resell	403,662	148,527
Trading account securities, at fair value	3,761	6,393
Due from customers on acceptances	304,102	332,234
Premises and equipment	378,730	376,115
Other assets	596,571	665,588
Total assets	$25,692,191	$25,771,078
LIABILITIES		
Deposits:		
Domestic:		
Non-interest bearing	$ 6,272,922	$ 6,331,130
Interest bearing	11,651,676	11,916,852
Overseas branches and subsidiaries	728,645	796,902
Total deposits	18,653,243	19,044,884
Funds borrowed	2,191,643	1,830,495
Bank acceptances outstanding	305,109	337,180
Other liabilities	1,046,567	1,069,570
Long-term debt	1,478,531	1,455,036
Total liabilities	23,675,093	23,737,165
COMMITMENTS AND CONTINGENT LIABILITIES (Note D)		
SHAREHOLDERS' EQUITY		
Common stock: $1 par value; authorized 200.0 million shares; issued 129.1 million shares in 1994 and 128.8 million shares in 1993 (including treasury shares of 2.1 million in 1994 and .4 million in 1993)	2,017,098	2,033,913
Total shareholders' equity	2,017,098	2,033,913
Total liabilities and shareholders' equity	$25,692,191	$25,771,078

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</TABLE>

See accompanying notes to the consolidated financial statements.

CORESTATES FINANCIAL CORP AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME (unaudited)
(in thousands, except per share amounts)

<TABLE>
<CAPTION>

	Three Months Ended March 31, 1994	Three Months Ended March 31, 1993
INTEREST INCOME		
Interest and fees on loans:		
Taxable income	$352,751	$346,528
Tax exempt income	5,548	7,270
Interest on investment securities:		
Taxable income	28,144	40,525
Tax exempt income	4,032	4,996
Interest on time deposits in banks	14,445	12,560
Other interest income	2,299	1,599
Total interest income	407,219	413,478
INTEREST EXPENSE		
Interest on deposits	73,643	88,071
Interest on funds borrowed	16,766	13,281
Interest on long-term debt	15,286	16,965
Total interest expense	105,695	118,317
NET INTEREST INCOME	301,524	295,161
Provision for losses on loans	25,000	27,500
NET INTEREST INCOME AFTER PROVISION FOR LOSSES ON LOANS	276,524	267,661
NON-INTEREST INCOME		
Service charges on deposit accounts	43,818	40,590
Trust income	23,365	24,209
Fees for international services	18,139	15,483
Debit and credit card fees	13,726	13,271
Income from investment in EPS, Inc	7,912	3,563
Gains (losses) on trading account securities	310	761
Securities gains (losses)	6,911	3,022
Other operating income	25,203	22,319
Total non-interest income	139,384	123,218
NON-FINANCIAL EXPENSES		
Salaries, wages and benefits	147,398	142,624
Net occupancy	28,451	27,578
Equipment expenses	17,789	17,492
Other operating expenses	79,764	90,628
Total non-financial expenses	273,402	278,322
INCOME BEFORE INCOME TAXES	142,506	112,557
Provision for income taxes	50,594	37,507
INCOME BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	91,912	75,050
Cumulative effect of a change in accounting principle, net of income tax benefits of $7,005		(13,010)
NET INCOME	$ 91,912	$ 62,040

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Average common shares outstanding	128,089	128,300
PER COMMON SHARE DATA		
Income before cumulative effect of a change in accounting principle	$0.72	$0.58
Net income	$0.72	$0.48
Cash dividends declared	$0.30	$0.27

</TABLE>

See accompanying notes to the consolidated financial statements.

CORESTATES FINANCIAL CORP AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)
(in thousands)

<TABLE>
<CAPTION>

	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
<S>	<C>	<C>	<C>	<C>	<C>
Three Months Ended March 31, 1993					
Balances at beginning of year	$ 69,748	$722,257	$1,102,329	$ (3,881)	$1,890,453
Net income			62,040		62,040
Treasury shares acquired (10 shares)				(547)	(547)
Common stock issued under employee benefit plans (198 shares)	198	6,768			6,966
Common stock issued under dividend reinvestment plan (47 shares)	47	2,490			2,537
Foreign currency translation adjustments			(2,377)		(2,377)
Common dividends declared			(31,625)		(31,625)
Balances at end of period	$ 69,993	$731,515	$1,130,367	$ (4,428)	$1,927,447
Three Months Ended March 31, 1994					
Balances at beginning of year	$129,136	$680,556	$1,232,040	$ (7,819)	$2,033,913
Net income			91,912		91,912
Net change in unrealized gain on investments available-for-sale, net of tax			(25,487)		(25,487)
Treasury shares acquired (2,004 shares)				(53,879)	(53,879)
Common stock issued under employee benefit plans (10 new shares; 126 treasury shares)	10	(25)	(661)	3,403	2,727
Common stock issued under dividend reinvestment plan (0 new shares; 122 treasury shares)		1	(364)	3,522	3,159
Foreign currency translation adjustments			(14)		(14)
Common dividends declared			(35,233)		(35,233)
Balances at end of period	$129,146	$680,532	$1,262,193	$(54,773)	$2,017,098

</TABLE>

See accompanying notes to the consolidated financial statements.

CORESTATES FINANCIAL CORP AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)
(in thousands)

<TABLE>
<CAPTION>

	Three Months Ended March 31,	
	1994	1993
<S>	<C>	<C>
Operating Activities		
Net income	$ 91,912	$ 62,040
Adjustments to reconcile net income to net		

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cash provided by operating activities:		
Cumulative effect of a change in accounting principle		13,010
Provision for losses on loans	25,000	27,500
Provision for losses on OREO and writedowns		4,388
Depreciation and amortization	19,436	17,559
Securities gains, net	(6,911)	(3,022)
Deferred income tax expense (benefit)	(3,970)	4,927
Increase in due to factored clients	56,807	44,829
Decrease in interest receivable	4,913	7,583
Decrease in interest payable	(13,980)	(39,726)
Other assets and liabilities, net	16,350	136,248
Net Cash Provided By Operating Activities	189,557	275,336
Investing Activities		
Net (increase) decrease in loans	(509,671)	151,063
Proceeds from sales of loans	85,691	106,562
Loans originated or acquired - non-bank subsidiary	(7,673,456)	(5,605,372)
Principal collected on loans - non-bank subsidiary	7,551,980	5,439,714
Net (increase) decrease in time deposits, principally eurodollars	(16,431)	343,874
Purchases of investments held-to-maturity	(343,604)	
Purchases of investments available-for-sale	(81,777)	
Purchases of investment securities		(516,053)
Proceeds from maturities of investments available-for-sale	3,227	
Proceeds from maturities of investments held-to-maturity	501,529	
Proceeds from sales of investments available-for-sale	462,766	
Proceeds from sales of investment securities		32,712
Proceeds from maturities of investment securities		220,482
Net (increase) decrease in Federal funds sold and securities purchased under agreements to resell	(255,135)	24,258
Purchases of premises and equipment	(21,195)	(14,661)
Proceeds from sales and paydowns on other real estate owned	7,496	5,272
Other	1,317	20,028
Net Cash Provided (Used) By Investing Activities	(287,263)	207,879
Financing Activities		
Net decrease in deposits	(391,641)	(694,574)
Proceeds from issuance of long-term debt	51,701	237,500
Retirement of long-term debt	(28,260)	(200,761)
Net increase (decrease) in funds borrowed	361,148	(96,204)
Cash dividends paid	(35,171)	(31,474)
Purchases of treasury stock	(53,879)	(547)
Other	5,886	9,503
Net Cash Used In Financing Activities	(90,216)	(776,557)
Decrease In Cash And Due From Banks	(187,922)	(293,342)
Cash and due from banks at January 1,	2,466,867	2,445,283
Cash And Due From Banks at March 31,	$ 2,278,945	$ 2,151,941
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for:		
Interest	$ 119,675	$ 158,057
Income taxes	$ 621	$ 3,737

</TABLE>

See accompanying notes to the consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
March 31, 1994

NOTE A -- BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of CoreStates Financial Corp ("CoreStates") have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (comprising only normal recurring accruals) necessary for a fair presentation have been included. Prior year data in the accompanying financial statements have been restated to include the consolidated accounts of Constellation Bancorp, which was acquired on March 16, 1994 in a transaction accounted for as a pooling of interests. Certain amounts in prior periods have been reclassified for comparative purposes. Operating results for the three-month period ended March 31, 1994 are not necessarily indicative of the results that may be expected for the year ending December 31, 1994.

Effective January 1, 1993, CoreStates adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" ("FAS 112"). FAS 112 requires that employers accrue the costs associated with postemployment benefits during the active service periods of employees. CoreStates recognized the January 1, 1993 transitional liability of $20,015,000, $13,010,000 after-tax or $0.10 per share, as the cumulative effect of a change in accounting principle.

NOTE B -- PROPOSED MERGER

In November 1993, CoreStates announced a definitive agreement to acquire Independence Bancorp ("Independence") in a transaction expected to be accounted for as a pooling of interests (the "Merger"). For each Independence common share outstanding 1.5 shares of CoreStates' common stock will be issued. As a result of this transaction, approximately 16.5 million new shares will be issued. This agreement is subject to, among other conditions, approval by Independence's shareholders and certain regulatory authorities.

In March 1994, CoreStates announced a definitive agreement to acquire Germantown Savings Bank ("GSB") in a transaction to be accounted for as a purchase (the "Purchase"). Under the terms of the agreement, each of GSB's 4.19 million shares of common stock will be exchanged for a combination of CoreStates' common stock, equal to 55% of the $62 per GSB share purchase price, and cash, equal to 45% of the purchase price. This agreement is subject to, among other conditions, approval by GSB's shareholders and certain regulatory authorities.

The following unaudited pro forma information reflects the Merger and the Purchase. This pro forma information has been prepared using historical consolidated financial statements, as modified for intercompany balances, assuming that the operations of Independence had been consolidated with CoreStates for all periods presented and the operations of GSB had been consolidated for 1994.

NOTE B -- PROPOSED MERGER: continued

CoreStates currently estimates that in connection with a change in strategic direction related to Independence's problem assets and to conform Independence's loan, accrual and reserve policies to those of CoreStates, it will take an addition to the allowance for possible loan losses of approximately $25 million and an addition to the reserve against other real estate owned ("OREO") of approximately $5 million. Accordingly, pro forma common shareholders' equity at March 31, 1994 has been reduced by $19.5 million, the after-tax effect of the estimated provisions.

Pro forma shareholders' equity at March 31, 1994 also reflects charges of approximately $24.2 million, $15.7 million after-tax, which include expenses directly attributed to the Merger and certain other costs and expenses.

Pro forma operating results do not reflect the estimated $25 million provision for losses on loans related to Independence's loan portfolio, the $5 million addition to Independence's reserve against OREO, or charges of approximately $24 million which include expenses directly attributable to the Merger and certain other costs and expenses. Were these expenses reflected in pro forma operating results for the three months ended March 31, 1994, net income would decrease by $35.2 million, or $.23 per share.

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The pro forma information does not purport to be indicative of the combined financial position as it may be in the future or indicative of the results that actually would have been realized had the entities been a single entity during these periods or indicative of the actual results the combined company will report in the future.

Pro forma cash dividends declared per share for the periods presented assume that CoreStates would have declared cash dividends per share equal to the cash dividends per share actually declared by CoreStates prior to March 31, 1994.

Unaudited pro forma financial information for CoreStates, Independence and GSB combined follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued
NOTE B -- PROPOSED MERGER - Continued

PRO FORMA CONDENSED COMBINED BALANCE SHEET - March 31, 1994
(in thousands, except per share amounts)
<TABLE>
<CAPTION>

<S>	CoreStates and Subsidiaries <C>	Independence and Subsidiaries <C>	Germantown Savings Bank <C>	Pro Forma <C>	<C>
ASSETS					
Cash and due from banks	$ 2,278,945	$ 114,600	$ 20,637	$ 2,349,837	(a)
Time deposits, principally Eurodollars	1,289,804	42,395	139	1,332,338	
Investment securities	2,433,923	566,629	556,848	3,544,599	(e) (h)
Loans, net of unearned discounts	18,535,299	1,691,393	1,014,124	21,253,338	(h)
Allowance for loan losses	(532,606)	(33,016)	(23,507)	(614,129)	(b)
Federal funds sold and securities purchased under agreements to resell	403,662	72,500	20,000	437,962	
Trading account securities	3,761	-	-	3,761	
Due from customers on acceptances	304,102	-	-	304,102	
Premises, equipment and other assets	975,301	86,994	24,842	1,230,377	(a) (b) (c) (d) (e) (h)
Total assets	$ 25,692,191	$2,541,495	$1,613,083	$29,842,185	
LIABILITIES					
Deposits:					
Domestic:					
Non-interest bearing	$ 6,272,922	$ 374,626	$ 45,080	$ 6,628,283	(a)
Interest bearing	11,651,676	1,754,043	1,408,528	14,823,610	(h)
Overseas branches and subsidiaries	728,645	-	-	728,645	
Total deposits	18,653,243	2,128,669	1,453,608	22,180,538	
Funds borrowed	2,191,643	51,406	-	2,184,849	(a)
Bank acceptances outstanding	305,109	-	-	305,109	
Other liabilities	1,046,567	14,888	12,731	1,123,891	(a) (c) (d)
Long-term debt	1,478,531	132,880	-	1,728,442	(g)
Total liabilities	23,675,093	2,327,843	1,466,339	27,522,829	
SHAREHOLDERS' EQUITY					
Common stock	2,017,098	213,652	146,744	2,319,356	(b) (c) (d) (e) (f) (g)
Total shareholders' equity	2,017,098	213,652	146,744	2,319,356	
Total liabilities and shareholders' equity	$ 25,692,191	$2,541,495	$1,613,083	$29,842,185	
Book value per share	$15.88	$18.47	$34.98	$15.57	

See FOOTNOTES TO PRO FORMA CONDENSED COMBINED BALANCE SHEET on page 10.

</TABLE>

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NOTE B -- PROPOSED MERGER - Continued

FOOTNOTES TO PRO FORMA CONDENSED COMBINED BALANCE SHEET
March 31, 1994

(a) Reflects elimination of intercompany deposits, Federal funds transactions, and other intercompany funding.

(b) Reflects the estimated $25 million provision for losses on loans related to Independence's loan portfolio and the $5 million addition to Independence's reserve against OREO.

(c) Reflects charges of approximately $24.2 million, $15.7 million after related tax effects, which include expenses directly attributable to the Merger.

(d) Reflects charges of approximately $41.9 million, $27.3 million after related tax effects, which include expenses directly attributable to the Purchase.

(e) Reflects the cancellation of 563,000 Independence Common Shares owned by CoreStates and carried at fair value and 153,000 Independence Common Shares held as treasury stock.

(f) Reflects the conversion of 11.566 million outstanding Independence Common Shares on March 31, 1994 into 17.349 million CoreStates Common Shares.

(g) Represents the purchase price in the Germantown Proposed Combination using the following assumptions:

  (1) Shareholders of Germantown will receive, for each of the 4,194,647 Germantown Common Shares, $62 per share payable 55% in equivalent value CoreStates Common Shares and 45% in cash, for a total purchase price of $260.1 million.

  (2) The market value for CoreStates Common Shares, for purposes of Germantown pro forma calculations, was assumed to be $26.50 per share.

  (3) CoreStates Common Shares issued in the Germantown Proposed Combination will equal 5.398 million shares.

  (4) The cash portion of the purchase price was assumed to be raised through the issuance of seven year notes at 7 1/4%.

  (5) The elimination of GSB's total shareholders' equity at March 31, 1994.

(h) Represents the estimated adjustments of Germantown's assets and liabilities to their fair values (which were determined using information available at the most recent practicable date), the intangible asset related to the value of the deposit base acquired, which is estimated to be approximately $28 million, and the adjustment of approximately $105 million arising from the excess of the total purchase price over net assets acquired (i.e. goodwill).

NOTE B -- PROPOSED MERGER - Continued
PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME
(in thousands, except per share amounts)
<TABLE>
<CAPTION>

	Three Months Ended March 31, 1994				Three Months Ended March 31, 1993		
	CoreStates and Subsidiaries	Independence and Subsidiaries	Germantown Savings Bank	Pro Forma(a)	CoreStates and Subsidiaries	Independence and Subsidiaries	Pro Forma
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
INTEREST INCOME							
Interest and fees on loans	$358,299	$33,894	$19,601	$411,168(c)	$353,798	$35,424	$389,222
Interest on investment securities	32,176	7,849	6,707	46,147(b)(c)	45,521	9,695	55,216
Interest on time deposits in banks	14,445	351	1	14,797	12,560	403	12,963
Interest on federal funds sold and securities purchased under agreement to resell	2,278	303	156	2,614(b)	1,586	197	1,779(b)

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Other interest income	21	-	-	21	13	-	13
Total interest income	407,219	42,397	26,465	474,747	413,478	45,719	459,193
INTEREST EXPENSE							
Interest on deposits	73,643	13,098	10,178	95,374(c)	88,071	16,186	104,257
Interest on funds borrowed	16,766	317	28	16,978(b)	13,281	865	14,142(b)
Interest on long-term debt	15,286	2,168	-	19,546(c)	16,965	1,889	18,854
Total interest expense	105,695	15,583	10,206	131,898	118,317	18,940	137,253
Net interest income	301,524	26,814	16,259	342,849	295,161	26,799	321,940
Provision for losses on loans							
Net interest income after provision	25,000	1,905	100	27,005	27,500	3,225	30,725
for losses on loans	276,524	24,909	16,159	315,844	267,661	23,554	291,215
NON-INTEREST INCOME							
Service charges on deposit accounts	43,818	2,205	653	46,676	40,590	2,051	42,641
Trust income	23,365	1,227	-	24,592	24,209	1,163	25,372
Fees for international services	18,139	-	-	18,139	15,483	-	15,483
Debit and credit card fees	13,726	674	39	14,439	13,271	569	13,840
Securities gains (losses)	6,911	(13)	4	6,902	3,022	(173)	2,849
Other operating income	33,425	2,470	431	36,326	26,643	2,978	29,621
Total non-interest income	139,384	6,563	1,127	147,074	123,218	6,588	129,806
NON-FINANCIAL EXPENSES							
Salaries, wages and benefits	147,398	11,530	5,121	164,049	142,624	11,713	154,337
Net occupancy	28,451	1,741	1,184	31,376	27,578	1,663	29,241
Equipment expenses	17,789	1,415	417	19,621	17,492	1,545	19,037
Other operating expenses	79,764	8,246	2,626	93,469(c)	90,628	7,832	98,460
Total non-financial expenses	273,402	22,932	9,348	308,515	278,322	22,753	301,075
Income (loss) before income taxes	142,506	8,540	7,938	154,403	112,557	7,389	119,946
Provision for income taxes	50,594	2,647	2,691	54,328(c)	37,507	2,158	39,665
Income before cumulative effect of a change in accounting principle(d)(e)	$ 91,912	$ 5,893	$ 5,247	$100,075	$ 75,050	$ 5,321	$ 80,281
Average common shares outstanding	128,089	11,542	4,434	150,010	128,300	11,404	145,109
PER COMMON SHARE DATA							
Income before the cumulative effect of change in accounting principle	$0.72	$.50	$1.18	$0.67	$0.58	$0.46	$0.55
Cash dividends declared	$0.30	$.29	$0.10	$0.30	$0.27	$0.29	$0.27

See FOOTNOTES TO PRO FORMA CONDENSED COMBINED STATEMENTS OF INCOME on page 12.

</TABLE>

CORESTATES FINANCIAL CORP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

NOTE B -- PROPOSED MERGER - Continued

FOOTNOTES TO PRO FORMA CONDENSED COMBINED STATEMENTS OF INCOME

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(a) The Pro Forma Condensed Combined Statements of Income do not reflect the estimated $25 million provision for losses on loans related to Independence's loan portfolio, the $5 million addition to Independence's reserve against OREO, or charges of approximately $24.2 million which include expenses directly attributable to the Merger and certain other costs and expenses. Were these expenses reflected in the Pro Forma Condensed Combined Statements of Income for the three months ended March 31, 1994, net income would decrease by $35.2 million, or $.23 per share.

(b) Reflects the elimination of intercompany interest on deposits, long-term debt, Federal funds transactions and other intercompany funding.

(c) Reflects the anticipated impact of the purchase accounting adjustments (which were determined using information available at the most recent practicable date) assuming the Germantown Proposed Combination was effective on January 1, 1994. For the purposes of determining the effects on the pro forma combined condensed statement of income, the following pro forma adjustments have been made:

1) Amortization of the premium on the loan and investment securities portfolios and certificates of deposit and the related income tax effects.

2) Amortization of intangibles including goodwill and deposit base intangible which was calculated using lives of 15 years and 10 years, respectively. As required by FAS 109, the provision for income taxes assumes that the amortization of the deposit base intangible is deductible for Federal income tax purposes.

3) Interest expense on the seven year 7 1/4% notes which were assumed to have been issued to fund the cash portion of the purchase price.

(d) During the first quarter of 1994, Independence recognized a $3.4 million after-tax impairment loss on certain mortgage securities. The loss was the result of a write down to fair value of these securities which were deemed to be impaired. This resulted from the recent Financial Accounting Standards Board ("FASB") interpretation of a 1993 accounting change, Statement of Financial Accounting Standards No. 115. The interpretation reached by a consensus of the FASB Emerging Issues Task Force in March 1994 requires more definitive criteria for recognition of impairment losses on these types of securities.

(e) Effective January 1, 1993, CoreStates adopted FAS 112, "Employers' Accounting for Postemployment Benefits." CoreStates recognized the January 1, 1993 FAS 112 transitional liability of $20.0 million, $13.0 million after-tax or $.10 per share, as the cumulative effect of a change in accounting principle. The impact of FAS 112 on Independence and Germantown is immaterial.

NOTE C -- LOAN PORTFOLIO

Loans, net of unearned discounts, at March 31, 1994 and December 31, 1993 consist of the following (in thousands):
<TABLE>
<CAPTION>

	March 31, 1994	December 31, 1993
Domestic:		
Commercial, industrial and other:		
Highly leveraged transactions ("HLTs")....	$ 479,248	$ 452,137
Other....................................	7,650,543	7,086,337
Total commercial, industrial and other..	8,129,791	7,538,474
Real estate:		
Construction and development.............	322,003	326,658
Residential..............................	2,349,904	2,524,471
Other....................................	2,826,578	2,796,727
Total real estate......................	5,498,485	5,647,856
Consumer:		
Installment..............................	1,056,677	1,053,411
Credit card..............................	1,165,171	1,165,994

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Total consumer	2,221,848	2,219,405
Financial institutions	737,479	865,494
Factoring receivables	638,048	555,211
Lease financing	679,728	656,620
Total domestic	17,905,379	17,483,060
Foreign	629,920	543,082
Total loans	$18,535,299	$18,026,142

</TABLE>

NOTE D -- COMMITMENTS AND CONTINGENT LIABILITIES

There are outstanding commitments or contingent liabilities which include, among other things, commitments to extend credit, interest rate contracts, letters of credit and loan guarantees undertaken in the normal course of business. Outstanding standby letters of credit at March 31, 1994 amount to $1,164 million. Management does not anticipate any significant losses as a result of these transactions.

PART I. FINANCIAL INFORMATION

CORESTATES FINANCIAL CORP AND SUBSIDIARIES

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SUMMARY

Net income for the first quarter of 1994 was $91.9 million, or $0.72 per share, compared to $75.1 million, or $0.58 per share before the cumulative effect of a change in accounting principle for the first quarter of 1993. Effective January 1, 1993, CoreStates Financial Corp ("CoreStates") adopted Statement of Financial Accounting Standards No. 112 "Employers' Accounting for Postemployment Benefits" ("FAS 112"). FAS 112 requires that employers accrue the costs associated with providing postemployment benefits during the active service periods of employees. CoreStates recognized the January 1, 1993 transitional liability of $20.0 million, $13.0 million after-tax or $0.10 per share, as the cumulative effect of a change in accounting principle in the first quarter of 1993. All prior year data has been restated to include Constellation Bancorp ("Constellation") which was acquired on March 16, 1994. First quarter of 1994 highlights included:

- A 17.72% return on average common shareholders' equity and 1.48% return on average total assets. Net income per share for the first quarter of 1994 was 24.1% above the first quarter of 1993.

- Net interest income on a taxable equivalent basis increased $5.4 million, or 1.8%, over the first quarter of 1993 primarily due to a $1.0 billion increase in average loan volume. The net financial margin for the first quarter was 5.64%, down 8 basis points from the 5.72% reported in the prior year first quarter and down slightly compared to the 5.67% reported in the fourth quarter of 1994.

- The provision for losses on loans for the first quarter of 1994 at $25.0 million was $2.5 million lower than the provision recorded for the first quarter of 1993. The decrease in the provision for losses on loans resulted from the continued improvement in credit quality outlook and credit quality indicators, including a decline in non-performing assets of $73.3 million, or 13.6% from March 31, 1993. Non-performing assets increased $91.7 million, or 24.6%, from December 31, 1993, reflecting recognition of non-performing assets in the Constellation portfolios in accordance with a previously announced change in strategic direction concerning those assets. At March 31, 1994 non-performing assets were $464.3 million, compared to $372.6 million at December 31, 1993 and $537.6 million at March 31, 1993.

- On March 16, 1994, CoreStates completed its acquisition of the $2.3 billion asset Constellation Bancorp. Constellation's bank subsidiary and its 49 branches were merged into CoreStates' New Jersey National Bank ("NJNB") subsidiary on April 29, 1994, increasing NJNB's assets to $6.7 billion and its branches to 153. As a result of this acquisition, which was accounted for as a pooling of interests, 11.3 million shares of CoreStates common stock were issued.

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PENDING ACQUISITIONS

- On November 18, 1993, CoreStates announced a definitive agreement to acquire Independence Bancorp, a bank holding company with $2.5 billion assets. Assuming approval by regulators and by Independence's shareholders, the transaction is expected to close in the second quarter of 1994. Each of Independence's 11.2 million shares of common stock will be exchanged for up to 1.5 shares of CoreStates' common stock. The transaction has a total value of approximately $430 million and is expected to be accounted for as a pooling of interests.

- On March 7, 1994, CoreStates announced a definitive agreement to acquire Germantown Savings Bank ("GSB"), which has $1.6 billion in assets. Assuming approval by GSB's shareholders and certain regulatory authorities, the transaction is expected to close in the third quarter of 1994. This transaction will be accounted for as a purchase, and under the terms of the agreement, each of GSB's 4.19 million shares of common stock will be exchanged for a combination of CoreStates' common stock, equal to 55% of the $62 per GSB share purchase price, and cash, equal to 45% of the purchase price.

- On March 31, 1994, CoreStates announced an agreement to acquire Alpha Beta Data Services, Inc. ("Alpha Beta"), a remittance processing and data entry services business in Los Angeles, CA. This acquisition establishes a West Coast presence for CoreStates in the sizeable Southern California economy, providing growth opportunity for fee-based businesses. Alpha Beta currently provides remittance processing to seven financial institutions customers representing 40-end customers and data-entry service to more than 100 customers. Alpha Beta will operate as a division of the CoreStates' subsidiary Financial Telesis, Inc., which has headquarters and operations in Clifton, New Jersey.

BUSINESS LINE RESULTS

The following tables present the performance results of CoreStates' four core business segments: Wholesale Banking; Consumer Financial Services; Trust and Investment Management; and Electronic Payment Services ("EPS"), Inc. Affiliate for the three-month periods ended March 31, 1994 and 1993. Each segment is comprised of well defined business lines with market or product specific missions.

For the current reporting period, Constellation is reported as a separate entity. During 1994, as the new company is fully integrated into CoreStates, the respective business components of Constellation will be blended into the existing business lines. It is expected that there will be a one to two quarter transition period following each acquisition before complete business line reporting can be established. During the transition period, a new acquisition may be reported separately from the existing lines of business.

<TABLE>
<CAPTION>

Three Months Ended March 31, (in millions, taxable equivalent basis)	Wholesale Banking		Consumer Financial Services		Trust and Investment Management		EPS, Inc. Affiliate	
	1994	1993	1994	1993	1994	1993	1994	1993
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net interest income	$135.7	$128.4	$131.1	$133.5	$ 7.5	$ 7.9	$(1.4)	$(1.4)
Provision for loan losses	13.9	12.4	13.2	11.6	.3	.3		
Non-interest income	55.9	49.3	35.2	30.3	23.0	23.8	7.9	3.6
Non-financial expenses	106.9	104.8	116.5	110.6	25.9	26.3		
Income before income taxes	70.8	60.5	36.6	41.6	4.3	5.1	6.5	2.2

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Income tax expense	27.8	22.7	14.1	15.7	1.6	1.8	2.3	(.1)
Net income	$ 43.0	$ 37.8	$ 22.5	$ 25.9	$ 2.7	$ 3.3	$ 4.2	$ 2.3
Percentage contribution	46.8%	50.4%	24.5%	34.5%	2.9%	4.4%	4.6%	3.1%
Return on assets	1.29	1.20	1.64	1.89	1.59	1.89	23.66	13.72
Return on equity (a)	24.46	22.28	33.92	39.19	39.11	47.80	425.83	233.19
Average assets	$13,530	$12,773	$5,554	$5,543	$ 687	$ 709	$ 72	$ 68
Average equity (a)	713	688	269	268	28	28	4	4

	Constellation Bancorp		Corporate		Total	
	1994	1993	1994	1993	1994	1993
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net interest income	$24.3	$ 24.7	$ 9.5	$ 8.2	$306.7	$301.3
Provision for loan losses	1.9	2.5	(4.3)	.7	25.0	27.5
Non-interest income	12.1	9.0	5.3	7.2	139.4	123.2
Non-financial expenses	21.1	28.3	3.0	8.3	273.4	278.3
Income before income taxes	13.4	2.9	16.1	6.4	147.7	118.7
Income tax expense	4.7	1.2	5.3	2.4	55.8	43.7
Net income	$ 8.7	$ 1.7	$ 10.8	$ 4.0	$ 91.9	$ 75.0(b)
Percentage contribution	9.5%	2.3%	11.7%	5.3%	100.0%	100.0%
Return on assets	1.71	.29	1.32	.46	1.48	1.22(b)
Return on equity (a)	41.51	3.65	4.36	2.23	17.72	15.98(b)
Average assets	$2,061	$2,396	$3,318	$3,528	$25,222	$25,017
Average equity (a)	85	189	1,005	728	2,104	1,905

</TABLE>

(a) Equity is allocated to business lines in the four core business segments by applying a factor of 5.0% against average risk-weighted assets and adding intangible assets.
Equity for Constellation Bancorp reflects that entity's legal equity.

(b) Based on income before the cumulative effect of a change in accounting principle.

BUSINESS LINE RESULTS - continued

Corporate overhead, processing and support costs are fully allocated along with the impact of balance sheet management and hedging activities of CoreStates. A matched maturity transfer pricing system is used to allocate interest income and interest expense. The loan loss provision and allowance for loan losses are allocated based on an expected normalized credit environment. All business lines are allocated equity based on regulatory risk-based capital guidelines as well as each business line's fixed assets and other capital investment requirements. Intangible assets and associated costs are also fully allocated to relevant business units. The development of these allocation methodologies is a continuous process at CoreStates. Business line results can change as a result of improvements to the underlying allocation methodologies.

The Corporate category includes the income and expense impact of residual equity; residual loan loss reserves and provision; unusual or non-recurring items not attributable to the operating activities of the four major business areas; emerging business activities not directly related to the four major business areas; and miscellaneous items.

Wholesale Banking is organized into six business lines: Corporate and Institutional Banking; Investment Banking; Cash Management; International Banking; Corporate Middle Market; and Specialized Finance. Net income of $43.0 million for the first quarter was $5.2 million, or 13.8% above the first quarter of 1993. This increase was due primarily to strong performance in net interest income and non-interest income. Net interest income was 5.7% over the first quarter of 1993 due primarily to lower levels of non-performing loans, and

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higher loan and deposit volumes. Average loan volume was above 1993 by 8.0%. Average non-performing loans declined 36.3% from the first quarter of 1993. Non-interest income was above 1993 levels by 13.4%. This was primarily due to increases in service charges on deposits and fees for international services. Non-financial expenses were 2.0% above the first quarter of 1993.

Consumer Financial Services includes the following business lines: Community Banking; Specialty Products; and Mortgage Banking. Specialty Products includes Credit Card, Student Lending, Synapsys and Cardlinx. Community Banking's 1993 results include five Virgin Islands branches and related operations areas, all of which were sold on September 30, 1993. From a net operating earnings standpoint, the impact of the Virgin Islands was insignificant and the following discussion excludes the Virgin Islands to facilitate a meaningful review of the operating trends of the remaining businesses.

BUSINESS LINE RESULTS - continued

Net income for the first quarter of 1994 was $22.5 million. This represents a decrease of $3.4 million, or 13.1% compared to the first quarter of 1993. Net interest income was virtually flat versus last year, declining $.2 million or 0.2%. A $6.6 million increase in the Specialty Products Group ("SPG") was more than offset by a decline of $6.8 million in Community Banking. The increase in net interest income in SPG is primarily the result of increased credit card outstandings. Total average credit card balances of $1.1 billion for the first quarter of 1994 showed growth of $214 million, or 23.5% compared to 1993. The $6.8 million decline in Community Banking net interest income was largely the result of declining deposit spreads, which had a $4.0 million negative impact. Additionally, total loans of $3.5 billion reflect a decline of $217 million compared to 1993, with a net interest income impact of $1.5 million. The decline in loan volumes included the securitization of $253 million in home equity loans over the past year. Declining loan spreads also affected net interest income by $1.3 million. The provision for loan losses of $13.2 million increased $1.7 million compared to the first quarter of 1993. This increase was a direct result of the growth in credit card outstandings. Non-interest income grew by $5.1 million, or 17.0%, including an increase of $4.2 million, or 21.9% in Community Banking. In March, 1994, $65 million in boat loans were sold, generating a gain of $1.5 million. Additionally, service charges on deposits grew by $1.0 million, or 8.3%. Securitization income of $1.7 million in 1994 represented an increase of $.9 million compared to 1993. Revenues from sales of third-party annuities and mutual funds through the branch network, which were not introduced until the second quarter of 1993, contributed $.5 million to the 1994 results. SPG reported non-interest income growth of $.9 million, or 8.3% for the quarter. Non-financial expenses grew by $8.5 million, or 7.9% compared to 1993, including increases of 4.0% in Community Banking and 26.3% in SPG. SPG expenses increased in support of the 23.5% growth in credit card outstandings noted above.

Trust and Investment Management is organized into four business lines: Institutional Trust; Personal Trust; Private Banking; and Investment Management. Net income of $2.7 million for the first quarter was down $.6 million from the first quarter of 1993. The decrease in net income is due to a 5.1% decrease in net interest income and a 3.4% decline in non-interest income. Partially offsetting these declines was a decrease in non-financial expenses of 1.5%. The decline in net interest income is due to lower balance credits in addition to narrower spreads on Private Banking loans. Bond refunding levels of early 1993 were not repeated in 1994 thus reducing the level of balances that generate credits in Institutional Trust. The decline in non-interest income from the first quarter of 1993 is related to fee growth weakness in the Institutional businesses. Personal Financial and Investment Services fee growth partially offset the declines in Institutional Trust. Asset growth in the CoreFund family of Mutual Funds was 2% over 1993, contributing to the fee growth in Investment Services. Stronger growth in trust fees continues to be hampered by lower than anticipated new business and the recent declines in the equity and bond markets.

BUSINESS LINE RESULTS - continued

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EPS, Inc. Affiliate includes the following business lines: the MAC automated teller machine (ATM) network and POS processing. The MAC and POS business lines were contributed to Electronic Payment Services (EPS), Inc. on December 4, 1992, a joint venture that combined the separate consumer electronic transaction processing businesses of CoreStates, Banc One Corporation, PNC Bank Corp. and Society Corporation into the nation's leading provider of ATM and POS processing services. The exchange generated a deferred gain of approximately $136 million.

In December, 1993, CoreStates and EPS mutually agreed to enter into a recapitalization of EPS involving the EPS preferred stock held by CoreStates. In exchange for substantially all of the preferred stock, CoreStates received from EPS a ten-year 6.45% note providing for equal principal payments over the life of the note. The recapitalization does not affect the amount of deferred gain generated in the contribution of the business lines, but changes the timing of deferred gain income recognition from a five-year period beginning in 1996 to a ten-year period beginning in 1994.

Net income totalled $4.2 million for the quarter, $1.9 million above the earnings reported in the same quarter last year. The 1994 results include non-interest income from CoreStates' 31% equity interest in EPS, recognition of the deferred gain, and income on the $250 million promissory note, partly offset by an interest carrying charge of $1.4 million. Most of the increase from the prior year is due to the recognition of the deferred gain. Loss of last year's favorable tax treatment on the preferred dividends is offset by higher income recognition on the $250 million promissory note.

Constellation Net income for Constellation has increased from $1.7 million in the first quarter of 1993 to $8.7 million in the first quarter of 1994. This was primarily due to higher non-interest income and lower non-financial expenses. Non-interest income increased $3.1 million due to $5.0 million of securities gains reported in the first quarter of 1994, partially offset by a decline in service charges and mortgage origination and servicing fees. Non-financial expenses decreased $7.2 million from last year's first quarter due to reductions in OREO provision of $2.2 million, mortgage servicing rights amortization of $1.8 million, and decreases in other non-performing asset related expenses.

NET INTEREST INCOME

The largest source of CoreStates' operating revenue is net interest income. For analytical purposes, net interest income is adjusted to a "taxable equivalent" basis to recognize the income tax savings on tax exempt assets. Net interest income on a taxable equivalent basis for the first quarter of 1994 was $306.7 million, an increase of $5.4 million, or 1.8%, from the first quarter of 1993. The increase in the level of taxable equivalent net interest income was primarily a result of: a $1.0 billion increase in average domestic loan volume, a $737 million increase in non-interest bearing funding and a lower level of non-performing assets, partially offset by reduced interest rate spreads. The net interest margin at 5.64% declined 8 basis points from the first quarter of 1993 due to reduced interest rate spreads.

Taxable equivalent net interest income for the first quarter of 1994 decreased $7.1 million, or 2.3%, compared to the fourth quarter of 1994. This decrease was principally attributable to the impact of lower cash basis interest income on non-performing assets, lower interest rates spreads, reduced non-interest bearing funding and the impact of two less days in the quarter, which resulted in approximately $2.4 million less net interest income.

The following table compares taxable equivalent net interest income for the three months ended March 31, 1994 versus the first quarter of 1993 and the fourth quarter of 1993, respectively (in millions):
<TABLE>
<CAPTION>

Taxable Equivalent Net Interest Income	Three Months Ended			Increase (decrease)	
	Mar. 31, 1994	Mar. 31, 1993	Dec. 31, 1993	Mar. 1994/ Mar. 1993	Mar. 1994/ Dec 1993

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Total interest income	$407.2	$413.5	$414.3	$ (6.3)	$(7.1)
Tax equivalent adjustment	5.2	6.1	6.7	(0.9)	(1.5)
Tax equivalent interest income	412.4	419.6	421.0	(7.2)	(8.6)
Total interest expense	105.7	118.3	107.2	(12.6)	(1.5)
Taxable equivalent net interest income	$306.7	$301.3	$313.8	$ 5.4	$(7.1)
Interest rate spread	4.89%	4.96%	4.91%		
Net interest margin	5.64%	5.72%	5.67%		

</TABLE>

CORESTATES FINANCIAL CORP AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS -- Continued

NET INTEREST INCOME - continued

The following rate/volume analysis on a taxable equivalent basis illustrates the underlying factors producing these increases (decreases) in tax equivalent net interest income (in millions):
<TABLE>
<CAPTION>

	Increase (decrease) in interest — Three Months Ended March 31, 1994/1993			Increase (decrease) in interest — Three Months Ended March 31, 1994/Dec. 31, 1993		
	Income/ expense	Change attributable to Volume	Rate	Income/ expense	Change attributable to Volume	Rate
Interest earning assets						
Time deposits-Eurodollars	$ 1.9	$(1.4)	$ 3.3	$ 4.5	$ 1.4	$ 3.1
Investment securities	(13.7)	(3.1)	(10.6)	(6.6)	(2.4)	(4.2)
Federal funds sold	.7	.5	.2	.4	(.1)	.5
Trading account securities	-	-	-	-	-	-
Loans:						
Domestic	4.5	22.9	(18.4)	(6.6)	3.6	(10.2)
Foreign	(.6)	-	(.6)	(.3)	(.4)	.1
Total interest income	(7.2)	18.9	(26.1)	(8.6)	2.1	(10.7)
Interest bearing funds						
Deposits:						
Domestic	(17.7)	(3.6)	(14.1)	(6.6)	(.1)	(6.5)
Overseas	3.3	(.3)	3.6	4.5	.2	4.3
Funds borrowed:						
Federal funds purchased	.4	(.2)	.6	(.5)	(.2)	(.3)
Other	3.1	3.2	(.1)	(1.1)	.9	(2.0)
Long-term debt	(1.7)	3.0	(4.7)	2.2	.7	1.5
Total interest expense	(12.6)	2.1	(14.7)	(1.5)	1.5	(3.0)
Net interest income	$ 5.4	$16.8	$(11.4)	$(7.1)	$ .6	$(7.7)

</TABLE>

- - - Changes in interest income or expenses not arising solely as a result of volume or rate variances are allocated to rate variances due to the interest sensitivity of consolidated assets and liabilities.

- - - Non-performing loans are included in interest earning assets.

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- - - The changes in interest expense on domestic time deposits attributable to volume and rate are adjusted by specific reserves as average balances are reduced by such reserves for purposes of rate calculations.

NET INTEREST INCOME - continued

The effect of cash basis and other non-performing loans on interest income and net interest income for the three-month periods ended March 31, 1994 and 1993 was as follows (in millions):

	Three Months Ended March 31, 1994	Three Months Ended March 31, 1993
Interest income due on non-performing loans in accordance with their original terms	$ 8.1	$ 7.6
Interest income on non-performing loans reflected in total interest income	4.1	4.8
Net reduction in interest income	$ 4.0	$ 2.8

PROVISION AND ALLOWANCE FOR LOAN LOSSES

The provision for loan losses for the first quarter of 1994 was $2.5 million below the provision for the prior year first quarter. The decrease in the loan loss provision resulted primarily from an improving outlook for credit quality and continuing improvements in credit quality indicators, including a 13.6% decline in non-performing assets from March 31, 1993.

The following table presents an analysis of changes in the allowance for loan losses for the three months ended March 31, 1994 and 1993 (in millions):

	Three Months Ended March 31, 1994	Three Months Ended March 31, 1993
Balance at beginning of period	$ 537.8	$ 407.6
Provision charged to operating expense	25.0	27.5
Loan charge-offs	(43.1)	(46.6)
Recoveries of loans previously charged off	12.9	25.9
Net loan charge-offs	(30.2)	(20.7)
Balance at end of period	$ 532.6	$ 414.4
Ratios:		
Net charge-offs (annualized) as a percentage of average total loans	.68%	.49%

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Allowance for loan losses as a percentage of loans at end of period	2.87%	2.42%
	====	====
Allowance for loan losses as a percentage of non-performing loans	141.77%	110.56%
	=======	=======

</TABLE>

PROVISION AND ALLOWANCE FOR LOAN LOSSES -- Continued

The following table reflects the distribution of net loan charge-offs by loan type for the three months ended March 31, 1994 and 1993 (in millions):
<TABLE>
<CAPTION>

	Three Months Ended March 31, 1994			Three Months Ended March 31, 1993		
	Net Charge-offs	% of Average Loan Type(1)	% of Total Net Charge-offs	Net Charge-offs	% of Average Loan Type(1)	% of Total Net Charge-offs
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Domestic:						
Commercial, industrial and other	$16.1	.8%	53.3%	$ .5		2.4%
Real estate:						
Construction and development	1.3	1.6	4.3	1.8	1.7%	8.7
Other	5.4	.4	17.9	11.5	.8	55.6
Consumer:						
Credit Card	6.0	2.1	19.9	5.5	2.4	26.6
Installment	1.3	.5	4.3	1.2	.4	5.8
Other (2)	.1		.3	.9	.3	4.3
Total domestic net charge-offs	30.2	.7	100.0	21.4	.5	103.4
Foreign (3)				(.7)	(.5)	(3.4)
Total net charge-offs	$30.2	.7%	100.0%	$20.7	.5%	100.0%

</TABLE>

(1) Annualized.
(2) Includes loans to financial institutions and lease financing.
(3) Reflects net recoveries on LDC assets of $.7 million for the three months ended March 31, 1993.

NON-PERFORMING LOANS AND OTHER REAL ESTATE OWNED

Total non-performing assets at March 31, 1994 increased $91.7 million, or 24.6%, from December 31, 1993. Most of the increase from December 31, 1993 was in the real estate category, which increased $88.4 million including a $76.3 million increase in the commercial mortgage portfolio due to loans acquired with Constellation being placed on non-accrual in accordance with a previously announced change in strategic direction concerning those assets. The commercial and industrial loan portfolio declined by $2.0 million.
<TABLE>
<CAPTION>

The following table summarizes non-performing assets at March 31, 1994 and December 31, 1993 (in millions):

	March 31, 1994	December 31, 1993

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<S> <C> <C>

Non-accrual loans	$344.9	$226.3
Renegotiated loans	30.7	54.9
Total non-performing loans	375.6	281.2
Other real estate owned:		
Acquired through foreclosure	46.4	46.9
In-substance foreclosure	36.4	38.3
Property formerly used in banking operations	5.9	6.2
Total other real estate owned	88.7	91.4
Total non-performing assets	$464.3	$372.6

</TABLE>

The following table reflects the distribution of non-performing assets by loan type at March 31, 1994 and December 31, 1993 (in millions):

<TABLE>
<CAPTION>

	March 31, 1994		December 31, 1993	
Domestic:	Non-performing	% of Loan Type	Non-performing	% of Loan Type
Commercial, industrial and other:				
HLTs	$ 5.1	1.1%	$ 5.1	1.1%
Other	102.8	1.2	104.8	1.4
Total commercial, industrial and other	107.9	1.2	109.9	1.4
Real estate:				
Construction and development loans	20.8	6.5	19.4	5.8
Other loans	239.1	4.6	149.4	2.8
Other real estate owned	88.6		91.4	
Total real estate	348.6	4.7	260.2	3.0
Consumer			.7	
Other domestic loans(1)	7.7	.5	1.6	.1
Total domestic non-performing assets	464.1	2.6	372.4	2.1
Foreign loans	.2		.2	
Total non-performing assets(2)	$464.3	2.5%	$372.6	2.1%
% Total assets	1.8%		1.4%	

</TABLE>

(1) Includes loans to financial institutions and lease financing.

(2) Includes non-accrual loans, renegotiated loans and other real estate owned. The table does not include loans of $46 million and $48 million at March 31, 1994 and December 31, 1993, respectively, that are past due 90 days or more as to principal or interest, but which remain on full accrual since such loans are well secured and in the process of collection.

NON-PERFORMING LOANS AND OTHER REAL ESTATE OWNED - continued

The following table summarizes the components of the change in non-performing assets for the first quarter of 1994 (in millions):

<TABLE>

Beginning balance, January 1, 1994	$373
Additions	154
Return to accrual	(15)
Payments	(21)
Charge-offs	(27)

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Net change	91
Ending balance, March 31, 1994	$464

</TABLE>

NON-INTEREST INCOME

Total non-interest income for the first quarter of 1994 increased $16.2 million, or 13.1%, from the first quarter of 1993. Excluding the impact of securities gains, non-interest income increased $12.3 million, or 10.2% compared to the prior year first quarter. This 10.2% increase principally reflects continuing increases in revenues from CoreStates' fee-based businesses including a $3.2 million, or 8.0%, increase in service charges on deposit accounts and a $2.7 million, or 17.2%, increase in fees for international services. Also contributing to the first quarter increase was a $1.5 million gain on the sale of a portfolio of boat loans, $1.3 million gain on securitization of home equity loans, and income related to CoreStates' investment in Electronic Payment Services, Inc. ("EPS"). That investment was restructured in December 1993 adding $3 million to revenue each quarter for the next ten years, representing recognition of deferred gains from CoreStates' contribution of its former electronic payment services businesses to EPS.

Investment securities gains in the first quarter of 1994 were $6.9 million compared to $3.0 million of gains in the prior year first quarter. The first quarter of 1994 includes gains of $5.0 million recorded on sales of certain investments acquired with Constellation. The prior year first quarter included $2.4 million of net gains recorded on foreign equity securities.

NON-FINANCIAL EXPENSES

Total non-financial expenses were $273.4 million in the first quarter of 1994, a decrease of $4.9 million, or 1.8%, from the first quarter of 1993, reflecting some cost efficiencies from the Constellation acquisition.

CAPITAL MANAGEMENT

CoreStates' capital provides the resources and flexibility for anticipated growth. CoreStates' capital position at March 31, 1994 under risk-based capital guidelines was $2.0 billion, or 8.9% of risk-weighted assets, for Tier I capital and $2.9 billion, or 13.1%, for total risk-based capital. Tier I capital consists primarily of common shareholders' equity less goodwill and certain intangible assets, while total risk-based capital adds qualifying subordinated debt and the allowance for loan losses, within permitted limits, to Tier I capital. Risk-weighted assets are determined by assigning various levels of risk to different categories of assets and off-balance sheet activities. CoreStates' ratios at March 31, 1994 are above the risk-based capital standards that require all banks to have Tier I capital of at least 4% and total capital of 8%.

Under the Federal Reserve Board's capital leverage guidelines, which require a minimum leverage ratio of 3.0% (Tier I capital to quarterly average total assets), CoreStates had a leverage ratio of 7.8% at March 31, 1994. The minimum 3.0% leverage requirement applies only to top rated banking organizations without any operating, financial, or supervisory deficiencies. Other organizations (including those experiencing or anticipating significant growth) are expected to hold an additional capital cushion of at least 100 to 200 basis points of Tier 1 capital, and in all cases, banking organizations should hold capital commensurate with the level and nature of all the risks, including the volume and severity of problem loans, to which they are exposed.

Substantially the same capital requirements are applied to CoreStates' banking subsidiaries; CoreStates Bank, N.A., New Jersey National Bank and CoreStates Bank of Delaware, N.A. under guidelines issued by the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation. As illustrated in the following table, at March 31, 1994 the banking subsidiaries of CoreStates were "well capitalized" as defined by regulatory authorities.
<TABLE>
<CAPTION>
Regulatory Capital Ratios

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	Tier I	Total	Leverage	Total Assets ($ in billions)
CoreStates Bank, N.A.	8.4%	10.9%	7.4%	$17.5
New Jersey National Bank(1)	9.5	11.6	6.6	4.5
CoreStates Bank of Delaware, N.A.	12.2	13.5	11.9	.6

(1) Constellation Bank was merged into New Jersey National Bank on April 29, 1994. Pro forma combined regulatory capital ratios at March 31, 1994 were 8.9%, 10.8% and 6.2% for Tier I capital, total capital and leverage ratios, respectively.

CoreStates' dividend on its common stock was $.30 per share in the first quarter of 1994 and $.27 in the first quarter of 1993, both reflecting the Stock Dividend. The common dividend payout ratio was 41.7% for the first quarter of 1994, compared to 46.6% for the first quarter of 1993.

LIQUIDITY AND INTEREST RATE SENSITIVITY

CoreStates manages its sources of liquidity by participating in diversified funding markets and by restructuring the maturities of its portfolio of investment securities and short-term discretionary assets. To manage interest sensitivity, CoreStates utilizes discretionary investment and funding instruments as well as various types of hedging vehicles such as futures contracts, interest rate swaps, options on interest rate swaps and interest rate caps. These latter techniques are used principally to stabilize the margin generated from relationship products. CoreStates monitors the interest rate sensitivity posture of the institutions with which CoreStates has agreed to merge. These postures are considered when CoreStates evaluates its overall risk. CoreStates currently maintains a well balanced interest rate sensitivity posture with limited exposure to interest rate changes in either direction.

CONSOLIDATED AVERAGE BALANCE SHEET AND TAXABLE EQUIVALENT INCOME/EXPENSE AND RATES
THREE MONTHS ENDED

	March 31, 1994			December 31, 1993			March 31, 1993		
	Average balance (000,000)	Rate	Income/ expense (000)	Average balance (000,000)	Rate	Income/ expense (000)	Average balance (000,000)	Rate	Income/ expense (000)
INTEREST EARNING ASSETS									
Time deposits, principally Eurodollars (a)	$ 1,305	4.49%	$ 14,445	$ 1,145	3.46%	$ 9,983	$ 1,470	3.47%	$ 12,560
Investment securities (b):									
U.S. Government	2,168	4.84	25,857	2,462	5.26	32,625	2,376	6.44	37,714
State and municipal	333	8.19	6,822	322	8.88	7,150	397	8.43	8,366
Other	256	2.64	1,666	151	3.18	1,210	176	4.64	2,014
Total investment securities	2,757	5.05	34,345	2,935	5.54	40,985	2,949	6.61	48,094
Federal funds sold	234	3.95	2,278	249	2.95	1,852	210	3.06	1,586
Trading account securities	2	7.80	39	2	5.60	28	1	6.80	17
Loans (b) (c) (d):									
Domestic:									
Commercial, industrial and other	7,593	7.67	143,663	7,297	8.01	147,287	6,606	8.12	132,236
Real estate	5,583	7.89	108,666	5,507	7.53	104,511	5,928	8.30	121,344
Consumer	2,209	11.99	65,284	2,230	12.64	71,024	2,010	12.32	61,064
Financial institutions	630	6.76	10,507	758	6.04	11,544	654	6.84	11,038
Factoring receivables	536	9.70	12,825	614	8.55	13,233	467	10.05	11,574
Lease financing	665	8.31	13,811	641	8.59	13,771	543	9.53	12,940
Foreign	541	4.89	6,528	572	4.69	6,766	543	5.38	7,201

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Total loans, net of discounts	17,757	8.25	361,284	17,619	8.29	368,136	16,751	8.65	357,397
Total interest earning assets (d)	$22,055	7.58	412,391	$ 21,950	7.61	420,984	$21,381	7.96	419,654
FUNDING SOURCES									
Interest bearing liabilities (b):									
Deposits in domestic offices (e):									
Commercial	$ 202	2.53	1,262	$ 295	3.33	2,476	$ 366	3.37	3,041
NOW accounts	1,649	.36	1,351	1,578	.63	2,283	1,554	.98	3,427
Money Market Accounts	3,577	1.98	17,445	3,587	2.01	18,142	3,588	2.02	17,859
Consumer savings	2,709	1.05	6,997	2,640	1.22	8,091	2,605	1.68	10,812
Consumer certificates	3,675	4.20	38,021	3,720	4.34	40,717	4,224	4.58	47,672
Time deposits of overseas branches and subsidiaries	735	4.73	8,567	707	2.28	4,059	772	2.76	5,260
Total interest bearing deposits	12,547	2.40	73,643	12,527	2.43	75,768	13,109	2.76	88,071
Short-term funds borrowed:									
Federal funds purchased	943	3.23	7,499	961	3.26	7,901	967	2.95	7,035
Commercial paper	549	3.26	4,415	554	3.14	4,387	553	3.23	4,400
Other	391	5.03	4,852	310	7.70	6,016	73	10.26	1,846
Total short-term funds borrowed	1,883	3.61	16,766	1,825	3.98	18,304	1,593	3.38	13,281
Long-term debt (f)	1,476	4.20	15,286	1,400	3.71	13,095	1,267	5.48	16,965
Total interest bearing liabilities	15,906	2.69	105,695	15,752	2.70	107,167	15,969	3.00	118,317
Portion of non-interest bearing funding sources	6,149			6,198			5,412		
Total funding sources	$22,055	1.94	105,695	$ 21,950	1.94	107,167	$21,381	2.24	118,317
Net interest income and net interest margin		5.64%	$306,696		5.67%	$313,817		5.72%	$301,337
NON-INTEREST EARNING ASSETS									
Cash	$ 2,273			$ 2,235			$ 2,263		
Allowance for loan losses	(542)			(426)			(418)		
Other assets	1,436			1,466			1,791		
Total non-interest earning assets	$ 3,167			$3,275			$ 3,636		

</TABLE>

<TABLE>
<CAPTION>
CONSOLIDATED AVERAGE BALANCE SHEET AND TAXABLE EQUIVALENT INCOME/EXPENSE AND RATES -- continued
THREE MONTHS ENDED

	March 31, 1994			December 31, 1993			March 31, 1993		
	Average balance	Rate	Income/ expense	Average balance	Rate	Income/ expense	Average balance	Rate	Income/ expense
	(000,000)		(000)	(000,000)		(000)	(000,000)		(000)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
NON-INTEREST BEARING FUNDING SOURCES									
Demand deposits:									
Domestic	$ 5,517			$5,631			$ 5,336		
Foreign	372			377			349		
Other liabilities	1,323			1,401			1,458		
Shareholders' equity	2,104			2,064			1,905		
Non-interest bearing funding sources used to fund earning assets	(6,149)			(6,198)			(5,412)		
Total net non-interest bearing funding									

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sources....................	$ 3,167				$3,275		$ 3,636		
	=========				======		========		

SUPPLEMENTARY AVERAGES
- - -----------------------------------

Net demand deposits................	$ 4,358			$4,417			$ 4,289		
Net Federal funds purchased........	709	2.99%	$ 5,221	712	3.37%	$ 6,049	757	2.92%	$ 5,449
Commercial certificates of deposit in domestic offices over $100,000...	188	2.54	1,176	278	3.40	2,383	353	3.45	3,005
Average prime rate.................		6.02			6.00			6.00	

</TABLE>

(a) Yields and income on deposits include net Eurodollar trading profits.
(b) The net impact of interest rate swaps is recognized as an adjustment to interest income or expense of the related hedged asset or liability.
(c) Yields and income on loans include fees on loans.
(d) Non-performing loans are included in interest earning assets.
(e) Average balances on time deposits in domestic offices are reduced by specified reserve amounts for purposes of rate calculations.
(f) Rates on long-term debt are based on average balances excluding average capital lease obligations.

PART II. OTHER INFORMATION

CORESTATES FINANCIAL CORP AND SUBSIDIARIES

Item 6: EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits - The following exhibits are filed herewith in connection with registration statements filed from time to time by the Corporation:

11 Computation of Per Share Earnings

12.1 Computation of Ratio of Earnings to Fixed Charges (Consolidated)

12.2 Computation of Ratio of Earnings to Fixed Charges (Combined CoreStates Parent Company and CoreStates Capital Corporation)

(b) The following Reports on Form 8-K were filed by CoreStates Financial Corp during the quarter:

<TABLE>
<CAPTION>

<C>	<C>	<S>
1.	Date of Report:	January 19, 1994
	Item(s) Reported:	The information set forth in the earnings news release of CoreStates Financial Corp.
2.	Date of Report:	March 7, 1994
	Item(s) Reported:	The information set forth in the news release of CoreStates Financial Corp announcing the acquisition of Germantown Savings Bank by CoreStates Financial Corp.
3.	Date of Report:	March 16, 1994, as amended
	Item(s) Reported:	CoreStates Financial Corp acquired all of the outstanding shares of Constellation Bancorp and submission of pro forma financial information.

</TABLE>

SIGNATURE
- - ---------

Pursuant to the requirements of the Securities Exchange Act of 1934, the

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Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CORESTATES FINANCIAL CORP

Date: May 12, 1994

By:/s/ Albert W. Mandia

Albert W. Mandia
Executive Vice President, Finance
(Principal Accounting Officer)

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CORESTATES FINANCIAL CORP AND SUBSIDIARIES

EXHIBIT 11

STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS
(in thousands, except per share amounts)
<TABLE>
<CAPTION>

		Three Months Ended March 31, 1994	Three Months Ended March 31, 1993
<S>		<C>	<C>
(A)	Income before cumulative effect of a change in accounting principle	$ 91,912	$ 75,050
	Cumulative effect of a change in accounting principle		(13,010)
(B)	Net Income	$ 91,912	$ 62,040
	EARNINGS PER SHARE		
	Based on average common shares outstanding		
(C)	Average shares outstanding	128,089	128,300
(A/C)	Income before cumulative effect of a Change in accounting principle	$0.72	$0.58
(B/C)	Net Income	$0.72	$0.48

</TABLE>
Based on average common and common
equivalent shares outstanding

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<TABLE>
<CAPTION>

<S>		<C>	<C>
Primary:			
(D)	Average common equivalent shares	1,067	1,439
		=====	=====
(E)	Average common and common equivalent shares (C + D)	129,156	129,739
		=======	=======
(A/E)	Income before cumulative effect of a change in accounting principle (1)	$ 0.71	$0.58
		======	=====
(B/E)	Net Income (1)	$ 0.71	$0.48
		======	=====
Fully diluted:			
(F)	Average common equivalent shares	1,042	1,520
		=====	=====
(G)	Average common and common equivalent shares (C + F)	129,131	129,820
		=======	=======
(A/G)	Income before cumulative effect of a change in accounting principle (1)	$ 0.71	$0.58
		======	=====
(B/G)	Net Income (1)	$ 0.71	$0.48
		======	=====

</TABLE>

- - ------------------------------
(1) Dilution is less than 3%.

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CORESTATES FINANCIAL CORP AND SUBSIDIARIES

EXHIBIT 12.1

COMPUTATION OF RATIO OF EARNINGS FROM CONTINUING OPERATIONS
TO FIXED CHARGES OF CONTINUING OPERATIONS

CONSOLIDATED

Three Months Ended March 31, 1994

<TABLE>
<CAPTION>

<S>	<C>
1. Income from continuing operations before extraordinary items and income taxes	$142,506
2. Fixed charges of continuing operations:	
A. Interest expense (excluding interest on deposits), amortization of debt issuance costs and one-first of rental expenses, net of income from subleases	$ 37,782
B. Interest on deposits	73,643
C. Total fixed charges (line 2A + line 2B)	$111,425
3. Income from continuing operations before extraordinary items and income taxes, plus total fixed charges of continuing operations:	
A. Excluding interest on deposits (line 1 + line 2A)	$180,288
B. Including interest on deposits (line 1 + line 2C)	$253,931
4. Ratio of earnings (as defined) to fixed charges:	
A. Excluding interest on deposits (line 3A/line 2A)	4.77x

</TABLE>

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B. Including interest on deposits (line 3B/line 2C)............ 2.28x
====

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CORESTATES FINANCIAL CORP AND SUBSIDIARIES

EXHIBIT 12.2

COMPUTATION OF RATIO OF EARNINGS FROM CONTINUING OPERATIONS
TO FIXED CHARGES OF CONTINUING OPERATIONS

COMBINED CORESTATES (PARENT ONLY) AND CORESTATES CAPITAL CORPORATION

Three Months Ended March 31, 1994
- - --------------------------------
<TABLE>
<CAPTION>

<S>	<C>
1. Income before income taxes and equity in undistributed income of subsidiaries..	$36,805
2. Fixed charges - interest expense, amortization of debt issuance costs and one-first of rental expenses, net of income from subleases...	21,539
	-------
3. Income before taxes and equity in undistributed income of subsidiaries, plus fixed charges...............................	$58,344
	=======
4. Ratio of earnings (as defined) to fixed charges (line 3/ line 2)...	2.71x
	====

</TABLE>

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